This profile captures key financial trends before, during, and after the Great Recession for Denver, one of 30 cities examined by The Pew Charitable Trusts' American cities project. These profiles provide baselines for understanding the fiscal conditions of our cities and for ongoing research, analysis, and policy guidance.

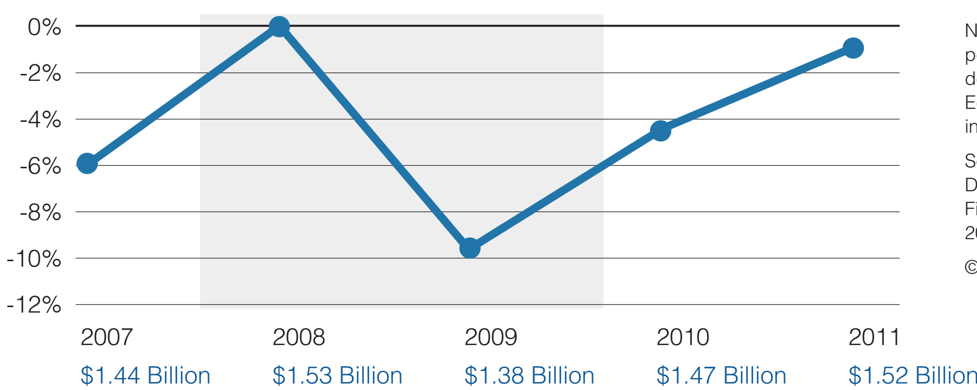
Denver

Denver had some short-term pain from the recession but was in a stronger fiscal position by 2011

Denver's revenue had almost returned to its pre-downturn peak by 2011 thanks to a significant rebound in the two years after the end of the Great Recession, but some concerns remained. (See Figure 1.) Every major revenue category grew between the 2009 low point and 2011, led by sales tax collections. At the same time, Denver cut its operating spending, allowing the city to rebuild its reserves. Denver took a proactive approach to its long-term obligations, positioning itself well for the future.[1]

FIGURE 1

Denver Governmental Revenue, Percent Change From Pre-downturn Peak, 2007-11



Note: Shaded area indicates the period of the Great Recession as defined by the National Bureau of Economic Research. Amounts are in 2011 dollars.

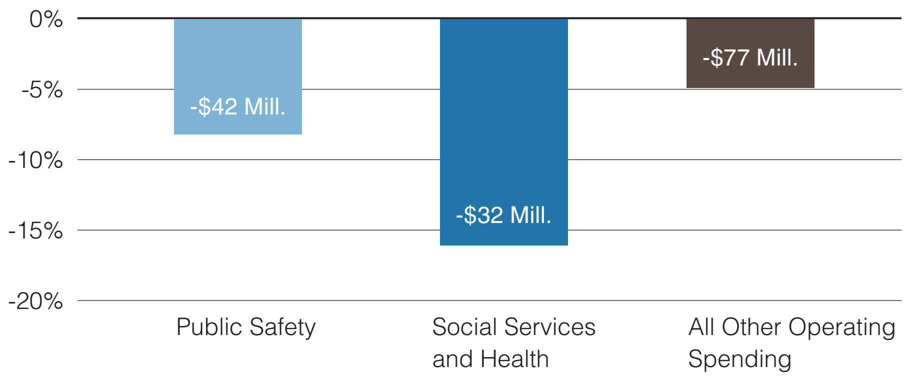
Source: Pew calculations from Denver's Comprehensive Annual Financial Reports for fiscal 2007-11.

Early losses in sales tax and intergovernmental aid forced reserve drawdowns and spending cuts

Denver felt the effects of the national downturn most acutely in 2009, as total revenue dropped $150 million (10 percent) from the previous year, after adjusting for inflation. Collections from the city's largest revenue source, a local 3.62 percent sales tax, declined $51 million between the 2008 revenue peak and the low point one year later.[2] Intergovernmental aid dropped $43 million at the same time, despite passage of the American Recovery and Reinvestment Act early in 2009.

FIGURE 2

Change in Key Denver Operating Expenditures, 2008-11



Note: Amounts are in 2011 dollars.

Source: Pew calculations from Denver's Comprehensive Annual Financial Reports for fiscal 2007-11.

The large shortfall in 2009 prompted a drawdown of $60 million from the city's reserve fund that year. But, that was not enough to cover gaps. City leaders were forced to reduce spending, including a $52 million cut to public safety and a $12 million reduction in funds for social services and health, a core function of the joint city-county government. (See Figure 2.) Denver implemented a hiring freeze halfway through 2008, and in 2009, then-Mayor John Hickenlooper created a voluntary early retirement program for city employees.[3]

Rebounding revenue and continued spending cuts helped the city bolster its reserves

Personal consumption was a key driver in Denver's postrecession rebound, as reflected by sales tax growth of $46 million between 2009 and 2011. Though sales taxes led the way, every revenue category increased in the two years following the end of the Great Recession. The category, "other non-tax revenues," which includes investment income, increased $27 million, charges and fees grew $21 million, and property tax collections rose $20 million.

Despite the revenue gains, Denver continued targeted spending cuts between 2009 and 2011. Parks, recreation, and cultural facilities ($32 million) and social services and health ($21 million) were reduced the most.[4] Combined, the revenue gains and spending cuts allowed the city to replenish its reserves by $52 million between 2009 and 2011.

Managing the future: Proactive fiscal management positioned Denver well for the future

Spending commitments, demand for services, and revenue performance are among key factors that will affect Denver's future fiscal health. Two long-term obligations which can be analyzed using the data available are pensions and retiree health care and other benefits.

Denver took action to fund its future retiree health care liabilities. With assets of $88 million in 2010, funding slightly less than half of its long-term retiree health commitments, the city was one of only four examined with funding levels above 40 percent.[5]

In 2010, the city's pension funding level was down to 86 percent from 97 percent three years earlier—largely because of market declines. But Denver continued to make its recommended contributions, and in 2007, 2008, and 2010 it exceeded the annual recommended amounts.

See Pew's 30-city interactive at pewstates.org/City-Fiscal-Conditions-Interactive for complete data.

Endnotes

1 See the full study methodology at pewstates.org/City-Fiscal-Methodology for a detailed explanation of the terms used in this profile and view the underlying data at pewstates.org/City-Fiscal-Conditions-Interactive.

2 City of Denver, *Comprehensive Annual Financial Report, Year Ended December 31, 2011* (2011), 155, http://www.denvergov.org/LinkClick.aspx?fileticket=leez2_8rNQY%3d&tabid=442875&mid=507438

3 Christopher N. Osher, "960 Eligible for Early-Retirement Offer; Denver's City Council Must OK the Budget-Cut Plan; Police Officers Are Voting on Raise Delays," *Denver Post* (Sept. 1, 2009), http://www.denverpost.com/news/ci_13242373; and Lucy McFadden, "Hick: Gird for Cuts, Denver," Colorado Statesman (July 17, 2009), http://www.coloradostatesman.com/content/991152-hick-gird-cuts-denver.

4 Expenditures increased somewhat in 2012. City of Denver, *Comprehensive Annual Financial Report, Year Ended December 31, 2012* (2012), 154, http://www.denvergov.org/Portals/344/documents/CAFR/CAFR_2012.pdf

5 For more information on and analysis of the state of retirement funding in the 30 cities, see The Pew Charitable Trusts, American cities project, *Cities Squeezed by Pension and Retiree Health Care Shortfalls* (March 2013), http://www.pewstates.org/uploadedFiles/PCS_Assets/2013/Pew_city_pensions_brief.pdf.