



Denver City Council

Finance Committee Summary

Wednesday, December 6, 2006 1:30 p.m.

Council Conference Room

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

Committee Members Absent: Rodriguez

Other Council Present: Hancock

Agenda:

- 1) *Denver Employees Retirement Plan – disaffiliation language*
- 2) *2007 Mill Levy certification*
- 3) *Sales and Use Tax computations and tax rate change*
- 4) *Various agency rescissions, re-appropriations, transfers, and supplementals*

1) **Denver Employees Retirement Plan (disaffiliation language):**

Committee Action

The Committee approved amending the Retirement Plan to include disaffiliation language that would provide for safeguards to protect retirement categories and benefits and to make non-substantive changes to the Retirement section in the Revised Municipal Code.

Committee Discussion

Steve Hutt, Denver Employees Retirement Plan (DERP), explained that due to issues regarding Denver Health Authority, DERP was anticipating an estimated deficit in the amount of \$42 million in retirement funding based on no new hospital employees participating in the benefit plan to cover existing employee's funding. The proposed "disaffiliation" language would require that an actuarial report must be submitted by any entity/organization confirming that the disaffiliation would not cause any adverse financial impact to the retirement plan. If the disaffiliation were to cause any negative financial impact, the entity would agree to pay the full actuarial costs associated with the transaction. Mr. Hutt stated he is not aware of other future plans related to any organization disaffiliating itself with the City's retirement plan. He explained that when the hospital moved from the City to its own Authority, new employees went into their benefit system, causing a disproportionate share of the City's retirement costs. The hospital's board will be voting on how they will be reimbursing the DERP plan for the anticipated costs at their next meeting scheduled on December 14, 2006. Councilmember Faatz noted that this language would be included in other contracts should other agencies, such as Denver International Airport, were to separate from the City.

Other non-substantive technical changes to be included in the retirement section of the code include:

- New language regarding the three year application processing limitation;
- Death benefits for five or more years of service on retirement (lump sum);
- Retention of benefits for re-employments/re-instatements; and
- A 30 day appeal period for decisions.

2) 2007 Mill Levy certification:

Committee Action

The Committee approved an ordinance that would establish the mill levies for all taxable property in the year 2006 for collection in 2007.

Committee Discussion

Karen Todd, Revenue-Treasury, stated that state law requires that all counties go through the annual mill levy process and the law regulates how property tax obligations are calculated. Councilmember Faatz noted that Council approval is not required because the actions are considered ministerial. Preliminary valuations are looked at in August, and are finalized/certified by the Assessor's Office by December 15. The agency staff agreed to come to Council in October annually from now on to provide the estimated valuations for the following budget year. David Hart, Revenue, said the agency revisits the mill levy calculations to recover abatement costs, and to address provisions of state law, including TABOR considerations. He indicated that special districts levying comes through Denver separately and is not included in these levies. The changes in levies are attributable to inflation and changes in local growth (a total increase of 3.959%). Highlights regarding the mill levies and what they represent include:

- Real and personal property is collected in the forward year for the past year's taxes;
- To determine the assessed value, a statutory percentage is applied – residential property is 7.96% and commercial is 29%;
- Budgets are determined based on revenues from property taxes;
- A taxing entity's mill levy is the amount of mills that will be applied to the assessed values to collect the amount of revenues of an approved budget;
- 1 mill generates \$7.96 of property taxes for a single family residence with an actual value of \$100,000; and
- The estimated total City mill levy for 2006 is 26.007, the estimated General Fund mill levy is 9.323 or \$79,818 million – see attachment.

3) Sales and Use Tax computations and tax rate change:

Committee Action

The Committee approved updating the sales and use tax schedules in the Revised Municipal Code to approve rounding of tax computations and to include changes in taxes. A tax of 3.62 percent would be imposed and levied on appropriate taxable sales and services. The tax articles in code would increase by a tax rate of .12 percent approved by the voters on November 7, 2006 for Referendum 1A, the Preschool Tax.

4) Agency rescissions, re-appropriations, supplementals and capital improvement transfers for the following agencies: Technology Services, Recreation, General Parks, Zoo, Denver Library, Clerk & Recorder, Human Services, County Courts, Downtown Historic District Tax Rebate, Election Commission, City Council, Gateway Impact Fees:

Committee Action

The Committee approved various agency rescissions, re-appropriations, supplementals, and transfers for the following agencies and funds: Local Improvement District Fund, Gateway Impact Fees Fund, Human Services Special Revenue Fund, General Government Special Revenue Fund, Clerk & Recorder's Office, Election Commission, Denver Public Library, Downtown Historic District Tax Rebate, Parks Division, Recreation Division, Denver Zoo, City and County building remodel, and City Council.

Committee Discussion

Leigh Oliver, Budget & Management outlined the various end-of-year budgeting requests as follows:

- Authorize cash transfers totaling \$2,101,507.92 from the Local Improvement District Assessment Fund and the Gateway Impact Fees (Parks and Fire) Fund to the Capital Improvements Project Fund (CIP) – for the purposes of reimbursing the CIP Fund and for the Certificate of Participation (COP) payment for the Parkfield Park design and development.
- Appropriate \$18,800 from the Capital Improvements Fund for the City and County Building Remodel Project – remodel and backfills.
- Approve various rescissions and transfers from the General Fund, Human Services Special Revenue Fund (\$240,000) and Denver County Courts (\$75,000) and authorizes expenditures from the General Government Special Revenue Fund in the amount of \$450,000 for the Information Technology and PC Replacement Special Revenue Funds. These transactions will provide a unified purchase for the video surveillance project.
- Approve various end-of-the year supplementals for the following agencies:
 - Clerk and Recorder (\$120,000): provides funding to cover personnel costs for the remainder of 2006 – unmet vacancy savings.
 - Denver Public Library (\$70,000): provides funding to cover unexpected on-call costs.
 - Downtown Historic District Tax Rebate (\$36,000): provides partial rebate of real property taxes levied by the City to owners of qualifying structures within the Downtown Denver Historic District based on criteria established by the Landmark Preservation Commission – rebate available as long as owners participate in the program. Councilmember Lehmann requested information regarding the term of the program.
 - Parks Division (\$425,000): provides funding to cover unexpected water costs.
 - Recreation Division (\$260,000): provides funding for unanticipated personnel and supplies costs.

- Denver Zoo (\$50,000): provides additional budget for end-of-year utility costs related to water and wastewater, no back charges included.
- Election Commission (\$614,000): provides additional funding for unanticipated costs associated with Vote Centers – personnel, supplies, materials, and internal services.

Election Commission supplemental

John Gaydeski, Election Commission, explained the increase from 35 planned Vote Centers to 47 for the Primary and 55 for the General created additional election costs. The total Election budget for 2006 is \$4,394,700 (see attachment). He noted the Commission will be conducting post election tasks 7 weeks after the General Election. The additional costs are attributable to:

- Increased on-call costs and overtime for permanent employees (\$239,000);
- Supplies and services – includes all mailings, vehicles, advertising, IT support, and supplies (\$303,000);
- Internal Services for T1 lines, Vote Center setup and phone costs (\$72,000) – Mr. Gaydeski added that the phone costs were an estimate and that the Commission hadn't received a final bill yet.

Election Commission – current issues and future planning:

- 1) **Will the Commission purchase additional ballot boxes?** Yes. The Commission is evaluating the need for additional boxes and security for voters who prefer to bring in their ballots. Two boxes are located at each Vote Center site.
- 2) **Will Sequoia reimburse the City for its errors in the printing and mailing process?** Sequoia has credited the Commission \$52,160. David Broadwell, City Attorney's Office, indicated attorneys are looking into these issues and he is confident that approving this supplemental would not impact the City in pursuing further reimbursement from Sequoia. Mr. Gaydeski noted he would not object to further negotiations with them.
- 3) **How much were the City's costs to re-do the information?** \$21,863 – but Election staff is assessing that information now.
- 4) **How will the Commission assure that proofing is done before mailings are sent out in the future to avoid unnecessary costs?** Alton Dillard, Election Commission, explained that proofing is done in-house and was correct when sent to Sequoia. Errors were made on the plate used. An option would be to print locally.
- 5) **What is the status of the e-Poll book payments?** The first order was paid and the second payment has been held by the Auditor.
- 6) **Why didn't the Commission pursue a legal contract for the e-Poll book?** Software purchases typically don't require contracts, but do require filing a bill if appropriate - capital purchases of \$50,000. Mr. Broadwell noted that software is considered "chattel" under ordinance and controls what is meant by capital equipment. He added that the Auditor held the payment because he felt it should go to Council for approval. Denis Berckefeldt, Auditor's Office, stated that an employee from their office sent a communication to the Election Commission to question if this expense was capital equipment.
- 7) **What funding pays for the e-Poll book?** Christine McGroarty, Budget & Management, stated the funding is from the state, not from the General Fund.

- 8) **Who wrote the specifications for the software and was there any guidance from the state for the e-Poll book?** Anthony Rainey from the Election Commission wrote the specifications. There was no guidance from the State, but a phase-in schedule was disseminated. The Fujitsu Consultants are auditing the technological and software problems now. The Commission will keep Council informed.
- 9) **Could Denver utilize the e-Poll book system from Larimer County?** At this time the Commission is not sure it is feasible, but would be happy to evaluate the compatibility of the systems. The Mayor has assembled an Election Task Force that is providing technical expertise on these issues and Scott Doyle from Larimer County is on the panel. More information is forthcoming regarding their findings and recommendations.
- 10) **Have the judges been paid?** Most of the judges have been paid. These on-call employees are considered differently in the system. They are not payroll, but accounts payable. The Auditor's Office has received the last information on employees to be paid this week.
- 11) **Are more Vote Centers needed in 2007?** Initially, the current Vote Center numbers would have covered the City for accessibility. Denver is unique and the Commission continues to assess the feasibility, stated Mr. Gaydeski.
- 12) **It was reported that 25% of the election judges didn't show up. Has anyone contacted them to find out why?** Phyllis Bell from the Commission trained 1,300 judges, and the Commission required 1,100. It is not unusual for judges to fall out prior to an election. The Commission has not had time to follow up as to why they didn't show up.
- 13) **What are the Commission's priorities now?** Mr. Gaydeski outlined the following priorities, but noted that all require additional funding in the future:
 - **e-Poll Book (primary concern);**
 - **Working with Fujitsu Consultants (software, technological systems);**
 - **Identifying appropriate number of Vote Centers;**
 - **Creating formal agreement with the City's IT Division;**
 - **Increase judge training – increase recruitment;**
 - **Evaluate provisional ballot process – assure appropriate number of ballots available at each site;**
 - **Increase supply and logistic supplies – could pre-load vehicles with necessary supplies.**

Councilmember Hancock suggested that Vote Centers require staff that has certain competencies and the Election Commission should recruit for judges based on a variety of skills required. He also noted that better pay is warranted. Mr. Gaydeski agreed that higher pay was warranted. He added it might be possible to base the pay on hourly costs instead of a flat rate. The Commission intends to boost recruitment and is looking into recruiting in high schools and colleges to assure certain skill sets are obtained, for example, typing, computer integration, and software.