



Finance Committee Summary

Wednesday, March 19, 2008

1:30 p.m.

3rd Floor Council Conference Room

Committee Members Present: Faatz, Chair; Boigon, Vice-Chair; Brown, Lehmann, Robb
Other Council Present: Garcia, Lopez

Agenda:

- 1) *Kronos Inc. contract amendment*
 - 2) *2008 budget reserve for unspent 2007 bonus funds*
 - 3) *Economic financial update*
-

1) Kronos Inc. contract amendment:

Committee Action

The Committee approved adding \$50,000 to the Kronos Inc. contract for hardware and software management services.

Committee Discussion

Alfonso Rosabal, Technology Services, explained that the City's intent was to outsource some of the software maintenance work, but the City could not come to terms with the provider. As a result, these functions were brought in-house. The Kronos Inc. contract is for implementation of the workforce time and attendance system that was implemented in January 2008.

Councilmember Boigon asked if this contract addresses the problems the City has with servers and capacity. The contract addresses capacity for infrastructure growth and storage of data is included. There would be no additional staffing required, and the added funds would include additional training for the first year. Technology Services will continue to maintain data backup on the same servers.

2) 2008 budget reserve for unspent 2007 bonus funds:

Committee Action

The Committee approved establishing a one-time reserve from unspent 2007 bonus funds for the 2008 bonus pool which will increase the available bonus funds from 1% to 1.2%. Approximately \$800,000 would be allocated to the General Fund reserve from the 2007 bonus program.

Committee Discussion

Ed Scholz, Budget & Management, explained that only 80% of the available funds from the 2007 bonus program were paid out to all city agencies and departments. Approximately \$6.4 million was paid out of the \$7.8 million that was available for bonuses. Of the \$1.4 million, approximately \$800,000 is in the General Fund and the remainder is attributed to enterprise funds (DIA, Golf, Human Services, etc.). The proposal before the Committee would be to set aside the \$800,000 into the General Fund reserve to raise the pool of funds for 2008 bonuses from 1% to 1.2%. Mr. Scholz explained that they felt this would demonstrate fairness to employees plus allow them opportunity to achieve more bonus compensation.

Councilmember Boigon questioned why this proposal is okay to do now rather than when she proposed an amendment in the 2007 budget process that would have achieved the same thing. Mr. Scholz explained that at that time, the agencies did not know how much of the 2007 bonuses would be needed and the City needed to hold the fund balance until the end of the year.

Councilmember Garcia asked if this proposal would tie Council's hands for future years, especially if Council would prefer to use left over money for other purposes. Mr. Scholz stated that bonuses are a one-time payout and that each year an analysis would be done to determine how much if any left over money is available. At that time, he would notify Council of the findings and request a policy decision for use of the left over funds. The Councilman requested that language be included in the ordinance that would clarify this position. Mr. Scholz noted that the bill that would get approved now would only address the leftover money from 2007 for 2008 bonuses and would not address future money since that information is not known now.

Councilmember Garcia questioned where the City was at with the total compensation discussions. Councilmember Boigon, a member of the compensation committee, stated that meetings have taken place with Career Service Authority and at this time the City is looking at hiring a consultant to evaluate the City's compensation plans. Chris Henderson, Mayor's Office, said the compensation committee is trying to quantify and measure the current benefits and that a request for qualifications would be generated sometime in the fall. Councilmember Faatz requested that Councilmembers be notified when a consultant is hired so that Council will have an opportunity to provide feedback.

3) Economic financial update:

Committee Discussion

Ed Scholz, Budget & Management, highlighted the 2007 end of year budget projections and the 2008 contingency as follows, but noted that final figures would not be available until the external audit is complete.

- From the 2007 revised budget to date General Fund revenues show an average annual growth of 3.37% and total General Fund expenditures show an average growth of 3.73% (see attachment);
- Revenues are projected to be 0.8% higher than the revised 2007 estimate;
- Expenditures are estimated to be 0.9% lower than the revised 2007 estimate;

- The 2008 contingency is \$17.2 million (contingency required to be 2% of estimated expenditures) and there have been no appropriations from this reserve yet – possible funding from the contingency could go to the Sheriff's collective bargaining outcome, CSA yearly pay adjustments, and the annual reconciliation of payments to Denver Health.

Mr. Scholz pointed out that economic indicators such as home foreclosures, slower home sales and less construction permits reflect what the market is doing now. In response to growing concerns over a national recession, City agencies are implementing budget strategies to plan for several years in the future. Strategies include increased communications on financial data and fiscal performance, encouraging departments to link budget proposals to the citywide strategic goal framework, and focusing on existing initiatives and priorities to create sustainable and efficient ways of doing business.