



Denver City Council

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## Finance Committee Summary

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Wednesday, February 7, 2007 1:30 p.m.

Council Conference Room

**Committee Members Present:** Faatz, Chair; Brown, Vice-Chair; Boigon, Lehmann, Rodriguez  
**Other Council Present:** Garcia

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*Agenda:*

- 1) *Creation of a Special Revenue Contracts Pool Fund*
- 2) *New Financial Management Office update*
- 3) *Public Works supplemental - \$5 million for snow and ice removal services*

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### 1) **Creation of a Special Revenue Contracts Pool Fund:**

#### Committee Action

The Committee approved establishing a Special Revenue Fund (Contracts Pool Fund) that would authorize expenditures and enable the Office of Economic Development to initiate service contracts in advance of receipt of annual federal grants. In addition, at the request of Committee members, language would be added to reflect use of the revolving loan fund first prior to utilizing the General Fund to cover any expenditures.

#### Committee Discussion

Mel Thompson, Budget & Management, explained that the Contracts Pool Fund would cover expenditures of service contracts in advance of annual federal entitlement grants and would provide for approximately three months of contractor operational costs. Councilmember Faatz did not want to put the General Fund at risk if the federal government doesn't provide the grants. Chiquita McGowin, Office of Economic Development, explained that the revolving loan fund would be used to cover expenditures if grants aren't awarded in a timely manner. The Committee agreed to approve the Contracts Pool Fund provided that language states the use of the revolving fund.

### 2) **Financial Management Office update:**

#### Committee Discussion

Chris Henderson, Mayor's Office, said voter approval at the November 7, 2006 election allows for the restructuring and implementation of a new Finance Department that would improve the quality and timing of financial reporting, increase efficiencies, and provides for consistent performance measurements. LaCharles Keese is the project lead for the transition team. The team includes city employees from the agencies of Revenue, Budget,

and Auditor's Office. The timing and execution of the transition plan is compatible with other responsibilities involving budget and the CAFR. Because of the impact, the team coordinates regular communications for impacted employees. The restructuring entails hiring a new Chief Financial Officer, developing a transitional and organizational plan and implementation of the new finance structure. The transitional and organizational plan is being conducted now and should be completed by Spring 2007.

David Broadwell, City Attorney's Office, reminded the Committee that the effective date for implementing the new structure is January 2008. He noted the City Attorney's Office has identified 50 sections of the Code that would need conforming amendments establishing the roles and procedures for the Manager of Finance Office and Auditor's Office. The budget process will assist in maintaining certain requirements required by ordinance and Charter. For example, submittal of the auditor's work plan, and contracts for the independent external auditor and results of internal audits are other transitional planning that is needed and issues that Council will have a role in. Mel Thompson, Budget & Management (BMO), added that in the past BMO was the conduit for the Auditor's Office, but that will change and the Auditor will work directly with Council. Denis Berckefeldt, Auditor's Office, indicated that the office already prepares work plans in advance and is advisory in nature. He noted that Council could assist with the document in the future. Mr. Broadwell stated that Council could appoint two members to the Audit Committee. The Committee includes the appointment of the Manager of Revenue, and it is the responsibility of the Committee to manage the audit contracts.

Mr. Berckefeldt stated that the Auditor has contracted with a consultant to assist them with their transition process. He stressed that no jobs are at risk with this new restructuring. The plan is to look at the Portland model based on performance measurements and to evaluate how to utilize the current PeopleSoft system to its full capacity. The initial assessment should be completed within the next 100 days. LaCharles Keesee, Mayor's Office, said next steps include: bi-weekly meetings with the Auditor's staff, identifying any employee impacts, and conducting periodic reports to the Finance Committee.

Councilmember Garcia suggested that Councilmembers be included in the bi-weekly meetings. He also asked how the prevailing wage evaluation would be handled. Mr. Henderson said those issues have not been under discussion. Mr. Berckefeldt explained that those processes are not tied directly to the transition process. The evaluation for prevailing wage will not be addressed until the initial assessments for both offices have been completed.

**3) Public Works supplemental appropriation for \$5 million related to additional citywide snow and ice removal services:**

Committee Action

The Committee approved rescinding and appropriating \$5 million from the General Fund contingency to Public Works Operations for snow and ice removal services.

Committee Discussion

Mel Thompson, Budget & Management, explained that due to unusual snow conditions an appropriation from the General Fund is required to cover the additional snow and ice removal services. He outlined the following budget issues:

- The current General Fund contingency is \$16.768 million.
- The remaining contingency after the \$5 million appropriation would need to cover any additional needs in 2007 – agencies are asked to find ways to absorb any unanticipated costs.
- A fifteen percent reserve is required of the General Fund.
- In a worst case scenario if the entire contingency/reserve is exhausted, appropriations could be approved from the fund balance (left over monies), but requires nine votes of Council.
- The monies needed for snow removal services cannot come from TABOR reserves for the following reasons:
  - There are restrictions on how the money could be spent.
  - If TABOR is utilized the funding must be paid back within twelve months and the money used to pay it back would be the same money used for the appropriation.

Councilmember Faatz noted that the way TABOR reserve is designed causes problems as a true emergency reserve because it has to be paid back so quickly. Councilmember Boigon indicated that future Colorado legislative sessions might consider a referendum amendment to TABOR for local municipalities to end the TABOR reserve fund since it is useless as it's outlined now. Councilmember Robb asked how much the City was going to be reimbursed from FEMA. Mr. Thompson said it was his understanding that FEMA would only reimburse for the first 48 hours of emergency assistance, but this will be confirmed by Justin DeMello from the Office of Emergency Management.

George Delaney, Public Works, explained that Public Works spent an average of \$2.8 million on snow removal. The snow/ice program has been consistently under budget over the past ten years, and the agency has been able to return \$1 million to the General Fund per year. The \$5 million would be added to the integrated general contractor agreement to hire and manage additional snow services. This step would triple the ice removal efforts. Bill Vidal, Manager of Public Works, reported that an average of 70 pieces of equipment is out per day, Monday through Friday, and an average of 100 blocks per day was being cleared. The increase in contractor services should result in 300 blocks per day and 6,000 blocks serviced within the next four weeks. He added that the program also includes pavement and pothole issues in addition to the snow and ice removal services. Councilmember Faatz said it was important to appropriately budget for snow services and suggested that leftover monies be allocated for equipment. Chris Henderson, Mayor's Office, said staff is currently identifying areas in the General Fund where money could be allocated for these purposes.