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## Finance Committee Summary

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Wednesday, May 2, 2007

1:30 p.m.

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

**Committee Members:** Faatz, Chair; Brown, Vice-Chair; Boigon, Lehmann

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*Agenda:*

- 1) *Introduction of Claude Pumilia – new Chief Financial Officer*
  - 2) *First quarter budget update and revenue forecast*
  - 3) *Amend Ordinance No. 793, Series 2006 (long bill)*
  - 4) *Rescissions and supplemental appropriations*
  - 5) *Budget process and instructions for 2008*
  - 5) *1998 Neighborhood Bond Project update*
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**1) Introduction of Claude Pumilia – Denver’s new Chief Financial Officer**

**2) Budget & Management Office – revenue forecast, budget information and bonds:**

Committee Action

The Committee approved the following actions:

- Amend Ordinance No. 793, Series of 2006 (long bill) to add new revenues in the amount of \$2,159,000 from the Wastewater Enterprise Fund to the General Fund contingency reserve.
- Rescind \$5 million from various agency appropriations and authorizes the appropriation of that money to the Public Works Street Maintenance 2007 paving program.

Council requested a briefing from Administration regarding the Fire Department’s discrimination lawsuit.

Councilmember Lehmann requested that the Syracuse and Yale Intersection Improvements Project on the completed 1998 Neighborhood Bond Projects list be placed on the list to be completed, since it has not been done.

Committee Discussion

Mel Thompson, Budget and Management, provided the following budget information:

2006 Budget Overview:

- As predicted by Budget staff, General Fund Revenues increased 4.7% over 2005;

- Sales and Use Tax increased 5.3% over 2005 (excluding one time audit in 2005);
- Sales and Use Tax collections were \$397.1 million for 2006;
- Total general governmental revenues increased by 13.9% over 2005;
- Undesignated Fund Balance for year-ending 2006 increased by \$7 million to a total of \$128.5 million or 16.4% - staff estimated \$10 million, but taking out the recent snow storm contingency monies, budget is on target;
- Additional revenues were identified from the Wastewater Management Enterprise Fund appropriate for transfer to the General Fund (amend Ordinance No. 793 – long bill) in the amount of \$2,159,000 (this includes final costs that were allocated to snow removal expenditures in 2006) – these funds will be combined with the proposed rescissions to covers costs associated with the 2007 paving program.

2007 General Fund report:

- 2007 General Fund revenues on track for first quarter reporting – includes an estimate of \$550,000 from FEMA for snow removal reimbursement costs. The FEMA reimbursement would cover only the most expensive 48 hour time period;
- The Contingency Fund is currently at \$16 million – a 2% contingency is required by Charter, and that reserve amount is on target with the required 2%;
- The following items are potential expenditures from the budget. \*Budget is waiting to see how respective agencies could pay for these expenditures through various agency saving opportunities and offsetting costs:

1) Additional snow removal cost	\$8,000,000
2) Additional street resurfacing cost (Contingency Fund)	5,000,000
3) Police supplemental (Contingency Fund)	3,000,000
4) *Fire overtime (partial from Contingency Fund)	1,000,000
5) Fire Department lawsuit (Contingency Fund)	1,200,000
6) *Pay Survey and class bumps	1,500,000
7) <b>Reduction</b> in utility cost and fuel anticipated	<b>(1,900,000)</b>
- Rescind \$3.2 million from Utilities (\$1 million), Liability Claims (\$1.2 millions), and Theatres & Arenas (\$1 million) and appropriate the funds to the Public Works Street Maintenance 2007 paving program.
- Plans are to hold the Fund Balance from \$7– \$8 million (15%) – since Mr. Thompson employment, the City has never gone into the Fund Balance to cover budget overruns.

2008 Budget Forecast:

- Preliminary revenue forecast for 2008 is anticipated at 2% growth;
- Expenditure growth is estimated to be at 4.9%;
- Departments were asked to develop business plans that incorporates business activities to performance measures, and were asked to reduce plans to hold growth to 2% from 2007;
- Agency expansions will be restricted to critical or mandatory items;
- Agency budgets are due to Budget & Management by June 15<sup>th</sup> and the budgets are due to Council by July 1.

1998 Neighborhood Bond Projects:

- 2007 Infrastructure Task Force wants to learn from the 1998 Neighborhood Bond Project's experiences and will consider various criteria to avoid mistakes such as: looking at project readiness, benefits to hiring outside contractors for projects versus building internally, and whether or not to expand a facility or replace it. More scoping will occur to achieve the correct level of project pricing;
- The following projects still remain uncompleted from the 1998 Bond – these projects will require supplementals from the General Fund for completion:
  - 1) Westwood Community Center – under construction now and scheduled for completion in August 2007.
  - 2) Citywide tree planting.
  - 3) Irondale Gulch Parkway landscaping and irrigation – currently underway.
  - 4) East Colfax Streetscaping – currently underway.
  - 5) Morrison Road Streetscape Improvements – design in progress.
  - 6) Vanderbilt Park Development & Restoration – on hold due to environmental issues, and is scheduled last to be completed.
  - 7) Councilmember Lehmann stated the Syracuse and Yale Intersection Improvements Project has not been completed and requested it be placed on this list.

Questions and Comments:

- 1) Is a reduction in the lodger's tax anticipated? The lodger's tax is allocated into a Special Revenue Fund and not part of the General Fund, and is currently on target for 2007.
- 2) What is the general impact from CSA's annual pay survey? Typically, Budget plans for \$2.5 million which takes into account sliding ranges and classification bumps in salary.
- 3) Why is the Fire lawsuit not being covered by the City Attorney's Office claims budget or the Fire Dept. budget and why is a supplemental being planned if agencies are being asked to absorb costs? In addition, why is a rescission from the claims budget being proposed for street costs, if money is needed for this claim? The discrimination claim is complicated and Council would need details from the Mayor's Office. The Fire Dept. is over budget now, and the street program is in critical need after this year's snow storms. Councilmembers requested a briefing on the lawsuit.
- 4) Based on the Schedule 100A Reserve figures, why are the cable fees reduced? The projected 2007 figures are based on numbers provided by Darryn Zuehlke, Telecommunications and are reflective of current market issues. There is legislation being considered at federal levels that might impact these figures upward.
- 5) Will the high fuel costs impact the City's fleet? There might be some impact, but the Departments of Public Works and Safety – fleets - build into their budgets certain assumptions, and the high cost of fuel is one variable included in the budget.
- 6) Why is there a reduction in the budget for Public Works from \$22 million in 2007 to \$17 million in 2008? In addition, what is being done to cap building projects in anticipation of the Infrastructure Task Force recommendations? The \$22 in 2007 represents Capital Projects Funding (CIF); the \$17 million is the General Fund. Claude Pumilia, Finance Office, said City staff and the Mayor have begun to strategize how to pay for projects since there is no money. No policy decisions have been made, but the process for prioritizing and creating assumptions has begun.
- 7) Does the City know how much its sales and use taxes were impacted in 2006 from the snow storms? The taxes were down 7% in December, but some costs are unknowns.

- 8) How could additional revenues from Wastewater Enterprise Fund be used for snow removal costs/street paving program? The work is related to street storm and sanitary programs and is covered by the three-year storm and sewer program which identifies various projects including unimproved alleys for funding – 50% General Fund and 50% CIP.
- 9) Councilmember Faatz is concerned about allocating \$7,000 from the 1998 Bond Projects to tree planting when streets are in dire need of repair. Stephanie Iwanski, Budget, said only \$2,000 would be allocated to trees. Mr. Thompson pointed out that the street programs were behind because they were suspended in 2003 due to a bad economy. Dan Roberts, Public Works, said the department was working with the Infrastructure Task Force to identify work that is needed, but added that street resurfacing is critically needed at this time. The Infrastructure Task Force has preliminarily proposed that \$20 million is needed annually to maintain Denver's current street system.