

City and County of Denver Budget and Management

MARCH 2009



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A Message From Ed

Greetings:

We are certainly in challenging economic times, along with the rest of the nation and most of the world. I continue to be impressed with how our City team is chipping in and being creative to help us address the situation. Ideas continue to come in regarding ways to save money – either temporarily or permanently.

Sales tax collections in the General Fund, which represent 50% of our revenues, were down for the fourth straight month. January, 2009, was the largest decline over 2008, with collections down 10.3%. We are carefully monitoring all revenue sources to determine if we need to adjust the projections that were made back in October, when we first developed the plan to close our projected budget gap of \$56 million. It may turn out that revenue projections need to be revised down even further, and we will certainly communicate any changes on a regular basis.

Projections for 2010 are also grim, and the 2010 budget process will be a difficult one. We have been out meeting with departments regarding ways to prepare for this process. Currently we are working with all of you to complete a thorough program inventory of the services

we all provide to our customers. This can help when describing potential impacts of any funding changes. There is still a great focus on the initiatives the City is undertaking and how they relate to these programs. Details on upcoming budget events are inside.

The Budget Office is offering 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 2010 budget. Please email me with your analytical requests.

There can be opportunity in difficult times. New ways of performing core functions emerge, and efficiencies seem to multiply. We will be stronger for all of our hard work and will continue offering quality services to the citizens of Denver. Thank you again for your hard work.

Sincerely,

Ed Scholz,

Budget Director

Denver's Economic Outlook

- In December, all 50 states and the District of Columbia experienced over-the-month and over-the-year **unemployment rate** increases. The national unemployment rate totaled 7.1 percent in December, up from 6.5 percent in November and 4.8 percent in December 2007. Colorado's unemployment rate totaled 6 percent in December, up from 5.4 percent in November and 4.2 percent in December 2007. In the Denver metro area, the December unemployment rate grew to 6.3 percent, up from 5.9 percent in November and 4.4 percent in December 2007. The employment situation remains grim in 2009 with national unemployment totaling 8.5 percent in January. (Source: Not Seasonally-adjusted unemployment data downloaded from the Bureau of Labor Statistics, www.bls.gov, on 3/2/09)
- **Home prices** in the Denver-metro region fell by 4.0 percent in December. This is the 25th consecutive month in which the Denver region has weathered year-over-year home price decreases. However, the Denver region is faring better than most of the rest of the nation, ranking 20th out of 20 metropolitan regions that are tracked by the Standard and Poor's Case-Shiller Home Price Index. In December, home prices decreased by an average of 18.5 percent across all 20 metropolitan regions. (Source: Data downloaded from Standard and Poor's, www.standardandpoors.com, on 2/25/09)
- In 2008, Denver's **residential construction permits** fell by 18.6 percent and valuations decreased by 12.6 percent. In January 2009, permits are down 35 percent and dollar valuations have fallen 67 percent. (Source: Valuation reports from Community Planning and Development, City and County of Denver, received 1/15/09 and 2/17/09)
- For each month during fourth quarter 2008, **occupancy rates** in Denver-area lodging facilities trailed behind occupancy rates in fourth quarter 2006 and 2007. For the month of December, occupancy totaled 43 percent, compared to 47 percent in December 2007 and 51 percent in December 2006. (Source: Rocky Mountain Lodging Report)
- The **consumer confidence** index fell to 25.0 in February, which is the lowest level its been since the Conference Board started tracking this index in 1967. (Source: Downloaded from The Conference Board, www.conference-board.org, on 2/25/09)

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2008 Revenue Collections (through December)

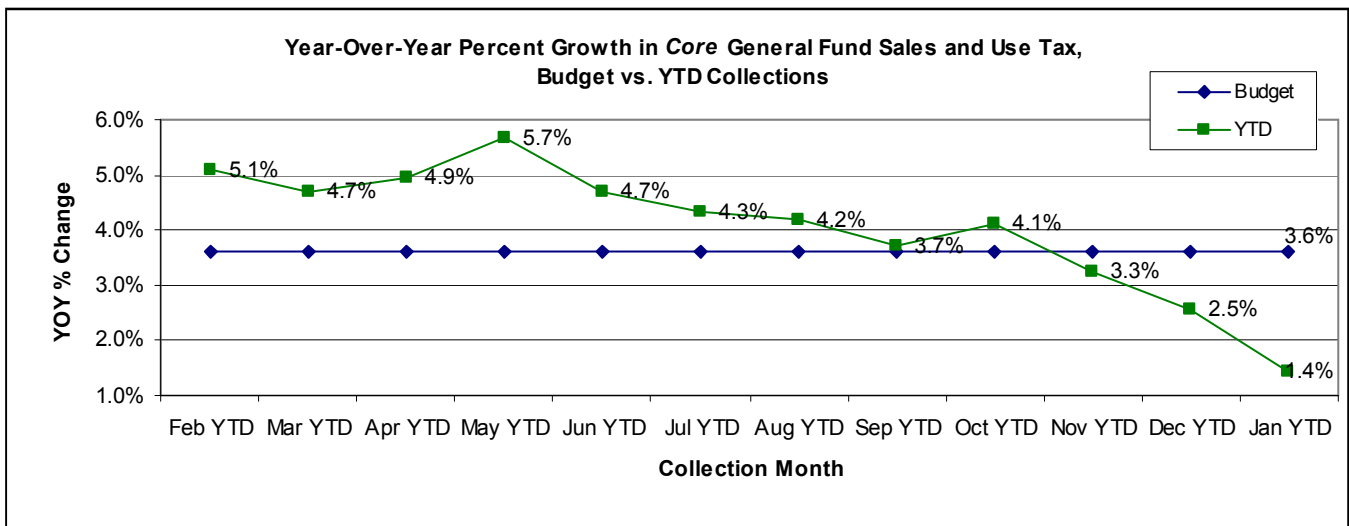
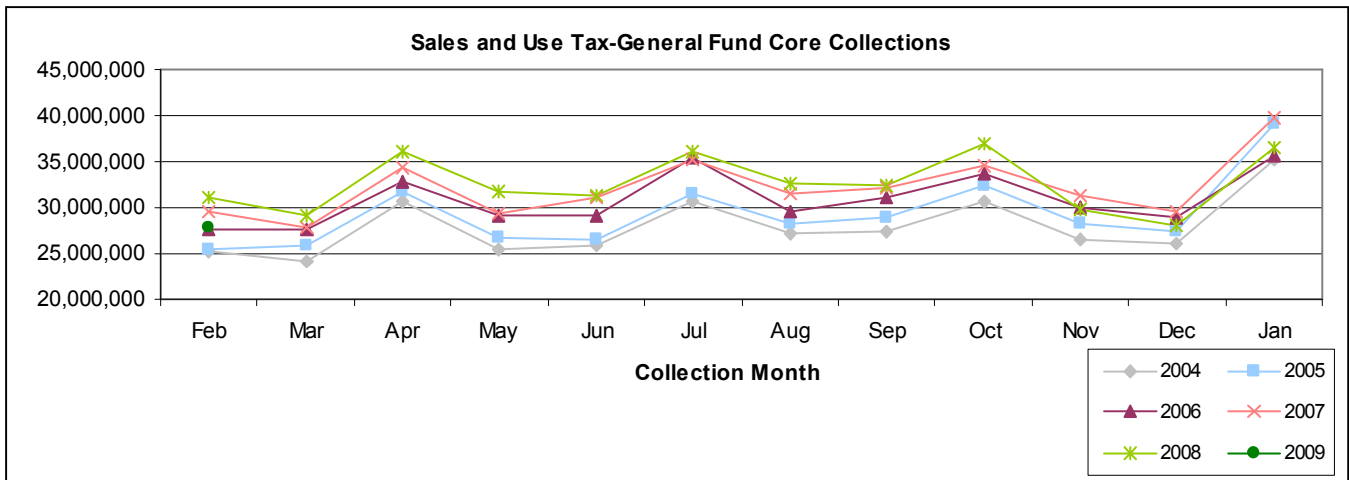
Preliminary Revenue Comparison: 2007 versus 2008

(in thousands)

	2007 Year-End		2008 Year-End	
	Revenue	% of Actuals	Revenue	% of Budget
Sales and Use Tax	\$418,177	100.0%	\$430,928	97.9%
Property Tax	\$79,186	100.0%	\$62,660 *	100.0%
Other Taxes	\$55,053	100.0%	\$80,285	100.3%
Intergovernmental	\$29,215	100.0%	\$27,623	102.4%
General Government	\$234,673	100.0%	\$233,884	99.6%
Transfers	\$32,333	100.0%	\$30,731	116.5%
Total	\$848,637	100.0%	\$866,111	99.4%

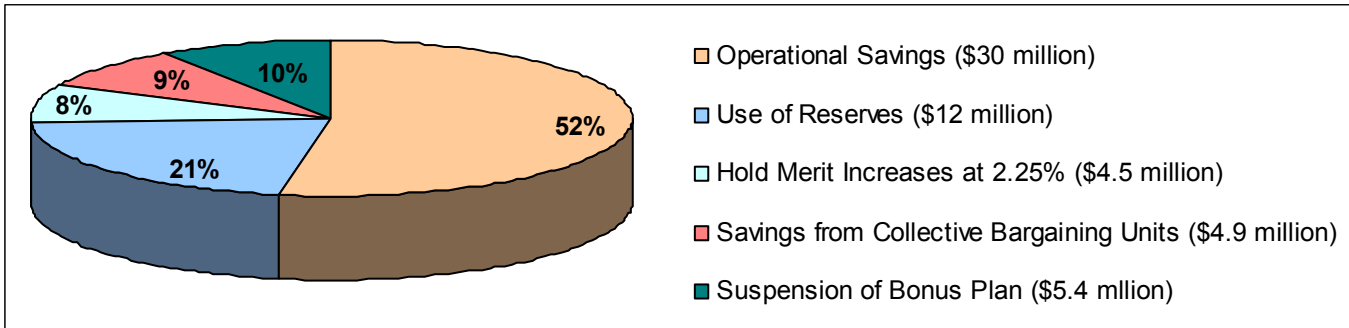
*Beginning in 2008, a portion of property tax goes directly to the Capital Improvement Projects fund instead of the General Fund. This change was made in response to no longer diverting one-half of occupational privilege tax to the Capital Improvement Projects fund.

Note: The 2008 figures shown above are preliminary and will not be finalized until April.



2009 SAVINGS PROGRAM

The recession has presented the City and County of Denver with some financial challenges. However, a plan has been developed through hard work and thoughtful analysis from agencies and departments to close a projected gap of **\$56 million**. The chart below identifies the breakdown of budget balancing measures that are being taken to achieve the \$56 million.



The \$30 million of inter-agency operational savings includes some very thoughtful and strategic reductions. Examples of these include:

- County Court—increased revenue through use of an outside vendor for collection of outstanding and delinquent debt.
- Solid Waste – reduced waste tonnage pickup by increasing recycling efforts, saving the City approximately \$200,000 in 2009.
- Police – reduced Police recruit classes in 2009 after analyzing staffing levels, saving the City over \$1million in 2009.
- Fleet – leasing equipment will save the City \$6.1 million.

2010 BUDGET

The current economic environment will make the 2010 budget a difficult one at best. In a no-growth environment, it's even more critical to have an inventory of the core services provided to citizens and the costs associated with them. The key to easing the stress of the upcoming budget is to start thinking early about programs, services and priorities.

- ◆ Know your programs and how they help accomplish your agency and citywide priorities.
- ◆ An inventory will act as a helpful tool to guide decisions about the programs and core services that your department provides.
- ◆ Understand your key initiatives and how they impact outcomes and measures.
- ◆ Be able to clearly explain the impacts of any proposed major changes to program expenditures.
- ◆ Communicate how changes in programming support priorities or impact services.
- ◆ Departments will be empowered to provide thoughtful strategies for resource allocation in the context of the City's priorities and available resources.

The 2010 Budget is right around the corner. Here are some important dates to mark in your calendar:

March-April	Strategic planning and program inventory preparation
April-May	Budget Manual/Budget Kick-Off Sessions
May-June	Agencies prepare 2010 budget proposals
June-July	BMO reviews proposals and conducts meetings with agencies
August	Budget proposals are presented to the Mayor's Office
September	City Council Budget Hearings
November	Budget formally adopted



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2010 Budget Kick-Off Meetings

Please join us at one of the three Budget Kick-Off Meetings. We will help you get prepared for the 2010 budget process.

When: Wednesday, April 22nd 12:30-2:00
Monday, April 27th 8:30-10:00
Wednesday, April 29th 1:30-3:00

Where: 4.G.2, Wellington Webb Building

Please plan on attending one of the above dates and times. To reserve your space please e-mail Ginger Abeyta at Ginger.Abeyta@denvergov.org or call 3-3344.

2008 Program Accomplishments

Denver's Road Home: The Ten Year Plan to End Homelessness

Denver's Road Home, now in its third year of the Ten Year Plan to End Homelessness in Denver, has resulted in an 11% reduction in overall homelessness and a 36% decrease in chronic homelessness. In addition to the decrease in homelessness, panhandling on the 16th Street Mall is down 92% since the plan has been put into operation.

By the end of 2008, in collaboration with the community leaders and service providers:

- 1,243 new units of housing for the homeless have been create
- 957 families have received eviction assistance
- 3,278 homeless people have received employment assistance
- 415 families have been mentored through the faith initiative

All this puts the Road Home ahead of schedule to meet its five-year goal of a 75% reduction in chronic homelessness. For additional information on Denver's Road Home, please visit www.denversroadhome.org/

The Better Denver Bond Program

2008 was the start-up year for The Better Denver Bond Program, approved by voters in November 2007. The Program is comprised of 215 construction projects, most of which will go through planning and design phases that span more than one year. At the end of 2008, 95 projects were in design or construction, land was acquired for two new building projects, and 11 projects were complete. A detailed sustainability review was also conducted on a total of 59 projects, in coordination with Greenprint Denver. The entire Program is planned to be finished by 2012. For more details about the Program, visit the Better Denver Bond website: <http://www.denvergov.org/betterdenver>.



Environment & GreenPrint Denver

The City and County of Denver strives to be role model in environmental sustainability. As a part of this effort Denver's Department of Environmental Health began developing a city-wide Environmental Management System (EMS) in order to improve the impact that the City has on the environment. An EMS is a systematic way to review and improve environmental performance as well as a management tool that will help Denver incorporate environmental considerations into its day-to-day operations and decision-making. By the end of 2008, EMS was fully implemented in six City departments: Environmental Health, General Services, Mayor's Office, Public Works, Theaters and Arenas, and the Denver Zoo—making Denver one of a handful of cities in the U.S. to achieve International Standards of Operations (ISO) 14001 certification for multiple agencies. Denver International Airport achieved this certification years ago and is still the only international airport in North America with an ISO 14001-certified EMS that encompasses the entire facility. EMS will continue to be rolled out city-wide throughout 2009.

