



Denver City Council

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## Finance Committee Summary

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Wednesday, March 7, 2007

1:30 p.m.

3<sup>rd</sup> Floor Council Conference Room

**Committee Members Present:** Faatz, Chair; Boigon

**Committee Members Absent:** Brown, Lehmann

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*Agenda:*

- 1) *Announcement: District Attorney's Office - Gang Task Force supplemental plans*
- 2) *Randall Funding and Development contract*
- 3) *Election Commission supplemental*
- 4) *"How to read a Comprehensive Annual Financial Report – "CAFR" workshop*

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**1) District Attorney's Office (DA) – Gang Task Force supplemental plans:**

Committee Discussion

Mel Thompson, Budget & Management, stated that a joint task force between the Police Department and District Attorney's Office is getting put together and the estimated cost for the DA's portion is \$425,000. The expense will be difficult for the agency to cover, so it has been recommended that the agency try to raise funding for this critical project. Typically, this agency has had problems incurring vacancy savings to its budget. At this time, the budget director would prefer to wait until later this year to see what type of funding could be raised for this project before providing supplemental funds. He explained that vacancy savings refer to "turnover and/or position vacancies" where agencies could save money in their budget due to unfilled positions. Typically, agencies try to estimate a yearly savings of 2% in their budget to cover unanticipated expenses, explained Mr. Thompson. Councilmember Faatz said she would schedule a thorough discussion for the next Finance Committee meeting scheduled for March 21.

**2) Randall Funding and Development contract:**

Committee Action

The Committee approved extending the existing contract with Randall Funding and Development through June 30, 2007 to provide grant writing services and to modify the agreement to include a fee per month of \$8,000 and a bonus of 3% for any grant funds received for grants written.

Committee Discussion

Mike Roque, Mayor's Office, said the request for proposal (RFP) process for these services won't be completed until the end of April. There are two bidders remaining from where the selection will be made. The proposed four-month extension to the current contract with Randall Funding and Development would help to continue with the grant writing services that are needed more during this busiest time of grant and allocation. Various City representatives were on the RFP Committee, including Councilmember Rodriguez.

Councilmember Faatz questioned why the extension proposal is more expensive monthly than the prior agreement, in addition to the bonus incentive. Councilmember Boigon added there is controversy regarding grant writer personnel receiving percentage-based pay back from grant writing services. Mr. Roque explained the contract would be a flat fee with a bonus if they hit their benchmark/goal with the City. The additional per month cost is to compensate the provider for the most busiest time of the year for grant writing. He added that the bonus is not federally/IRS prohibitive. Mr. Roque clarified that grant money cannot pay for grant services. Randall Funding provides more than the writing services, explained Mr. Roque; they provide training and comprehensive information back to non-profits and other agencies working with the City.

Councilmember Boigon said she is okay with approving the contract, and recognized that problems early in the negotiations caused the difference in the increase. Councilmember Faatz said she doesn't like the increase, but asked that staff negotiate better in the future regarding these services.

**3) Election Commission supplemental:**

Committee Action

The Committee approved a supplemental in the amount of \$543,000 for the Election Commission to cover costs related to the January 30, 2007 Special Election.

Committee Discussion

John Gaydeski, Election Commission, said the good news was that the earlier estimates for the January 30 Special Election were higher than the actual costs. The actual costs incurred for the Special Election including overtime and on-call pay, postage and printing, supplies, etc. was \$543,000. Councilmember Faatz questioned how the Election Commission's budget will fare for the remainder of 2007, including combining the budgets for both the Election Commission and the Clerk & Recorder Office, since the two will become one agency. Mel Thompson, Budget & Management, said he is anticipating savings from the May election. He stated that he and the Mayor will probably sit down and discuss how to transition the two agencies and their budgets after that election. No money is coming out of the contingency to pay for this supplemental, but the budget will be re-evaluated starting in June. Councilmember Boigon mentioned she is going to schedule a discussion to General Government Committee regarding the Election Commission's voting process and relationship to the postal service.

#### 4) Finance Workshop – “How to Read a CAFR”:

##### Committee Discussion

Beth Machann, Office of the Controller, stated the CAFR is posted on the City’s website, and is important information to the public and the bond community. The information that is presented in the CAFR provides financial statements that describe the City’s financial condition, investment and debt, and its ability to manage its assets. Paul Glick, Glick Consulting, noted that Denver’s report is an estimated 153 pages longer than private sector reports. Governmental entities report at higher-level of standards and legal requirements and are required to disclose more information than the private sector. Mr. Glick noted that agencies of the City prepare the information and the Auditor’s Office pulls the report together. Of special note, the City received one of the highest national awards – the Certificate of Achievement for Excellence in Financial Reporting – for its 2004 CAFR report.

Important areas to consider when evaluating the CAFR include:

- Read the Management Discussion and Analysis (MDA) section that describes the type of statements that are used and what the various fund accounts mean.
- For comparative analysis and to see what past financial trends were, look at tables typically located at the back of the report that show statistical information over the last 10 years (revenues, expenditures, mill levies, etc.).
- A change in 2006 will now include sales tax information as an operating indicator.
- The General Fund Balance Sheet is an important document – reveals the “fund balance” or leftover money from prior years.
- TABOR is acknowledged in the General Fund Balance Sheet as “reserved for emergency use”. The 2005 report showed a TABOR fund balance of \$19,681.
- The report distinguishes enterprise funds and internal service funds – both proprietary, but enterprise funds are considered to be major funds of the City.
- Critical information to the budget director is the General Fund Schedule of Expenditures and Encumbrances compared to Authorizations, which is used to help determine the fund balance and the next year budget.
- Also included in the CAFR is the Fiduciary Net Assets report where the figures and condition of the Denver Employees Retirement Plan (DERP) is found. The actuarial valuation-liabilities and funded ratio are located in the required supplemental information report. In the 2005 report, it is showing DERP in a great position near to becoming 100% fully-funded. The actuarial should include current costs that are amortized over a period of time.
- State law requires the City to publish within seven months of the close of the fiscal year the completed CAFR, based on appropriate accounting principles of the United States of America (GAAP).

Mr. Thompson indicated that the new preschool tax collections would be recorded in the Special Revenue Fund report. He is confident that the unreserved/undesignated fund amount of \$120,632 in 2005 would be reflected in the 2006 fiscal end report, with a possible addition of \$6 million. Ms. Machann said that the City’s policy to maintain a 15% contingency reserve balance has been re-affirmed. She stated the 2006 CAFR report should be completed by June 30, 2007. Councilmember Faatz said she would schedule another meeting in August so that staff could review the pertinent pages with Council.