

**CITY MANAGER'S OFFICE
MEMORANDUM**

DATE: October 30, 2008

TO: Honorable Mayor Kathleen M. Novak and City Council Members

FROM: James A. Hayes, Acting City Manager **JH**

SUBJECT: 2009 Budget Information

Overview and Background

This memorandum is being provided to the City Council as additional information and clarification of the 2009 Budget Planning spreadsheet (attached). Formal discussion and direction is requested at the next study session on October 30, 2008. However, staff is prepared to respond to questions about this information at the regular Council Meeting on October 23, 2008.

On October 16, 2008, staff presented some detailed spreadsheets outlining all of the services and programs provided by the various Departments. The spreadsheet was organized into the same Service Hierarchy as provided by Lyle Sumek at the Council Retreat in June, 2008. The Council reviewed each item and provided direction to staff on the elimination or retention of a variety of programs. A few major items required the staff to revise the document and bring it back to the Council for review at a future study session.

1. \$260,000 for debt service in the CIP was discussed and staff is working with the City Attorney to determine if this payment may be eliminated from the 2009 budget or if it needs to remain pending a potential ballot question in 2009.
2. Revenue projections were completed by the Finance Department showing flat sales tax revenue growth for 2009. Staff intends to keep Revenues flat for the 2009 Budget.
3. Vehicle replacements were projected at \$1.6 million for 2009, and staff agreed to identify specific vehicles and determine a minimum amount needed for 2009. The current budget does not have any funds for vehicle replacement.
4. City Council discussed a potential review of personnel reductions in the 1st quarter of 2009 after the new City Manager starts and a strategic plan for City services is developed.
5. City Council identified approximately \$125,000 in programs to be retained in the 2009 Budget as well as \$29,000 of specialized fund programs that need to be eliminated from the spreadsheet.

New Information

On October 20, 2008, I provided an e-mail to City Council and met with the leadership team to identify revisions to the 2009 Budget, which addresses the issues raised at the study session on October 16, 2008. The leadership team met a second time on October 22, 2008 to finalize our approach and the new information we are providing with this memorandum.

1) Revenues

We understand that Revenues may remain flat next year since various regional projections show an increase, while other methods show zero gain. We intend to keep Revenues at \$20.89 million as outlined in the draft 2009 budget. The projected fund balance at the end of 2009 will meet or exceed 25% of \$20.89 million (\$5.23 million) in the next version we provide to the City Council.

2) Expenditure Reductions

The Service Business Hierarchy spreadsheet has been revised with the items that Council agreed to keep, cut, or discuss further. There were questions about the details of the expenditures for some of the community events. It is important to note that some events generate revenue, which in some cases, cover the cost of the event. Details of each of the programs are outlined below:

2643 Seasonal Marketing \$8,650

Collaborative citywide marketing for summer events for all areas of theatre and special events including one full-color brochure inserted in the Connections, staff t-shirts for events/July 4th (for risk management purposes to identify staff), print advertising, and outdoor banners. - *Eliminate*

Fishing Derby elimination would be a savings of \$2,300. With sponsorship and fees the event raised \$3,580 in revenue in 2008, so there is a net gain. - *Retain*

Safe Street Halloween: Our division partners with Police for the event - we currently hire the entertainment at \$750 and have \$500 for candy. - *Eliminate*

Noel Northglenn/Holiday Craft Fair elimination would be a savings of \$3000. Revenue from fees is anticipated at \$3000 in 2008, so it is cost neutral. - *Retain*

2642 Awards and Gifts \$9,375

(We do not have a Neighbor Helping Neighbor program - see below for programs)

\$2,000 - Neighborhood Beautification and Magnificent Tree: pays for yard signs, small recognition signs, and framed certificates. Without the operational funding, the program may be reduced to a paper certificate and a power point presentation at Council or the program may be eliminated. - *Eliminate*

\$350 - Metro Mayors and Commissioners Youth Awards: pays for Council reception, certificates and recognition items for youth honored. (\$1000 additional is routinely charged to the Council budget for the two awards banquets at Adams County and Metro). Communications regarding this program need to begin by October 31 to meet the 2009 timelines for January recognition. - *Retain*

\$6,000 - Recognition for Volunteers: summer citywide volunteer recognition and supper for 200+ volunteers (\$2000), greeting cards (\$600 for two cards annually per volunteer), signage for Trail and Park Partners, small recognition items for ongoing and episodic volunteering (\$2000). It is difficult to quantify the cost benefit of volunteer service to the City. Is it feasible to have a volunteer program without recognition or supplies (see below)? - *Eliminate*

\$1,525 - Fishing Derby awards for biggest fish and the "takeaways" that the children receive (included in the total above under Fishing Derby) - *Retain*

2699 Operating Supplies \$4,850 – *Eliminate all*

\$1,250 - Farmers' Highline Canal Cleanup (Spring) and Make A Difference Day (Fall): gloves, bags, buckets, lunch for the volunteers, city tours for scout groups, local churches, honor society and school group special projects, graffiti removal supplies,

\$200 - Safety supplies like orange vests, gloves, masks, first aid kits,

\$400 - Supplies for bike repair for the bike program

\$3,000 - Supplies for neighborhood activities, lunch for cleanups, supplies for a round table/workshops for neighborhood leaders, educational activities,

2883 Plants \$8,000 – Eliminate all

Eliminates the annual flower beds in the parks and eliminates the volunteer Flower Bed Partner program. The beds would be mulched. There are six beds at E. B. Rains, three at City Hall and 17 outlying beds. The beds at the street entrance to City Hall, at the entrance to City Hall, at the street entrance to the Recreation Center and at the entrance to the Recreation Center are excluded from the volunteer program and are cared for and paid for by Parks.

3999 Other Contracted - Fireworks off the lake: the reduction is actually \$14,000. The 2008 revenue generated for July 4th was \$12,239; the total expenses were \$49,286.

4101 Conferences and Seminars \$2,000

4452 Outside Agency Funding \$6,000 The Community Building Grants for neighborhoods would be eliminated

Other grant and loan programs

Funds established by Council resolution:

131 61716 \$10,000 Emergency Grants - allocated automatically annually and benefits 10 or more homes at \$1000 maximum grant per year. Unused funds roll over annually automatically. The City spent approximately \$6,000 in 2007 and the remaining funds rolled over into 2008 to provide \$19,224 available in 2008. To date in 2008 have completed 11 grants utilizing \$11,307.56 with 6 approved grants pending completion for a potential of an additional \$6,000. (Additional requests for grants were received after the freeze, the full amount would most likely have been depleted).

Emergency Loan fund has accumulated \$60,055 to date. No loans have been utilized in 2007 or 2008. We currently have 2 loans totaling \$1,933.21. Staff is recommending a roll over of

\$60,000 from the Emergency Loan fund back into the General Fund as an additional cost-saving measure. Formal action in the form of a resolution by the City Council is required to make this transfer.

Abatements

The City Council directed staff to retain \$50,000 and \$45,000 in abatement services in the Neighborhood Services and Building (Planning and Development) budget respectively. These items are proposed for retention in the budget and staff has obtained the lien certification information for 2007 and 2008 (year-to-date) to determine the actual revenues generated to offset this expenditure.

2007

Contractor liens: \$15,535.90

City liens: \$47,849.70

Total liens: \$63,385.60

2008 (through Mid-October)

Contractor liens: \$27,366.17

City liens: \$11,878.90

Total liens: \$39,245.07

\$29,250 was also eliminated from the reductions spreadsheet in the areas of tree branch recycling, roll-off replacement, and water conferences and seminars. These reductions may be included in the final budget for other funds, but they are not paid for out of the General Fund.

In the areas of Core Services “No Choice”, the Council directed the staff to eliminate the reductions related to Boards and Commissions, consolidated elections, and conferences and training for the City Clerk’s Office. In addition, there was discussion amongst the Council about reducing the travel budget for Council Members by approximately \$2,000 each. Staff has included this in the latest iterations of the expenditure reduction plan.

In the areas of Support Services there was extensive discussion about the Educational Assistance and the Employee Assistance Program (EAP). Staff proposed some minor reductions, which would have eliminated the Bridges to Excellence training program, but proposed to retain the EAP, Flex Plan administration, COBRA administration, job ads, and the COPS recruitment program. The City Council directed staff to keep both the EAP and the educational assistance for now, and consider re-bidding the EAP for next year. After the meeting, the Finance Department also identified some General Fund reductions, which are included in this latest revision under the Support Services section.

3) Vehicle Replacement

I met with Norm Bell, Acting Public Works Director, to review the list of vehicles, which need replacement in 2009. The original list included over \$1.6 million of vehicles and equipment and we did not include anything in the budget presented in September. The Vehicle Replacement Fund originally included a balance of \$500,000, but it was “returned” to the General Fund. We are proposing a \$375,000 transfer from the General Fund to the Vehicle

Replacement Fund in 2009 since we have reduced the amount of vehicle purchases to \$375,000 for 2009. However, this does not provide any contingency if any of the non-replacement vehicles are damaged beyond repair in the coming year. A transfer of \$500,000 in 2010, would create a new balance for vehicle purchases in 2010. However, this amount may not be sufficient due to the large number of vehicles, for which replacement is being delayed until 2010.

4) Pension Fund Forfeitures

Earlier this month the General Employees Pension Board approved the use of \$114,167 in pension forfeitures (General Fund-110). These forfeitures will be a direct offset to the City pension expenditure. As a result, the 2008 year-end estimate and 2009 budget can be adjusted. The impact of the use of forfeitures by year is estimated as follows:

Fund	2009	2008	Total
110	\$ 19,028	\$ 95,139	\$ 114,167
220	609	3,044	3,653
230	326	1,628	1,954
505	468	2,339	2,807
510	9,818	49,089	58,907
520	2,192	10,969	13,150
531	262	1,310	1,572
	\$ 32,702	\$ 163,508	\$ 196,209

Alternatives for Discussion

Overall, the spreadsheets have been updated to reflect the goals and priorities of the City Council as outlined in the summary of the discussion from October 16, 2008. The Department Directors and Managers have made a good initial effort in reducing program and operating expenditures in the information we presented last week. Based on our analysis, we are still short of the 25% fund balance requirement by approximately \$100,000.

In summary, I am requesting discussion and direction on two alternatives for finalizing a balanced budget by the end of the year.

1) Direct staff to amend the budget with the reductions presented, recognizing the current end of year fund balance is projected at 24.5% of revenues, just short of the Council-adopted policy of 25%. Prepare for 2009 Final Budget adoption on November 13, 2008. Staff will also implement the following cost saving measures immediately:

- Develop a strategic plan for all of the City services and programs in the 1st quarter of 2009 to identify additional expenditure reduction items with the goal of meeting the 25% fund balance policy.
- Delay the hiring of the Department Director positions until the strategic plan and new organizational chart is developed by the new City Manager in the 1st quarter of 2009.
- In the event of new vacancies, consider elimination of the vacant position at the discretion of the Department Director and City Manager.

- If a newly vacant position is not eliminated, consider delaying the filling of the position for a period of 90 days at the discretion of the Department Director and City Manager.

OR

2) Direct staff to identify additional operational or personnel reductions to make up for the shortfall of \$100,000 in advance of the next study session on November 6, 2008. If this alternative is selected, staff would recommend development of a severance plan for employees whose positions are eliminated.

Final Comments

The current version of the 2009 Budget includes projections for 2010 which do not meet the 25% fund balance requirement. Staff will amend the final version of the 2010 Budget once we get the expenditures finalized and determine the final projected fund balance figure in the 2009 column.

Staff is recommending approval of alternative number one to finalize the budget for a hearing on November 13 and implement the reductions proposed for 2009.

2009 BUDGET PLANNING
 SERVICES BUSINESS HIERARCHY
 GENERAL FUND

Updated: 10/22/2008
 Prepared by: James Hayes

CAPITAL IMPROVEMENT PROGRAM	Estimated Carryover			
	from 2008	2009 Projected Budget	2009 Estimated Expenditures	2010
Police Department Remodel	\$27,767		\$27,767	
Webster Lake Shoreline Rehabilitation	\$100,000		\$100,000	
Irrigation Valve Replacement		\$20,000	\$20,000	\$65,000
Playground Equipment Maintenance		\$29,940	\$29,940	\$70,000
Financial Management System				
Citywide Fence Maintenance	\$100,000		\$100,000	
Weld County Road 11 Realignment Design				
Traffic Signals Cabinet Replacement		\$14,000	\$14,000	\$14,000
Residential Street Overlay	\$274,070	\$636,000	\$910,070	\$517,000
Jacobucci Land Purchase		\$186,702	\$186,702	\$186,702
Crosswalk Improvements		\$65,000	\$65,000	
104th Avenue Bridge Enhancements		\$250,000	\$250,000	
New Voice Mail System				\$35,000
Skate Park Preliminary (design)				\$25,000
Recreation Center				
Theater Lighting		\$10,060	\$10,060	
Elevator Stand By Power		\$30,000	\$30,000	
Enclose Stairways		\$75,000	\$75,000	
Senior Center Refuge Area		\$25,000	\$25,000	
Sprinkler System				\$600,000
Type V-A Construction Upgrade				\$500,000
Complete Fire Access Road				\$119,000
Egresses Upgrade				\$100,000
Fitness Amenities (2011)				
Sr. Center Flooring Replacement (2011)				
Huron St. Roadway Reconstruction (2012)				
E. 112th Avenue Widening (2013)				
W. 112th Avenue Widening (2014)				
Sub-Total General Fund Balance	\$501,837	\$1,341,702	\$1,843,539	\$2,231,702

COMMUNITY "ADD ONS"	Program or Service	Sub-Category	Budget Reductions	Potential Savings	Notes from 10/16
Planning and Development					
Community Events	Promotional Marketing	2643-Seasonal mktg. only	Eliminate all seasonal marketing	\$8,650	Eliminate
	Fishing Derby	(601) - Various	Eliminate Fishing Derby	\$0	Retain
	4th of July	(602) - Various	Eliminate fireworks off lake only	\$14,000	Modified
	Safe Street Halloween	(603) - Various	Require private sponsorship	\$1,250	Eliminate
	Noel Northglenn/Craft Fair	(604) - Various	Require private sponsorship	\$0	Retain
Planning and Development					
Community Engagement	Awards Gifts/Flowers	2642	Eliminate N'bor Helping N'bor	\$8,000	Modified
	Operating Supplies	2699-Non-event supplies	Eliminate Partners w/ Parks & N'hoods	\$4,850	Eliminate
	Plants/Landscaping	2883	Eliminate Park planting program	\$8,000	Eliminate
	Conferences/Seminars	4101	Eliminate conferences	\$2,000	Eliminate
	Outside Agency Funding	4452	Eliminate grants/n'hood projects	\$6,000	Eliminate
Communications/Administrative					
Communications and Public Information	Office Supplies			\$500	Eliminate
	Beautification Video		Eliminate Beaut. Video/Holiday Light.	\$5,000	Eliminate
	Newsletter		Change Connections to B & W	\$9,000	Eliminate
	Conferences/Seminars			\$2,500	Eliminate
Sub-Total Community "Add Ons"				\$69,750	

QUALITY OF LIFE	Program or Service	Sub-Category	Budget Reductions	Potential Savings	Notes from 10/16
Planning and Development	Planning for the Future Comprehensive Plan Land Use Regulations RTD/Fastracks	Contractual Services	Eliminate Professional Fees (Consulting)	\$50,000	Eliminate
Parks and Recreation	Parks and Recreation Conferences			\$2,000	Eliminate
	Roving Rec Supplies			\$1,900	Eliminate
	Teen Newsletter			\$1,500	Eliminate
	Senior Newsletter			\$3,500	Eliminate
	Senior Picnic			\$1,000	Eliminate
	Senior Games			\$1,500	Eliminate
	Non-essential Training		Generation based programs	\$1,000	Eliminate
	Activity Brochure			\$14,000	Eliminate
	Racquetball refinishing			\$800	Eliminate
	Non-essential Training		Sports and operations	\$700	Eliminate
	Tile reglazing			\$13,000	Eliminate
	Table replacement			\$6,000	Eliminate
	Uniforms			\$2,000	Eliminate
	Non-essential Training		Parks operations	\$750	Eliminate
	Purchase of Mule (4x4)			\$6,400	Eliminate
Planning and Development	Economic Development NURA Support Redevelopment Planning/Comp Plan		See above for reductions		
Planning and Development	Neighborhood Services Code Enforcement Clean Sweep	Commodities Contractual Services Other Operating	Eliminate Abatements Eliminate Training Eliminate ISP in vehicles	\$0 \$2,000 \$5,250	Retain \$50,000 Eliminate Eliminate
	Housing/Grants Admin (CDBG other grants) (Support to other Depts.)	Commodities Contractual Services Other Operating	Eliminate Conferences	\$1,500	Eliminate
Sub-Total Quality of Life				\$114,800	

CORE SERVICES "CHOICE"	Program or Service	Sub-Category	Budget Reductions	Potential Savings	Notes from 10/16
Police	Law Enforcement Patrol Operations	Uniforms		\$7,000	Eliminate
		Tactical Team Supplies		\$5,000	Eliminate
		Weapons Supplies		\$5,000	Eliminate
		Radio Replacements		\$10,000	Eliminate
		Non-Essential Training		\$20,000	Eliminate
		Non-Essential Conf/Semin.		\$3,000	Eliminate
Planning and Development	Land Use Regulations Development Review/DRC Zoning Regulations	Commodities Other Operating	Ordering all supplies for entire Dept.		
Planning and Development	Building Safety Building Permits/Inspection	Commodities Contractual Services Other Operating	Eliminate Uniform Allowance Eliminate Abatements Eliminate Training	\$2,410 \$0 \$5,000	Eliminate Retain \$45,000 Eliminate
Public Works and Utilities	Solid Waste and Recycling Tree Branch Recycling Roll-off Replacement			\$0 \$0	Not in GF Not in GF
Public Works and Utilities	Water Conferences/Seminars			\$0	Not in GF

Public Works and Utilities

Wastewater

Sub-Total Core Services "Choice"

\$57,410

CORE SERVICES "NO CHOICE"	Program or Service	Sub-Category	Budget Reductions	Potential Savings	Notes from 10/16
City Council					
	Governance				
	Boards and Commissions	(Planning and Develop.)	Limit to 1 meeting per month	\$0	Retain \$1,680
	Boards and Commissions	(Parks and Rec.)	Parks Board/Youth Comm	\$0	Retain \$2,120
	Conferences/Seminars	Travel (City Council)		\$20,000	
City Clerk/Legislative					
	Records Management	Elections	Adams and Weld County	\$0	Retain \$15,135
		Conferences/Training		\$0	Retain \$3,600
Public Works and Utilities					
Storm Water Management					
Police					
Emergency Management					
Public Works and Utilities/CIP					
	Streets and Transportation	Uniforms	CIP/Traffic Engineering	\$1,000	Eliminate
		Other Professional Fees	CIP/Traffic Engineering/GIS	\$1,000	Eliminate
		Conferences/Seminars	CIP/Traffic Engineering/GIS	\$5,000	Eliminate
		Weed spraying		\$4,500	Eliminate
		Conferences/Seminars	Streets and Transportation	\$4,000	Eliminate
		Gasoline	Fixed Price Cont/Repair City Hall Pump	\$42,400	Eliminate
		Diesel	Fixed Price Cont/Repair City Hall Pump	\$50,000	Eliminate
		Conferences/Seminars	Fleet	\$1,000	Eliminate
		Heavy Truck Lift	Fleet	\$25,000	Eliminate
		Overtime wages		\$3,150	Eliminate
Sub-Total Core Services "No Choice"				\$157,050	

SUPPORT SERVICES	Program or Service	Sub-Category	Budget Reductions	Potential Savings	Notes from 10/16
City Attorney/Mgmt. Services					
	Legal Services	Printing	3151 (Mgmt. Services) Municipal Court	\$5,000	Eliminate
Finance					
	Financial Management	Commodities	Supplies - 10% reduction	\$819	New Reduction
		Other Operating	Conferences/Mileage	\$4,105	New Reduction
Management Services					
	Human Resource Management	Other Professional Fees	3199	\$9,600	Eliminate
		Educational Assistance	4106	\$0	Retain \$12,000
Management Services					
	Information Technology	Conferences	4101	\$1,000	Eliminate
		Training	4102	\$4,000	Eliminate
		Cell Phones	4813	\$1,000	Eliminate
Public Works and Utilities/CIP					
City Facilities and Asset Management					
Sub-Total Support Services				\$25,524	

TOTALS	
Community "Add Ons"	\$69,750
Quality of Life	\$114,800
Core Services "Choice"	\$57,410
Core Services "No Choice"	\$157,050
Support Services	\$25,524
Wage Freeze for 2009 (all Depts.)	\$170,431
Emergency Loan Fund	\$60,000
City Council (Legislative)	\$20,000
Pension Fund Forfeitures	\$19,208
Total Savings with all Reductions	\$694,173

GENERAL FUND				
COMPARATIVE BUDGET STATEMENT	10/2/2008	Reductions	10/16/2008	10/30/2008
2009 Projected Revenues	\$20,890,082	\$0	\$20,890,082	\$20,890,082
2009 Projected Expenditures				
Legislative	\$769,400	\$0	\$769,400	\$769,400
Administrative	\$821,011	\$17,000	\$804,011	\$804,011
Planning and Development	\$2,148,314	\$118,910	\$2,029,404	\$2,029,404
Police	\$8,060,759	\$50,000	\$8,010,759	\$8,010,759
Parks, Recreation & Culture	\$3,515,015	\$56,050	\$3,458,965	\$3,458,965
Public Works	\$1,534,850	\$137,050	\$1,397,800	\$1,397,800
Finance (new reductions 10/30)	\$2,425,852	\$0	\$2,425,852	\$2,420,928
Management Services	\$1,590,664	\$25,524	\$1,565,140	\$1,565,140
Wage Freeze for 2009 (all Depts.)	\$0	\$170,431	(\$170,431)	(\$170,431)
Emergency Loan Fund	\$0	\$0	\$0	(\$60,000)
City Council (Legislative)	\$0	\$0	\$0	(\$20,000)
Pension Fund Forfeitures (2009)	\$0	\$0	\$0	(\$19,208)
Total Expenditures	\$20,865,865	\$574,965	\$20,290,900	\$20,186,768
Excess (Deficiency) of Rev. Over (Under) Expen	\$24,217		\$599,182	\$703,314
Other Financing Sources (Uses)				
Intergovernmental to CIP	\$840,000		\$840,000	\$840,000
Capital Improvements	\$0		\$0	\$0
Transfer to CIP	(\$1,405,762)	(\$64,060)	(\$1,341,702)	(\$1,341,702)
Transfer to CIP - Previous Funds	(\$501,837)		(\$501,837)	(\$501,837)
Transfer to CIP - Capitalize	\$0		\$0	\$0
Transfer to Vehicle Replacement	\$0		\$0	(\$375,000)
Transfer to Debt Service (Eliminate in 2010?)	(\$260,000)		(\$260,000)	(\$260,000)
NURA Advance Repayment	\$0		\$0	\$0
Proceeds from Property Sales	\$0		\$0	\$0
NNDC Funding	\$0		\$0	\$0
Contingency	(\$100,000)		(\$100,000)	(\$100,000)
Excess (Deficiency) of Rev. and Other Sources				
Over (Under) Exp. And Other Uses	(\$1,403,382)		(\$764,357)	(\$1,035,225)
Pension Fund Forfeitures (2008)				\$95,139
Central Services Expenditure Reduction (2008)				\$24,000
Beginning Funds Available	\$5,888,977		\$5,888,977	\$5,888,977
New Total Beginning Funds Available				\$6,008,116
Ending Funds Available	\$4,485,595		\$5,124,620	\$4,972,891
Funds Balance as % of Operating Expenses (incl. Contingency)	21.47%		25.13%	24.51%

Total Additional Reduction needed to get to 25%

\$98,801