

# City and County of Denver Budget and Management



APRIL 2011

## BMO STAFF

**Ed Scholz,**  
Chief Financial Officer

Stephanie Adams, *Manager of Performance Initiatives*

Steve Bohn

Tom Chase

Milton Cherry

Catherine Dockery

Molly Duplechian

Scott Fisher

Alyson Gawlikowski

Kelly Greunke

Brendan Hanlon, *Manager of Fiscal Analysis*

Gretchen Hollrah, *Capital Program Manager*

Laura Kane

Barbara Marshall

Scotty Martin, *Manager of Business Process Analysis*

Tom Migaki

Douglas Palmer

Sadia Sattar

Laura Wachter, *Manager of Operations*

Theresa Wilson

## A Message From Ed

### Greetings:

The external audit is underway and it appears our 2010 revenues and expenditures will be within approximately 1% of what we projected last summer. Departments did an excellent job meeting and exceeding savings targets in 2010 to achieve this goal. Thank you. And though this means there was not an unanticipated infusion of cash into fund balance, it also means we are no worse off than expected. Focus has now shifted to the \$100m deficit that is projected going forward through the end of 2012.

Our next step is to closely analyze 2011 revenues over the next few months to see if our original projections need to be adjusted. We've collected January and February core Sales & Use tax data, which was 0.8% lower and 1.9% higher over the same time in 2010, respectively. That puts us at 0.5% growth over 2010, year to date, which is below our original 2011 budget growth rate of 3.5% in core Sales and Use tax. However, it is still early in the year and we will monitor it closely as we work towards the summer revision period.

Over the next month we will be developing a status report on progress towards closing the \$100 million deficit. The majority of the plan will come from department generated proposals, which staff have already been working hard on for several months. These proposals will be evaluated by this administration and a plan will be laid-out for the new administration this summer.

I encourage you to continue the hard work of prioritizing your services and developing proposals to meet your budget targets. It is important that the impacts of your proposals are understood so that together we can communicate choices to current and future decision makers.

The City and County of Denver continues to be in a much stronger position than most other large cities around the nation. Whenever possible, we have turned this difficult time into opportunities to create efficiencies and improve service delivery methods. Please continue to share your suggestions on how to save via [MileHighMayor@denvergov.org](mailto:MileHighMayor@denvergov.org).

The Budget Office continues to offer analytical assistance to agencies interested in investigating particular operational opportunities and challenges. We are committed to providing thorough, independent and timely analysis of both operational and financial issues in preparation for the 2012 budget. Please contact us with your analytical requests.

Thank you again for your hard work.

Sincerely,

Ed Scholz,  
Chief Financial Officer

## INSIDE THIS ISSUE:

2010 Budget: Revenue and Expenditure Update	2
2011 Budget: 1st Quarter Revenue and Expenditures	3
2012 Budget	4

## Denver's Economic Outlook

- **Consumer confidence** declined in March due to growing concerns over inflation and a decrease in income expectations. However, consumer confidence remains higher than it was in March of 2009 and 2010. (Source: *The Conference Board*)
- Colorado's **unemployment rate** totaled 9.3% in February. This is the state's highest unemployment rate on record. (Source: *U.S. Bureau of Labor Statistics*)
- Following a brief period of home appreciation, **home prices** in the Denver region have decreased for the past 7 consecutive months. January home price fell 2.3% in the Denver region. This compares to a 3.1% decrease in home prices across 20 metropolitan regions nationwide. (Source: *Standard and Poor's Case-Shiller Home Price Index*)
- In February, **Occupancy rates** in Denver-area lodging facilities totaled 58% and **room rates** averaged \$103 per night. Both of these rates reflect improvements over last year. (Source: *Rocky Mountain Lodging Report*)
- Through February, Denver **residential permits** for new construction, repairs/alterations and demolitions decreased 2% year-over-year and dollar valuations associated with those permits fell 5%. This slow-down is due in part to the expiration of last year's federal tax credit and increased difficulty in securing mortgages.. (Source: *Monthly valuation reports from CPD*)

## 2010 Year-in-Review (Preliminary)

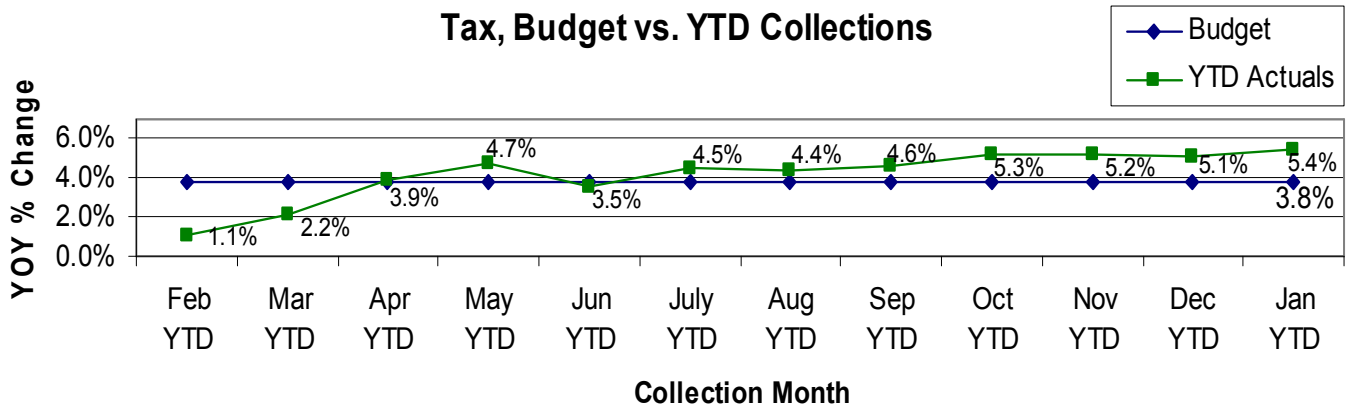
### Preliminary Revenue Comparison: 2009 versus 2010

(In Thousands)

	2009 YTD	2010 YTD	% change year-over-year
Sales and Use Tax	\$387,838	\$409,816	5.7%
Property Tax	\$64,343	\$64,884	0.8%
Other Taxes	\$72,123	\$90,724	25.8%
Intergovernmental	\$27,576	\$23,803	-13.7%
General Government	\$227,804	\$243,354	6.8%
Transfers	\$30,577	\$37,963	24.2%
<b>Total</b>	<b>\$810,264</b>	<b>\$870,544</b>	<b>7.4%</b>

*Note: The 2010 figures shown above are preliminary and will not be finalized until May 2011.*

#### 2010 Year-Over-Year % Change in Core General Fund Sales and Use Tax, Budget vs. YTD Collections



Core sales and use tax excludes one-time audits and aviation fuel. These items are excluded to more accurately gauge the economy's impact on Denver's sales and use tax collections

## 2010 Expenditures

2010 General Fund expenditures are on track with the revised projections used in the 2011 budget development. The 2011 budget was built on **\$23 million** of additional expenditure savings in 2010. Both 2010 revenues and expenditures ended within **1%** of revised estimates.

**Departments did an excellent job of enacting mid-year savings measures.**

## 2011 BUDGET UPDATE-REVENUE

### Preliminary Revenue Comparison: 2010 versus 2011

(In Thousands)

	2010 YTD		2011 YTD	
	Revenue	% of Actuals	Revenue	% of Budget
Sales and Use Tax	\$53,532	13%	\$56,791	13%
Property Tax	\$26,391	41%	\$27,578	40%
Other Taxes	\$10,387	11%	\$10,747	15%
Intergovernmental	\$4,456	19%	\$3,959	16%
General Government	\$33,802	14%	\$40,460	16%
Transfers	\$4,000	11%	3,890	11%
<b>Total</b>	<b>\$132,569</b>	<b>15%</b>	<b>\$143,425</b>	<b>16%</b>

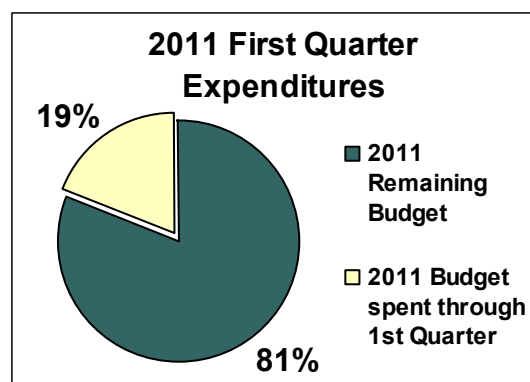
- We will continue to monitor sales tax and other revenues carefully for the next few months and will make any necessary adjustments or revisions to the 2011 revenue budget.
- Though some revenues may begin to improve, we must remember that we need revenues to improve just to meet the 2011 original budget. For example, core sales and use tax needs to grow approximately **3.5%** from 2010 levels to meet the 2011 original budget.

## 2011 BUDGET UPDATE-EXPENDITURES

### 2011 First Quarter Expenditures

	2011 Revised Budget	2011 1st Quarter Actuals	2011 % Spent YTD
General Government	\$249,766,551	\$36,931,931	14.79%
Parks & Rec, Culturals	\$82,963,700	\$11,699,777	14.10%
Public Works	\$87,608,900	\$16,074,077	18.35%
Public Safety	\$446,570,700	\$93,997,914	21.05%
Health*	\$43,725,900	\$26,547,002	60.71%
Human Services	\$142,593,856	\$13,600,527	9.54%
<b>Total:</b>	<b>\$1,053,229,607</b>	<b>\$198,851,228</b>	<b>18.88%</b>

This diagram displays the percentage of the 2011 budget that was spent through the first quarter of 2011.



\*Includes the full year payment made in the first quarter to Denver Health for Medically Indigent Care.

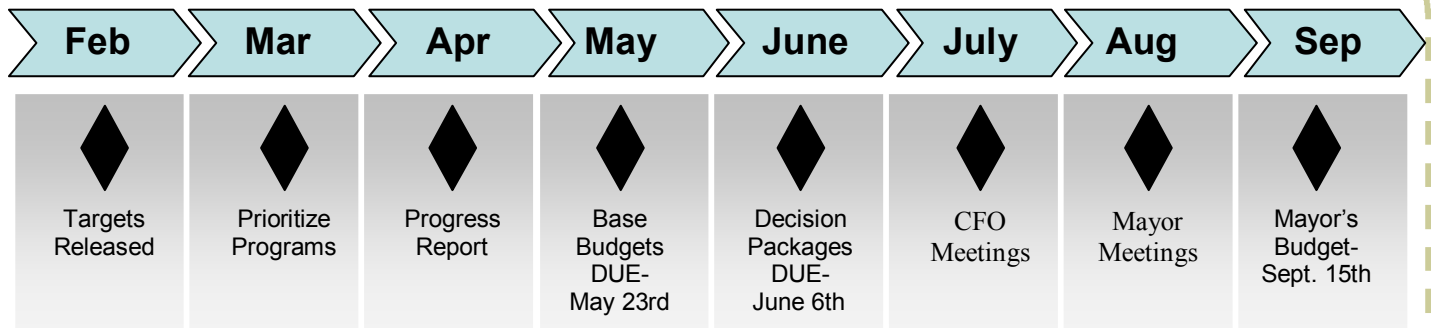


# 2012 BUDGET

**\*See the 2012 Budget Manual for additional deadline information**

Operating Budget Proposals	Capital Budget Proposals	Technology Project Proposals
<b>Key Dates</b>	<b>Key Dates</b>	<b>Key Dates</b>
<ul style="list-style-type: none"> <li>▪ <b>May 23:</b> – Base Budget Deadline</li> <li>▪ <b>June 6:</b> – Decision Package Deadline</li> </ul> <p><u>Who to contact with questions:</u> Laura Wachter, 3-5544 Kelly Greunke, 3-5524</p>	<ul style="list-style-type: none"> <li>▪ <b>May 16:</b> – CIP Packages Due (Payments, Maintenance and Discretionary requests)</li> </ul> <p><u>Who to contact with questions:</u> Gretchen Hollrah, 3-5516 Laura Kane, 5-5537</p>	<ul style="list-style-type: none"> <li>▪ <b>April 15:</b> – Technology Proposals Due</li> </ul> <p><u>Who to contact with questions:</u> Theresa Wilson, 3-5543</p>

## 2012 Operating Budget Timeline



## 2012 Budget Philosophy

The focus of the 2012 budget will be on the following 3 themes:

- **Build Partnerships**  
- BMO is partnering with departments to assist in prioritizing programs and identifying programmatic reductions.
- **Program Based Budgeting**  
- Provides an overview of services and guides the budget process through understanding the impacts of decisions.
- **Fiscal Sustainability**  
- Permanent savings enacted in 2011 will save more than waiting to implement a savings until 2012. There will be a push in 2012 to find savings that help solve the structural gap. This includes redesigning of work processes to reduce delivery costs and identifying cross agency opportunities. Following are examples of structural savings that have already been implemented:
  - 1) Sheriff—gradually converting 59 deputy sheriff positions to civilian security specialists resulting in a savings of \$826,000 per year. These positions don't have inmate contact and don't need as much specialized training.
  - 2) CPD—closed the Northeast Denver office due to underutilization after completion of Stapleton development. The on-going savings is \$100,000 per year.
  - 3) DOCA was combined with Theatres and Arenas and will now be funded by the Theatres and Arenas SRF, for a savings of about \$1 million per year.