Fiscal Responsibility to Further Invest in the Future

Executive Committee
Department of Finance
May 4, 2017
Denver’s Assets

- Parks and Recreation: $1.8B
- Transportation: $4.7B
- Buildings: $1.9B
- Public Art: $40M

CCD Total Asset Value = $8.4B
44 Asset Classes
Summary of Current Assets

Buildings
• 10 theaters and arenas
• 26 libraries
• 115 mountain park buildings
• 31 recreation centers
• 228 park buildings
• 10 Sheriff facilities
• 114 general buildings including police and fire stations
• 6 public works buildings

Transportation
• 5,100 public alleys
• 500 private alleys
• 304 miles of bike lanes
• 445 bridges
• 16.5M linear ft. of curb and gutter
• 56,000 curb ramps
• 155 acres of medians
• 169 minor parks bridges
• 202.5 miles of park walks
• 87.4 miles of regional trails
• 5,586 lane miles of paved streets
• 1,285 traffic signals
• 450,000 signs

Parks
• 28 aquatics facilities
• 328 athletic fields
• 332 courts
• 28 fountains
• 5,369 furnishings
• 11 historic features
• 2,606 irrigated acres
• 189 acres of parkways
• 44 park restrooms
• 17 special features
• 277,164 trees
• 6.2M sq. ft. of park roads and parking lots
IPTF in 2007 recommended alternative funding solutions for capital maintenance:

- Reallocation of existing revenue (OPT) to property tax
- 2.5 Mill Capital Maintenance Mill Levy (voter approved in 2007)
- Periodic “catch-up” bond issuances to restore capital assets and initiate new capital investments.

Following the 2007 vote, City made significant changes to capital budget process.

- Protection of capital maintenance funding
- Prioritization of annual capital maintenance funding allocations ahead of new discretionary projects
- Transparency and collaboration
• In 2007, Occupational Privilege Tax (OPT) was traded for property tax to provide a more stable and sustainable revenue source for capital improvements.

• The trade was coupled with 2.5 mills approved by voters in 2007 for capital maintenance.
  • 2.5 mills projected to generate $41M in 2018 (up from $24.9M in 2008).
• Base annual capital program budget is approximately $104M.

• Majority of annual funding is spent on capital maintenance program (approximately 63% of available capital revenue)

• Once maintenance investments and contractual obligations are fulfilled, approximately $11M-$13M is dedicated to discretionary capital projects

2017 Capital Improvement Program Revenue Sources

- Capital Improvement Fund 85%
- State Conservation Trust Fund (Lottery) 5%
- Entertainment and Cultural Capital Fund (Surplus Seat Tax) 8%
- Winter Park 2%

*Does not include remaining Better Denver Bond funds, grant funds, or one-time general fund transfers.
Annual Capital Planning Process
Discretionary Capital Funding

• Once maintenance investments and contractual obligations are fulfilled, approximately $11M-$13M is dedicated to discretionary capital projects (major rehabilitation, new construction, major plans, etc.)
  – Major restoration, rehabilitation and replacement (e.g., Sullivan Gateway)
  – Partnerships and leveraging alternative funding
    • $8M committed as matching funds in 2017 which leverages over $84M
  – Mobility infrastructure (e.g., Denver Moves Bikes)
  – Plans which advance the vision for the City (e.g., Denveright)
  – Phased implementation of major projects which improve quality of life (e.g., Paco Sanchez Park)
  – Construction pricing escalation to complete projects underway

• City has also made one-time transfers from the General Fund to CIP to address major capital needs.
Annual Capital Planning Process
One-Time General Fund

• As City’s fiscal health has improved as a result of strong economic growth, the City’s capital improvement program has benefited.

• 2007 Infrastructure Priorities Task Force recommended the use of “one-time” general fund transfers to CIP to address deferred capital maintenance, capital replacement needs and priority projects.

• Since 2013, the City has transferred over $165M from the General Fund to CIP for needed capital investments.
  – Brighton Boulevard ($25.8M)
  – Parks Deferred Capital Maintenance ($15M)
  – Curb Ramps ($30M)
  – Mobility Capital Projects ($21.8M)

• Construction pricing escalation to complete projects underway.
• Saturated construction market: Construction costs continue to track ahead of national index (estimated 3.5% - 4.0% cost escalation in 2017.)
• Decreased buying power compared to 2007 limiting how many capital needs can be addressed on an annual basis.
What is Deferred Maintenance?

- Practice of postponing needed repairs and replacement of capital assets as a result of limited funding levels.

- As deterioration of assets accelerate over time, the amount to restore the asset to its original condition substantially increases - $1 today equals $4 tomorrow.

Source: SPUR
The City has made significant efforts to better understand and manage the health of our assets and facilities.

- Parks Asset study (2013)
- Citywide Facility Condition Assessment (2014)
- Bridge Inventory/Condition Study

2016 Denver Infrastructure Analysis
- Developed a better understanding of current asset inventory and maintenance needs.

33% of CCD’s assets are in Very Poor or Poor condition.
## Citywide Deferred Capital Maintenance

<table>
<thead>
<tr>
<th>Public Art</th>
<th>Parks and Recreation</th>
<th>Transportation</th>
<th>Buildings</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.7M</td>
<td>$119M</td>
<td>$543M</td>
<td>$126M</td>
<td>$789M</td>
</tr>
<tr>
<td>• Parks Irrigation $29M</td>
<td>• Curb and Gutter $266M</td>
<td>• Pavement $76M</td>
<td>• Public Facilities $10M</td>
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</tr>
<tr>
<td>• Recreation Centers $22M</td>
<td>• Bridges $48M</td>
<td></td>
<td>• Libraries $8M</td>
<td></td>
</tr>
</tbody>
</table>

TOTAL: $789M
“Street conditions in Denver urban areas currently cost the average motorist an additional $753 each year in extra vehicle operating costs.” (TRIP)

- Traffic congestion
- Health and safety
- Economy
- Environment
- Quality of life
City has issued over $1.6B in GO bonds since 1989 to address major rehabilitation and construct new projects.

2007 Better Denver Bond
New Projects v. Deferred Maintenance
Dollar Value

Deferred 47%
New 53%
• Leveraging Alternative Funding
  – Estimated $200M in additional funding was leveraged in the Better Denver Bond Program
• Revenue Generation
  – Catalytic projects
• Operating Impacts
  – New assets (staff, utilities, maintenance)
• Independent Utility
  – Limiting required future investments on CIP