



## Denver City Council

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### Summary Finance Committee

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Date: Wednesday, February 1, 2006 1:30 PM Council Conference Room

Committee Members Present: Boigon, Chair; Faatz, Vice-Chair;  
Brown, MacKenzie

Committee Members Absent: Garcia, Lehmann, Wedgeworth

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#### 1. Follow-up: City contracting system

##### Summary of Discussion

Shaun Sullivan and Arlene Dykstra, City Attorney's Office, and Jim McIntyre, Purchasing, discussed recent City efforts to streamline the City contracting process. Mr. Sullivan reviewed a flow chart of the process noting that the new electronic system for completing Form 42s has cut that process in about half --from 20 days in December 2004 to 9 days one year later. (See attached chart.) He explained that the signature process takes the longest--an average of 20 days--but that is because final negotiations are taking place during this part of the process. Mr. McIntyre explained that the City was now including a model contract with requests for proposals (RFPs) for City contracts to help reduce the subsequent negotiation time. Mr. Sullivan pointed out that City Council approval—when required—adds a minimum of 15 days—bringing the average processing time for Council-approved contracts to 77 days. Mr. Sullivan noted that the overall average processing time for City contracts has been reduced by 10 days since 2003, while the number of contracts has increased by 154 during the same period.

Councilwoman Faatz asked for more information about the processing time for the City mediation contract and another contract for a single Xerox machine. Ms. Dykstra pointed out that the City moved to a single contract for copy equipment. This conversion likely affected the timeliness of contracts for individual machines while the large contract was being negotiated.

Ms. Dykstra pointed out that a myriad of issues effected the mediation contract including: a time-consuming committee selection process, the need to check out complaints about the proposed contractor, the transfer of the contract from one agency to another, the failure to complete required paperwork and such. Councilwoman Faatz requested a timeline regarding the mediation contract focusing on the time after the selection was made. (Note: Jim McIntyre, Purchasing, subsequently provided additional information on the mediation contract timeline.)

## **2. Request to transfer \$1,646,900 from the Police budget to Technology Services**

### Committee Action

The Committee approved transferring \$1,646,900 from the Police budget to the Technology Services budget.

### Summary of Discussion

Molly Rauzi, Technology Services, explained that the money should be moved in order to complete the transfer of the Electronic Engineering Bureau (EEB) to Technology Services in keeping with the broader City effort to consolidate all technology-related services. The 15 employees to be transferred are Career Service employees who provide day-to-day software support for the police radio system and such.

## **3. Planning for Financing Future City Infrastructure Needs**

### Summary of Discussion

Marilyn Miller, Budget & Management, presented the report of the Infrastructure Task Force which was appointed by the Mayor to provide an external review of the City's infrastructure maintenance needs and their supporting financing strategies and systems.

The group's report points out that--on average--the City has done a reasonable job of capital maintenance and much of the City's infrastructure is in good or excellent shape. But there are several areas where maintenance has not kept pace and significant dollars are required to bring the infrastructure to acceptable standards including:

- parks irrigation,
- unpaved alleys,
- traffic signals and signs, and
- buildings.

The report outlined factors affecting the City's infrastructure needs ranging from: recent growth in areas like the Central Platte Valley, Stapleton, and Lowry and aging of the existing infrastructure much of which was built in the 1950s, to the 25% loss of purchasing power over the last 20 years in the City Capital fund.

Ms. Miller noted that it is difficult to compare priorities among different asset classes. For some asset categories—like streets--regular capital maintenance, using an asset management system, is more cost effective than allowing an asset to fully deteriorate before replacing or repairing it.

To help the Task Force compare the status of infrastructure, staff provided data about 27 different asset categories. Information included:

- Inventory
- Expected Life Cycle
- Condition
- Proposed Standard

- Rationale for Proposed Standard
- Cost to maintain assets at proposed standard

The Task Force identified a \$25.4 million annual gap in funding needed for infrastructure maintenance at the recommended standards. The Task Force recommends developing a strategic plan to deal with the funding shortfall that includes obtaining additional efficiencies, increasing use of enterprise funds for appropriate capital expenses, and either identifying new funding sources or reducing asset standards. An option presented in the report is to identify \$21 million in annual new funding, reprogrammed dollars, or reduced standards, coupled with efficiency savings and increased enterprise funds to close the gap in annual maintenance.

Ms. Miller described the group's core conclusions as follows:

The City has been deferring capital maintenance and will continue to do so unless solutions are found to:

- increase annual on-going funding for capital maintenance,
- allow revenues for capital to increase over time with the rate of inflation,
- "catch up" on deferred maintenance,
- achieve efficiencies and economies of scale;
- institute better asset management systems, and
- engage the public on asset maintenance issues.

Councilmember Faatz expressed concern about considering additional funding streams that increase the City's debt or its Certificate of Participation-funded (COPS) projects since the latter assets could be foreclosed if the City fails to keep up the payments. Bob Gibson, Treasury, explained the origins of COPS after the passage of TABOR which required a vote of the people for any change in the level of debt. The Supreme Court ruled that COPS were not considered a "debt" for TABOR purposes since the City could walk away from the deal (even though the asset which was used as collateral would be foreclosed.) Subsequent to the decision, both municipalities and the state began using the COPS financing mechanism more broadly. Mr. Gibson explained that Denver is considered to have a moderate amount of debt per capita compared to other urban centers and that its credit rating is AA+, just one step below that of the federal government.

Ms. Miller pointed out that the next steps will be to develop the strategic plan and she promised that Council would be part of this process.