



Denver City Council

Finance Committee Summary

Wednesday, November 15, 2006

1:30 p.m.

Council Conference Room

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

Committee Members Absent: Brown

Other Council Present: Garcia

Agenda:

- 1) *2006 Capital Project rescissions and Capital Project update*
- 2) *Revenue highlights*
- 3) *Agency rescissions, re-appropriations, and supplementals*
- 4) *City's sick and vacation leave liability*

1) **2006 Capital Project rescissions and Capital Project update:**

Committee Action

The Committee approved rescissions from various city capital projects - from the Capital Improvements Fund and the State Conservation Trust (Lottery) Fund. The rescissions are from projects that have been completed, cancelled, or that can be completed with remaining funds.

Committee Discussion

Stephanie Iwanski, Budget & Management, reported a total of \$671,238.41 would be rescinded from various city capital projects. She noted that the 2007 budget depends includes these rescissions to fund new projects and is appropriate to rescind some project budgets if they will not be completed within the next 15 month period so that those funds could be allocated to current needs. Marilyn Miller, Budget & Management, indicated that Facilities Management has hired an individual to monitor program contracts and that has helped to identify project status. Ms. Miller provided a "watch list" for capital projects. She explained that projects get put on this list if they are below contingencies and are not 50% completed. Montclair Park - Ferril Lake Phase 1 & 2 costs have increased due to project acceleration and scope changes and Park Hill Detention Pond are projects on the watch list. The Ferril Lake project is under budget by \$1 million but additional federal funding is anticipated. Councilmember Lehmann added she thought Urban Drainage & Flood Control District might be adding money into the project. Ms. Miller said she would check into it. Park Hill Detention Pond increased costs due to hazardous material disposal costs based on new state regulations.

2) Revenue Highlights:

Committee Discussion

Mel Thompson, Budget & Management, stated that General Fund revenues increased 6.75% over 2005 – higher than the initial projections of 3.5% (see attachment). The General Fund revenue is estimated at 4.6% for 2006. Highlights for 2006 include:

- Sales and Use Tax increased 5.89% for first ten months;
- Lodgers Tax increased 6.9% over 2005;
- Fines and forfeits increased 11.9% over 2005 – due to Dept. of Safety;
- Fees increased by 5.8% to date over 2005 (most attributable to utilities);
- Licenses and permits increased 7.8%, construction permits increased by 5.8% and street occupancy fees are up.

3) Agency rescissions, re-appropriations, supplementals:

Committee Action

The Committee approved various rescissions, re-appropriations, and supplementals from the General Fund to the following agencies: Public Works, Board of Ethics, Office of Independent Monitor, Airport Auditor's Services, Department of Safety (Police, Fire, Undersheriff), and the Department of Environmental Health.

Committee Discussion

Mel Thompson, Budget & Management, provided the following information regarding the proposed agency requests:

- Rescind \$500,000 from Public Works (PW) Administration to PW Operations due to lower spending in professional services.
- Rescind \$1.7 million from PW Transportation to PW Operations due to lower spending in computer services.
- Re-appropriate \$2.2 million to PW Operations to assist with DADS investigations, higher fuel costs, and higher overtime and on-call costs.
- Supplemental for Auditor's Airport Services in the amount of \$40,000 to meet salaries, benefits, and unmet vacancy savings.
- Supplemental for Police Department in the amount of \$2 million to cover the cost of overtime, and overages in fuel and phone expenses.
- Supplemental for Fire Department in the amount of \$1.4 million to cover the cost of overtime, dental insurance, and fuel costs.
- Supplemental for Undersheriff Department in the amount of \$209,000 for costs related housing juveniles at Arapahoe County due to overcrowding issues.
- Supplemental for Environmental Health in the amount of \$130,000 for separation payouts and unmet vacancy savings.
- Supplemental for Office of the Independent Monitor (OIM) in the amount of \$30,000 2006 employee merit increases and benefits.
- Supplemental for Board of Ethics in the amount of \$2,000 due to an incorrect budget software projection.

Questions related to the agency requests:

- 1) Will the proposed PW re-appropriations impede any transit development projects? No. Increased parking collections will help transit projects such as FasTracks.
- 2) Are any of the OIM expenses carried over from 2005? No. Salaries were actually reduced in 2005 and the agency has hired its new Senior Deputy Manager.
- 3) Explain the supplemental related to DIA – Airport Auditor’s Office. Typically, smaller agencies do not incur vacancy savings. In the case of the Airport Auditor’s Office the airport (DIA) will be reimbursing the General Fund for these work activities.
- 4) Explain the need to house juveniles at Arapahoe County. The law requires sight and sound separation for incarcerated juveniles so the City contracts with Arapahoe County. On an average, 7 to 10 juveniles are housed.
- 5) What is attributing to the fuel issues? The economy and costs in the market. Currently, the market charges \$58/barrel, but the City is anticipating increases in 2007. In addition, since more officers are out of field training, more are staffed for car patrols resulting in higher fuel usage.
- 6) Explain the Fire Dept. overtime costs. The department has 24 vacancies, but a new academy is scheduled to start December 1, 2006. The Task Force being led by Councilmember Wedgeworth should be providing its findings within the next 90 days. The use of oral interviews has provided good outcomes in testing.

4) City’s unfunded liability for sick and vacation leave:

Committee Discussion

Mel Thompson, Budget & Management, indicated he was asked to provide a three year analysis regarding the City’s sick and vacation liability (see attachment). The analysis shows the liability costs and payouts increase yearly. The liability for uniformed employees (Safety) is higher than those compared to Career Service Authority (CSA) employees. Mr. Thompson indicated that these leaves are unfunded and that agencies do not budget for these costs and the actual payments per year are an issue for the future because the costs represent accumulated debt.

Councilmember Faatz said she was interested in this analysis to begin to look at how Denver should begin to evaluate how to address the estimated \$94 million in leave debt. Should CSA policies be changed and/or could the collective bargaining agreements for Safety change in the future, stated Councilwoman Faatz. Tracy Howard, Safety, stated that sick and vacation are collective bargaining topics and historically, if Fire and Police did not use leave they were paid for it. In addition, the Sheriffs at one time accrued leave under CSA, but now have their own sick leave program, based on bargaining.

Councilmember Boigon asked how donated sick leave is factored into the liability. Mr. Thompson explained that it reduces the liability. Once leave is used it cannot be included in sick leave calculations. Only individuals who have banked at least 240 hours could donate sick leave to other employees. Councilmember Rodriguez commented that the 2003 Human Resource Commission suggested reassessment of the City’s leave benefits and noted that Denver Health Medical Center offers a blended leave or “PTO” program that the City could consider. Councilmember Boigon recollected that a PTO program was not popular with employees. Councilmember Faatz indicated her concerns were relevant to future impacts. She indicated that long-term employees build up leave banks and that

causes higher debt based on payout calculations at the time an employee retires, which also impacts retirement costs. That is true, commented Mr. Thompson. He noted that an employee's salary for retirement is calculated on the average of the highest three years of income. He also noted that the City's leave program takes the place of a short-term/long-term disability plan that typically is paid for by businesses. Some type of benefit regarding emergency care is needed as he described a personal story.

Councilmember Garcia said he would rather be responsive to employee needs and asked how agencies absorb these costs in their budgets. Historically, agencies have always carried the liability, but Budget does not run leave/longevity reports. The CAFR requires review of the costs, but looks at actual payouts, contingencies, and vacancy savings. Thus far, agencies have absorbed the costs, stated Mr. Thompson. Councilmember Boigon requested a five-year chart showing how much money has been paid out for sick and vacation. Mr. Thompson said he would try to pull out the information, but as stated before, these expenses are not always identified as leave payouts since agencies absorb the costs (Subsequent to the meeting a document was provided – see attachment.).

Councilmember Lehmann stated that part of what attracts people to work in Denver is the total compensation package – salary and benefits – and would want to consider that aspect before making any policy changes. Councilmember Faatz said her intent is to have the City and its employees consider scaling back some of its benefits, especially during collective bargaining. Councilmember Boigon said it would be a good idea to revisit best practices in this area, not necessarily to find money for the current liability, but to consider policy changes. Councilmembers agreed to revisit this discussion in the future.

Mr. Thompson said there will be other supplemental requests for the next Finance Committee meeting from Parks & Recreation, Clerk & Recorder's Office, Zoo, and the Election Commission. Heather Riti, Budget & Management, stated that Sequoia agreed to reimburse the Election Commission to offset some of its costs from the November 7th election.