

# Finance

# Department of Finance Summary

	2010 Actual	2011 Appropriated	2012 Recommended
<b>General Fund</b>			
<b>Agencies</b>			
Office of the CFO	\$1,683,110	\$1,831,200	\$1,685,200
Assessment Division	4,641,348	4,835,200	4,522,800
Treasury Division	11,885,429	11,776,200	12,662,400
Motor Vehicle Division	3,444,839	3,783,700	4,031,900
Budget and Management Office	2,164,902	2,333,700	2,242,200
Office of the Controller	5,806,247	6,919,400	7,098,000
Risk Management	2,845,671	3,298,300	2,915,300
<b>Total</b>	<b>\$32,471,546</b>	<b>\$34,777,700</b>	<b>\$35,157,800</b>
<b>Expenditures</b>			
Personnel Services	\$26,048,661	\$27,461,661	\$27,863,327
Services and Supplies	5,331,849	6,399,385	6,800,332
Capital Expenditures	5,950	0	0
Internal Services & Misc.	1,085,087	916,654	494,141
<b>Total</b>	<b>\$32,471,546</b>	<b>\$34,777,700</b>	<b>\$35,157,800</b>
<b>Payments</b>			
Annual Rental Payments	\$16,130,224	\$19,752,600	\$20,915,200
Downtown Historic District Tax Rebate	0	0	0
Payments to the Elderly and Disabled	1,032,327	1,275,000	1,275,000
Hotel Tax Increment	1,239,909	1,011,000	1,506,000
Unemployment Compensation	1,251,297	765,000	765,000
<b>Subtotal Payments</b>	<b>\$19,653,757</b>	<b>\$22,803,600</b>	<b>\$24,461,200</b>
<b>Total General Fund</b>	<b>\$52,125,303</b>	<b>\$57,581,300</b>	<b>\$59,619,000</b>
<b>Other General Fund</b>			
General Contingency	\$0	\$17,794,000	\$18,605,000
<b>Total</b>	<b>\$0</b>	<b>\$17,794,000</b>	<b>\$18,605,000</b>
<b>Internal Service Funds</b>			
Workers' Compensation	\$12,267,440	\$13,604,600	\$13,127,300
<b>Total</b>	<b>\$12,267,440</b>	<b>\$13,604,600</b>	<b>\$13,127,300</b>
<b>Expenditures</b>			
Personnel Services	\$4,261,402	\$5,222,122	\$4,953,005
Services and Supplies	7,573,178	7,904,834	7,696,034
Capital Expenditures	0	0	0
Internal Services & Misc.	432,860	477,644	478,261
<b>Total Internal Service Fund</b>	<b>\$12,267,440</b>	<b>\$13,604,600</b>	<b>\$13,127,300</b>

## Department of Finance Summary

	2010 Actual	2011 Appropriated	2012 Recommended
<b>Special Revenue Funds</b>			
General Government	\$26,512,127	\$26,726,100	\$29,213,400
<b>Total Special Revenue Funds</b>	<b>\$26,512,127</b>	<b>\$26,726,100</b>	<b>\$29,213,400</b>
<b>Personnel Complement</b>			
General Fund	375.8	358.4	354.2
Internal Service Funds	16.0	16.0	16.0
<b>Total Personnel Complement</b>	<b>391.8</b>	<b>374.4</b>	<b>370.2</b>
<b>Capital Improvements</b>			
Capital Improvement Funds		\$2,319,260	\$2,382,930
Entertainment and Cultural Funds		1,912,040	1,942,540
Lottery Funds		858,840	642,150
Grant/Other Capital Project Funds		3,000,000	0
<b>Total Capital Improvements</b>		<b>\$8,090,140</b>	<b>\$4,967,620</b>

# Finance

## Departmental Summary

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### Mission

To ensure the delivery of effective and efficient City services through sound financial management.

### Executive Overview

The Department of Finance responsibilities include investing, fiscal analysis, budgeting, asset management, and accounting functions; and establishing, maintaining and enforcing fiscal policies, practices and procedures for the entire City and County. The Department of Finance was created by Charter Amendment 1B in November of 2006 which unified the City's accounting and financial functions under the Office of the Chief Financial Officer. The department commits to the citizens of Denver a financial structure that mirrors the best practices of both the public and private sectors. This commitment promotes better service, enhanced performance measures, maximum accountability and improved business processes. The Department of Finance is comprised of eight divisions: the Chief Financial Officer, Property Assessment, Motor Vehicle, Treasury, Budget and Management, Controller's Office, Risk Management, and Workers' Compensation.

Services are provided by the following programs:

- Administration
- Accounting (citywide)
- Budget and Management Analysis
- Property Assessment
- Real Estate Management
- Risk Management
- Tax Collection and Financial Management
- Transfers
- Vehicle Registration and Licensing
- Workers' Compensation

### Departmental Strategies and Initiatives

- Further expand the scope of software that is the Real Estate Division's record system, providing information about the City's use of space, cost of operating expenses per employee per building and cost benefit analysis information for proposed capital expenditures.
- Expand regional cooperation and economies of scale through shared services participation with metro-Denver Property Taxation Officials of Colorado (PTOC). Jointly acquire and implement replacement system software and administer the property tax more uniformly and efficiently through regional cooperation and cost sharing.
- Implement a program-based budget to facilitate more effective resource allocation that enables the City to achieve desired outcomes.
- Develop and implement citywide internal control framework to train, develop, and monitor fraud prevention and detection techniques.
- Pursue the ability to register for and file sales/use tax returns via the internet.
- Implement the enterprise cashing system citywide to provide PCI industry compliance and functionality, and to automate the recording of city revenues and replace diverse systems within the City that are non-compliant.
- Continue performance and improvement of risk management site assessments and further develop executive level Enterprise Risk Management (ERM) reports for agency heads following risk management site assessments.

# Finance

Office of the Chief Financial Officer

2501000

## Agency Description

The Department of Finance, created by Charter Amendment 1B in November of 2006, unifies the City's accounting and financial functions under the Office of the Chief Financial Officer. The department commits to the citizens of Denver a financial structure that mirrors the best practices of both the public and private sectors. This commitment promotes better service, enhanced performance measures, maximum accountability, and improved business processes. The Office of the Chief Financial Officer oversees the City's financial rules and policies, creates greater efficiencies in accounting and fiscal procedures, develops accountability and performance management programs, and is involved in large development projects that have an impact on future City finances.

## Program Descriptions

**Administration** includes key activities such as policy development and policy direction, establishment of agency goals and objectives, purchasing, contract management, media relations, and financial management, including budgeting and accounting.

The **Real Estate Management** program performs strategic assessments of the City's real estate portfolio via an assessment of the City's short term and long term real estate needs, as well as maximizing asset efficiencies and financial resources available to the City for the benefit of its citizens and employees. Primary activities include acquisitions and dispositions, leasing, and asset management.

## Performance Measures

	2009 <u>Actual</u>	2010 <u>Actual</u>	2011 <u>Estimated</u>	2012 <u>Objective</u>
<b>City's bond rating for General Obligation debt</b>				
Fitch	AA+	AAA	AAA	AAA
Moody's	Aaa	Aaa	Aaa	Aaa
Standard and Poors	AAA	AAA	AAA	AAA

## Performance Context

- A **bond rating** is a grade given to bonds that indicates their credit quality. Private independent rating services such as Fitch, Moody's, and Standard & Poor's provide these evaluations of a bond issuer's financial strength or its ability to pay a bond's principal and interest in a timely fashion. Bond ratings are expressed as letters ranging from 'AAA', which is the highest grade, to 'C' ("junk"), which is the lowest grade. Different rating services use the same letter grades, but use various combinations of upper- and lower-case letters to differentiate themselves. The City and County of Denver has received the highest rating from all three rating agencies.

## Budget Highlights

	2010 <u>Actual</u>	2011 <u>Appropriated</u>	2012 <u>Recommended</u>	\$ <u>Change</u>	% <u>Change</u>
<b><u>Expenditures</u></b>					
<b>General Fund by Type</b>					
Personnel Services	\$1,450,301	\$1,423,735	\$1,350,281	(\$73,454)	(5.2%)
Services and Supplies	208,673	381,141	312,395	(68,746)	(18.0%)
Capital Equipment	0	0	0	0	0.0%
Internal Services and Misc.	<u>24,135</u>	<u>26,324</u>	<u>22,524</u>	<u>(3,800)</u>	<u>(14.4%)</u>
	<b>\$1,683,110</b>	<b>\$1,831,200</b>	<b>\$1,685,200</b>	<b>(\$146,000)</b>	<b>(8.0%)</b>

## Office of the Chief Financial Officer

2501000

<b>Budget Highlights</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>\$</b>	<b>%</b>
	<b>Actual</b>	<b>Appropriated</b>	<b>Recommended</b>	<b>Change</b>	<b>Change</b>
<b>General Fund by Activity</b>					
Chief Financial Officer	\$433,161	\$572,290	\$816,291	\$244,001	42.6%
Quantitative Strategies Group	451,916	497,743	4,500	(493,243)	(99.1%)
Admin Team	282,218	146,209	140,514	(5,695)	(3.9%)
Real Estate Group	<u>515,813</u>	<u>614,958</u>	<u>723,895</u>	<u>108,937</u>	<u>17.7%</u>
	<b>\$1,683,110</b>	<b>\$1,831,200</b>	<b>\$1,685,200</b>	<b>(\$146,000)</b>	<b>(8.0%)</b>
<b>Special Revenue Fund by Activity (Estimated)</b>					
Administration	\$200,000	\$0	\$0	\$0	0.0%
<b>Total Program Expenditures</b>	<b>\$1,883,110</b>	<b>\$1,831,200</b>	<b>\$1,685,200</b>	<b>(\$146,000)</b>	<b>(8.0%)</b>
Personnel Complement					
<b>General Fund (Budgeted)</b>					
Chief Financial Officer	4.00	4.00	5.00	1.00	25.0%
Quantitative Strategies Group	4.00	4.00	0.00	(4.00)	(100.0%)
Admin Team	8.00	2.00	2.00	0.00	0.0%
Real Estate Group	<u>6.00</u>	<u>5.00</u>	<u>5.00</u>	<u>0.00</u>	<u>0.0%</u>
	<b>22.00</b>	<b>15.00</b>	<b>12.00</b>	<b>(3.00)</b>	<b>(20.0%)</b>
<b>Revenue</b>					
<b>General Fund</b>					
Use Charges	\$445,158	\$430,000	\$213,000	(\$217,000)	(50.5%)
Misc. General Government	<u>990</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>
	<b>\$446,148</b>	<b>\$430,000</b>	<b>\$213,000</b>	<b>(\$217,000)</b>	<b>(50.5%)</b>

## Significant Budget Changes by Program

### Administration

- An increase of \$117,000 in personnel services due to vacancy savings related to a policy director position that was held vacant for 2011 being added back in for the 2012 budget.
- A decrease of \$307,000 and 2.0 FTE in personnel services due to the abolishment of two senior financial management analysts. Tasks performed by these positions have been assumed by other staff within the Department of Finance. This includes a savings of \$167,500 in 2011 and \$139,500 in 2012.
- A decrease of \$66,500 and 1.0 FTE Executive Assistant III position due to the transfer of the position to the Office of the Controller.
- A decrease of \$41,000 in services and supplies primarily in professional services and management consulting as a result of tasks no longer being performed in the Department of Finance.

**Real Estate Management**

- A decrease of \$27,500 in services and supplies primarily due to reductions in computer software and supplies, training, and dues and membership fees.
- A decrease of \$217,000 in revenue for rental and building leases due to the expiration of a parking lot lease.

The budgeted vacancy savings is \$20,226. The budgeted furlough savings is \$22,280.

**Capital Equipment**

None.

### Agency Description

The Assessment Division locates, records and appraises all of Denver's real and personal properties in accordance with the Colorado Constitution, State statutes and Board of Equalization procedures. The Assessor certifies valuations to special tax districts and tracks values and annual tax increments within the City's Tax Increment Financing (TIF) projects. The Division maintains records on senior citizen, not-for-profit and other tax exemptions; generates value notices for all taxpayers; and processes valuation protests, tax abatement petitions and defends values in multiple levels of appeals.

### Program Description

The **Property Assessment** program goal is to produce equitable tax shares by accurately valuing and uniformly assessing all real and personal property within Denver. The assessor certifies property values to all City taxing authorities, Denver Public Schools, 58 special tax districts and 21 tax increment financing (TIF) projects plus annually prepares and delivers the property tax warrant to the Treasurer for collection. Primary activities include:

- **Administration** manages the personnel, accounting, purchasing, IT systems and project functions of the Assessment Division. The section implements training, marketing and policy development and is responsible for legal and fiscal compliance.
- **Real Estate Appraisal** is responsible for the biennial reappraisal of 220,000 parcels of real property (land and structures) within the City and County of Denver and updates values for properties with physical changes in intervening years. The section analyzes sales, income and expense and building cost data to establish market values for all properties; inspects and values permits for new construction and handles property valuation protests and appeals filed by owners and agents.
- **Business Personal Property** identifies and values the assets (furniture, fixtures, and equipment) of Denver's 25,000 private businesses. Approximately 50 percent of firms are currently tax exempt under State law. The assets of all are initially valued to confirm exempt status and subsequently tracked. Every year, this section reviews property declarations submitted by businesses that detail their assets and calculates values for those assets subject to taxation. Section staff apply depreciation tables, annually provided by the State Division of Property Taxation, and conducts various compliance related work programs on selected companies, including revenue generating compliance audits.
- **Information Management** is responsible for maintaining the City's official property ownership records, public files and documents. Following property transfers filed in the Clerk and Recorder's Office, Division databases are updated to reflect current ownership. All aspects of Assessment's electronic and digital image databases are maintained by this section for dissemination to the State, other agencies and the public. Information and services include property values, certification of the tax roll, special district data, tax increment financing projects, and the receipt and application of mill levies (tax rates).
- **GIS/Mapping** produces and updates tax parcel information, maintains property identification ID's (schedule number), data and 50 citywide mapping layers. Using Geographic Information System (GIS) technology, changes to land created by subdivisions and combinations are continuously updated on the shared GIS tax parcel layer for use by division appraisers and other internal and external customers.

### Strategic Initiatives

- Continue to reduce costs and increase division effectiveness through strategic consolidations, training and redeployment of staff.
- Implement replacement software for aging property tax system applications.

- Expand regional cooperation and economies of scale through shared services participation with metro-Denver Property Taxation Officials of Colorado (PTOC).

Performance Measures	2009 Actual	2010 Actual	2011 Estimated	2012 Objective
<b>Property Assessment</b>				
Assessment FTE's per 100,000 population	11.5	10.0	9.3	8.7
Assessment FTE's per 10,000 parcels	2.9	2.4	2.3	2.1
State Audit with no negative comments	Yes	Yes	Yes	Yes
Business Personal Property Desk Audits tax revenue	\$195,155	\$357,000	\$200,000	\$200,000

**Performance Context**

- **Assessment FTE's per 100,000 population** for the eight largest Colorado Front Range counties of Adams, Arapahoe, Boulder, Denver, Douglas, El Paso, Jefferson and Larimer averaged 13.0 and 12.3 in 2009 and 2010 respectively.
- **Assessment FTE's per 10,000 parcels** for the eight largest Colorado Front Range counties of Adams, Arapahoe, Boulder, Denver, Douglas, El Paso, Jefferson and Larimer averaged 3.1 and 2.9 in 2009 and 2010 respectively.
- The most recent **State Audit** (2010) found median Denver assessed values in all categories much more accurate than required by statute. Commercial/industrial properties were +45 percent more precise while condominium and single family residential were +68 percent and vacant land +39 percent better than standards.
- **Business Personal Property** Audit Technicians annually process asset declarations from over 13,000 companies. Irregular filings or entries found on larger value declarations are referred to Treasury Division Tax Auditors. Smaller value declarations with similar issues are reviewed by Audit Technicians who contact taxpayers and make necessary adjustments often leading to additional tax payments. A total of 120 Desk Audits were completed in 2010; 125 are estimated for completion in 2011 and 135 in 2012.

Budget Highlights	2010 Actual	2011 Appropriated	2012 Recommended	\$ Change	% Change
<b>Expenditures</b>					
<b>General Fund by Type</b>					
Personnel Services	\$4,419,480	\$4,438,197	\$4,243,447	(\$194,750)	(4.4%)
Services and Supplies	116,512	203,819	231,300	27,481	13.5%
Capital Equipment	0	0	0	0	0.0%
Internal Services and Misc.	<u>105,354</u>	<u>193,184</u>	<u>48,053</u>	<u>(145,131)</u>	<u>(75.1%)</u>
	<b>\$4,641,348</b>	<b>\$4,835,200</b>	<b>\$4,522,800</b>	<b>(\$312,400)</b>	<b>(6.5%)</b>
<b>General Fund by Activity</b>					
Administration	\$597,010	\$948,596	\$802,848	(\$145,748)	(15.4%)
Real Estate Appraisal	2,766,411	2,608,488	2,498,457	(110,031)	(4.2%)
Personal Property	631,708	636,589	573,313	(63,276)	(9.9%)
Information Management	313,843	303,810	307,045	3,235	1.1%
GIS/Ownership	<u>332,374</u>	<u>337,717</u>	<u>341,137</u>	<u>3,420</u>	<u>1.0%</u>
	<b>\$4,641,348</b>	<b>\$4,835,200</b>	<b>\$4,522,800</b>	<b>(\$312,400)</b>	<b>(6.5%)</b>

## Assessment Division

2520000

<b>Budget Highlights</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>\$</b>	<b>%</b>
	<b>Actual</b>	<b>Appropriated</b>	<b>Recommended</b>	<b>Change</b>	<b>Change</b>
<b><u>Personnel Complement</u></b>					
<b>General Fund (Budgeted)</b>					
Administration	5.00	5.00	5.00	0.00	0.0%
Real Estate Appraisal	35.75	33.75	31.75	(2.00)	(5.9%)
Personal Property	10.00	9.00	8.00	(1.00)	(11.1%)
Information Management	5.00	4.00	4.00	0.00	0.0%
GIS/Ownership	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>	<u>0.00</u>	<u>0.0%</u>
	<b>60.75</b>	<b>56.75</b>	<b>53.75</b>	<b>(3.00)</b>	<b>(5.3%)</b>
<b><u>Revenue</u></b>					
<b>General Fund</b>					
Misc. General Government	\$2,202	\$0	\$0	\$0	0.0%
Charges for Services	<u>1,659</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>
	<b>\$3,861</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>

## Significant Budget Changes by Program

### Property Assessment

- An increase of \$25,000 in services and supplies for postage and mailing due to restoring the expenditure from a temporary 2011 reduction.
- A decrease of \$424,300 and 3.0 FTE in personnel services to eliminate one associate real property appraiser, one real property appraiser supervisor, and one tax analyst. This includes a savings of \$165,100 in 2011 and a savings of \$259,200 in 2012. Work reassignments and team reorganization have occurred. Service levels will remain unaffected.
- A decrease of \$32,300 in personnel services due to on-call hearing officer reductions as a result of 2012 being a non-reappraisal year. Non-reappraisal years result in fewer valuation appeals being filed with the County Board of Equalization (CBOE).
- A continued savings of \$47,000 in services and supplies for computer services.
- A net decrease of \$122,400 in internal services for postage charges as a result of 2012 being a non-reappraisal year. Postage and mailing costs will be reduced as the notices of valuation caseload will decrease.
- A decrease of \$22,900 in internal services due to decreased workers' compensation costs.

The budgeted vacancy savings is \$65,226. The budgeted furlough savings is \$71,290.

### Capital Equipment

None.

# Finance

**Treasury Division**

**2540000**

## Agency Description

The Treasury Division enforces compliance, collects, records, and deposits all City taxes and other revenues; administers the City’s cash, investments, and debt issuance; and acts as the fiscal custodian of all funds received by the City and County of Denver.

## Program Description

The **Tax Collection and Financial Management** program goal is to effectively oversee tax compliance and the city’s financial management. Under the direction of the Treasurer, the programs are responsible for the collection, deposit, management, and investment of all taxes and other revenues. Primary activities include payment processing and returns correction, banking services used by City agencies, investment administration, debt administration, tax compliance, tax collection, and tax auditing.

- Financial Management is comprised of 5 work groups. The Payment Processing and the Returns Correction work groups are responsible for processing, reconciling, and researching excise tax payments. The cash administration group manages the cash position, oversees cash handling practices and coordinates commercial banking services used by the city agencies. Investment administration invests the City’s funds with the debt group overseeing the debt issuance and administration process for city debt and special district/economic development related activities.
- Tax Compliance/Operations is comprised of four major units. The Taxpayer Service Unit registers excise tax accounts, issues licenses, mails property tax bills and excise tax returns and responds to taxpayer inquiries, in person and over the phone and internet. The Special Accounts Unit collects property tax related to local improvement and special assessment charges, delinquent real property tax, and sewer and storm drain liens. Additionally, this section conducts the annual tax lien auction, processes property tax deed applications and administers the City’s Payment to the Elderly and Disabled Program. The Audit and Collections Units are responsible for collecting delinquent and unremitted taxes from businesses within the City and County of Denver and provides education regarding Denver’s tax laws to the public. The Collection Unit works with businesses in an effort to collect delinquent taxes and is responsible for collecting debts referred to Treasury from other City agencies. The Audit Unit audits businesses to ensure compliance with Denver’s tax laws and when necessary collects unremitted taxes.

## Strategic Initiatives

- Continue implementation of the Enterprise Cashiering Project.
- Leverage technology in an effort to provide Denver’s citizens and business community with the ability to research, report and pay various taxes online.
- Implement a new software system for the administration of property taxation.

## Performance Measures

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Objective</b>
<b>Tax Collection and Cash Management</b>				
City Revenues Collected by Credit Card Payments	\$26,502,144	\$35,697,970	\$37,303,200	\$39,000,000
Percent of General Fund Revenue Collected by Credit Card Payments	2.29%	2.96%	3.25%	3.60%
Percent of excise/property tax revenues deposited through lockbox	82%/76%	78%/89%	82%/90%	85%/92%
Basis points by which the City’s total return on its aggregate investment portfolio exceeds the return on its weighted benchmark indices	-2	+44	+2	+2

Performance Measures	2009	2010	2011	2012
	Actual	Actual	Estimated	Objective
Tax Compliance Audits Completed	776	953	810	800
Sales tax delinquency rate	1.55%	3.55%	3.0%	3.0%
Occupational privilege tax delinquency rate	3.09%	5.72%	5.25%	5.0%

**Performance Context**

- Historically, the City has not encouraged citizens and business to make **credit card payments** in lieu of cash or checks. Increasingly, these customers desire the convenience of making a payment with a credit card. As the City develops its policies, Internet web-sites, and other infrastructure to encourage the use of payment card the dollars collected will reflect this progress. Credit card payments benefit the City in that the funds are received sooner than by traditional check processing and the City may use automated processes to reconcile and record the payments.
- The electronic tax and fee **payments made to the General Fund** provide further indication of the success/non-success of the encouragement to make credit card payments.
- The **banking lockbox product** allows for faster processing of tax and other payments made to the City in order to increase the availability of funds for use by the City. Less staff and investment in capital equipment to provide high-speed processing and imaging of transactions is a further benefit of this product. More transactions processed through lockbox indicate increased efficiency and the potential for higher investment earnings for the City.
- In 2009, the City adopted a management to **total return investment strategy**, whereby investment decisions are made, based upon a structured portfolio to generate an identified return. The Merrill Lynch 1-5 and 1-10 year benchmarks were adopted as the appropriate indices for the City to use to assess the investment administration function. Exceeding the benchmarks by too wide a margin may indicate the City has assumed too much market risk in the portfolio, while a significant shortfall indicates the investments made may not meet the City’s policy.
- The number of **tax compliance audits** completed provides several benefits to citizens and to the City & County of Denver business community. Tax compliance audits recover previously unremitted revenues that are used to provide services to Denver’s citizens and businesses. They also act as a tool to encourage businesses to voluntarily comply with Denver’s tax laws. And lastly, they provide educational opportunities for businesses which aide in providing an opportunity for future voluntary and timely compliance with Denver’s tax laws.
- Delinquency rates** indicate the level of timely filing of tax returns as well as the timely remittance of tax revenue. The collection effort to keep delinquency rates low ensures more revenue through the compliance / non-compliance deterrent factor, in addition to collecting revenues that otherwise would not be received at all. They are also an indicator of uniform application of taxation law.

Budget Highlights	2010	2011	2012	\$	%
	Actual	Appropriated	Recommended	Change	Change
<b>Expenditures</b>					
<b>General Fund by Type</b>					
Personal Services	\$9,443,262	\$9,364,442	\$9,882,390	\$517,948	5.5%
Services and Supplies	1,895,597	2,000,885	2,641,730	640,845	32.0%
Capital Equipment	0	0	0	0	0.0%
Internal Services and Misc.	<u>546,569</u>	<u>410,873</u>	<u>138,280</u>	<u>(272,593)</u>	<u>(66.3%)</u>
	<b>\$11,885,429</b>	<b>\$11,776,200</b>	<b>\$12,662,400</b>	<b>\$886,200</b>	<b>7.5%</b>

# Treasury Division

2540000

<b>Budget Highlights</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>\$</b>	<b>%</b>
	<b>Actual</b>	<b>Appropriated</b>	<b>Recommended</b>	<b>Change</b>	<b>Change</b>
<b>General Fund by Activity</b>					
Administration	\$865,930	\$456,169	\$786,457	\$330,288	72.4%
Accounting	120	0	0	0	0.0%
Financial Management	3,196,386	2,966,284	3,474,223	507,939	17.1%
Tax Collection	1,204,794	1,359,265	3,306,344	1,947,079	143.2%
Tax Audit	<u>6,618,197</u>	<u>6,994,482</u>	<u>5,095,376</u>	<u>(1,899,106)</u>	<u>(27.2%)</u>
	<b>\$11,885,429</b>	<b>\$11,776,200</b>	<b>\$12,662,400</b>	<b>\$886,200</b>	<b>7.5%</b>
<b>Special Revenue Fund by Activity (Estimated)</b>					
Tax Collection and Cash Management	\$25,676,439	\$26,500,000	\$28,000,000	\$1,500,000	5.7%
<b>Total Program Expenditures</b>	<b>\$37,561,868</b>	<b>\$38,276,200</b>	<b>\$40,662,400</b>	<b>\$2,386,200</b>	<b>4.3%</b>
<b>Personnel Complement</b>					
<b>General Fund (Budgeted)</b>					
Administration	3.00	3.00	5.00	2.00	66.7%
Financial Management	21.00	23.00	24.00	1.00	4.3%
Tax Collection	16.00	13.00	37.00	24.00	184.6%
Tax Audit	<u>88.00</u>	<u>80.00</u>	<u>55.00</u>	<u>(25.00)</u>	<u>(31.3%)</u>
	<b>128.00</b>	<b>119.00</b>	<b>121.00</b>	<b>2.00</b>	<b>1.7%</b>
<b>Revenue</b>					
<b>General Fund</b>					
Lodgers Tax	\$13,316,486	\$14,869,200	\$16,127,900	\$1,258,700	8.5%
Cigarette Tax	2,199,462	2,064,000	2,064,000	0	0.0%
Convention Center	25,805,496	21,425,200	22,642,900	1,217,700	5.7%
Fees	24,494,754	25,195,900	24,712,400	(483,500)	(1.9%)
Fines and Forfeits	136,386	130,000	135,000	5,000	3.8%
Interest Income	3,755,371	3,023,700	3,473,700	450,000	14.9%
Internal Svc & Indirect Charges	51	0	0	0	0.0%
Charges for Services	8,729	9,200	9,000	( 200)	(2.2%)
Licenses and Permits	560,982	605,000	576,000	(29,000)	(4.8%)
Telecommunications Tax	2,786,775	2,740,000	2,700,000	(40,000)	(1.5%)
Misc. General Government	1,944,118	1,242,400	56,000	(1,186,400)	(95.5%)
Miscellaneous Intergovernmental	181,332	331,000	181,000	(150,000)	(45.3%)
Miscellaneous Transfers	0	800,000	0	(800,000)	(100.0%)
Occupational Privilege Taxes	41,650,349	41,943,800	42,673,000	729,200	1.7%
Payment in Lieu of Taxes	63,303	60,000	60,000	0	0.0%
Property Taxes	64,883,848	68,161,600	72,389,600	4,228,000	6.2%
Sales and Use Taxes	392,360,614	408,346,900	423,824,200	15,477,300	3.8%
Investment Service	<u>683,265</u>	<u>690,000</u>	<u>700,000</u>	<u>10,000</u>	<u>1.4%</u>
	<b>\$574,831,321</b>	<b>\$591,637,900</b>	<b>\$612,324,700</b>	<b>\$20,686,800</b>	<b>3.5%</b>

**Significant Budget Changes by Program****Tax Collection and Financial Management**

- An increase of \$397,500 and 4.0 FTE in personnel services for four staff tax auditors which will allow for an increase in tax education and voluntary compliance with Chapter 53 of the Denver Revised Municipal Code. This includes an increase of \$132,500 in 2011 and an increase of \$265,000 in 2012. The addition of the tax auditors will result in a revenue increase of \$1,548,000 in sales/use tax and occupational privilege tax. This includes an increase of \$48,000 in 2011 and \$1,500,000 in 2012.
- An increase of \$85,700 and 1.0 FTE in personnel services due to the transfer of a senior financial management analyst position that was transferred to the Treasury Division from the Budget and Management Office. .
- An increase of \$800,000 in services and supplies for bank service charges due to the expansion of payments able to be processed by lockbox. This includes an increase of \$400,000 in 2011 and an increase of \$400,000 in 2012.
- A net increase of \$240,000 in services and supplies for postage and mailing as a result of external postage costs. This is offset by a reclassification of printing and copy charges based on changes in service delivery.
- A decrease of \$347,700 and 3.0 FTE in personnel services due to the abolishment of an operational supervisor I, a tax revenue agent II, and a tax technician I. Work assigned to these positions will be reassigned and absorbed by the division. This includes a savings of \$153,000 in 2011 and a savings of \$194,700 in 2012.
- A revenue increase of \$2,000,000 due to the administration of a Tax Amnesty Program in 2011. Businesses that take advantage of the Tax Amnesty program will have the 15% late penalty waived and will only pay 50% of the associated interest.
- A revenue increase of \$1,000,000 due to the refunding of certificates of participation in 2011.
- A revenue increase of \$1,128,000 in 2011 due to the 1998 Single Family Housing Bond transaction having assets in excess of its obligations.

The budgeted vacancy savings is \$153,606. The budgeted furlough savings is \$166,792.

**Capital Equipment**

None.

# Finance

## Motor Vehicle Division

2530000

### Agency Description

The Denver Motor Vehicle Division (DMV) is authorized as an agent of the State outlined in the Colorado Revised Statutes to register and title vehicles, to collect, record, and deposit all taxes and fees prescribed for vehicles owned or operated by residents and business owners within the City and County of Denver.

### Program Descriptions

The **Vehicle Registration and Licensing** program goal is to title and register all motor vehicles owned by private and corporate residents of the City and County of Denver in accordance with State statutes. The primary activities are administration and branch/processing center operations.

- Administration includes key activities such as policy development and policy direction, establishment of agency goals and objectives, purchasing, contract management, public education and media relations, and financial management, including budgeting and accounting. Additionally, this agency's administration program includes administration of policy controls, monitoring and maintenance of State inventory (e.g., license plates, temporary permits, etc.), implementation of technological systems and methods to enhance processing and improve public access, as well as monitoring and auditing of compliance with all motor vehicle legal mandates.
- The Branch/Processing Center serves Denver residents through one of four branch offices to procure vehicle titles, registrations and other types of motor vehicle services and complete dealership paperwork processing. Branch processing activities include: readying handicap placards and plates; answering phone-bank telephone calls; overseeing and accounting for "title batching" of daily transacted business and ensuring the proper forwarding of documents to the State; assisting corporate and fleet customers; processing mail-in requests; and preparing and scanning customer checks for daily direct deposits. The Financial/Banking Services Branch reconciles the lockbox renewals, online renewal credit cards, and bank account reconciliations; reconciles various types of general fund accounts; monitors the budget; and performs accounts payable and purchase order processing.

### Strategic Initiatives

- Restructure DMV for more efficient management and work flow, focusing on customer service and producing a better product for Denver citizens.
- Implement and monitor new policies, procedures, controls, security, and personnel accountability to ensure compliance with City Fiscal Rules and State of Colorado mandates.
- Incorporate new technologies and processes to accommodate the legislative changes in the Title and Registration industry, Statewide and Federal wide.
- Align with other major counties on the changing financial structures of the State of Colorado through the current CSTARS computer system.

### Performance Measures

	2009	2010	2011	2012
	Actual	Actual	Estimated	Objective
<b>Vehicle Registration and Licensing</b>				
<b>Customer Service &amp; Volume</b>				
Customers served at branch locations	484,332	490,784	468,981	480,000
Average transaction time at service counter	0:04:35	0:04:35	0:04:42	0:04:20
Deposits collected from customers	\$58,616,427	\$64,332,489	\$62,082,468	\$63,000,000

# Motor Vehicle Division

2530000

Performance Measures	2009 Actual	2010 Actual	2011 Estimated	2012 Objective
<b>Processing Center Volume</b>				
Dealer/Fleet/Rental/Processing	145,968	159,448	148,094	150,750
Dealer/Fleet/Rental/Deposits	\$14,376,675	\$15,865,551	\$14,735,760	\$15,500,000
<b>Finance Process Volume</b>				
Lockbox and mailed-in renewals	126,772	137,221	139,400	147,000
Deposited through lockbox, collected through credit cards and checks	\$25,872,025	\$28,004,347	\$28,428,934	\$30,000,000

## Performance Context

- **Customer service** for the division will be driven by the new ePerformance standards in customer service time, technical accuracy, and fiscal compliance, and based on historical employee statistics and newly developed processes and practices promoting maximum efficiency.
- The **number of customers served at branch** locations decreased in 2011 due to a gradual increase in online renewals and mail-in renewals which result in reduced wait-times.
- **Average transaction time at the counter** has increased from 2010 to 2011 as a result of newly implemented State procedures that have added to the agency's individual service time for each customer handled.

## Budget Highlights

	2010 Actual	2011 Appropriated	2012 Recommended	\$ Change	% Change
<b>Expenditures</b>					
<b>General Fund by Type</b>					
Personal Services	\$2,941,106	\$3,217,717	\$3,360,733	\$143,016	4.4%
Services and Supplies	414,675	450,807	560,907	110,100	24.4%
Capital Equipment	0	0	0	0	0.0%
Internal Services and Misc.	<u>89,056</u>	<u>115,176</u>	<u>110,260</u>	<u>(4,916)</u>	<u>(4.3%)</u>
	<b>\$3,444,839</b>	<b>\$3,783,700</b>	<b>\$4,031,900</b>	<b>\$248,200</b>	<b>6.6%</b>
<b>General Fund by Activity</b>					
Administration	\$1,036,797	\$3,783,700	\$1,453,413	(\$2,330,287)	(61.6%)
Branch/Process Center	<u>2,408,041</u>	<u>0</u>	<u>2,578,487</u>	<u>2,578,487</u>	<u>0.0%</u>
	<b>\$3,444,839</b>	<b>\$3,783,700</b>	<b>\$4,031,900</b>	<b>\$248,200</b>	<b>6.6%</b>
<b>Personnel Complement</b>					
<b>General Fund (Budgeted)</b>					
Administration	10.00	53.00	15.00	(38.00)	(71.7%)
Branch/Process Center	<u>46.00</u>	<u>1.00</u>	<u>40.00</u>	<u>39.00</u>	<u>3900.0%</u>
	<b>56.00</b>	<b>54.00</b>	<b>55.00</b>	<b>1.00</b>	<b>1.9%</b>

## Motor Vehicle Division

2530000

<b>Budget Highlights</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>\$</b>	<b>%</b>
	<b>Actual</b>	<b>Appropriated</b>	<b>Recommended</b>	<b>Change</b>	<b>Change</b>
<b>Revenue</b>					
<b>General Fund</b>					
Sales and Use Taxes	\$17,455,861	\$17,750,000	\$17,250,000	(\$500,000)	(2.8%)
Motor Veh Own Tax/Fee	17,003,735	16,980,800	16,980,800	0	0.0%
Miscellaneous Intergovernmental	4,421,449	4,440,000	4,450,000	10,000	0.2%
Misc. General Government	(4,814)	0	0	0	0.0%
Fees	<u>2,034,376</u>	<u>1,880,000</u>	<u>1,875,000</u>	<u>(5,000)</u>	<u>(0.3%)</u>
	<b>\$40,910,607</b>	<b>\$41,050,800</b>	<b>\$40,555,800</b>	<b>(495,000)</b>	<b>(1.2%)</b>

### Significant Budget Changes by Program

#### Vehicle Registering and Licensing

- An increase of \$10,000 in personnel services for due to an increase in overtime expenditures at branch locations.
- An increase of \$35,000 and 1.0 FTE in personnel services for an on-call administrative support assistant IV due to an increased need for on-calls at branch locations.
- An increase of \$65,000 in services and supplies for the replacement of the video security system at the Northwest, Southwest, and Welton branches. The existing system is outdated and is in need of updating.
- An increase of \$25,000 in services and supplies due to lease/rent/land building expenditures for branches that were not accounted for in the 2011 budget.
- An increase of \$20,000 in services and supplies for added security at branch locations.

The budgeted vacancy savings is \$52,075. The budgeted furlough savings is \$55,286.

### Capital Equipment

None.

### Agency Description

The Budget and Management Office (BMO) prepares and oversees the implementation of the City's budget, evaluates new initiatives and program proposals by City agencies; makes recommendations to the Mayor; and collects and analyzes fiscal data related to the operation of the City and County government. The office also evaluates the financial aspects of major policy issues and acts as a resource to the Administration and to departments regarding service delivery improvements and cost controls.

### Program Description

The **Budget and Management Analysis** program enables agencies to effectively deliver public services by strategic allocation and management of resources and through financial analysis, business process improvement services, performance management, and capital planning. Primary activities within this program include:

- Budget Operations manages the annual budget process and makes recommendations to City officials; manages communication on fiscal matters; develops revenue and expenditures projections for all funds; writes all fiscal related city ordinances; manages the citywide grant program; and maintains the city's budgetary software systems.
- Financial Analysis provides financial management consulting services to departments in areas such as investment returns, fee studies, financing alternatives, resource models, program evaluation, long term financial planning, and fiscal impact statements.
- Performance Initiatives facilitates a comprehensive performance management system that initiates strategic planning and problem solving through inventorying and evaluating programs; citizen surveying and reporting on goal achievement; providing support for the city's strategic planning efforts; and serving as a resource for best practices and performance management training.
- Business Process Analysis performs business process mapping and analysis to improve citywide service delivery by identifying improvement projects that streamline business operations while embedding a culture of ongoing, customer focused process improvements through project delivery.
- Capital Improvements manages the annual budget process for citywide capital maintenance and development needs; develops the annual six year Capital Improvements Needs Assessment; staffs the Development Council and provides analysis for decision making; and participates in strategic capital planning efforts with departments.

### Strategic Initiatives

- Advance program-based analysis and budgeting efforts by continuing program evaluations, best practices research and workload analysis and by identifying service impacts that result from funding decisions.
- Enhance the Citizen Budget to provide additional transparency of significant budget decisions and performance.
- Continue the analysis of major revenue sources including historical trends, projections for future growth and opportunities for restructuring.
- Update the six year Capital Improvement Needs Assessment that prioritizes major unfunded capital needs to guide development discussions and coordinate the pursuit of supplemental funding sources for the Capital Improvements Plan.

## Budget and Management

0121000

- Provide business process analysis for the Information Technology Investment Committee (ITIC), Integrated Criminal Justice (ICJ), Development Services, and the 311 Constituent Contact Center Citywide initiatives.
- Continue to improve major internal citywide processes, including contract management, grants management and personnel justifications.

Performance Measures	2009 Actual	2010 Actual	2011 Estimated	2012 Objective
<b>Budget and Management Analysis</b>				
Percent of General Fund – fund balance	10.7%	13.6%	14.0%	10.8%
Financial Newsletters published	2	2	2	2
Internal customer service survey satisfaction rating	86%	88%	89%	90%
Government Finance Officers Association (GFOA) Distinguished Budget Award	Yes	Yes	Yes	Yes

### Performance Context

- Current financial policies set a minimum of 10 percent of expenditures for undesignated **fund balance in the General Fund**, with a goal of 15 percent. The policy states it is appropriate to use the difference between 10 and 15 percent to maintain services when historical revenue growth is below average due to economic cycles.
- **Financial newsletters** supplement formally produced documents such as the annual Budget, the six year Capital Improvements Plan and the annual Citizen Report Card and Citizen Satisfaction Survey. They are designed to give internal customers mid-year updates on budget and finance related issues.
- The **Government Finance Officer Association’s (GFOA) Distinguished Budget Presentation Award** is awarded to those municipal governments who have published a high quality budget document that goes beyond the minimum requirements of Generally Accepted Accounting Principles (GAAP). To win this award means that the City’s budget has exceeded standards in the areas of policy, financial planning, operations, and communication.

Budget Highlights	2010 Actual	2011 Appropriated	2012 Recommended	\$ Change	% Change
<b>Expenditures</b>					
<b>General Fund by Type</b>					
Personal Services	\$2,047,012	\$2,112,810	\$1,987,567	(\$125,243)	(5.9%)
Services and Supplies	84,724	187,095	220,167	33,072	17.7%
Capital Equipment	0	0	0	0	0.0%
Internal Services and Misc.	<u>33,165</u>	<u>33,795</u>	<u>34,466</u>	<u>671</u>	<u>2.0%</u>
	<b>\$2,164,902</b>	<b>\$2,333,700</b>	<b>\$2,242,200</b>	<b>(\$91,500)</b>	<b>(3.9%)</b>
<b>General Fund by Activity</b>					
Business Process Analysis	\$392,364	\$439,600	\$344,755	(\$94,845)	(21.6%)
Administration	225,454	776	533	( 243)	(31.3%)
Budget (Operations)	1,342,994	1,893,324	1,896,912	3,588	0.2%
Performance Initiatives	<u>204,088</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>
	<b>\$2,164,902</b>	<b>\$2,333,700</b>	<b>\$2,242,200</b>	<b>(\$91,500)</b>	<b>(3.9%)</b>

## Budget and Management

0121000

<b>Budget Highlights</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>\$</b>	<b>%</b>
	<b>Actual</b>	<b>Appropriated</b>	<b>Recommended</b>	<b>Change</b>	<b>Change</b>
<b>Special Revenue Fund by Activity (Estimated)</b>					
Budget and Management Analysis	\$150,000	\$11,680,000	\$220,000	(\$11,460,000)	(98.1%)
<b>Total Program Expenditures</b>	<b>\$2,314,902</b>	<b>\$14,013,700</b>	<b>\$2,462,200</b>	<b>(\$11,551,500)</b>	<b>(82.4%)</b>
<b>Personnel Complement</b>					
<b>General Fund (Budgeted)</b>					
Business Process Analysis	3.00	3.00	2.00	(1.00)	(33.3%)
Administration	2.00	0.00	0.00	0.00	0.0%
Budget (Operations)	16.00	18.62	17.49	(1.13)	(6.1%)
Performance Initiatives	<u>2.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.0%</u>
	<b>23.00</b>	<b>21.62</b>	<b>19.49</b>	<b>(2.13)</b>	<b>(9.9%)</b>
<b>Revenue</b>					
<b>General Fund</b>					
Miscellaneous Transfers	\$11,308,848	\$8,590,000	\$7,182,700	(\$1,407,300)	(16.4%)
Miscellaneous Other Taxes	15,966,277	6,200,000	6,600,000	400,000	6.5%
Miscellaneous Intergovernmental	1,009,523	600,000	600,000	0	0.0%
Misc. General Government	1,000,085	4,000,000	4,000,000	0	0.0%
Internal Svc & Indirect Charges	<u>17,476,277</u>	<u>17,525,000</u>	<u>17,945,000</u>	<u>420,000</u>	<u>2.4%</u>
	<b>\$46,761,010</b>	<b>\$36,915,000</b>	<b>\$36,327,700</b>	<b>(\$587,300)</b>	<b>(1.6%)</b>

## Significant Budget Changes by Program

### Budget and Management Analysis

- An increase of \$33,000 in services and supplies due to restoring professional services expenditures from a temporary 2011 reduction.
- A decrease of \$126,900 and 1.0 FTE in personnel services due to the abolishment of a management analyst III for budgetary considerations. This includes a savings of \$45,000 in 2011 and a savings of \$81,900 in 2012.
- A decrease of \$85,700 and 1.0 FTE in personnel services due to the transfer of a senior financial management analyst to the Treasury Division.
- A decrease of \$10,000 and 0.13 FTE in personnel services as a result of a financial management specialist becoming a part-time position.
- A decrease of \$11,460,000 in special revenue funds. For more detail, please see the Special Revenue Fund section in the budget book.

The budgeted vacancy savings is \$30,930. The budgeted furlough savings is \$33,593.

## Capital Equipment

None.

# Finance

## Agency Description

The Office of the Controller’s primary responsibility is to ensure the integrity of the City’s financial statements and maintain sound internal controls. The office establishes and enforces citywide financial policies, procedures and internal controls; keeps the City’s ledgers and books; manages payroll and accounts payable; provides accounting services; and produces the financial reports including the annually audited financial statements of the City.

## Program Descriptions

The **Citywide Accounting** program includes all accounting and financial reporting activities. The Office of the Controller is organized into activities to ensure the integrity of the city’s financial statements and the internal controls are sound. The primary activities are as follows:

- Accounting and Financial Reporting keeps the City’s ledgers and books, produces the annually audited financial statements of the City known as the Comprehensive Annual Financial Report (CAFR) and produces monthly standard financial reports and develops ad hoc and other special reports which can be run by users of the financial system. The division ensures the integrity of the City’s financial information in compliance with Generally Accepted Accounting Principles (GAAP) and is responsible for policy research and coordination with the Enterprise Resource Services division of Technology Services in support of the PeopleSoft financial system.
- Tax Accounting keeps the County property tax roll.
- Payroll manages the city payroll for all city agencies. It provides tools for timekeeping, scheduling, leave management and activities allocation to management to allow for better allocation of resources and strategic planning. The unit also works closely with Career Service Authority and the Enterprise Resource Services division of Technology Services in support of the PeopleSoft Human Capital Management system.
- Financial Services provides accounting services to city agencies, manages citywide accounts payable and maintains the city’s financial records. Financial Services provides customer focused services to other city agencies using a shared services model in order to maximize efficiency, reduce costs, and build subject matter expertise.

## Strategic Initiatives

- Continue the implementation of Kronos modules at all agencies to ensure payroll and leave internal controls are adequate and labor costs are accurately tracked.
- Enhance the recently implemented Procure to Pay Processes, including the Contract Automation system sponsored by the City Attorney’s Office. Continue to improve business processes, functionality and controls.
- Participate in the implementation of a Multi-Jurisdictional Assessor Treasurer System (MATS) in conjunction with the Property Taxation Officials of Colorado (PTOC) consisting of Arapahoe, Jefferson, and Broomfield Counties.

## Performance Measures

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Objective</b>
<b>Accounting (Citywide)</b>				
Awarded Government Finance Officers Association’s (GFOA) Certificate of Achievement for Excellence In Annual Reporting	Yes	Yes	Yes	Yes

Performance Measures	2009	2010	2011	2012
	Actual	Actual	Estimated	Objective
Inventory and Testing of Internal Controls	30%	70%	100%	100%
Number of days to issue employee's final separation payment	41	32	30	30
Number of payroll checks/advices per month	2,500/23,000	1,102/23,695	1,000/24,000	800/24,400
Number of Journals processed	38,902	30,519	28,000	25,000

### Performance Context

- The **Government Finance Officer Association's (GFOA) Certificate** of Achievement for Excellence in Financial Reporting is awarded to those municipal governments who have published a high quality financial report and goes beyond the minimum requirements of generally accepted accounting principles. To win this award means the city has received an unqualified opinion on the financial statements and has issued a Comprehensive Annual Financial Report (CAFR) that meets very stringent standards.
- Documenting and testing individual agencies' **internal controls** around resource inflows, resource outflows, and resource management to ensure that city assets are being properly accounted for and safeguarded.
- Employees who separate from the city through retirement or other reason many times are owed a sick/vacation/PTO payout of time. Historically these payouts have taken up to 6 months. The Controller's Office took over this responsibility in September of 2008. The goal is to issue these **separation payouts** within 30 days of the separation date.
- The City issues **payroll** on a bi-weekly basis (every 2 weeks). In order to reduce costs (paper and postage) and reduce the risk of fraud, a program was instituted to reduce the number of checks and strongly encourage direct deposit. This above information shows the number of checks as opposed to advices (direct deposit).
- **Number of Journals** - The goal is to decrease the number of cash, general, correcting, and internal billing journals by increasing the number of journal uploads to reduce data entry errors requiring correcting journals; assisting agency staff to improve processes by consolidating daily multiple one or two line item journals; utilizing payroll software system to allocate staff time to agencies when worked; implementing a preapproval process with agency expending authorities to process reoccurring billing transfers electronically.

Budget Highlights	2010	2011	2012	\$	%
	Actual	Appropriated	Recommended	Change	Change
<b>Expenditures</b>					
Personal Services	\$5,333,349	\$6,407,985	\$6,614,157	\$206,172	3.2%
Services and Supplies	187,500	380,005	349,455	(30,550)	(8.0%)
Capital Equipment	5,950	0	0	0	0.0%
Internal Services and Misc.	<u>279,446</u>	<u>131,410</u>	<u>134,388</u>	<u>2,978</u>	<u>2.3%</u>
	<b>\$5,806,247</b>	<b>\$6,919,400</b>	<b>\$7,098,000</b>	<b>\$178,600</b>	<b>2.6%</b>
Administration	\$182,091	\$295,924	\$211,732	(\$84,192)	(28.5%)
Financial Reporting	1,191,670	1,341,125	1,520,446	179,321	13.4%
Accounting	1,915,025	1,717,060	1,657,811	(59,249)	(3.5%)
Payroll	2,285,992	2,423,224	2,346,028	(77,196)	(3.2%)
Financial Services	2,807	521,635	744,208	222,573	42.7%
Citywide Accounts Payable	<u>228,659</u>	<u>620,432</u>	<u>617,775</u>	<u>(2,657)</u>	<u>(0.4%)</u>
	<b>\$5,806,247</b>	<b>\$6,919,400</b>	<b>\$7,098,000</b>	<b>\$178,600</b>	<b>2.6%</b>

Budget Highlights	2010	2011	2012	\$	%
	Actual	Appropriated	Recommended	Change	Change
<b>Personnel Complement (Budgeted)</b>					
Administration	2.00	2.00	1.00	(1.00)	(50.0%)
Financial Reporting	11.00	11.00	12.00	1.00	9.1%
Accounting	30.00	24.00	24.00	0.00	0.0%
Payroll	34.00	33.00	32.00	(1.00)	(3.0%)
Financial Services	3.00	6.00	9.00	3.00	50.0%
Citywide Accounts Payable	<u>0.00</u>	<u>10.00</u>	<u>10.00</u>	<u>0.00</u>	<u>0.0%</u>
	<b>80.00</b>	<b>86.00</b>	<b>88.00</b>	<b>2.00</b>	<b>2.3%</b>
<b>Revenue</b>					
Use Charges	\$53,949	\$0	\$0	\$0	0.0%
Miscellaneous Transfers	95,596	0	0	0	0.0%
Miscellaneous Intergovernmental	29,727	0	0	0	0.0%
Misc. General Government	323,176	0	0	0	0.0%
Internal Svc & Indirect Charges	392,392	810,100	731,200	(78,900)	(9.7%)
Interest Income	602,919	0	0	0	0.0%
Fees	<u>41,613</u>	<u>42,000</u>	<u>0</u>	<u>(42,000)</u>	<u>(100.0%)</u>
	<b>\$1,539,372</b>	<b>\$852,100</b>	<b>\$731,200</b>	<b>(120,900)</b>	<b>(14.2%)</b>

### Significant Budget Changes by Program

#### Accounting (Citywide)

- An increase of \$159,100 and 2.0 FTE in personnel services including one senior payroll associate and one management analyst III in the Payroll Division due to the consolidation of Kronos timekeeping with Denver International Airport.
- An increase of \$151,500 and 2.0 FTE in personnel services including one staff accountant and one senior financial management analyst due to the transfer of accounting services from the Department of Environmental Health to the Controller's Office in 2011.
- An increase of \$66,500 and 1.0 FTE Executive Assistant III position due to the transfer of the position to the Office of the Controller from the Office of the Chief Financial Officer.
- An increase of \$51,300 and 1.0 FTE in personnel services due to the transfer of an accounting technician from the Department of Environmental Health. Beginning in 2011, the Controller's Office now provides accounting services for the Department of Environmental Health.
- A decrease of \$466,700 and 3.0 FTE in personnel services due to the abolishment of one vacant manager II, one vacant senior payroll associate, and one vacant administrative support assistant. This includes a savings of \$202,100 in 2011 and \$264,600 in 2012.
- A decrease of \$62,500 and 1.0 FTE in personnel services due to the abolishment of an accounting assistant I as a result of the consolidation of the procurement to pay services within the Controller's Office.
- A decrease of \$40,000 in professional services for various external accounting services that will now be provided internally. This includes a savings of \$20,000 in 2011 and a savings of \$20,000 in 2012.
- A net decrease of \$21,200 in services and supplies due to reductions in training, travel, and online training software usage. This includes a savings of \$11,500 in 2011 and a savings of \$9,700 in 2012.
- A reduction of \$120,900 in revenue due to a decrease in billings for services.

The budgeted vacancy savings is \$81,678. The budgeted furlough savings is \$112,757.

**Capital Equipment**

None.

# Finance

## Risk Management

0127000

### Agency Description

The Risk Management Office oversees the identification, analysis and management of the City's risk and exposure to loss related to the activities of the City and its departments, agencies and employees.

### Program Descriptions

The **Risk Management** program goal is to reduce the adverse financial impact of losses arising out of the City's operations through the management of the City's risk and exposure to loss related to the activities of the City and its departments, agencies and employees, including inspection of facilities for safety concerns. Primary activities include administration, safety, risk assessment and analysis, and workers' compensation.

- Administration includes key activities such as policy development and policy direction, establishment of agency goals and objectives, purchasing, contract management, public education and media relations, and financial management, including budgeting and accounting. Additionally, this agency's administration program includes oversight for the safety, risk assessment and analysis, and workers' compensation units.
- The Safety unit develops and implements citywide policies and provides oversight of safety activities in agencies and departments, including auditing compliance with the objectives of the city's Occupational Safety Program. This unit also inspects city facilities for safety or physical loss concerns and provides advice to agencies in a variety of risk control areas.
- The Risk Assessment and Analysis unit recommends, selects and purchases insurance necessary to sustain the city's ability to provide services. It develops and implements insurance requirements for use with outside contractors, vendors, consultants, and other parties providing services or resources to the City. The unit applies risk management processes to the city business model; identifies, analyzes and measures the city's risks; and, applies risk management solutions.
- The Workers' Compensation unit administers the city's self-insured workers' compensation program and Internal Service Fund. Its primary functions are to evaluate workers' compensation claims to determine the city's liability and act to minimize loss; to authorize payments for indemnity and medical costs of claims; and to arrange for the return to work of workers' compensation claimants at the earliest possible date. Through claims adjusting and management, the unit processes benefits required by the Colorado Workers' Compensation Act, §8-401-101 et.seq. C.R.S. 2002.

### Strategic Initiatives

- Conduct annual planned risk assessments/risk analyses as emerging risks and operational changes require.
- Develop loss prevention programs and deliver training that targets leading workers' compensation claim incident types.
- Develop a risk and safety unit policy and procedure manual to improve operational efficiency and efficacy.

### Performance Measures

	2009	2010	2011	2012
	<u>Actual</u>	<u>Actual/Estimated</u>	<u>Estimated</u>	<u>Objective</u>
<b>Risk Management</b>				
Amount of subrogation claims recovered	\$1,125,701	\$986,584	\$900,000	\$1,000,000

# Risk Management

0127000

Performance Measures	2009	2010	2011	2012
	Actual	Actual/Estimated	Estimated	Objective
Number of risk assessments/risk analyses conducted against planned	N/A	10/4	4	6
Number of loss prevention training programs developed/delivered	N/A	4/2	2	4
Number of sections completed in new Risk & Safety Unit Policy & Procedure Manual.	N/A	2/2	2	4

## Performance Context

- **Subrogation** recoveries, claims whereby the City pursues individuals responsible for damage to city property or individual injury to city employees, decreased as a result of reducing the hours spent on outside consulting services. Restructuring the process in 2011 will increase cost recovery in subsequent years.
- **Risk assessments and analysis** are occurring with increasing frequency as we continue to identify opportunities outside of the planned annual assessments. Emerging risks, agencies' operational changes, and the need to update outdated assessments and analysis lead to our nearly tripling of actual assessments against the number planned. This process of quantifying and qualifying risks is followed by identification and implementation of appropriate risk management strategies and techniques.
- In 2011, after analyzing over 9,700 workers compensation claims incurred from 2004 through 2010, a summary analysis, identifying potential **loss prevention** target areas, was presented to agencies with the greatest claim frequency and severity. Agencies were asked to commit to specific and quantifiable metrics and actions to improve their numbers, thereby decreasing workers compensation claim costs and improving workplace safety.
- The development of a **risk and safety unit policy and procedure manual** is intended to achieve operational efficiency and consistency by providing a framework for management philosophy/policy and related processes. Originally planned to contain approximately 10-15 sections, we continue to develop the sections and update already developed sections such as Insurance Requirements for City Contracts. The core contents are expected to be completed by 2015.

Budget Highlights	2010	2011	2012	\$	%
	Actual	Appropriated	Recommended	Change	Change
<b>Expenditures</b>					
<b>General Fund by Type</b>					
Personal Services	\$414,148	\$496,775	\$424,752	(\$72,023)	(14.5%)
Services and Supplies	2,424,165	2,795,633	2,484,378	(311,255)	(11.1%)
Capital Equipment	0	0	0	0	0.0%
Internal Services and Misc.	<u>7,357</u>	<u>5,892</u>	<u>6,170</u>	<u>278</u>	<u>4.7%</u>
	<b>\$2,845,671</b>	<b>\$3,298,300</b>	<b>\$2,915,300</b>	<b>(\$383,000)</b>	<b>(11.6%)</b>
<b>General Fund by Activity</b>					
Administration	\$314,794	\$458,115	\$467,915	\$9,800	2.1%
Safety	15,019	88,263	12,650	(75,613)	(85.7%)
Insurance	<u>2,515,858</u>	<u>2,751,922</u>	<u>2,434,735</u>	<u>(317,187)</u>	<u>(11.5%)</u>
	<b>\$2,845,671</b>	<b>\$3,298,300</b>	<b>\$2,915,300</b>	<b>(\$383,000)</b>	<b>(11.6%)</b>

## Risk Management

0127000

<b>Budget Highlights</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>\$</b>	<b>%</b>
	<b><u>Actual</u></b>	<b><u>Appropriated</u></b>	<b><u>Recommended</u></b>	<b><u>Change</u></b>	<b><u>Change</u></b>
<b>Special Revenue Fund by Activity (Estimated)</b>					
Risk Management	\$635,689	\$700,000	\$700,000	\$0	0.0%
<b>Total Program Expenditures</b>	<b>\$3,481,360</b>	<b>\$3,998,300</b>	<b>\$3,615,300</b>	<b>(\$383,000)</b>	<b>(9.6%)</b>
<b><u>Personnel Complement</u></b>					
<b>General Fund (Budgeted)</b>					
Administration	2.00	2.00	2.00	0.00	0.0%
Safety	2.00	2.00	1.00	(1.00)	(50.0%)
Insurance	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>0.00</u>	<u>0.0%</u>
	<b>6.00</b>	<b>6.00</b>	<b>5.00</b>	<b>(1.00)</b>	<b>(16.7%)</b>
<b><u>Revenue</u></b>					
<b>General Fund</b>					
Internal Svc & Indirect Charges	<u>\$48,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.0%</u>
	<b>\$48,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>

## Significant Budget Changes by Program

### Risk Management

- An increase of \$4,200 in services and supplies for dues and membership fees.
- A decrease of \$129,500 and 1.0 FTE in personnel services due to the abolishment of a safety and industrial hygiene position. This includes a savings of \$43,200 in 2011 and a savings of \$86,300 in 2012.
- A decrease of \$306,000 in services and supplies due to a reduction in fire insurance premiums as a result of aggressive marketing.
- A decrease of \$13,600 in aircraft insurance premiums due to a reduction in police helicopter insurance premiums due to current market conditions.

The budgeted vacancy savings is \$8,286. The budgeted furlough savings is \$7,471.

## Capital Equipment

None.

# Finance

## Workers' Compensation

0128000

### Program Description

The **Workers' Compensation Unit** administers the City's self-insured workers' compensation program, evaluates claims and authorizes payments. The Workers' Compensation Internal Service Fund is divided into two budgets: Administration and Claims. This separation distinguishes indemnity and medical claim payments from the costs of administering the program.

### Strategic Initiatives

- Contract with a consulting physician to review medical information and give advice for medical management of claims to adjusters and nurses.
- Review and investigate a possible 1<sup>st</sup> call medical contract (e.g., a nurse "hot line") for initial telephone contact for workers' compensation claims to avoid additional or unnecessary emergency room costs.
- Conduct a payment and admission review process to assure compliance with state standards in advance of forthcoming audit to avoid fines.

### Performance Measures

	2009 Actual	2010 Actual	2011 Estimated	2012 Objective
<b>Workers' Compensation Unit</b>				
Number of New Workers' Compensation claims	1,282	1,255	1,250	1,230
Number of Open claims in Workers' Compensation as of the first day of each year	754	639	617	600
Average number of lost time days per claim	14.22	13.90	13.70	13.50
Total payment of medical/indemnity during the year	8,583,093	7,678,748	8,300,000	8,500,000
Workers' Compensation outstanding liability	\$33,336,000	34,221,000	34,318,000	35,036,000

### Performance Context

- There has been a gradual drop in the **number of new Workers' Compensation claims** over the past 6 years and it is expected that the trend will continue, but at a much slower rate.
- The claims unit in risk management investigates and determines eligibility of the City's injured employees for workers' compensation benefits and manages the **open claims** where benefits are due. The total number of open claims (claims where there is expected future payments) is a number that can be addressed or influenced with active claims management. The goal is to focus a resolution of each individual claim appropriate to the circumstances of that claim.
- Salary continuation is a benefit provided city employees in lieu of workers' compensation payments during the initial phase of their injury treatment. This varies between CSA employees and Public Safety based on CSA rules and collective bargaining agreements. This **time loss** is measured in Kronos and provides new information to the City.
- The total amount paid by the **Workers' Compensation Liability** fund for benefits dropped by approximately 2.5 million dollars between 2005 and 2009. Expenditures rose slightly in 2010, but continue down in 2011. We anticipate a flattening of costs and a gradual increase in future years due to medical inflation.

## Workers' Compensation

0128000

<b>Budget Highlights</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>\$</b>	<b>%</b>
	<b>Actual</b>	<b>Appropriated</b>	<b>Recommended</b>	<b>Change</b>	<b>Change</b>
<b>Expenditures by Type</b>					
Personal Services	\$4,261,401	\$5,222,122	\$4,953,005	(\$269,117)	(5.2%)
Services and Supplies	7,573,178	7,904,834	7,696,034	(208,800)	(2.6%)
Capital Equipment	0	0	0	0	0.0%
Internal Services and Misc.	<u>432,860</u>	<u>477,644</u>	<u>478,261</u>	<u>617</u>	<u>0.1%</u>
	<b>\$12,267,440</b>	<b>\$13,604,600</b>	<b>\$13,127,300</b>	<b>(\$477,300)</b>	<b>(3.5%)</b>
<b>Expenditures by Activity</b>					
Administration	\$3,484,475	\$4,059,600	\$3,582,300	(\$477,300)	11.8%
Indemnity and Medical	<u>8,782,964</u>	<u>9,545,000</u>	<u>9,545,000</u>	<u>0</u>	<u>0.0%</u>
	<b>\$12,267,440</b>	<b>\$13,604,600</b>	<b>\$13,127,300</b>	<b>(\$477,300)</b>	<b>(3.5%)</b>
<b>Personnel Complement (Budgeted)</b>					
Administration	16.00	16.00	16.00	0.00	0.0%
<b>Revenue</b>					
Misc. General Government	\$856,058	\$680,000	\$800,000	\$120,000	17.6%
Internal Svc & Indirect Charges	11,883,833	12,000,000	12,000,000	0	0.0%
Interest Income	0	1,107,700	1,000,000	(107,700)	(9.7%)
Fees	<u>491</u>	<u>300</u>	<u>300</u>	<u>0</u>	<u>0.0%</u>
	<b>\$12,740,382</b>	<b>\$13,788,000</b>	<b>\$13,800,300</b>	<b>\$12,300</b>	<b>0.1%</b>

## Significant Budget Changes by Program

### Worker's Compensation

- An increase of \$26,200 in services and supplies for computer services as a result of an upgrade to the STARS software. This software is utilized by Risk Management for claims management, administration activities, and reporting.
- An increase of \$15,000 in services and supplies for a workers' compensation claims physician advisor professional services contract. Utilizing the services of the Physician Advisor will help reduce excessive and unnecessary costs.
- A decrease of \$275,000 in personnel services for workers' compensation indemnity benefits. The City's indemnity costs have decreased over the last five years as a result of decreasing claims frequency and aggressive case management. This trend is anticipated to continue through 2012.
- A decrease of \$250,000 in services and supplies for workers' compensation medical benefits as a result of decreasing workers' compensation medical costs. A reduction in claims and claims cost is anticipated to continue.

No vacancy savings is budgeted for 2012. The budgeted furlough savings is \$20,955.

## Capital Equipment

None.

# Finance

## Other Appropriations

	2010 <u>Actual</u>	2011 <u>Appropriated</u>	2012 <u>Recommended</u>	\$ <u>Change</u>	% <u>Change</u>
<b>Expenditures</b>					
Unemployment Compensation Insurance (01010-0125100)	\$1,251,297	\$765,000	\$765,000	\$0	0%
General Fund Contingency (01010-0121600)	\$0	\$17,794,000	\$18,605,000	\$811,000	4.6%
Payments-Elderly and Disabled (01010-2551000)	\$1,032,327	\$1,275,000	\$1,275,000	\$0	0%
Hotel Tax Increment (01010-2553000)	\$1,239,909	\$1,011,000	\$1,506,000	\$495,000	49.0%
Downtown Historic District Tax Rebate (01010-2542000)	\$0	\$0	\$0	\$0	0%
Annual Rental Payments (01010-2541000)	\$16,130,224	\$19,752,600	\$20,915,200	\$1,162,600	6.3%

The **Unemployment Compensation Insurance** program reimburses the State of Colorado for unemployment benefits paid by the State to former General Fund employees.

**General Fund Contingency.** The City Charter requires that the proposed budget for the General Fund shall include an amount not less than two percent of the total estimated expenditures for the payment of any expense, the necessity of which is caused by any casualty, accident or unforeseen contingency, after the passage of the annual appropriation ordinance. The general contingency reserve is appropriated as part of the annual budget. Throughout the year, as supplemental appropriations occur, the contingency appropriation is reduced so that the remaining balance continuously reflects the amount of reserve still available for use. The 2011 appropriation amount shown above reflects the unspent contingency reserve as of the date of this publication.

The **Payments to the Elderly and Disabled** refund program assists senior citizens and people with disabilities who are living on fixed incomes to lower their property tax or rental payments. The program utilizes a progressive payment system that increases payments to eligible residents in the lowest income categories. The program's income limits are indexed to the Social Security Cost of Living Adjustment index.

The **Hotel Tax Increment/DURA** receives and distributes the Lodgers' Tax increment to the Denver Urban Renewal Authority. The budgeted amount represents the estimated amount of General Fund Lodgers' tax to be generated by the eligible hotels over and above the amount generated in the base year prior to the hotel's redevelopment and expansion. This estimate is calculated by the Treasurer and the Executive Director of DURA. A reconciliation of the actual increment to this estimated increment occurs at the conclusion of the fiscal year. An increase in the Hotel Tax Increment of \$495,000 is due to the continued improved performance of Lodger's Tax collections.

The **Downtown Historic District Tax Rebate** provided for a partial rebate of the City portion of real property taxes imposed on certain qualifying structures within the Downtown Denver Historic District. Qualifying structures are those determined by the Landmark Preservation Commission to meet criteria as specified by Ordinance 970, Series of 2000. During 2009, the City began a review of the program to determine its effectiveness and informed property owners that there would be no rebate in 2010 or 2011. No funds have been budgeted due to the continued suspension of the Downtown Historic Tax Credit program in 2012.

## Other Appropriations

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**Annual Rental Payments** are for existing Certificates of Participation and other lease purchase payments. An increase in the Annual Rental Payments of \$1,162,600 is primarily due to the graduated principal payment schedule and an increase in liquidity fees for the Webb Building's Certificates of Participation.

**The 2012 appropriations are as follows:**

African American Research Library	\$ 1,216,481
Cherry Creek Parking Garage	486,678
Civic Center (Webb Municipal) Office Building	13,353,911
Convention Center Garage	1,170,544
Cultural Facilities Parking Garage	1,159,928
General Fund portion of Human Services Refunding COP (2005A)	1,271,462
Police Academy	169,673
Information Technology Services Building	87,560
Additional Rental Payments (liquidity, re-marketing, trustee fees)	<u>1,998,924</u>
<b>Total</b>	<b>\$20,915,161</b>

The total annual rental payments are currently projected at 2.3 percent of total General Fund revenue, which is well below the debt policy limit of 5 percent of total revenue.