



Budget and Management

SEPTEMBER 2008 VOLUME 11, ISSUE 2

BMO STAFF

Claude Pumilia,
Chief Financial Officer

Ed Scholz,
Budget Director

Leigh Oliver, *Operations Manager*

Stephanie Adams,
Performance Manager

Laura Wachter, *Supervisor*

Steve Bohn

Milton Cherry

Scott Collins

Jill Cohen

Catherine Dockery

Joe Dulin

Molly Duplechian

Alyson Gawlikowski

Kelly Greunke

Brendan Hanlon

Gretchen Hollrah

Mary Jane Kontrellos

Xiaolin Li

Tom Migaki

Rick Sheehan

Theresa Wilson

INSIDE THIS ISSUE:

Second Quarter 2008 2

2009 Budget Update 3

Buster's Corner: Results of the Citizen Survey 4

A Message From Ed

Greetings:

The 2009 Proposed Budget is now available on the Denvergov website. Though it was a challenging budget to balance, given the struggling economy and slow revenue growth, the hard work of all of the department personnel who contributed their time, ideas, and energy to the process have helped make it a success. Thank you to everyone involved.

This year, the budget process was designed to empower departments and focused on communication around why certain actions were necessary and how you could help contribute to solutions. In the end, we closed a potential \$20 million gap between revenues and operating expenditures through identifying specific savings in operations, refining projected revenues, and creating a department-controlled savings program that will allow managers to seek opportunities for additional savings and reward them for doing so. See inside for more details on these items.

We will continue to watch the economy very closely. As we head into 2009, if adjustments need to be made to the budget to proactively respond to changes in the economy, we will need your assistance. Employees have pulled together to bring the City through difficult times before, and we're confident we can achieve what is necessary to continue delivering quality services to the citizens of Denver.

Communication and understanding are key components to our success. Please help ensure employees understand the important aspects of the 2009 budget. In addition to the letter sent last week by the Mayor, this newsletter and the budget information on DOT and Denvergov all contain overview information. We are also very willing to come to your staff meetings to discuss any issues. Thank you again for your hard work.

Sincerely,

Ed Scholz,

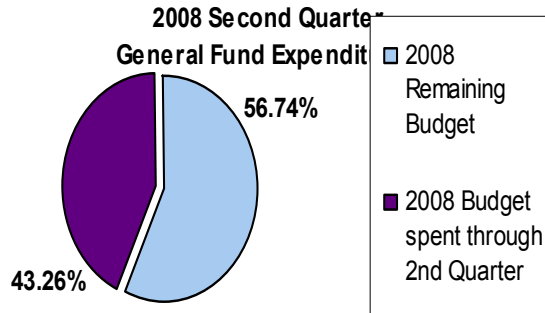
Budget Director

Denver's Economic Outlook

- The current economic conditions make a cautious approach prudent and revenue forecasts have been adjusted accordingly. The City will continue to monitor economic data and will be prepared to make adjustments as required. The recent credit rating upgrade to AAA by S&P shows the market's confidence in the City's financial management approach.
- **Employment growth** in the Denver area and statewide slowed during the second quarter but continued to outperform employment growth nationwide. In June, year-over-year employment in the Denver-Aurora metropolitan area increased by 1.0 percent compared to 2.1 percent growth last year. Statewide, June employment was up 1.2 percent compared to 2.2 percent growth last year. At the national level, employment fell by 0.1 percent in June. Preliminary estimates show these weak employment trends continuing into July. (Source: Data downloaded from Bureau of Labor Statistics, www.bls.gov, on 8/19/08)
- The **unemployment rate** in the Denver-Aurora metropolitan area increased to 5.3 percent in July, up from 3.9 percent in July of last year. Nationally, unemployment reached 6.0 percent in July, compared to 4.9 percent in July of 2007. National unemployment climbed still higher in August, to 6.1 percent. (Source: Data downloaded from Bureau of Labor Statistics, www.bls.gov, on 9/26/08)
- During the first half of 2008, **inflation** for all items, including food and energy, grew by 3.72 percent in the Denver-Boulder-Greeley metropolitan area. This inflation rate was slightly below the U.S. city average inflation rate of 4.24 percent during the same period. (Source: Data downloaded from Bureau of Labor Statistics, www.bls.gov, on 8/14/08)
- Out of the 20 metropolitan regions that are monitored in the **Standard and Poor's Case-Shiller Home Price Index**, Denver ranked 18th in its home price depreciation in June. Year-over-year home prices in Denver fell 4.7 percent in June compared to an average decrease of 15.9 percent across all 20 metropolitan regions. In July, home prices again fell by 4.7 percent in the Denver region and decreased by 16.3 percent across the 20 metropolitan areas. One explanation for why Denver is faring better than other areas is that home prices in Denver did not increase as dramatically as they did in other areas prior to the housing downturn. During each year 2003, 2004 and 2005, home prices increased by 11 percent, 15 percent, and 16 percent across the 20 metropolitan regions while Denver's home prices only grew by 1.4 percent, 2.7 percent and 4.4 percent during this same period. (Source: Standard and Poor's Case-Shiller Home Price Index, downloaded from www2.standardandpoors.com on 8/29/08)
- In 2007, July year-to-date **foreclosure filings** increased 60 percent nationwide and increased 40 percent in Colorado. Through July of this year, national foreclosure filings have increased another 56 percent and Colorado's filings are up 3 percent. (Source: RealtyTrac, www.realtytrac.com, most recent data downloaded 8/20/08)

2008 Second Quarter

2008 Second Quarter Expenditures



This diagram displays the percentage of the total 2008 General Fund budget that has been spent through the second quarter of 2009.

	2008 Revised Budget	2008 2nd Quarter Actuals	2008 % Spent YTD
General Government	\$246,746,300	\$97,730,973	39.61%
Parks & Rec, Culturals	\$86,625,400	\$38,848,939	44.85%
Public Works	\$93,383,600	\$42,779,868	45.81%
Public Safety	\$416,022,800	\$206,136,079	49.55%
Health Human Services	\$43,060,600	\$34,720,285	80.63%
Human Services	\$163,634,300	\$33,793,530	20.65%
Total:	\$1,049,473,000	\$454,009,674	43.26%

Second Quarter Revenue Comparison: 2007 versus 2008

(in thousands)

	2007 YTD		2008 YTD	
	Revenue	% of Actuals	Revenue	% of Budget
Sales and Use Tax	\$161,587	38.7%	\$171,953	39.1%
Property Tax	\$55,794	70.5%	\$60,009*	95.8%
Other Taxes	\$20,396	37.0%	\$29,781	37.0%
Intergovernmental	\$12,195	41.7%	\$10,828	40.3%
General Government	\$85,362	36.4%	\$85,346	36.7%
Transfers	\$1,500	4.6%	\$1,519	5.8%
Total	\$337,104	39.7%	\$359,435	41.4%

*Beginning in 2008, a portion of property tax goes directly to the Capital Improvement Projects fund instead of the General Fund. This change is associated with no longer allocating one-half of the occupational privilege tax to the Capital Improvement Projects fund.

Note: 2007 and 2008 year-to-date revenues through June only include five months of collections for certain revenue categories, such as sales tax. This is due to some revenues being received one month in arrears.

2008 Position Review Committee

In light of the continued sluggish economy and current unpredictability of sales tax revenues, a new process is being implemented for filling vacant positions over the next several months. This proactive approach to reducing current expenditures has the least impact on existing employees and provides flexibility until we can further assess the direction of the national and local economies.

The following positions will be allowed to be filled without Committee review:

- positions deemed critical to the safety of our employees and citizens
- positions which directly impact revenue collection
- positions funded from special revenue funds

If you feel a position fits within these criteria, you can submit a personnel justification form to the Justification In-Box, BMO will review it and route it through the process as before. All other requests will be reviewed by a committee consisting of the Mayor's Chief of Staff, Chief Operating Officer, and Chief Financial Officer. A decision will be communicated to you and CSA as quickly as possible (the goal for turn around is two weeks). Please do not submit justifications for positions that do not meet the criteria and that you can hold open for the time being.

It is our intention that this will be a temporary process. Thank you for your help in this process.

2009 Budget Update

2009 Budget Summary

For 2009, General Fund revenues are expected to grow 2.9 percent, while expenditures are growing by 5 percent. Only 3 percent of this expenditure growth is in ongoing operating expenditures, an increase that is in line with revenue growth. The remaining 2 percent is being spent on one-time expenditures for equipment replacement and technology infrastructure needs. The budget proposes to spend \$80.4 million on capital improvement projects. This amount includes the \$25 million in additional mill levy funding that voters approved in late 2007. In addition, \$100 million in voter-approved bond projects will be implemented.

Originally, 2009 operating expenditures were projected to grow at 4.8 percent over 2008, creating a \$20 million gap against projected annual revenues. Working closely with departments, we closed the gap through a combination of measures including enhanced revenues, specific savings in projected expenditures, and in a new agency-driven savings program.

2009 Savings Program

The City has always budgeted to save approximately 1.5% of General Fund appropriations and typically achieves this goal. In 2009, we are asking departments to go slightly further and save 2.5% of their approved budgets, which is \$7 million more than what is typically saved each year. The program empowers departments by providing flexibility in how the savings are achieved and moves away from more controlling methods and a “spend it or lose it” philosophy. Once the city-wide goal is met, departments who save more than 2.5% will be eligible to retain a portion of the excess for one-time items that increase efficiencies.

2009 Budget Highlights

Despite budget reductions, there are a number of initiatives, which align with City-wide priorities and strategic outcomes that will be implemented or continued in 2009. These include:

- Funding for initiatives that reduce crime (Safer Communities)
- Increased energy and water efficiency in facilities and parks in capital projects. (Environmental Stewardship)
- Implementation of strategic transportation and parking improvements (Efficient, Diverse, and Accessible Transportation)
- Improvements to regional, community, and neighborhood parks (Healthy & Successful Lives)
- Increased employee wellness program (Motivated, Prepared, and Diverse Workforce)

2009 Budget Calendar

We are almost there...but it is not over yet! Here is what still remains in the 2009 Budget process:

September 5	BMO communicates budget recommendations to agencies
September 15	Mayor distributes a draft of the proposed budget to Council (Charter requirement)
Sept. 22-Oct. 1	City Council Budget Hearings
October	Six-Year Capital Improvement Plan is finalized and published
October 20	Mayor submits proposed budget to Council (Charter requirement-3 rd Monday in October).
October 27	Council holds public hearing on Mayor's proposed budget (Charter requirement-4 th Monday in October)
November 3	Council may amend items in the Mayor's proposed budget by majority vote of the members of Council
November 10	Council adopts Mayor's Budget (Charter requirement-2 nd regular Council meeting in November).
November 17	First reading of appropriation ordinance
November 24	Council enacts appropriation ordinance (Charter requirement-4 th Monday in November)

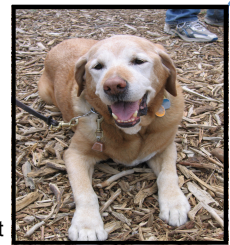


201 West Colfax
Dept 1010
Denver CO 80202
Phone: 720-913-5500
Fax: 720-913-5599
www.denvergov.org/
budget

Democratic National Convention
Denver hosted the Democratic National Convention a hundred years ago in 1908. Do you know what else happened in 1908?

- Mother's day was observed for the first time.
- Henry Ford produced his first Model T automobile.
- The Chicago Cubs won the World Series by defeating the Detroit Tigers 2-0 in the fifth game.
- The Olympics were held in London. The United States finished second in the medal count to Great Britain, 146 to 47.
- The average price of a loaf of bread was five cents.
- The nominee at the 1908 convention was William Jennings Bryan.

Buster's Corner: What are the results of the Citizen Survey?



Welcome to Buster's Corner. Here, you'll learn some fun finance facts about the City and County of Denver. Have a question about the City's finances? Send your question to BMO and Buster will address your question in an upcoming issue.

Dear Buster,

Last year I received a citizen survey that sought my opinions on the services the city provides. Can you please tell me the results of the survey?

-Inquisitive Citizen

Dear Inquisitive Citizen,

Since 2002, Denver has conducted a survey of Denver residents to gain citizen feedback on the City's performance and citizen's perception of living in Denver. The survey asks about topics ranging from Quality of Life to Customer Service provided by the City. Denver is able to track changes in perception from year to year and also has some data available to compare Denver respondents' answers to those of respondents from other cities. There are more than 500 other jurisdictions that use a standardized format to allow for some comparative data.

In 2007, the response rate to the survey was 28%. On average, response rates to such surveys range from 25% to 40%, with 30% being considered a good response rate.

The key to this information is that it only provides the "what", not the "why". It provides some insight into what people feel, although it does not definitively explain why people feel that way, how the City can change the way they feel, or if the City has influenced their perception. It is up to the City to decide the best strategy or even if a strategy is necessary to change perception.

Quality of Life: Denver has consistently scored above the norm on Quality of Life questions since implementing the survey in 2002.

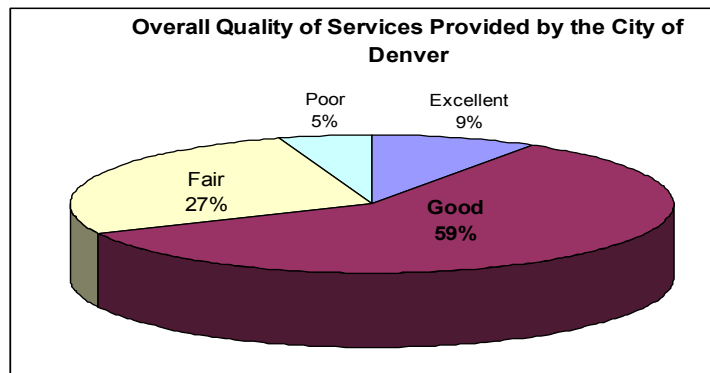
Perceptions of Safety: Respondents in 2007 said they felt safer, except after dark, than respondents in previous surveys. In some areas, 2007 respondents felt less safe after dark than in previous years.

Public Trust: Respondents to the 2007 survey not only provided the highest positive ranking when asked if they were pleased with the overall direction of the City since 2002; the rating also was significantly higher compared to jurisdictions with populations over 100,000 that asked the same question.

Services provided by Denver: Respondents provided ratings for services that ranged from fire services to public education. The specific ratings of each service are listed in the report which is available on denvergov.org. The overall Quality of Services rating for City services was 57, an increase over the 2006 rating of 54.

Perception of City Employees: Only respondents who had direct contact with city employees were asked to rank employees on knowledge, responsiveness and courtesy. Overall impression of City Employees was 55 on a 100 point scale.

Next Steps and the Strategic Framework: The information on the Citizen Survey provides information that supports the City's Strategic Framework. While it is not the only measure to evaluate or guide citywide strategy, it is one that provides significant information in many areas.



The 2007 final report, prepared by the National Research Center, is available through the Budget Office (contact Stephanie Karayannis Adams (720.913.5532)) or on our website denvergov.org/Budget. Select Citizen Surveys on the left of that page.