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## Finance Committee Summary

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Wednesday, August 6, 2008

1:30 p.m.

3<sup>rd</sup> Floor Council Conference Room

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

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Agenda:

- 1) Comcast Franchise Agreement amendment
- 2) Budget discussions with the Dept. of Finance, City Council, Clerk & Recorder's Office, Auditor's Office, Career Service Authority

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### 1) Comcast Franchise Agreement amendment:

#### Committee Action

The Committee approved modifying the Comcast Franchise agreement to extend the term three years through December 31, 2012.

#### Committee Discussion

Darryn Zuehlke, Office of Telecommunications, stated the proposed amendment to the Comcast agreement would extend the contract from December 31, 2009 through December 31, 2012. He indicated Comcast requested this extension due to regulatory uncertainties including possible legislative changes. Mr. Zuehlke stressed that all other provisions in the franchise will stay intact, including franchise fee revenue language, penalties, customer service, and public access channeling. Comcast benefits because it would not lock them into a longer term where they wouldn't be able to take advantage of more favorable conditions. The City benefits because franchise fee and PEG fee revenues would be guaranteed for three more years and the Basic Tier channel location for Denver 8 and other PEG channels would be guaranteed. Franchise revenues will continue to increase and the City would not be using resources with unknown decisions, stated Mr. Zuehlke.

Councilmember Boigon asked why modifying the agreement doesn't require a vote of the people. David Broadwell, City Attorney's Office, said in 1999 voters approved provisions allowing agreement modifications to be approved without voter approval throughout the term of the 15-year agreement.

## **2) Budget discussions:**

City agencies were asked to discuss their budget plans based on the following four questions:

- a) **What is your current budget and what amount does 2.8% represent to your budget?**
- b) **To meet the Mayor's requested 2.8% budget increase, what top three strategies and/or reductions is your agency considering to close the funding gap?**
- c) **If additional funding becomes available, what three expansion areas are your top priorities?**
- d) **How do your "belt-tightening" strategies and expansion goals correlate with the City Council's top five goals and priorities (Graffiti, Neighborhoods, Economic Development, Mobility, and Children & Families)?**

### **Dept. of Finance:**

Claude Pumilia, Dept. of Finance, reported that the department 2008 budget is \$50 million and the 2.8% equates to a \$1.6 million reduction in budget for 2009. Primarily, the Finance Dept. plans on making its reductions through vacancies based on consolidations citywide and the new sales and property tax system. Dept. of Finance has been able to create efficiencies due to internal consolidations in Treasury and Assessment, and the removal of duplicate audit functions conducted by both the Finance and Auditor's Offices. Mr. Pumilia assured Councilmembers that the new tax system was thoroughly researched and that the vendor understands risk and penalties in creating the program. There would be limited interaction between this system and other IT environments of the City. The goal is to have a seamless transition and would not impact taxpayers or internal systems. The City is not losing tax money, explained Mr. Pumilia, the current system is just antiquated. The reporting would be done much quicker and the 2<sup>nd</sup> phase to this project includes internet filing and cashiering functions. Councilmember Robb cautioned the use of vacant positions for savings and noted that these actions should match priorities. Mr. Pumilia stated that the department has 400 employees, of which, 52 employees were transferred from the Auditor's Office when the new Finance Department was established by voters. Their goal is to be strategic in their decision-making, noted Mr. Pumilia. He added that their department is the foundation for all agency priorities.

### **Capital Improvement Project (CIP) Mill Levy:**

Ed Scholz, Budget & Management, explained that the CIP Mill levy approved by the voters last year is to be spent on critical maintenance needs that preserve infrastructure. The criteria includes rehabilitation projects that have existing CIP budget or matching funds so that the additional funding could advance the work and the money should be spent in 2008. The Infrastructure Task Force created guidelines to determine how the additional mill levy money would be distributed. In 2008, \$2.5 million would be spent on Parks & Recreation projects, \$17.9 million on Public Works, and \$4.6 million in Facilities. Mr. Scholz pointed out that the disproportionate distribution was based on the Task Force analyses. He reminded the Committee that Parks & Recreation receives additional funding from Winter Park, lottery funds, and other grant funding. He added that irrigation improvements totaling approximately \$16 million is in the bond money, separate from CIP funding.

Councilmember Lehmann asked where the alley paving program is in its long-term planning. Dan Roberts, Public Works, said that the alley crew doubled its completed work in 2008 which resulted in modifying the 10 year program to be completed in six years. That equates to \$1.75 million in savings, stated Mr. Roberts. Street Maintenance has begun to lay asphalt rather than concrete in alleys. Although the life expectancy is longer with concrete the major difference is cost. Concrete costs approximately \$80,000 versus asphalt which costs \$20,000.

Councilmember Boigon asked how the inventorying of monuments was going and how repairs would be determined. Kendall Peterson, Denver Office of Cultural Affairs (DOCA), said they have completed the task of inventorying Denver's monuments and that DOCA is responsible for repairs to the top portions of monuments and that Parks & Recreation is responsible for monument bases. The Councilwoman pointed out that there was need to establish clear assignments on who was responsible for monument repairs. Erin Trapp, DOCA, committed to sitting down with Parks & Recreation and determining those boundaries.

### **TABOR Reserve:**

The TABOR amendment requires that the City establish an emergency reserve fund of 3%. For 2008, the three percent reserve requirement is \$31.6 million and the reserve could only be used for economic conditions, revenue shortfalls, or salary and/or benefit increases. The following are the three funding sources:

- TABOR special revenue fund: \$9.5 million
- Human Services Designated Fund Balance: \$2 million
- General Fund Designated Fund Balance: \$20.1 million

### **City Council:**

Lauri Dannemiller, City Council Director, explained that City Council budget includes four divisions: Legislative Services, District Budgets, Tier III Funds Administration (SCFD), and lobbyists. The Council budget for 2008 is \$4.3 million which 84% is attributed to personnel costs and 16% is supplies. The 2.8% would represent an \$85,000 reduction. Ms. Dannemiller indicated that the plan is to reduce the budget by \$45,000 which would lessen each Council District Office budget by \$2,500 and to reduce expenses in the areas of training and copying. If \$85,000 needs to be reduced from the budget, travel expenses would need to be cut. By 2<sup>nd</sup> quarter 2009, some of the business analysis project to enhance Legislative Services capability is scheduled to be implemented. If funding is available, upgrading the audio visual systems in the Chambers would be first on the list, noted Ms. Dannemiller. Right now, Council is looking at PEG funds (Comcast Franchise agreement) to pay for upgrades to City Council technological systems. Councilmember Lehmann suggested that Council conduct fundraisers in the community to help pay for some of these costs. Councilmember Hancock suggested that Ms. Dannemiller partner with Denver International Airport for training costs. Councilmember Boigon pointed out that size of agency matters and she noted that reducing Council's budget is a lot different than reducing a larger agency budget, such as Dept. of Finance, when there is more flexibility to move costs. Ms. Dannemiller pointed out that City Council was not required to reduce its budget, but that City Council wanted to show solidarity by reducing where they can.

**Clerk & Recorder:**

Stephanie O'Malley, Clerk & Recorder, reported that the agency budget for 2008 is \$4.8 million. She is anticipating that the 2009 budget would be \$2.9 million. The difference is due to the "off year" for elections and that most costs in 2008 will be attributable to this year's presidential election. In 2008, the Clerk's Office has saved \$35,000 in overtime costs after re-organizing office hours and utilizing on-call personnel differently to meet the demands of issues related to foreclosures. The agency has 55 employees. Twenty-two of the 55 employees work in the Elections Division. Ms. O'Malley said that additional full-time staff is needed in the Public Trustees Division for licensure recordation. One of the top priorities is to upgrade the archive system which would cost an estimated \$1.9 million. She added that they are working with the Denver Public Library to apply for grants that would pay for digitizing the records kept by the Clerk's Office. Ms. O'Malley stated that the Mayor did ask her to consider budget reductions, but that it was her decision how she handled the budget needs for the agency.

**Auditor's Office:**

Denis Berckefeldt, Auditor's Office, noted that at one time, the Auditor's Office was the chief archivist for the City and was working with Document Time for archiving City data. The Auditor's Office provides funding for four positions in the Clerk & Recorder's Office. Clay Vigoda, Auditor's Office outlined the following budget particulars:

- 2008 budget: \$6,060,200;
- 2009 budget: \$6,324,206 – a 4.2% increase - due to personnel costs; 82% of the budget is personnel
- 2008 vacancy savings equaling \$264,000 and will be returned to the General Fund;
- There are 61 full-time positions;
- \$1.2 million of Auditor's budget is in Denver International Airport;
- The agency will add only one position – Prevailing Wage Inspector.

Mr. Vigoda noted that since finalizing the transition of duties and responsibilities between their agency and the Dept. of Finance they are moving toward Performance Auditing/Real Time auditing functions. Although the agency has 11 vacancies in the Internal Audit Division, they audit any entity that works for the City contractually. Currently, auditors work on 70 projects at any given time and they are looking forward to filling the Prevailing Wage Inspector position in 2009. Mr. Berckefeldt stated that the Mayor asked the Auditor to consider reducing their budget, and the office is doing what they can to reduce costs.

**Career Service Authority:**

Jeff Dolan, Career Service Authority (CSA), said the agency has recently completed a re-organization to better focus and align resources. He noted that since 2000, the agency has reduced its staff by 17 positions which equals 30,000 hours of resource capacity. The CSA budget for 2008 is \$6.2 million. The 2.8% budget reduction equals \$173,678. If the agency has to reduce its budget by 4.83%, CSA is considering terminating the City's Educational Refund Program, the SkillSoft Online Training Program, and the annual 5281 Employee Recognition event (see attachment). Mr. Dolan stated that CSA's top priorities are to focus on workforce management and development. Their goals compliment City Council goals to provide a diverse, trained and motivated workforce. It is their charge by Charter and ordinance

to provide services that compliment the City's business needs and at the same time provide the City with highly skilled and knowledgeable workforce. Councilmember Hancock asked if CSA could conduct a national survey to see what other cities provide in the way of educational reimbursement and workforce development. Debra Bartleson, Legislative Services Staff and Chair of the Educational Reimbursement Program, said that the board has been discussing these issues for some time and that the board has requested an updated survey to see where Denver is ranked in this type of benefit. Most of the information provided so far shows that education is a top priority and is linked to business success. Mr. Dolan commented that the goal is to "not leave any employee behind".

Debra Bartleson  
Legislative Services