

Commerce City

Long-Term Financial Plan Update

May 11, 2026



Agenda

1. Base Outlook
2. Key Conclusions
3. Next Steps
4. Supplemental Information
 - Project Overview
 - Forecast Model Assumptions

Base Outlook



Base Revenue Projections (\$M)

Draft – Subject to Change

Revenue Category	2026 (Budget)	2026 (Base)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Sales Tax ¹	\$71.2	\$74.2	\$78.4	\$83.0	\$87.8	\$93.0	\$98.6	\$104.5	\$110.8	\$117.6	\$124.9	\$132.7
Use Tax ¹	\$34.9	\$39.8	\$40.2	\$40.7	\$41.1	\$41.6	\$42.0	\$42.5	\$43.0	\$43.4	\$43.9	\$44.4
Other Tax ²	\$14.1	\$14.1	\$14.7	\$15.4	\$16.1	\$17.0	\$17.9	\$18.9	\$20.0	\$21.2	\$22.5	\$23.9
Licenses and Permits	\$5.1	\$6.2	\$6.5	\$6.9	\$7.3	\$7.8	\$8.2	\$8.7	\$9.3	\$9.8	\$10.4	\$11.0
Charges for Service	\$10.4	\$10.4	\$11.1	\$11.7	\$12.5	\$13.3	\$14.1	\$15.0	\$15.9	\$16.9	\$18.0	\$19.1
Other Revenue	\$6.3	\$5.6	\$5.8	\$6.0	\$6.1	\$6.1	\$6.0	\$5.7	\$5.3	\$4.6	\$3.7	\$3.6
Total³	\$142.0	\$150.3	\$156.8	\$163.7	\$171.0	\$178.7	\$186.8	\$195.3	\$204.2	\$213.5	\$223.3	\$234.7
Percent Change	N/A	N/A	4.3%	4.4%	4.5%	4.5%	4.5%	4.5%	4.6%	4.6%	4.6%	5.1%

1 – Includes 2K

2 – Includes Property, Miscellaneous, and Franchise Fee taxes

3 – Excludes \$8.2 million of fund balance used to balance the 2026 operating budget

Base Expenditure Projections (\$M)

Draft – Subject to Change

Expenditure Category	2026 (Budget)	2026 (Base)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Salaries	\$59.2	\$56.4	\$59.9	\$63.7	\$67.7	\$72.0	\$76.5	\$81.3	\$86.5	\$91.9	\$97.7	\$103.8
Benefits	\$16.4	\$16.5	\$16.5	\$17.7	\$18.9	\$20.2	\$21.7	\$23.2	\$24.9	\$26.7	\$28.6	\$30.7
Contract Services/ Services and Charges	\$44.1	\$43.2	\$47.2	\$51.7	\$56.8	\$62.6	\$69.3	\$76.9	\$85.7	\$95.8	\$107.5	\$121.0
Other Expenditures ¹	\$7.9	\$7.9	\$8.2	\$8.4	\$8.6	\$8.8	\$9.0	\$9.2	\$9.4	\$9.6	\$9.8	\$10.0
Debt Service	\$14.9	\$14.8	\$14.8	\$14.8	\$14.8	\$14.8	\$14.8	\$15.6	\$15.6	\$15.6	\$15.6	\$15.6
General Fund Capital Transfers	\$7.7	\$7.7	\$0.0	\$0.0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$150.2	\$146.5	\$146.6	\$156.3	\$166.8	\$178.4	\$191.3	\$206.2	\$222.1	\$239.6	\$259.2	\$281.1
Percent Change	N/A	N/A	0.1%	6.7%	6.7%	7.0%	7.2%	7.8%	7.7%	7.9%	8.2%	8.4%

1 – Includes materials and supplies, miscellaneous operating expenditures, and transfers out for Council retirement fund.

Deficit vs. Fund Balance

Deficit

A deficit occurs when expenditures exceed revenues in a given year. An organization can have a deficit while still having available fund balance.

Minimum Fund Balance

The City's Reserve Policy dictates a minimum General Fund reserve of 23% of expenditures: 3% TABOR emergency fund, 10% designated safeguard reserves, and 10% restricted funds.

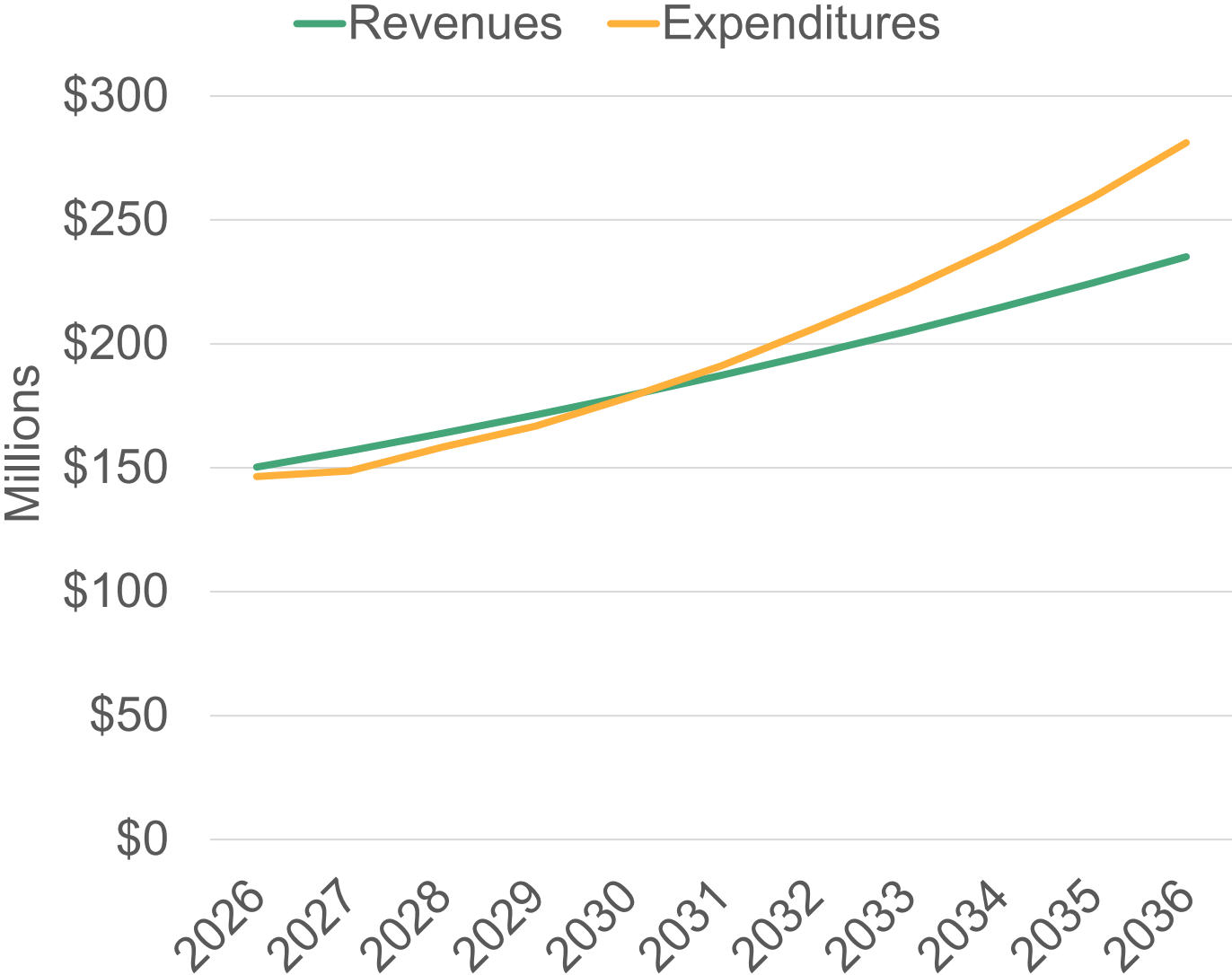
Unassigned Fund Balance

The remaining portion of fund balance above the minimum is the unassigned fund balance. These funds are available for the City to spend. Best practice is to use fund balance only for one-time expenditures rather than ongoing operations.

Projected Base Case Revenues and Expenditures

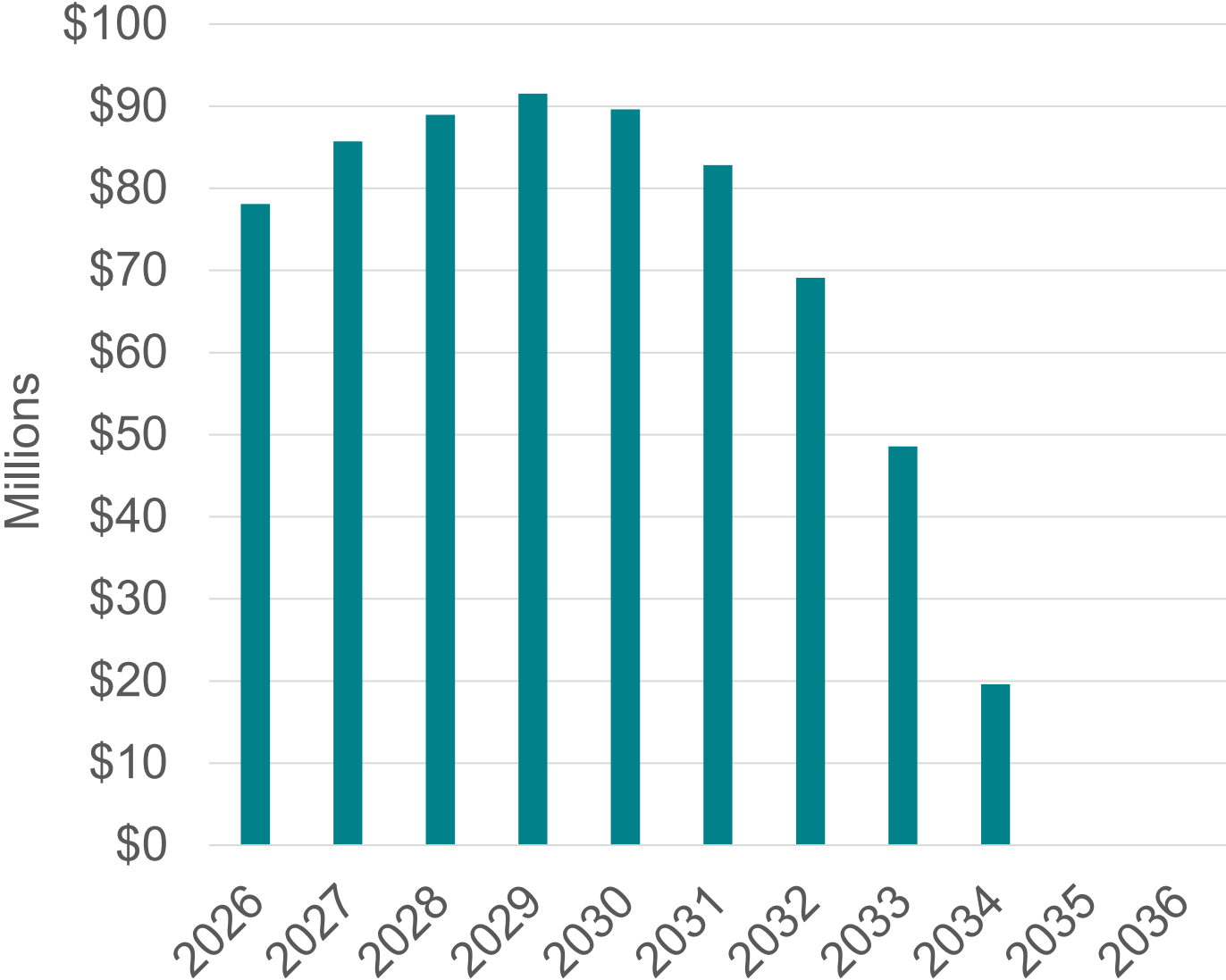


- Revenue increases by an average of 4.6% per year
- Expenditures increase by an average of 6.8% per year
- Deficit starting in 2031 (Year 5)
- Assumes no policy changes



Projected Base Case Unrestricted Fund Balance

- No unrestricted fund balance starting in 2035 (Year 9)
- Assumes no policy changes



Key Conclusions



Base Outlook Findings



Annual deficits expected in 2031

Moderating revenue growth from historic trends



Sensitivity to economic conditions

Moderating revenue growth from historic trends



Stabilizing staffing levels

Aligning rate of personnel and contract growth with current service levels



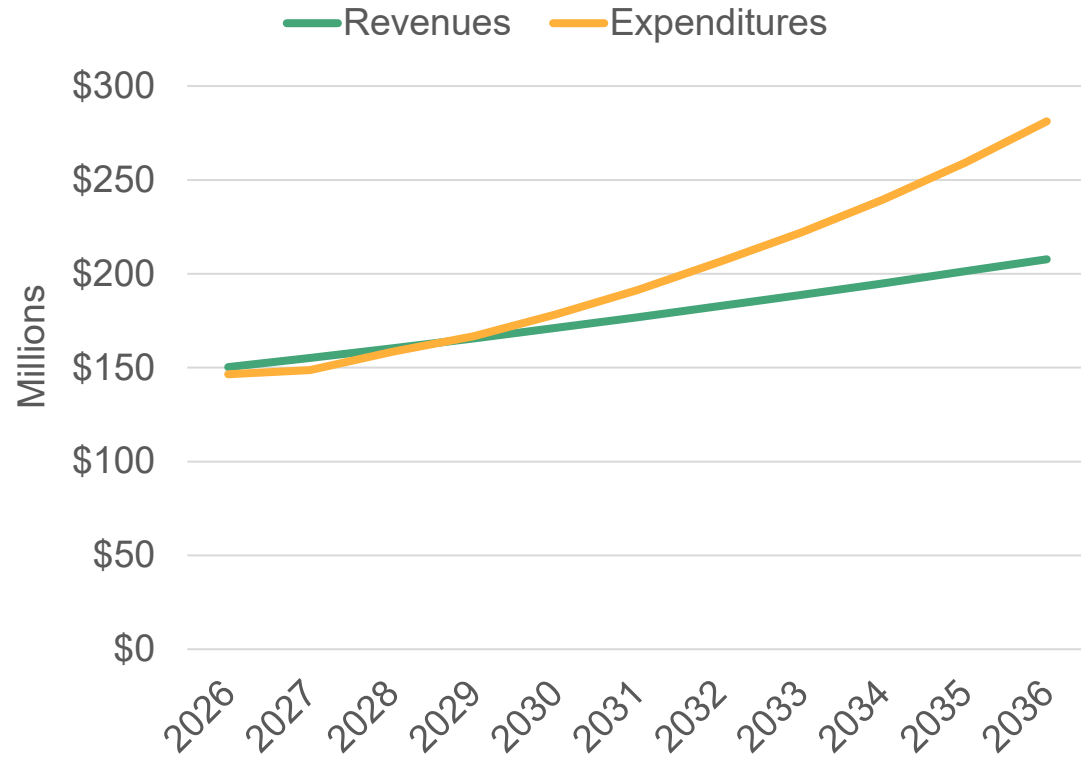
Opportunities for policy intervention

Policy decisions can slow the trajectory of projected structural deficit

Sensitivity Analysis – Sales and Use Tax

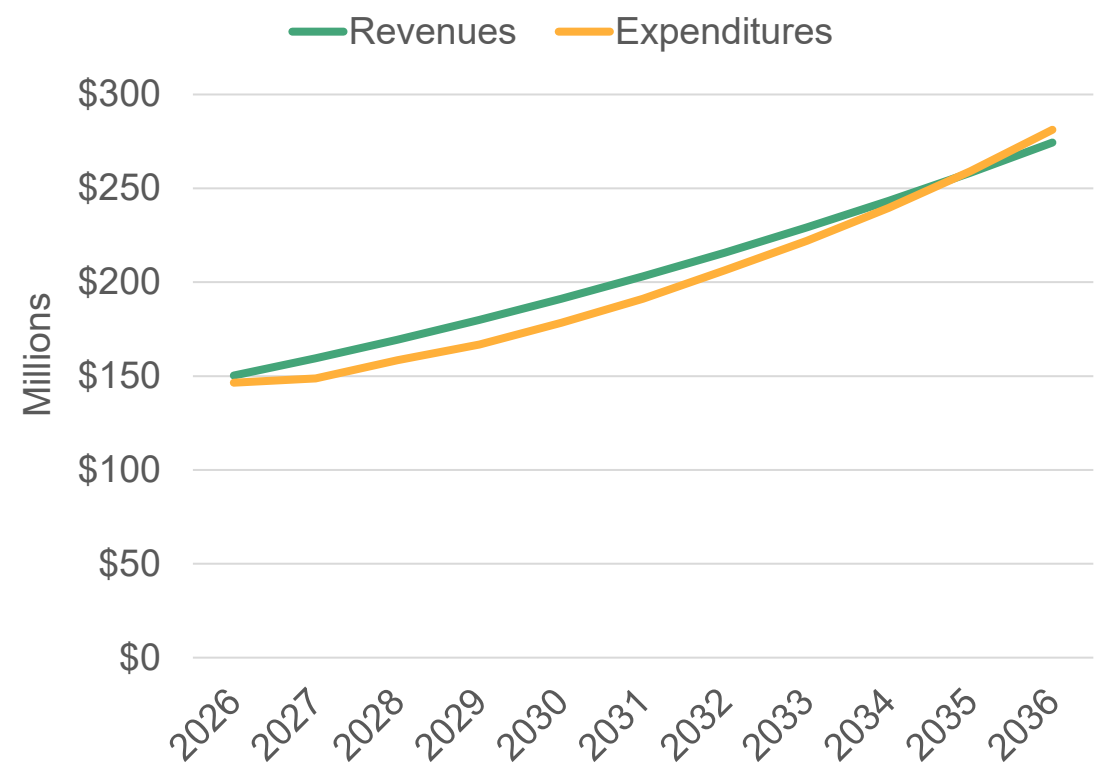
Constrained

Deficit in 2029



High Growth

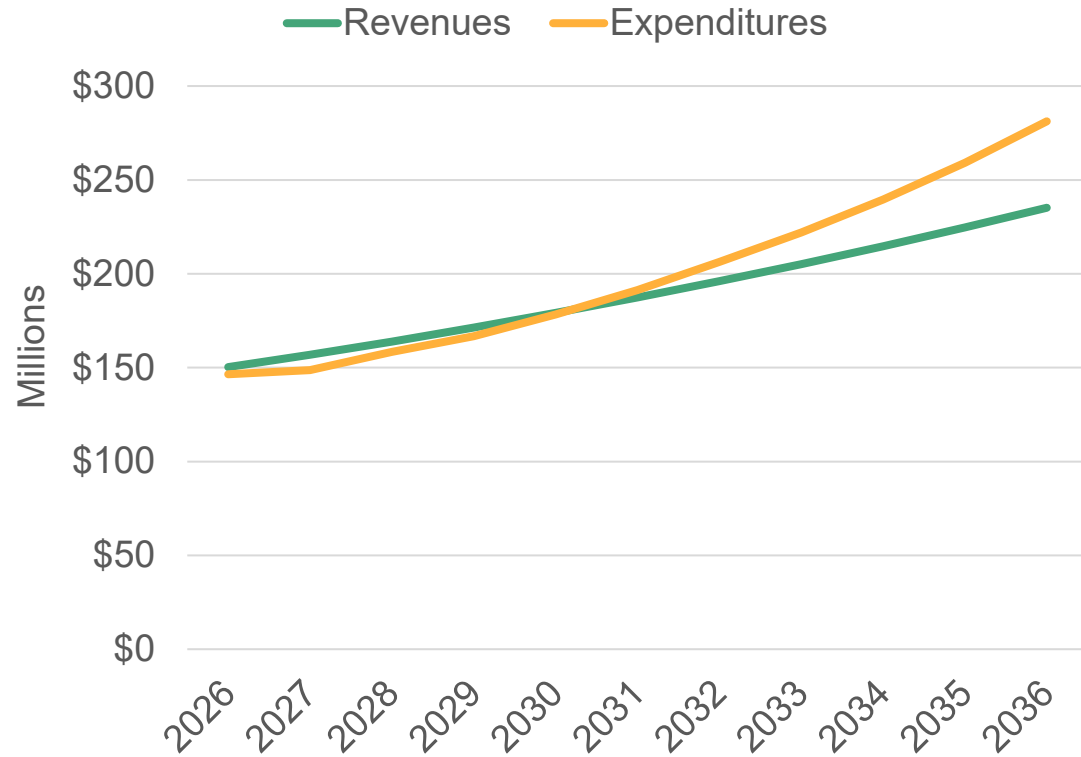
Deficit in 2035



Marginal Impact Analysis – \$5M in Additional Revenue

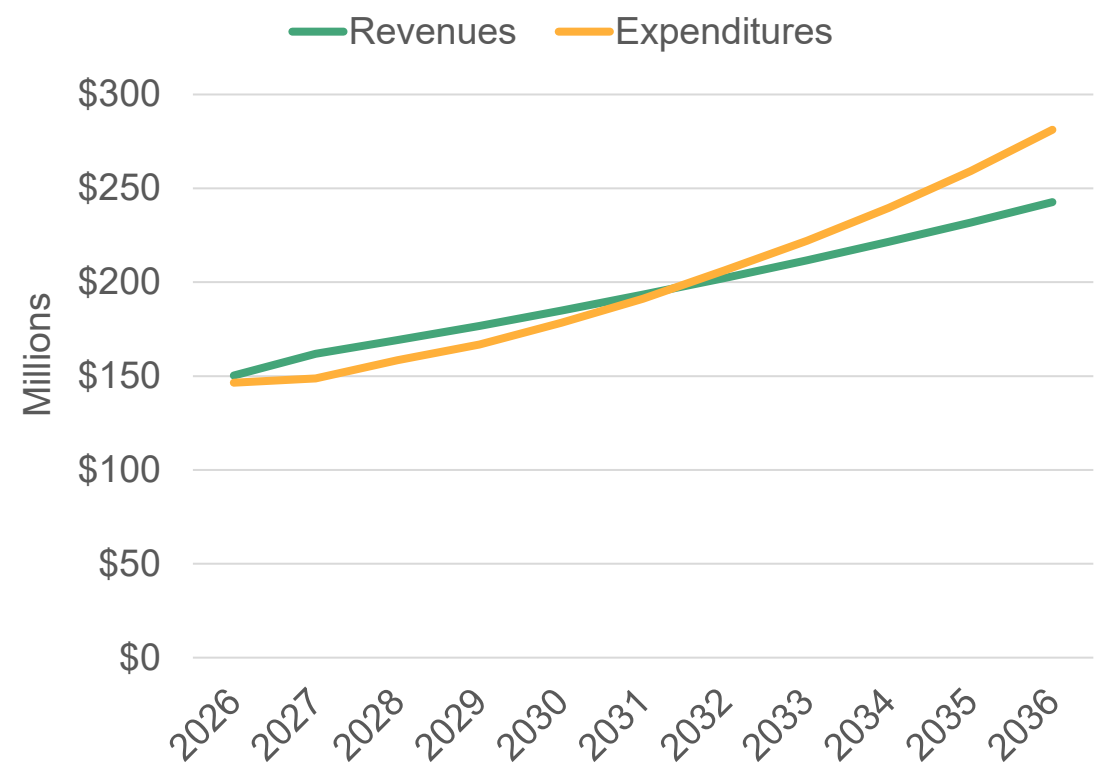
Base Case

Deficit in 2031



Additional Revenue

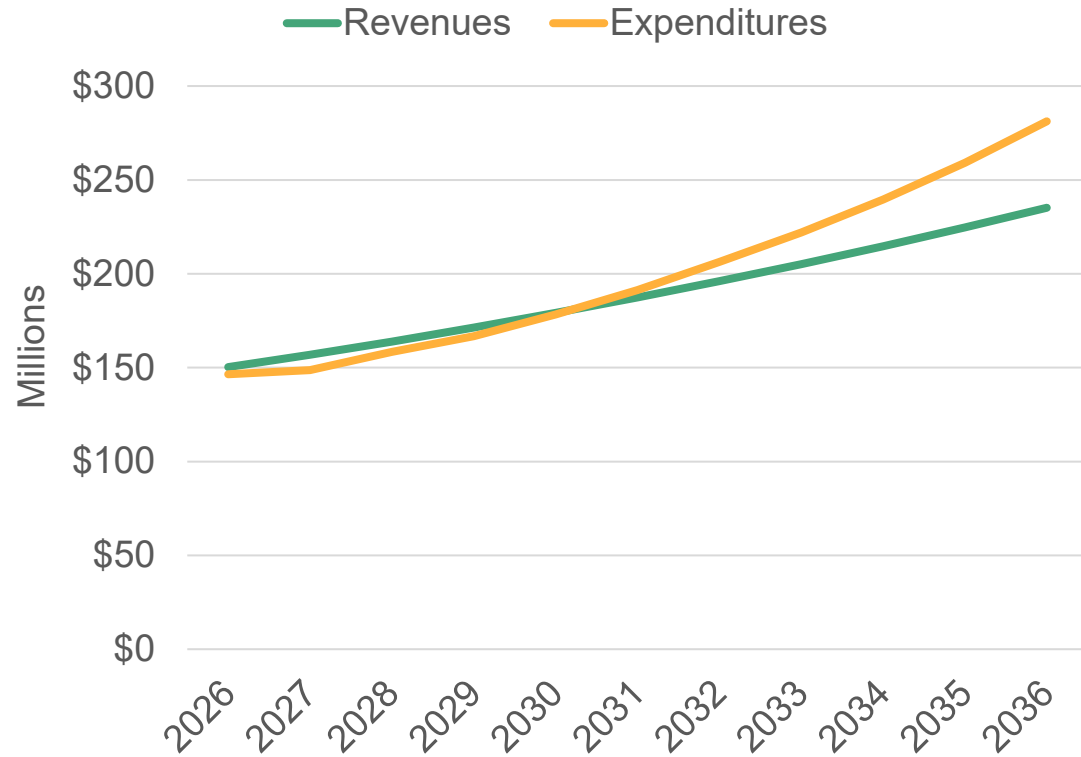
Deficit in 2032



Marginal Impact Analysis – \$5M in Additional Expenditures

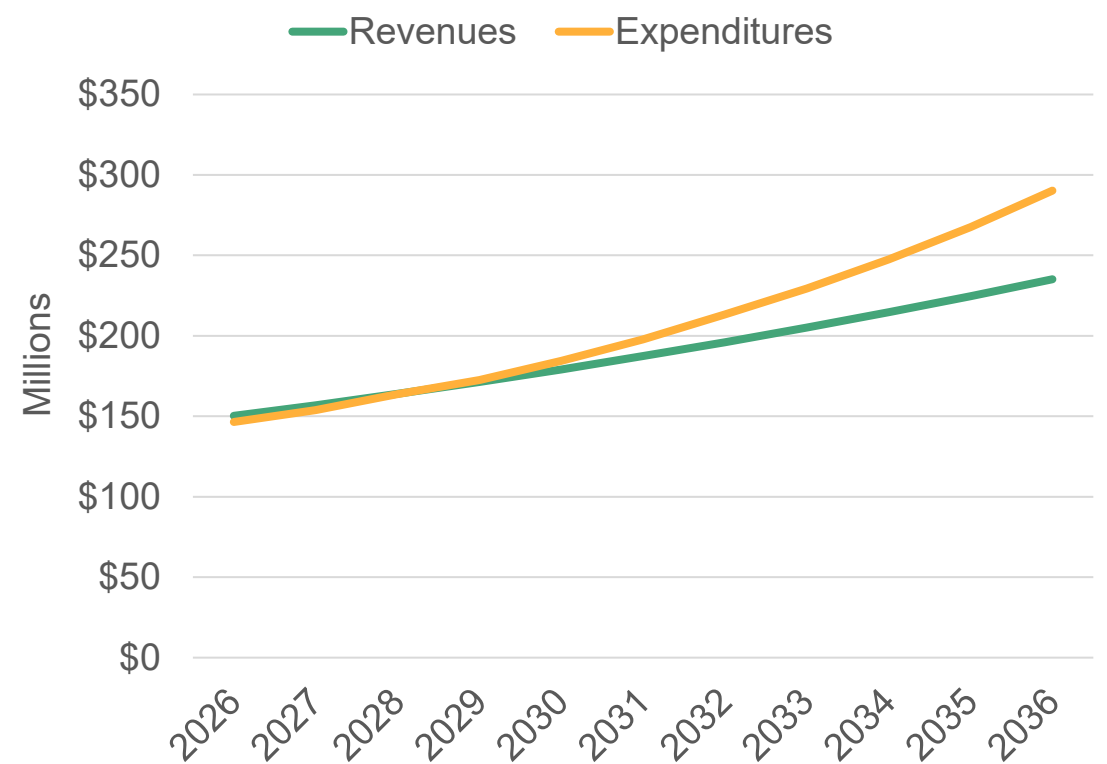
Base Case

Deficit in 2031



Additional Expenditures

Deficit in 2029



Policy Intervention

Raftelis identified, based on our review and analysis of the City's financial condition and fiscal outlook

1 Property Tax Diversification

"De-Brucing" and/or increasing the millage rate to be in line with the region

2 Cost Recovery Philosophy

Improving revenue collection to offset some services like refuse collection and recreation programming

3 Expenditure Stabilization

Reviewing staff and contract growth to match current service level expectations

Long-Term Fiscal Sustainability Measures Strategy

1. Tabor Excess Property Tax Revenue Retention (slide x for details)
 - Opportunity for the City to recapture \$1.4 million in annual General Fund Revenue currently not collected within our established mill levy
 - Staff recommend adopting a ballot measure for voter consideration in the November 2026 election
2. Establish a Charged Service Fee for Waste Refuse Services (slide x for details)
 - Current expenditure model for Waste Refuse Services is not sustainable long-term and will impact the ability of the City providing other amenities and services to the community at the necessary level of service (LOS)
3. Tax Equilibrium Improvement (Slide x for details)
 - Conduct due diligence and community engagement to

These three measures could generate between \$4.5 and \$5.0 million in annual General Fund Revenue to promote long-term fiscal sustainability and delay the city's forecasted structural imbalance shown in the Long-Term Financial Plan.

Revenue Diversification Step #1

TABOR Impacts on Property Tax

Collection Year	Valuation	Full Mill Levy	Full Levy Revenue	Credit	Certified Levy	Certified Levy Revenue	Revenue Loss
2022	\$ 1,351,930,770	3.280	\$ 4,434,333	0.360	2.920	\$ 3,947,638	\$ 486,695
2023	\$ 1,417,703,360	3.280	\$ 4,650,067	0.170	3.110	\$ 4,409,057	\$ 241,010
2024	\$ 1,898,664,930	3.280	\$ 6,227,621	0.730	2.550	\$ 4,841,596	\$ 1,386,025
2025	\$ 1,854,712,310	3.280	\$ 6,083,456	0.581	2.699	\$ 5,005,869	\$ 1,077,588
2026	\$ 2,040,454,320	3.280	\$ 6,692,690	0.667	2.613	\$ 5,331,707	\$ 1,360,983

Total 5-Year Revenue Loss of over \$4.5 million!

- In 2026, a homeowner of a \$500,000 home is paying \$1,307 in City property taxes under the certified mill levy of 2.613 (or \$261 per \$100,000 in valuation).
- This would increase to \$1,640 (or \$328 per \$100,000 in valuation) if the City were able to assess its full mill levy.
- An increase of \$333 (or \$67 per \$100,000 in valuation).

Revenue Diversification Step #2

Trash Service Fee

1. Study Session planned in July for further discussion in regard to the following policy considerations:
 1. Implementing a fee in Year 2027 or 2028 to mitigate the expenditure impact on the General Fund
 2. Charging a reasonable monthly fee of \$10-20 per household could generate approximately \$3.2 million per year in annual revenue (rough estimate discounted to off-set administrative and billing costs). Estimate excludes cost City is paying to support the electric trash and recycling fleet.
 1. In 2026, the cost for trash services is \$16.21 per month per residential unit.
 2. In 2026, the cost for recycling services is \$5.05 per month per residential unit.

Commerce City is one of only two cities in the State of Colorado that does not charge for residential trash removal

Revenue Diversification Step #2

Trash Service Fee

Commerce City is only one of two cities in Colorado that does not charge for residential trash removal services:

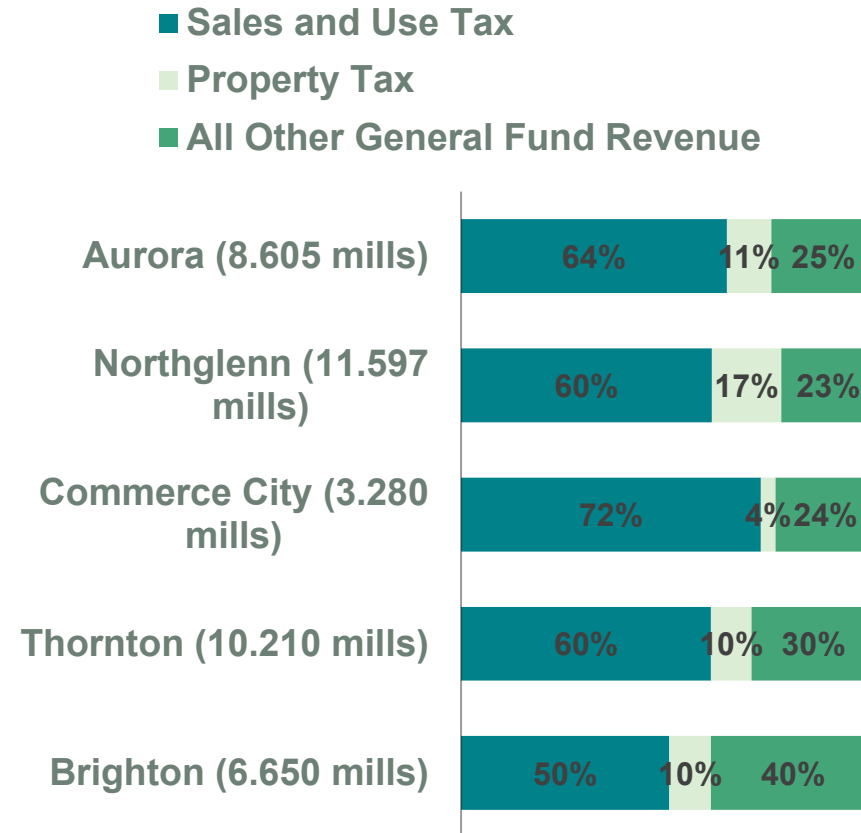
- Residents in Adams County select and pay for their desired trash provider.
- Aurora residents pay for trash through their respective HOAs.
- Thornton charges \$17.50 per month with the option to add additional containers.
- Fort Collins operates a city-wide contract that bills residents monthly starting at \$11.41 per month. Residents can pay a monthly fee to choose their own provider.
- Denver administers a pay-as-you-throw program with options ranging from \$9 to \$21 per month, billed quarterly.

Revenue Diversification Step #3

Tax Equilibrium Improvement

- The City heavy relies on Sales & Use Tax revenue
 - Over 70% of total General Fund revenues
 - Over 90% of total Tax revenues
 - Best practice - tax equilibrium of between 50-60% of revenue from sales and use tax and 10-20% of revenue from property tax
 - This equilibrium will allow us to weather the “storms” better when consumer activity decreases and growth/development plateaus or grows at a slower rate
- Recommendations:
 - Conduct due diligence to strike a balance and engage community thoroughly on this topic
 - If there is sufficient support, propose ballot measure for voter consideration in November 2028 election for implementation of a mill levy increase in 2029

Revenue Source Comparison





Next Steps



Public Engagement Sessions

July 2026



Final Project Deliverables

Forecast models and a comprehensive report

Supplemental Information





City of Commerce City – Long-Term Financial Plan

PROJECT TIMELINE

 <p>PROJECT KICK-OFF</p>	 <p>ASSESS FINANCIAL CONDITION</p>	 <p>DEVELOP GENERAL FUND MODEL</p>	 <p>PUBLIC ENGAGEMENT</p>	 <p>PREPARE LONG-TERM FINANCIAL PLAN</p>
<p>Major Activities</p> <ul style="list-style-type: none"> • Kick-off meeting with project team • Initial data and document request • Finalize project schedule <p>Deliverables</p> <ul style="list-style-type: none"> • Preliminary Project Timeline • Data Request 	<p>Major Activities</p> <ul style="list-style-type: none"> • Finance and City Leadership interviews • Environmental scan • Review historical financial trends, cash flow analysis, capital planning, and reserves • Review financial condition with project team <p>Deliverables</p> <ul style="list-style-type: none"> • Interview schedule • Summary of financial condition 	<p>Major Activities</p> <ul style="list-style-type: none"> • Develop baseline financial model • Develop projection scenarios • Conduct sensitivity analysis <p>Deliverables</p> <ul style="list-style-type: none"> • 10-year financial model 	<p>Major Activities</p> <ul style="list-style-type: none"> • Plan, prepare, and present two study sessions with City Council • Plan, prepare, and facilitate two workshops with City community members <p>Deliverables</p> <ul style="list-style-type: none"> • Presentations • Community workshop materials • Summary of public engagement feedback 	<p>Major Activities</p> <ul style="list-style-type: none"> • Develop project report summarizing financial condition, forecasting model, and public input <p>Deliverables</p> <ul style="list-style-type: none"> • Draft and finalize financial plan report
<p>Complete</p>	<p>Complete</p>	<p>Complete</p>	<p>In Progress</p>	<p>In Progress</p>

Baseline Forecast and Annual Budget

	Long-Term Financial Model 	Annual Budget Process 
Primary Objective	Identify long-term trends and project reasonably predictable conditions across a multi-year landscape.	Mechanism for making near-term adjustments to maintain fiscal balance.
Decision Scope	Frames the high-level policy and investment conditions for executive leadership and governing bodies.	Involves difficult, specific choices regarding staffing levels, service delivery, and infrastructure investment.
Outcome	Warning system	Incremental solution

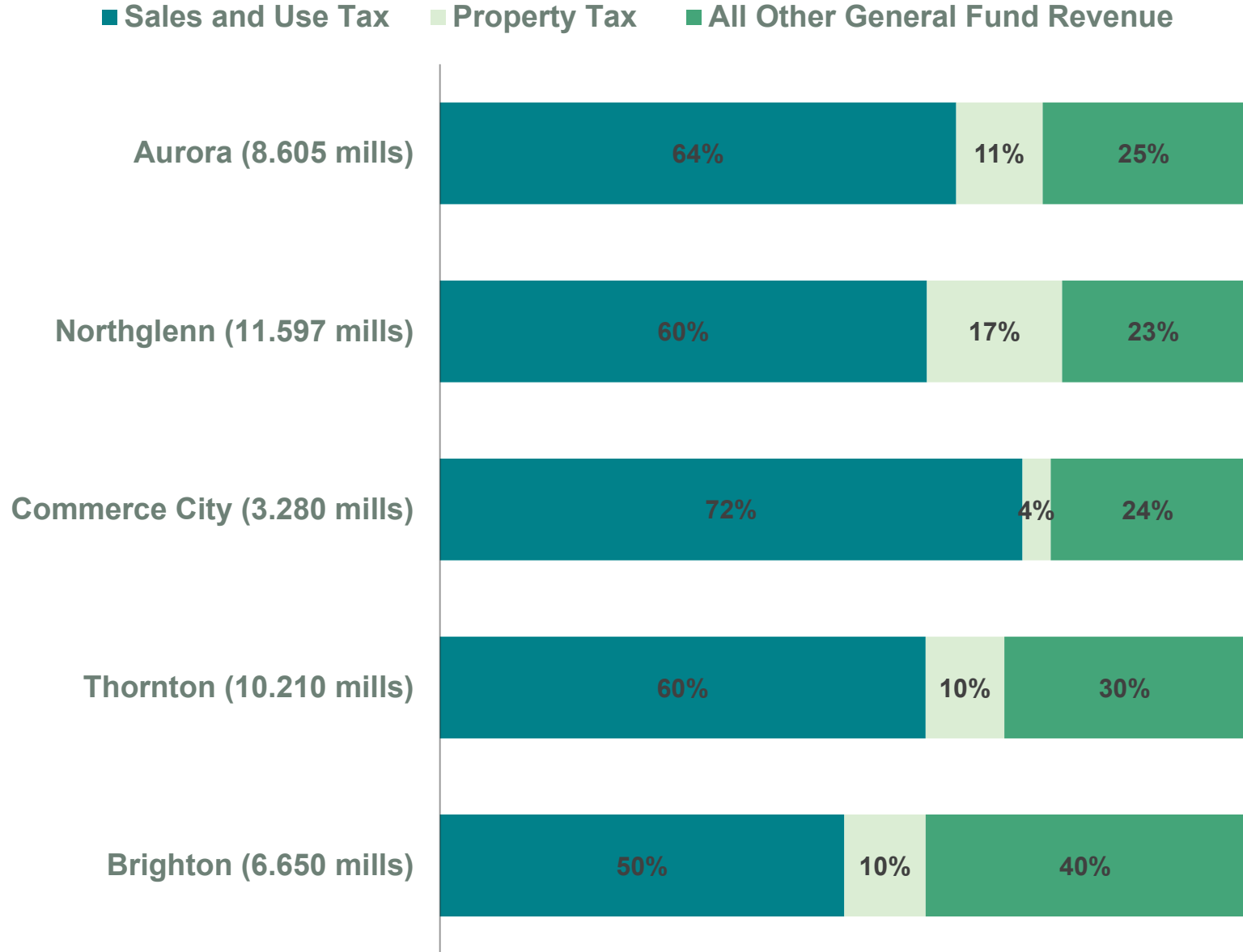
Primary Forecast Assumptions



Operating Revenue



Revenue Sources



Revenue Assumptions: Sales Tax

Historical Trend		
FY	Actual	% Change
2021	\$52,353,451	N/A
2022	\$60,667,816	15.9%
2023	\$66,142,837	9.0%
2024	\$69,942,612	5.7%
2025	\$71,331,717	2.0%
2026 Budget	\$71,245,545	N/A
Average Change		8.2%

Predictability:

- Average budget-to-actual variance of **+21.5%**
- High elasticity and volatility by industry
- Sensitive to local, consumer economic changes

Relevant Data Sources for Projecting Estimates:

- City taxable retail income
- Number of City establishments
- Statewide estimates for change in number of establishments by industry
- Statewide estimates for income per retailer

Raftelis Preliminary Assumption:

Blended Average 6%

- Reviewed distribution of sales tax generated by industry/type
- Allocated estimated change in City establishments by industry
- Allocated estimated City sales per retailer and industry type, compared to estimated change in income from statewide data
- Aggregated establishment and income projections to estimate sales tax by industry each year

Revenue Assumptions: Use Tax

Historical Trend		
FY	Actual	% Change
2021	\$47,230,433	N/A
2022	\$40,034,401	-15.2%
2023	\$36,836,053	-8.0%
2024	\$35,350,038	-4.0%
2025	\$40,958,027	15.9%
2026 Budget	\$34,893,849	N/A
Average Change		(2.8%)

Predictability:

- Average budget-to-actual variance of **+18.5%**
- High elasticity and volatility by type – General, Vehicle, Building
- Sensitive to local, commercial economic changes

Relevant Data Sources for Projecting Estimates:

- City revenue collection by type (General)
- Population change (Vehicle)
- Building permit valuation (Building)

Raftelis Preliminary Assumption:

Blended Average 1.1%

- Increases 2026 base estimate to \$39.8m from budget based on 2025 actuals
- Weighted average of the underlying trend data for each type

Other **Tax** Revenue Assumptions

Revenue Category	Trend	Underlying Data	2026 Base	Growth Assumption
Property Tax	<ul style="list-style-type: none"> 5yr average growth of 7.4% Most recent year-over-year actual was flat 	<ul style="list-style-type: none"> Taxable Assessed Value (TAV) subject to TABOR Limit Population 	<ul style="list-style-type: none"> Adjusted to \$5.3 million based on budget-to-actual underperformance of approx. 1% 	<ul style="list-style-type: none"> Blended average of change in TABOR and estimated population growth – 10.5%
Other Taxes	<ul style="list-style-type: none"> City recently began tracking audited revenue, major increase to 2025 actuals compared to historical collection of \$2m 	<ul style="list-style-type: none"> Historical trend Audit volatility/performance over time TBD 	<ul style="list-style-type: none"> Used higher 2026 budget with anticipated audit revenue going forward Reviewed other tax categories to avoid overstating 	<ul style="list-style-type: none"> Assume flat based on previous collection patterns before audit revenue Will need to closely monitor audit revenue over coming years
Franchise Fees	<ul style="list-style-type: none"> Relatively flat at \$3.9 million since 2022 	<ul style="list-style-type: none"> Historical revenue collection Permit valuation history 	<ul style="list-style-type: none"> Equal to budget, recent actual revenue in line with budget 	<ul style="list-style-type: none"> Average of historical collection and permit valuation 1.8%

Other General Fund Revenue Assumptions

Revenue Category	Trend	Underlying Data	2026 Base	Growth Assumption
Licenses and Permits	<ul style="list-style-type: none"> Recent 2yr growth of over 10% Blended 5yr growth of 3.8% (low in 2022 and 2023) 	<ul style="list-style-type: none"> Community Dev anticipated permit growth (primarily residential) 	<ul style="list-style-type: none"> Approx \$1m higher than 2026 budget Based on recent 2yr trend 	<ul style="list-style-type: none"> Assumed increase of approx. 30 new residential permits per year Approx 6% growth
Charges for Services	<ul style="list-style-type: none"> Consistent average growth of 8.9% since 2022 Outperforming budget (2022-2025) 	<ul style="list-style-type: none"> Driven by primarily by Parks and Rec (70% of revenue) Population growth Historical trend 	<ul style="list-style-type: none"> Equal to 2026 budget, which increased 38% from \$7.5m to \$10.4 million based on recent trend 	<ul style="list-style-type: none"> Weighted based on each department's share of revenue Historical trend and population change Weighted average growth of 6.2%
Investment Earnings	<ul style="list-style-type: none"> High volatility – depends on cash on hand (e.g. bond proceeds) and subject to accounting (non-cash) market adjustments 	<ul style="list-style-type: none"> Investment balances (cash on hand) State Investment Program average return 	<ul style="list-style-type: none"> Approx \$1 million below 2026 budget of \$3.6m Based on average fund balance position as a proxy for investment balance 	<ul style="list-style-type: none"> Dependent on net position (e.g. fund balance) Anticipated investment earnings of 2.9%

Operating Expenditures



Expenditure Assumptions: Salaries

Historical Trend		
FY	Salary per FTE	% Change
2021	\$86,279	N/A
2022	\$90,282	4.6%
2023	\$88,105	-2.4%
2024	\$97,068	10.2%
2025	\$101,719	4.8%
Average Change		4.3%

Assessment:

- Average annual budget-to-actual personnel savings of **4.2%**
- Historic trend of high growth and corresponding staffing needs
- Growth expected to continue but at a steadier rate

Relevant Data Sources for Projecting Estimates:

- Actual salary cost trends
- Historical staffing growth
- Labor market indicators

Raftelis Assumption:

Blended Average 6.3%

- Assumes average wage growth of 4.3%
- Assumes FTE growth of 2% annually

Expenditure Assumptions: Benefits

Historical Trend		
FY	Actual	% Change
2021	\$11,056,949	N/A
2022	\$11,341,803	2.6%
2023	\$13,058,998	15.1%
2024	\$14,010,752	7.3%
2025	\$15,233,928	8.7%
2026 Budget	\$16,416,465	N/A
Average Change		8.4%

Assessment:

- Average annual budget-to-actual variance of **7.8% (unfavorable)**
- City transitioned to a self-insured healthcare model in 2023

Relevant Data Sources for Projecting Estimates:

- Healthcare claims and admin cost (including dental, vision, and stop loss)
- Census data by plan and tier, including cost share arrangements
- Historical trend for retirement contributions, insurance, other benefits

Raftelis Assumptions:

Healthcare/Dental 6.6%
Other Benefits 5.6%

- Assumes average of healthcare industry cost/growth indicators
- Assumes FTE growth of 2% annually
- Historical growth trend for other benefits (retirement, life insurance, unemployment, disability insurance)

Non-Personnel Expenditure Assumptions

Expenditure Category	Trend	Underlying Data	2026 Base	Growth Assumption
Internal Service Funds	<ul style="list-style-type: none"> Consistent growth, year-over-year Average growth of 10.3% over the past five years 	<ul style="list-style-type: none"> Historical actual cost by department Staff discussions on future needs 	<ul style="list-style-type: none"> Equivalent to budget 	<ul style="list-style-type: none"> Fund specific, weighted average of 12%
Contract Services	<ul style="list-style-type: none"> Consistent growth, year-over-year Average growth of 12.2% over the past five years 	<ul style="list-style-type: none"> Historical actual cost by department 	<ul style="list-style-type: none"> Equivalent to budget 	<ul style="list-style-type: none"> Department specific, weighted average of 7.3%
Materials and Supplies	<ul style="list-style-type: none"> Average growth of 10.3% over the past five years, driven by 2021-2023 Flat in past two years 	<ul style="list-style-type: none"> Historical actual cost by department 	<ul style="list-style-type: none"> \$5 million based on recent trend, above budget of \$4.8 million 	<ul style="list-style-type: none"> Department specific, weighted average of 2.6%
Other Expenses	<ul style="list-style-type: none"> Average growth of 7.1% over the past five years 2025 actuals below recent growth trend 	<ul style="list-style-type: none"> Historical actual cost 	<ul style="list-style-type: none"> \$2.8 million based on recent trend, below \$3.0 budget 	<ul style="list-style-type: none"> No growth – 0.0%

Capital



Capital Sources



CIP Dedicated Funding Sources

Assumes historical funding patterns for designated sources used to support capital investment, typically support ongoing maintenance needs.

Debt

In the base outlook, no new debt issuance is assumed to cover projected capital needs for level 2 investments.

General Fund Balance / Transfer

In the base outlook, it is assumed that CIP revenues can support preventative maintenance and any new capital projects would be funded through fund balance or debt. No additional General Fund transfers are assumed after 2026.