

# AGENDA ITEM SUMMARY

## FORT COLLINS CITY COUNCIL

ITEM NUMBER: 27

DATE: October 20, 2009

STAFF: Darin Atteberry  
Mike Freeman

### SUBJECT

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First Reading of Ordinance No.112, 2009, Being the Annual Appropriation Ordinance Relating to the Annual Appropriations for the Fiscal Year 2010; Adopting the Budget for the Fiscal Years Beginning January 1, 2010, and Ending December 31, 2011; and Fixing the Mill Levy for Fiscal Year 2010.

### RECOMMENDATION

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Staff recommends adoption of the Ordinance on First Reading.

### FINANCIAL IMPACT

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This Ordinance represents the annual appropriation for fiscal year 2010, and adopts the total City budget for fiscal year 2010 at \$508.6 million and for fiscal year 2011 at \$507.3 million. This Ordinance also sets the City mill levy at 9.797 mills, unchanged since 1991, for fiscal year 2010.

### EXECUTIVE SUMMARY

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The Annual Appropriation Ordinance is presented for First Reading. This Ordinance sets the City Budget for the two-year period of 2010–2011. The approved budget becomes the City's Council financial plan for the next two fiscal years.

### BACKGROUND

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This biennial budget represents the work of many dedicated individuals who came together to participate in the budget process. Since 2005, the City has used the Budgeting for Outcomes (BFO) process. BFO has a number of advantages over traditional budgeting approaches; the BFO process helps the City meet several important goals, including:

- Create clarity about the overall budget process for the community;
- Allocate revenues to the highest priorities and outcomes citizens want and need;
- Understand the choices for funding programs and services; and
- Emphasize staff accountability, efficiency, innovation and partnership.

Using this approach, City Council and staff worked in close collaboration over the past two months to build a financial plan, based on revenue available, that will achieve service outcomes which matter most to our citizens and community. This work has resulted in the development of the Final 2010-2011 Budget. The approval of the Appropriation Ordinance on First Reading represents a major milestone in this process.

As the budget development process began in April 2009, City Council and staff met on several occasions to outline goals and assumptions for developing the recommended budget. Council was actively engaged in the development and approval of the seven Key Outcomes that have shaped this budget.

<b>Economic Health</b>	Fort Collins has a healthy, sustainable economy reflecting the values of our unique community in a changing world.
<b>Environmental Health</b>	Fort Collins promotes, protects and enhances a healthy and sustainable environment.
<b>Safe Community</b>	Fort Collins provides a safe place to live, work, learn and play.
<b>Neighborhood Livability</b>	Fort Collins fosters and supports a variety of quality neighborhoods.
<b>Cultural and Recreational Opportunities</b>	Fort Collins encourages and provides diverse cultural and recreational opportunities.
<b>Transportation</b>	Fort Collins provides for safe and reliable multi-modal travel to, from, and throughout the City.
<b>High Performing Government</b>	Fort Collins exemplifies an efficient, innovative, transparent, effective and collaborative city government.

**Budget Highlights**

The 2010-11 Final Budget is a financial and service plan linked to the seven key outcomes and results that matter most to Fort Collins citizens. Some key highlights of the City Budget include:

1. The total budget for all City funds for 2010 is \$508.6 million and \$507.3 million for 2009.
2. The budget includes no tax increase.
3. Sales and Use tax revenue accounts for approximately 55 percent of the General Fund revenue collected annually. This tax revenue is projected to increase by 1% in 2010 with a slightly larger increase in 2011 of 2%.

4. The projected Utility rate increases for 2010 to fund operations and maintain minimum reserves are Wastewater a 10% increase; Electric a 9.5% increase; Water a 3% increase; and, Stormwater no increase.
5. The budget will reduce classified, unclassified, and contractual City staff by a total of 10.20 full time equivalent positions. The estimated reduction in hourly staff is 12.45 full time equivalent positions.

**Budget Assumptions**

	<b>Total Budget (In Millions)</b>				
	<b>2009</b>	<b>2010</b>	<b>% Change</b>	<b>2011</b>	<b>% Change</b>
<b>Operating</b>	\$460.3	\$429.9	-6.6%	\$442.3	2.9%
<b>Debt</b>	\$27.4	\$21.0	-23.4%	\$20.3	-3.3%
<b>Capital</b>	\$84.8	\$57.7	-32.0%	\$44.7	-22.5%
<b>Total City Appropriations</b>	<b>\$572.5</b>	<b>\$508.6</b>	<b>-11.2%</b>	<b>\$507.3</b>	<b>-0.3%</b>
<b>Less Internal Service Funds</b>	-\$62.6	-\$58.1	-7.2%	-\$58.9	1.4%
<b>Less Transfers to Other Funds</b>	-\$114.6	-\$99.4	-13.3%	-\$99.2	-0.2%
<b>Net City Budget</b>	<b>\$395.3</b>	<b>\$351.1</b>	<b>-11.2%</b>	<b>\$349.2</b>	<b>-0.5%</b>

Some of the key assumptions used in developing the Final Budget include:

**1. Limited revenue growth for 2010 and 2011**

Despite the collective signs of impending recovery, the turbulent economic conditions of 2009 will likely persist into 2010. Most experts agree that the recovery will occur gradually with sectors of the economy enduring a lasting reduction in output and employment. The 2010-2011 Budget, therefore, employs conservative assumptions of growth that reflect a cautiously-optimistic outlook for the next two years.

**2. Use of reserves**

Approximately \$2.5 million in General Fund reserves was used to balance the 2010 budget and \$1.0 million in the 2011 Budget. Reserves are used primarily for one-time projects.

At its October 13 Work Session, Council gave staff direction to include an additional amount of resources from General Fund reserves in the Appropriation Ordinance being considered

on First Reading. By using approximately \$200,000 in additional reserves, the balance in the General Fund reserve accounts would remain above the recommended level of 60 days Reserve (16.67% of General Fund expenditures).

**3. Public Safety needs, Economic Health and Environmental Health issues are funding priorities**

This budget focuses on the City Council and community priorities. In spite of limited revenue, this budget maintains funding levels for Police and Fire Services. It also maintains funding and provides additional staff resources (through the partnership between Natural Areas and Utilities) for key environmental programs such as the Climate Action Plan implementation, ClimateWise, and Utilities of the 21st Century. Economic Health programs are also maintained including support for economic clusters, support of the Rocky Mountain Innovation Initiative, and the next phase of the “one-stop shop” for Community Development and Neighborhood Services.

**4. Employee salary adjustments**

No merit-based pay increases are budgeted for City employees in 2010.

**Adjustments to the City Manager’s Recommended Budget**

City Council held its last budget work session on October 13, 2009. At the work session, Council provided input and direction on budget items that fell into three categories:

1. Items now included in the budget
2. An item included in the budget needing further discussion
3. Items discussed but are not in the budget

## ITEMS INCLUDED IN THE BUDGET

RESULT AREA	OFFER NUMBER	OFFER TITLE	AMOUNT
ENVIRONMENTAL HEALTH	179.4	<b>SOLID WASTE REDUCTION AND RECYCLING: WASTE STREAM SYSTEM STUDY</b> (funded through General Fund landfill tipping fees - one time)	\$55,000
ENVIRONMENTAL HEALTH	Stop Doing List	<b>RESTORATION &amp; REDUCTION IN AIR QUALITY PROGRAM*</b> (funded by savings from Quiet Zone study - one time)	\$13,000
NEIGHBORHOOD LIVABILITY	115.1	<b>REINSTATE CODE ENFORCEMENT POSITION*</b> (funded by savings from Quiet Zone study - one time)	\$67,000
NEIGHBORHOOD LIVABILITY	115.6	<b>HOURLY CODE ENFORCEMENT</b>	\$14,000
SAFE COMMUNITY	196.1	<b>NEIGHBORHOOD TRAFFIC MITIGATION</b> (funded through General Fund - one time)	\$100,000
TRANSPORTATION	24.2	<b>LIQUID DE-ICER**</b> (fund through General Fund reserves - one time)	\$25,000
TRANSPORTATION	156.2	<b>DIAL-A-RIDE PARATRANSIT ENHANCEMENT</b> (funded through General Fund reserves - one time)	\$112,019
<b>GENERAL FUND TOTAL</b>			<b>\$372,019</b>
ENVIRONMENTAL HEALTH	179.6	<b>PILOT HOUSEHOLD HAZARDOUS WASTE ROUNDUP</b> - 2 Times Per Year (funded through Stormwater - one time)	\$60,000
TRANSPORTATION	24.4	<b>NEIGHBORHOOD STREET SWEEPING</b> - 4 Times Per Year (funded through Stormwater - ongoing)	\$100,000
<b>STORMWATER FUND TOTAL</b>			<b>\$160,000</b>
TRANSPORTATION	156.3	<b>DIAL-A-RIDE PARATRANSIT NIGHT SERVICE</b> (funded through Transfort technology deferral - one time)	\$43,751
<b>TRANSPORTATION FUND TOTAL</b>			<b>\$43,751</b>

\*The quiet zone rail study offer was originally funded in the City Manager's recommended budget. Staff is recommending that those funds be used instead to reinstate the Code Enforcement positions and restore cuts from the air quality program.

\*\*The liquid de-icer offer is fully funded. The budget includes the incremental \$25,000 that will be combined with \$80,000 already budgeted for ice control materials for a total of \$105,000.

Staff is seeking confirmation that City Council wishes to fund these items.

**ITEM INCLUDED IN THE BUDGET NEEDING FURTHER DISCUSSION**

<b>RESULT AREA</b>	<b>OFFER NUMBER</b>	<b>OFFER TITLE</b>	<b>AMOUNT</b>
SAFE COMMUNITY	39.1	ADVANCED METERING INFRASTRUCTURE	\$10,739,500

Throughout the budget deliberation process, there have been concerns expressed about the timing of funding the Advanced Metering Infrastructure (AMI) project, given the rate impact of 2% needed to fund it. While there have been concerns expressed about the AMI program, there have also been discussions about how this effort is linked with the Climate Action Plan and is a significant strategy for assisting in carbon reduction. Staff is prepared to discuss this program in more detail during the City Council deliberation on the budget. Ultimately, staff is seeking direction on whether or not City Council supports funding the AMI program in 2010.

**Other Items Considered by City Council at its October 13, 2009 Work Session**

Additionally, several Councilmembers expressed a desire for further discussion about the following items:

1. Historic Preservation Planner Position

In order to minimize the impact of reducing one Historic Preservation planner, staff has identified the following methods to help backfill the loss:

- Train existing staff planners on the more routine questions
- Devote .2fte of a planning tech to perform research and administrative functions
- Look at reducing the LPC meetings from 2 per month to 1 per month

Additionally, staff is concluding a Historic Preservation Process Improvement Study that is scheduled for the October 27, 2009 City Council Work Session. Some of the recommendations in this study include process improvements that will produce efficiencies and assist in freeing up time.

2. Crossroads Safehouse

City Council provided direction to the City Manager to continue to seek funding alternatives for this critical community service in lieu of including funds within the budget.

3. Affordable Housing Program

At an average subsidy of between \$7,500 and \$10,000 per unit, the loss of \$200,000 in the City's Affordable Housing Fund means a loss of the ability to help build/rehab between 20 to 27 affordable

housing units. Affordable Housing Fund dollars also help leverage additional financial resources at ratios that range from 8:1 to 76:1, depending upon the type of project.

#### 4. Railroad Quiet Zone Study

The City Manager's recommended budget included \$100,000 to conduct a quiet zone study from Laurel Street to the southernmost boundary of the City. This offer was subsequently not funded so that Code enforcement positions could be reinstated and funds reduced for the air quality program could be reinstated.

### **Conclusion**

The 2010-2011 Final Budget is a sound financial plan to deliver the services we believe our citizens value most. Due to limited resources, it does not, however, fully meet the demand for services that citizens need and expect. However, the Budgeting for Outcomes process has enabled us to focus and apply the resources available to key community outcomes. Citizens will receive excellent value for their tax dollars.

Any final amendments agreed to by Council will be included in the second (and final) reading of the budget ordinance on November 3, 2009. By Charter, the Budget must be adopted and appropriations for the 2010 fiscal year must be approved by November 30.

ORDINANCE NO. 112, 2009  
OF THE COUNCIL OF THE CITY OF FORT COLLINS  
BEING THE ANNUAL APPROPRIATION ORDINANCE  
RELATING TO THE ANNUAL APPROPRIATIONS  
FOR THE FISCAL YEAR 2010; ADOPTING THE BUDGET  
FOR THE FISCAL YEARS BEGINNING JANUARY 1, 2010,  
AND ENDING DECEMBER 31, 2011; AND FIXING THE MILL  
LEVY FOR FISCAL YEAR 2010

WHEREAS, the City Manager has, prior to the first Monday in September, 2009, submitted to the Council a proposed budget for the next ensuing budget term, along with an explanatory and complete financial plan for each fund of the City, pursuant to the provisions of Article V, Section 2, of the City Charter; and

WHEREAS, within ten days after the filing of said budget estimate, the Council set September 15 and October 6, 2009, as the dates for the public hearings thereon and caused notice of such public hearings to be given by publication pursuant to Article V, Section 3, of the City Charter; and

WHEREAS, the public hearings were held on those dates and persons were given the opportunity to appear and object to any or all items and estimates in the proposed budget; and

WHEREAS, Article V, Section 4, of the City Charter requires that, before the last day of November of each fiscal year, the Council adopt the budget for the ensuing term by ordinance and appropriate such sums of money as the Council deems necessary to defray all expenditures of the City during the ensuing fiscal year; and

WHEREAS, Article V, Section 5, of the City Charter provides that the annual appropriation ordinance shall also fix the tax levy upon each dollar of the assessed valuation of all taxable property within the City, such levy representing the amount of taxes for City purposes necessary to provide for payment during the ensuing fiscal year for all properly authorized expenditures to be incurred by the City; and

WHEREAS, Article XII, Section 6, of the City Charter permits the City Council to fix, establish, maintain, and provide for the collection of such rates, fees, or charges for water and electricity, and for other utility services furnished by the City as will produce revenues sufficient to pay into the General Fund in lieu of taxes on account of the City-owned utilities such amount as may be established by Council.



NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS as follows:

Section 1. Budget

a. That the City Council has reviewed the City Manager's 2010-2011 Recommended Budget, a copy of which is on file with the office of the City Clerk, and has approved certain amendments thereto.

b. That the City Manager's 2010-2011 Recommended Budget, as amended by the Council, is hereby adopted, in accordance with the provisions of Article V, Section 4, of the City Charter and incorporated herein by reference; provided, however, that the comparative figures contained in the adopted budget may be subsequently revised as deemed necessary by the City Manager to reflect actual revenues and expenditures for the fiscal year 2009.

c. That the adopted budget, as amended, shall be maintained in the office of the City Clerk and identified as "The Budget for the City of Fort Collins for the Fiscal Years Ending December 31, 2010, and December 31, 2011, as Adopted by the City Council on November 3, 2009."

Section 2. Appropriations. That there is hereby appropriated out of the revenues of the City of Fort Collins, for the fiscal year beginning January 1, 2010, and ending December 31, 2010, the sum of FIVE HUNDRED EIGHT MILLION SIX HUNDRED THIRTY EIGHT THOUSAND NINE HUNDRED THIRTY-ONE DOLLARS (\$508,638,931) to be raised by taxation and otherwise, which sum is deemed by the City Council to be necessary to defray all expenditures of the City during said budget year, to be divided and appropriated for the following purposes, to wit:

GENERAL FUND	\$102,080,629
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ENTERPRISE FUNDS

Golf	\$2,893,193
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Light & Power

Operating Total .....	101,542,097
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Capital:

Electric Substations	4,404,000
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Southwest Annexation Electric System	1,300,000
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Advanced Metering Infrastructure (AMI)	<u>8,739,500</u>
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Capital Total .....	<u>14,443,500</u>
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Total Light & Power .....	115,985,597
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Storm Drainage		
Operating Total		11,317,487
Capital:		
Old Town Basin Improvements	500,000	
Canal Importation Basin Improvements	2,840,000	
Drainage & Detention System Replacement	370,000	
Service Center Improvements	50,935	
Stormwater Developer Repays	95,000	
Stormwater Master Plan	400,000	
Vacuum Truck for Waste Disposal	<u>150,000</u>	
Capital Total		<u>4,405,935</u>
Total Storm Drainage		15,723,422
Wastewater		
Operating Total		18,828,306
Capital:		
Collection System Replacement	1,540,000	
Collection System Study	100,000	
DWRF Improvements	265,000	
Flow Monitoring Stations	100,000	
MWRF Improvements	150,000	
Service Center Improvements	297,374	
Sludge Disposal Improvements	150,000	
Water Reclamation Replacement Program	<u>1,685,000</u>	
Capital Total		<u>4,287,374</u>
Total Wastewater		23,115,680
Water		
Operating Total		27,965,806
Capital:		
Advanced Metering Infrastructure (AMI)	2,000,000	
Cathodic Protection	170,000	
Distribution System Replacement	2,525,000	
Halligan Reservoir Enlargement	190,000	
Service Center Improvements	105,938	
Water Production Replacement Program	1,795,000	
Water Supply Development	<u>100,000</u>	
Capital Total		<u>6,885,938</u>
Total Water		<u>34,851,744</u>
TOTAL ENTERPRISE FUNDS		<u>\$ 294,650,265</u>

INTERNAL SERVICE FUNDS

Benefits	\$20,321,405
Data & Communications	8,896,746
Equipment	9,420,341
Self Insurance	3,292,964
Utility Customer Service & Administration	<u>16,649,378</u>

TOTAL INTERNAL SERVICE FUNDS \$ 58,580,834

SPECIAL REVENUE FUNDS

Capital Improvement Expansion Fund	\$ 904,354
Capital Leasing Corporation Fund	5,344,893
Cemeteries	719,570
Cultural Services	3,765,285
Debt Service	358,365
General Employees' Retirement	2,760,423
Natural Areas Fund	8,571,164
Perpetual Care	55,435
Recreation	6,885,023
Sales and Use Tax	73,624,048
Street Oversizing	4,558,731
Timberline/Prospect SID	122,970
Transit Services	11,309,638
Transportation Services	<u>27,683,360</u>

TOTAL SPECIAL REVENUE & DEBT SERVICE FUNDS \$ 146,663,259

CAPITAL IMPROVEMENT FUNDS

General City Capital

Bryan Bridge Replacement	\$ 137,940
City Bridge Program	1,800,000
Police Facility	750,000
Railroad Crossing Replacement	<u>100,000</u>

TOTAL GENERAL CITY CAPITAL \$ 2,787,940

1/4 Cent - Building on Basics

Administration	\$ 21,952
Bicycle Program Plan Implementation	125,000
Lincoln Center Renovation	3,270,441
Museum/Discovery Science Center	273,213
Pedestrian Plan and ADA Improvements	<u>300,000</u>

TOTAL 1/4 CENT - BUILDING ON BASICS \$ 3,990,606

Conservation Trust Fund

Administration	\$ 235,604
Fossil Creek Trail	50,000
Open Space Acquisition	10,000
Trail Acquisition, Development & Repair	350,000
Transfer to General Fund-Parks Maintenance	730,146
Tri-City Trails	<u>30,000</u>

TOTAL CONSERVATION TRUST FUND \$1,405,750

Neighborhood Parkland Fund

Administration	\$ 395,277
New Park Site Development	150,000
Park Site Equipment	<u>15,000</u>

TOTAL NEIGHBORHOOD PARKLAND FUND \$ 560,277

TOTAL CITY FUNDS \$508,638,931

Section 3. Mill Levy

a. That the 2010 mill levy rate for the taxation upon each dollar of the assessed valuation of all the taxable property within the City of Fort Collins as of December 31, 2009, shall be 9.797 mills, which levy represents the amount of taxes for City purposes necessary to provide for payment during the aforementioned budget year of all properly authorized expenditures to be incurred by the City.

b. That the City Clerk shall certify this levy of 9.797 mills to the County Assessor and the Board of Commissioners of Larimer County, Colorado, in accordance with the applicable provisions of law, as required by Article V, Section 5, of the Charter of the City of Fort Collins.

Introduced, considered favorably on first reading, and ordered published this 20th day of October, A.D. 2009, and to be presented for final passage on the 3rd day of November, A.D. 2009.

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Mayor

ATTEST:

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City Clerk

Passed and adopted on final reading on the 3rd day of November, A.D. 2009.

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Mayor

ATTEST:

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City Clerk