



Denver City Council

**Public Amenities Committee
Summary**

Date: Jan. 17, 2006 Time: 11:00 A.M. Location: Council Conference Room

**Committee Members Present: Lehmann, Chair; Robb, Vice-Chair;
Johnson, Linkhart**

Other Council Present: Garcia

1. Announcement: Councilmember Johnson, District 5:

Councilmember Johnson stated that Palmer Elementary School was selected to participate in the upcoming Colfax Marathon scheduled for May 21, 2006. The goal is to promote health and fitness among youth and adults. She explained the students would be involved in a three-month fitness and training program. The Councilwoman said the students are excited about the marathon and are hoping that animals from the Zoo would be included in the planned events. Additionally, parents will be encouraged to participate in the race and activities.

2. Parks & Recreation Capital Funding Sources – Infrastructure Task Force report – needs assessment:

Committee Action

The Committee requested discussions regarding the following topics: 1) Overview of the City's debt administration relative to Capital Improvements funding and bond issuances (Finance Committee), 2) Theaters & Arenas – seat tax changes (joint meeting among Public Amenities and Finance Committees), 3) Athletic Field and Recreation Center report (Public Amenities Committee), and 4) Infrastructure Task Force report from Public Works (Public Works Committee).

Summary of Discussion

Marilyn Miller, Budget & Management – Finance Office, explained that the Mayor in his efforts to assure that Denver is managing its assets in a sound fiscal and sustainable process, assembled a 20-member task force from the public and private sector in June 2004 to identify the capital infrastructure needs, problems, and funding. The Infrastructure Task Force included Community Planning & Development, Office of Cultural Affairs, Parks & Recreation, Public Office Buildings, and Public Works staff. The Task Force report was finalized in February 2005 and included assessment of Denver's long-term assets including streets, public art, parks, recreation centers, buildings, and safety stations (full report is available on request).

Denver has several dedicated revenue streams for capital improvements. The problem with current funding streams is that over the past 20 years the buying power of these revenues have decreased by 25% and construction costs have increased. Generally, the revenue streams bring in \$9 to \$10 million annually. The funds and sources are (see attached spreadsheet for historic Parks & Recreation funding sources):

- Capital Improvement Fund: revenues from Occupational Privilege Taxes (OPT) and sales from city-owned land;
- Winter Park Fund: only for Parks & Recreation use generated from revenues from ski area and interest;
- State Conservation Trust Fund: only for Parks & Recreation use generated from the state lottery based on a formula;
- Entertainment and Cultural Capital Facilities Fund: only for Theaters & Arenas generated from seat taxes.

Although the Task Force found that the City does a reasonable job with capital maintenance, considering that some of its building assets were built in the early 1950's, much needed funding is required for parks irrigation and facilities (alleys, signs, and buildings would be addressed with Public Works). The current funding for Parks & Recreation maintenance programs is \$1.7 million, but \$5 million is needed annually to maintain what Denver has now, resulting in an estimated gap of over \$3 million which doesn't include upgrades or new project construction. The current Capital Improvements fund (CIP) is \$31.3 million. The total amount needed for minimum sustainability is \$56.8 million, an estimated \$25.4 million gap in funding.

After a thorough review and analysis of all asset categories – conducted by various measurements including visual evaluations, the Task Force noted:

- Asset prioritization is difficult;
- For some asset categories it is more cost effective to create a pro-active management system rather than allowing the asset to deteriorate;
- Questioned if the City should continue with a "triage" approach or develop a strategic financial plan;
- Develop a 15-20 year plan to catch up on capital maintenance needs to achieve a sustainable level of funding;
- Evaluate the retention of assets on a regular basis through a cost/benefit analysis; and
- Assess new funding opportunities for both maintenance and building new assets.

The Task Force reported that a bond or one-time catch up over a 15 year period with periodic infusions (bond issuances) of capital would be an option to consider for the repair and maintenance needed. The total infusion projection (including all capital needs identified) assuming a 10% efficiency would be broken down as follows:

- Short-term infusion (1-2 years): \$137 million
- Mid-term infusion (6-8 years): \$132 million
- Long-term infusion (12-15 years): \$107 million

Other sources to consider include General Obligation Bond (GO) funding, revenue bonds, and property taxes – dedicated mill levy. The GO debt service (see attachment) is presently at \$70 million and will decline in 2008 to \$51 million and \$20 million in 2010 if no new additional debt is incurred. The reallocation of existing revenues (sale of assets,

reallocating annual repair programs to General Fund expenditures) are also policy decisions to consider to meet the financial need.

Ms. Miller indicated it is important for the City to establish a strategic plan to meet the annual level of deterioration, capital maintenance, and added growth (new services required from new development). Next steps in developing the strategies includes policy direction from City Council, engaging the public for input, and identifying all sources of revenue (including revenue generated from City fees such as trash, Occupational Privilege Tax), including any trade-offs resulting from reallocation of sources. Timeframe for accomplishing these tasks would be within the next 3 to 6 months – completion for May. This information would begin to assist in the pre-budgeting discussions for next year's budget planning. Councilmember Robb suggested other agencies such as the library should be included in the analysis because of mill levy impacts and other agency's desires to use the same revenue source. Councilmember Lehmann suggested that the Tax Payer Bill of Rights (TABOR) component be analyzed in the decision-making process and that public education is required to inform citizenry of the costs it takes to run Denver. A study is currently underway regarding long-term partnerships with other entities such as between recreation centers and Denver Public Schools regarding the joint use of fields, another avenue where savings could be incurred. Councilmember Lehmann indicated she would schedule the Athletic and Recreation Center report at an upcoming meeting. Tom Hawkey, Parks & Recreation, said he would include a one-time infusion analysis for the Athletic and Recreation component.

A discussion regarding the City's debt administration relative to Capital Improvements funding and bond issuances would be requested of the Finance Committee. Councilmembers indicated it was important to see the entire financial picture in order to develop long-term policies for critical capital maintenance long-term planning.