



Denver City Council

Summary Finance Committee

Date: Wednesday, March 15, 2006 1:30 PM Council Conference Room

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

Committee Members Absent: Wedgeworth

1. City Budget Update & Revenue Report

Summary of Discussion

Mel Thompson, Budget & Management, explained that his report is unaudited and the numbers could change somewhat in the next two months. Mr. Thompson was cautiously optimistic, noting that the revenues were within 3.4% of last year's projections—even without the unanticipated, late year \$12 million settlement with United Air Lines. Core sales and use tax collections for 05-06 were ahead of the previous year in every month except January which was even.

Mr. Thompson highlighted details from the following chart indicating 2005 revenue change in high, medium, and low growth sales and use tax sectors.

High Growth Sectors	
Public Utilities	12.1%
Construction Trades	8.0%
Wholesale Trade	10.9%
Furniture & Home Furnishings	9.1%
Electronics & Appliance Stores	17.7%
Bldg. Materials/Improvement/Nurseries	8.1%
Sporting Goods/Hobby/Book/Music Stores	11.0%
Transportation & Warehousing	9.2%
Finance & Insurance	21.9%
Educational Services	63.5%
Health Care and Social Assistance Svcs.	31.4%
Hotel & Other Accommodation Svcs.	9.2%
Medium/Low Growth Sectors	
Clothing/Accessory Stores	5.2%
Information Producers/Distributors	6.9%
Food & Drinking Services	4.5%
Manufacturing	4.6%
Food & Beverage Stores	3.8%
Declining Sectors	
Service Stations	-9.1%

Arts, Entertainment, Recreation Svcs.	-7.7%
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Mr. Thompson noted the decrease in the arts and entertainment sector, while health care, utilities, and construction increased significantly. The budget office has not examined the 2005 figures in terms of the effect of population changes. Mr. Thompson pointed out that the lodgers tax increased significantly, but telecommunications revenue is expected to continue to decline due to the proliferation of cell phones. The Manager of Public Works says that the highway users trust fund is also expected to continue to be a declining source of revenue.

Mr. Thompson pointed out that revenues in November and December of 2005 were strong--a positive sign for sustaining the economic growth in 2006. In addition, building permits have not decreased as expected with the increase in interest rates. Mr. Thompson explained that the large increase in the cable franchise revenues were due to substantial increases in subscribers.

The balance sheet indicates that 2005 was a "break even" year according to Mr. Thompson. Revenues were about \$760 million and expenditures about \$744 including unspent agency appropriations (\$11,910 million) and reserves (\$6,015 million). Councilwoman Boigon requested a list of agencies and their unspent appropriations. Mr. Thompson noted that the fund balance at the end of 2005 was about \$124 million, or 16% of the total budget; at the end of 2006, this balance is expected to be about 14%.

Mr. Thompson cited a number of challenges for the 2006 budget including added expenditures for additional police personnel, expectations for unspent agency appropriations of \$13 million which has been built into the budget, significant unbudgeted expenditures for the Election Commission (\$500,000), and an expected \$1 million dollar increase in public health and Denver Cares funding needed for Denver Health. Other budget concerns are increases expected for costs of city fuel and utilities and wage demands for both Career Service and uniformed City employees.

Mr. Thompson explained that the expectations for unspent agency appropriation are based on an expected \$6 million savings in personnel with the remainder coming from other parts of agency budgets, such as supplies and consulting costs. Smaller agencies (under 10 FTEs) have a 2% vacancy savings expectation and larger agencies (over 30 FTEs) are expected to return 3% of their budgets. Margaret Browne, Finance and Management, explained that some staff such as 911 and revenue generating personnel or agencies with less than 10 FTEs are exempt from vacancy savings requirements. Mr. Thompson said without budgeting for expected agency savings, an additional \$13 million would need to be cut out of the 2006 budget.

Mr. Thompson told the Committee that health insurance is expected to increase between 12 and 14 per cent in 2007, coupled with continuing increases in law enforcement personnel costs and fleet replacement needs. All of these budget pressures are without including any service increases, like expanding library or recreation center hours.

2. Program Overview: Asset Management

Summary of Discussion

Luis Colón and Kurt Schumacher, General Services, discussed the recent consolidation of all functions related to the City's real estate assets into one agency, Facility Planning and Management. Mr. Colón explained that the new structure combines Finance's Asset Management, Public Works' Design and Construction Management, and General Services' Public Office Buildings offices into one structure. The goal is to manage the city's real estate assets

using a lifecycle approach that is difficult with balkanized functions in different agencies. For example, if one of construction management's major goals is cost containment, decisions may be made that do not adequately account for maintenance needs and costs that are overseen by a separate agency.

Facilities Planning and Management also reviews all agency facilities master plans (police, fire, parks) to bring a broader overall planning approach to city facilities development and management. Currently Facilities Planning and Management is conducting an inventory of all city assets to determine if some could be divested. The agency is also exploring an electronic system that will improve inventory management and upkeep. Another project in the beginning stages is exploration of a regional Safety Training Facility.

Councilwoman Boigon requested that the agency work with the Election Commission as it seeks facilities for Denver's move to vote centers for its elections. Mr. Colón agreed to follow-up on her request.

