

# City and County of Denver Budget and Management Financial Newsletter

OCTOBER 2009



## A Message From Ed

### Greetings:

The 2010 budget process is almost finished. Addressing the largest decline in revenues since the 1930's has been a monumental challenge, but the hundreds of suggestions offered by employees and citizens have helped significantly. We cannot thank you enough for your cooperation and understanding.

Sales tax collections in the General Fund, which represent 50% of our revenues, were down for the eleventh straight month in August. Year-to-date sales tax is down 12.7% from the same period in 2008. The revised 2009 budget assumes it will end the year down only 7.9%. Other revenue sources, such as lodger's tax and construction-related revenues also continue to see declines from 2008 levels. Though certain signs show the economy headed in the right direction, please understand that local governments are typically one of the last sectors to actually experience the effects of a recovery. Our diligent cost saving efforts must continue through the winter to enable us to begin the 2011 budget process in a strong financial position.

With your assistance, we have closed a \$206 million budget deficit in 2009 and 2010, equaling approximately 12% of the budget each year.

The balanced approach includes savings from efficiencies, reductions in non-critical programs, sacrifices from all employees, revenue enhancements, and use of reserves. Yet only half of the savings identified is considered permanent or on-going, underscoring why we must always be searching for ways to do things more effectively and efficiently. This is what will provide us the resources we need to deliver great services in the future in a favorable working environment.

The Budget Office continues to offer analytical assistance to agencies interested in investigating particular opportunities and challenges. We have provided several departments with timely analysis on a variety of operational, policy, revenue, process, and financial issues. Together we can strengthen our organization and continue offering quality services to the citizens of Denver. Thank you for your persistent hard work.

Sincerely,

Ed Scholz,

Budget Director

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## Denver's Economic Outlook

- In August, Denver's **unemployment rate** totaled 8 percent, up from 5.6 percent in August of 2008 and 4.2 percent in August of 2007. The national unemployment rate in August totaled 9.6 percent, up from 6.1 in August of last year and 4.6 in August of 2007. (Source: *not-seasonally-adjusted unemployment data from the U.S. Bureau of Labor Statistics.*)
- In 2009, **occupancy rates** in Denver-area lodging facilities have consistently been down relative to last year and prior years. Occupancy rates averaged 60 percent through September 2009, compared to an average occupancy rate of roughly 68 percent during the same period in 2006, 2007 and 2008. (Source: *Rocky Mountain Lodger's Report*)
- Through September, Denver's **residential building permits** for new construction, demolitions, additions, alternations and repairs are down 14 percent and dollar valuations associated with these permits are down 66 percent. (Source: *Community Planning and Development's valuation reports*)
- Through July of 2009, the Denver metro region has weathered 32 consecutive months of year-over-year **home price** depreciation. However, the rate at which home prices are decreasing in the Denver region appears to be slowing. During the first quarter of 2009, decreases in the Standard and Poor Case-Shiller Home Price Index were consistently greater than 5 percent. During the second quarter, home prices were falling at a rate of between 3.6 percent and 4.9 percent each month. As of July, the most recent month available, home prices were only down 2.9 percent. (Source: *Standard and Poor's Case Shiller Home Price Index*)
- **Consumer confidence** has been improving in recent months but remains weak relative to last year. During the third quarter of 2009, the Conference Board's consumer confidence index averaged 51.7, up from 48.3 in the second quarter and 29.9 in the first quarter. During the third quarter of last year, the consumer confidence index averaged 57.3. (Source: *BMO using data from the Conference Board*)

# 2009 BUDGET UPDATE

## 2009 REVENUES

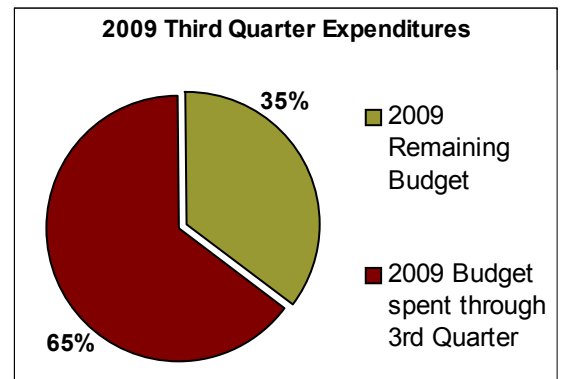
Preliminary Third Quarter Revenue Comparison: 2008 versus 2009  
(in thousands)

	2008 YTD		2009 YTD	
	Revenue	% of Actuals	Revenue	% of Revised Budget
Sales and Use Tax	\$280,666	65%	\$244,074	61%
Property Tax	\$61,897	99%	\$62,806	97%
Other Taxes	\$52,842	66%	\$47,824	64%
Intergovernmental	\$18,027	65%	\$16,898	63%
General Government	\$142,809	61%	\$138,143	62%
Transfers	\$2,250	7%	\$3,089	10%
<b>Total</b>	<b>\$558,490</b>	<b>64%</b>	<b>\$512,835</b>	<b>63%</b>

## 2009 EXPENDITURES

	2009 Revised Budget	2009 3rd Quarter Actuals	2009 % Spent YTD
General Government	\$256,751,698	\$152,433,979	59.37%
Parks & Rec, Culturals	\$88,944,201	\$58,678,083	65.97%
Public Works	\$99,089,594	\$59,357,788	59.90%
Public Safety	\$440,587,195	\$307,453,249	69.78%
Health*	\$44,905,700	\$39,432,309	87.81%
Human Services	\$165,845,452	\$93,553,996	56.41%
<b>Total:</b>	<b>\$1,096,123,840</b>	<b>\$710,909,404</b>	<b>64.86%</b>

This diagram displays the percentage of the 2009 budget that was spent through the third quarter of 2009.



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

In the 2009 budget savings plans, Departments committed to an identified amount of savings throughout the year. The revised budget assumes \$65 million in savings in 2009 in the General Fund. We are currently working on detailed year-end projections to ensure savings targets are met in 2009.

# 2010 Budget Overview

2009 and 2010 presented the City with the largest declines in revenue since the 1930's. City agencies put forth an exceptional effort to help solve the \$206 million budget gap. Below is an overview of the 2010 budget.

**REVENUES:**

- ◇ 2009 Revenues have been revised down \$78m or 8.7% from the original 2009 budget. This is a 5.6% decline from 2008 actuals, whereas average revenue growth per year is typically 4-5%.
- ◇ Sales tax (50% of the total revenue) is projected to decrease \$33.7m in 2009, or 7.8% from 2008 actuals. We've had 11 consecutive months of declining sales tax revenues.
- ◇ 2010 revenues are projected to be \$851m, a decrease of 1.6% from 2008 actuals. This represents 4.1% growth from the revised 2009 revenue budget, but is still down around 2007 levels.

**EXPENDITURES:**

- ◇ Expenditures were reduced in the summer of 2008 by \$30m in order to balance the original 2009 budget.
- ◇ We further reduced 2009 expenditures by \$56 million in the spring to match declining revenues.
- ◇ A projected \$120 million gap for the next 18 months was then closed in order to present a balanced 2010 budget.

**Total savings in 2009-2010: \$206 million or approximately 12% each year**

The \$120 million budget gap is being closed with the following measures:

- ◇ Efficiencies and Program Savings: \$75.7 million
  - Examples include reducing the operating hours for 311, transitioning recreation centers as outlined in the master plan, consolidating internal services where appropriate, and abolishing or holding vacant 600 positions.
- ◇ Personnel Savings: \$23.3 million
  - Examples include no wage increase or bonus for Career Service employees, police, fire and sheriff union employees, and members of Cabinet, and five scheduled furlough days.
- ◇ Revenue Enhancements: \$21.0 million
  - Examples include increasing the fines for vehicle registration violations, eliminating the 0.5 % vendor's incentive fee for timely filing of sales and lodger's tax returns and implementing a web record search fee for organizations seeking information pertaining to case history.

## 2010 GENERAL FUND SUMMARY

(\$ in thousands)	2008 Actuals	2009 Revised	2010 Original
<b>Financial Resources</b>			
Fund Revenues	\$835,380	\$787,115	\$822,557
Transfers	30,731	30,847	29,369
<b>Total Resources</b>	<b>\$866,111</b>	<b>\$817,962</b>	<b>\$851,926</b>
<b>Uses of Resources</b>			
Annual Appropriations/Expenditures	\$890,253	\$917,477	\$943,421
General Contingency		12,996	10,081
Estimated Unspent Appropriations		(14,000)	(15,500)
Additional Budget Reductions		(51,011)	(92,406)
<b>Subtotal Expenditures</b>	<b>\$890,253</b>	<b>\$865,462</b>	<b>\$845,596</b>
Net Increase (Decrease) in Fund Balance	(\$24,142)	(\$47,500)	(\$3,670)
<b>Undesignated Fund Balance - January 1</b>	<b>154,774</b>	<b>149,562</b>	<b>102,062</b>
(Increase)/Decrease in Designated Reserves	18,930	0	0
<b>Undesignated Fund Balance - December 31</b>	<b>149,562</b>	<b>102,062</b>	<b>98,392</b>

11.5 % of expenditures

## Year-end Calendar

October 22nd	Purchasing deadline for Requisitions of \$25,000 or more
October 26th	Public hearing on proposed 2010 budget
November 9th	Council adopts the 2010 Budget.
November 13th	Purchasing deadline for Requisitions of \$5,000 to \$24,999
Late November	Year-end Encumbrance process-review of encumbrances to see what will be rolled forward to budget year and fiscal year 2010.
December 29, 2009	1st Preliminary year-end close

### Position Justification Process

Agencies are required to fill out a Personnel Justification Form when they are wishing to:

- Fill an existing vacant position;
- Create a new position; or
- Make a change to an existing filled position (this includes an ends date extension, an increase in hours and a position type change).

The Personnel Justification Form is the mechanism to articulate your need for the position and how it impacts your programs. The requests will go to the Position Review Committee which meets every other Thursday.

The Personnel Justification Form can be found on the Budget and Finance section of DOT.

The completed form and all required attachments should be sent to [JustificationPersonnelStaffingInbox@denvergov.org](mailto:JustificationPersonnelStaffingInbox@denvergov.org). If you have questions about the form, please contact your budget analyst.

### Business Process Analysis in the Budget Office

The Business Process Analysis (BPA) team in BMO assists City agencies improve their operations, reduce operating costs, creating ongoing process improvement initiatives, and add value to our constituents through the services the agencies provide. The BPA team provides this assistance by documenting and analyzing agency processes and helping design, or re-design in some cases, business processes with a focus on citizen service. All processes are documented with a focus on measurable outcomes with ties to the City's Strategic Framework.

Each of these objectives is achieved through successful project delivery. Some example projects of the BPA team include:

- **Development Services** – The BPA team helped establish the new Development Services organization with the following process improvements:
  - Reduce points of entry into the development review process
  - Effective, City-wide project coordination
  - Built the business case for organizational change
  - Re-engineered the intake of concept and site plans so customers only had to submit in one location and could do so electronically
  - Documented re-design of the Sewer Use & Drainage Permit (SUDP) intake so customers could submit for the permit in one location at the Webb building
- **Graffiti Interagency Coordination** – Accomplishments include:
  - City-wide tracking of graffiti reporting and abatement activities
  - Electronic tracking of graffiti authorization forms
  - Enable NIS inspectors to issue Notices of Violation for graffiti violations on private property
- **Automation of City Prosecution Processes** – Accomplishments include:
  - Mapped and analyzed impacts to CAO process due to increased workload attributed to Police Records Management Implementation
  - Facilitated to-be options to create a short-term solution for the CAO to eliminate a \$500,000 budget expansion scheduled for 2010
  - Developed a business case for the CAO to automate their prosecution team's case management (long term solution). This business case was presented to the Citywide IT Investment Committee (ITIC)

If you'd like more information about the BPA team or to see an overview of the team, sample deliverables, and more details about other ongoing projects please contact Scotty Martin. (Email – [Scotty.Martin@denvergov.org](mailto:Scotty.Martin@denvergov.org), Phone – 720-865-2574)