



Denver City Council

Finance Committee Summary

Wednesday, November 1, 2006 1:30 p.m.

Council Conference Room

Committee Members Present: Faatz, Chair; Boigon, Lehmann, Rodriguez

Committee Members Absent: Brown

Other Council Present: Garcia, Hancock

Agenda:

- 1) *BKD audit contract*
- 2) *Police Administration appropriation*
- 3) *Supplementals for Office of Emergency Management and District Attorney's Office*
- 4) *Denver Health Operating Agreement*

1) **BKD audit contract:**

Committee Action

The Committee approved a five year contract with BKD LLP in the amount of \$5,727,405 to audit financial statements and accounting data and procedures for designated funds of the City.

Committee Discussion

David Hart, Department of Revenue, stated the contract for financial auditing is the responsibility of the Department of Revenue. The proposed contract with BKD LLP would be a five-year contract, renewable each year for a total contract cost of \$5.7 million (see attachment). Mr. Hart noted this is the first time the City has contracted with this company, but have the experience and skill to perform the work the City needs. Beth Machann, Budget & Management, noted the auditors would not be required to audit the financial schedules in the comprehensive annual financial report (CAFR), but would provide various "in-relation-to" opinions on a variety of financial statements.

2) Appropriation for the 3rd Floor Police Administration Building:

Committee Action

The Committee appropriated \$398,000 from the General Fund to the Capital Improvement Fund for remodel of the third floor Police Administration Building to provide better working conditions for employees.

Committee Discussion

Marilyn Miller, Budget & Management, explained the appropriation is to provide better working conditions for approximately 42 detectives and other personnel from the Crime Prevention Control Commission. The remodel will affect 62 work stations. This proposal is separate from the plans for the new justice center and pre-arraignment building (PADF), but the Infrastructure Task Force (Facility Maintenance & Planning) is evaluating how PADF can be used in the future to reduce crowding and other problems at the Police Administration Building.

3) Office of Emergency Management and District Attorney's Office supplementals:

Committee Action

The Committee appropriated \$50,000 to the Office of Emergency Management and \$615,000 to the District Attorney's Office for additional personnel and software costs.

Committee Discussion

Mel Thompson, Budget & Management explained the \$50,000 supplemental for the Office of Emergency Management (OEM) is needed to cover the costs related to two unbudgeted positions created in 2006 and to cover the costs of the salary and benefits package for one position. There could be an additional supplemental for OEM estimated at \$500,000 for remodel of the Galapago facility. Tracy Howard, Department of Safety, stated that Homeland Security funding (UASI) cannot be used to fund Safety personnel needs. Funding from UASI is restricted to training and equipment only and is available to all jurisdictions for use.

Mr. Thompson explained the District Attorney's Office (DA) needed supplemental funding because the agency did not meet its 2% vacancy savings. In addition, the agency required additional funding for a new case management system and added two new deputy DA positions not planned to assist with increased misdemeanor caseload. Norm Brisson, District Attorney's Office, stated the agency typically meets its projected vacancy savings, but the purchase of the case management system made it difficult to meet budget. The software will integrate with the police department, state, and other jurisdictions. The drug court model and interface will not be ready until February 2007. Some areas where the DA's Office won't interface with include issues related to prostitution. Councilmember Faatz suggested that Information Technology (IT) confirm that the proposed software is compatible.

Mr. Thompson outlined the contingency fund (see attachment). He noted the fund would have \$25,288,000 in contingency after today's proposed supplementals are allocated. There are

approximately \$4.6 million in potential supplementals for 2006 that could be scheduled soon for Finance Committee review and approval before the end of the year.

4) Denver Health Operating Agreement:

Committee Action

The Committee approved amending the Amended and Restated Operating Agreement between Denver Health and Hospital Authority and the City for Fiscal Year 2007 core and non-core services provided by the hospital in the amount of \$48,354,893.

Committee Discussion

Nancy Severson, Environmental Health, explained the Denver Health and Hospital Authority (DHHA) agreement covers three types of services: Core Services are services the City must purchase from the Authority, Non-Core Services are services the City may purchase from the Authority, and Services which are provided by the City to the Authority. A Section of the agreement reflects Core Services and B Sections reflect Non-Core Services. Ms. Severson outlined the various services provided in the agreement and noted the following substantial changes (see attachment):

- Public Health and Environmental Health will work together to provide an annual public health report – See Section A-3;
- Provides for longer term care and services related to Denver's Road Home (homelessness project) – See Section A-4;
- Medical services for prisoners will incorporate a Correctional Care System using a Utilization Management (UM) Program – See Sections A-6 and B-5.

Margaret Browne, Budget & Management, stated the intent of the UM program would lower the rate for skilled nursing services and create an opportunity for collection from a third-party payer. The scheduled date to begin utilizing this program is June 30, 2007.

Councilmember Boigon questioned the funding for Head Start services. Stephanie Thomas, DHHA, explained the funding and program ended two years ago. Councilmember Lehmann asked if psychiatric services were being enhanced. Ms. Browne noted that three recent studies recommended improvements to post release strategies in conjunction with medication. Ms. Severson stated there is a Metro Task Force being put together to address criminal justice issues and medical needs related to mental health. The goal is to provide hospital and/or medical care before sending individuals to City Jail (PADF).

Councilmembers requested a detailed report for the total contract between the City and DHHA, including the cost breakdown for each category of services for the last two years. Subsequent to the meeting, the report was provided (see attachment). Councilmember Faatz indicated she is concerned about DHHA's impact to Denver's Employee Retirement Program (DERP). DERP is anticipating a deficit in the future if Denver Health does not address payments to the program to cover employee contributions. The Councilwoman noted a memorandum she received today from Peg Burnette, Chief Financial Officer (CFO) for DHHA, indicating the hospital was working with Steve Hutt from DERP to have an agreement and payment amount no later than December 31, 2006 (see attachment). This issue is not part of the proposed

Operating Agreement. Peg Burnette, CFO for DHHA, stated the estimated payment for 2006 is \$317,000 and will grow over time. By 2013, the estimated payment could be \$11 million. Councilwoman Faatz stated that the Employee Health Committee was concerned about the declining enrollment into DHHA's medical plans. She noted that DHHA has exceeded the 10% disenrollment rate outlined in the Operating Agreement for the past three years. The Employee Health Committee will be reviewing the final outcomes from the 2006 Open Enrollment period for 2007 health benefits to see where DHHA stands. She asked whether the hospital wants to continue to provide insurance for a small number of employees or focus on being a health provider.

Councilmembers thanked hospital personnel for the great work they perform for Denver's diverse communities.