



Denver City Council

Summary Finance Committee

Date: Wednesday, May 3, 2006 1:30 PM

Council Conference Room

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

Committee Members Absent: Lehmann, Wedgeworth

Other Council Present: Rodriquez, Robb

1. City budget and revenue update

Summary of Discussion

Mel Thompson, Budget Director, discussed the current status of the City budget and presented the latest revenue forecast. Mr. Thompson was cautiously optimistic about figures showing that:

- Total general fund revenues year-to-date increased 8.15% over 2005
- Sales and Use Tax increased 8.26% for first two months with March estimated at 7%
- Fines and forfeits increased 9.9%
- Fees increased by 11%
- Licenses and permits were up 4.7%, (although construction permits were down 9%)

Mr. Thompson said that original general fund revenue growth was estimated is 3.5%. He explained that some results may have timing issues such as the lodger's tax. Although the tax is actually up 11%, the schedule 100A report shows the percentage change as down almost 60 % from last year. This is due to a change in the payment system. After several years of decline, revenues from tickets are also increasing.

Mr. Thompson said it was hard to know if the strong quarter was predictive of performance for the rest of the year since increases in fuel costs may affect the budget adversely. There is also a concern about the recent increases in foreclosures. To date, 2006 general fund expenditures are on track and the budget office continues to monitor agency expenditures to identify any emerging budget issues. He distributed and answered questions from the Committee regarding a report of year to date agency expenditures—noting that agencies who

are significantly over 25% of their approved budgets trigger more analysis from the Budget Office to determine any unexpected budget issues. (See attached)

Mr. Thompson said that he was already planning for expected expenditure issues in the following areas:

Police overtime and training	\$1,000,000
Election Commission	\$500,000
District Attorney	\$240,000
Denver Cares	\$300,000
Public Health	\$200,000
Utilities and fuel	\$1 to \$2,000,000
Technology Services production support	TBD

The last item represents resources for supporting new technology systems including GIS integration, 311, safety records management systems, and the like. Mr. Thompson explained that the 2006 budget is built on the assumption of \$13,000,000 in unspent agency appropriations.

The 2007 budgeting process is getting underway and agencies are preparing their proposals based on the following:

- Assume modest revenue growth through 2007
- Budgets should align programs with achieving City's goals
- Continue to pursue budget-balancing strategies
- Prepare base budgets with an allowed 2% increase
- Limited ability to restore priority services

Agency budgets are due back to the Budget Office on June 16.

2. Supplemental request of \$1,051,000 for the reconstruction of the Westwood Community Center and Library

Committee Action

The Committee approved a supplemental request of \$1,051,000 for the reconstruction of the Westwood Community Center and Library. A discussion of the "lessons learned" from the 1998 bond process was deferred due to lack of time.

Summary of Discussion

Marilyn Miller, Director of Capital Improvement Projects, explained that since the project was approved by the voters numerous unforeseen changes came about such as the move of the health center from the site. The new project was developed with neighborhood input and there were debates about whether funding could be used for a library instead of the community center. Unanticipated construction problems—such as storm drainage issues--were also identified and estimated costs came in higher than originally projected. Ms. Miller explained that the remodeling costs were \$108 per square foot, a reasonable rate compared to other City projects. Unanticipated 2005 fund balance excess revenues are the source of the funding, so no other projects were affected by this supplemental request. The Committee approved the request.

3. Mayor's Financial Task Force Update

Summary of Discussion

Cole Finegan, City Attorney & Acting Chief of Staff, discussed the Mayor's Financial Management Task Force. He explained that it resulted from two years of external audits of the City in which questions were raised about the structure of City finance by the external auditor. The mayor decided to ask the "best and brightest" external financial minds to develop recommendations on improving the organizational structure of the City's financial functions and to create fiscally sound reserve policies.

Mr. Finegan listed the membership noting that the group includes outside experts with both private and public-sector experience who will evaluate opportunities for improving the City's longstanding financial structures, processes, and policies.

Based on Denver's 1904 charter, the City's current organizational structure of financial functions is decentralized and fragmented, with various financial functions being carried out by the City's Treasurer, Manager of Revenue, Director of Finance, Controller, Manager of General Services and Auditor. According to KPMG, the City's outside auditor, the current structure creates risks in internal controls and financial reporting and appears to be inefficient in various ways. The Task Force will evaluate the City's current organizational structures and financial processes, review financial organization structures from other jurisdictions, and review reserve policies. The Financial Management Task Force is expected to meet for three months.

Mr. Finegan clarified that the initiative is working directly with the City's excellent internal financial team to identify any improved business practices or structures that could be implemented. The initiative is no reflection on the current financial staff who are of the very highest caliber. Mr. Finegan promised that staff would provide a schedule of remaining meetings and meeting notes from previous meetings for distribution to Councilmembers. He noted that Finance Committee Chair Boigon would be addressing the Task Force committee on the issue of City reserve policy.