

DATE: September 13, 2005

STAFF: Darin Atteberry

**WORK SESSION ITEM
FORT COLLINS CITY COUNCIL**

SUBJECT FOR DISCUSSION

The purpose of this work session is to review the City Manager's 2006-2007 Recommended Biennial Budget.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does City Council concur with the recommended budget?
2. What additional information would be helpful to Council for the upcoming work session scheduled for September 23?

BACKGROUND

Preparation of the 2006-2007 biennial budget has been a tremendous challenge: a new approach to budgeting and service planning, an ongoing constraint on revenue growth, and rising costs. By utilizing the *Budgeting for Outcomes* approach we are attempting to address the fundamental question: How can citizens get the most value for the taxes and fees they pay?

The 2006-2007 Biennial Budget has been prepared with no increase in taxes (the rate for sales and use taxes earmarked for general operations remains at 2.25% and the property tax rate remains unchanged since 1991 at 9.797 mills). The budget does include proposed fee increases for a variety of user fees.

TOTAL BUDGET SUMMARY

The 2006 and 2007 Recommended Net City Budget (excludes internal transfers between funds) totals \$372.8 million for 2006 and \$372.4 million for 2007.

The Net Operating Budget (the money necessary for operating day-to-day services, excluding internal transfers between funds, debt service, and capital projects) for 2006 is proposed to increase 0.8% over the 2005 operating budget and for 2007 to increase by 4.5% over the 2006 operating budget.

2006-2007 REVENUE OUTLOOK

Sales and use tax revenue amounts to 60% of total General Fund revenue. For 2006, sales and use tax collections are projected to increase over 2005 by approximately 4% and for 2007 approximately 4.5 % over 2006. Our revenue is projected to grow over the next two years, but at a very modest rate.

The City's **property tax** mill levy of 9.797 mills, unchanged since 1991, is proposed to remain the same for 2006 and 2007. Property tax revenue makes up approximately 15% of total General Fund revenues. For 2006, revenue collected from property tax is expected to increase approximately 5% over 2005 collections and 2007 property tax revenue is expected to increase approximately 3% over estimated 2006 collections.

User fees are charged for specific services. A large percentage (almost 74%) of our user fee revenues come from utility user fees (water, wastewater, stormwater and electric rates). Changes in Utility user fees (rates) are anticipated to change as follows:

- Water—no increase in 2006; 5% increase in 2007
- Wastewater—5% in 2006 and 5% in 2007
- Stormwater—no increase in 2006 or 2007
- Electric—no increase anticipated for 2006 or 2007

Projected revenue increases in 2006 for recreation programs and services total \$440,000 from annual incremental increases, an additional \$1 registration fee for a variety of activities, a new admission fee at the Farm and the use of new water features at City swimming pools. Golf fees are recommended to increase by 2.7% in 2006 (for a total of \$66,500 over the 2005 operating revenues) and 2% in 2007 (for an increase of \$48,700 over projected 2006 operating revenues).

In 2006, the City will increase development review fees to keep pace with costs, in conformance with the City Council policy of 80% cost recovery. A new Transportation Development Review fee is proposed to cover the costs of staff work.

The 2007 budget is based on the assumption that a **Transportation Maintenance Fee (TMF)** will be implemented to cover some of the street maintenance needs. The allocation includes an anticipated \$2.6 million in revenues from a TMF. If not enacted, other sources of revenue will have to be identified or service reductions will need to occur.

Based on a recent study and discussion with City Council, an **impact fee** increase will be formally considered for Water, Wastewater, Stormwater and Electric facilities.

BUDGET HIGHLIGHTS

Budgeting for Outcomes has no concept of base. It shifts the process from building on or realigning the base to focusing on services and programs that will produce the desired results. The starting point is the agreed upon price that translates into the total allocation. The objective is to buy the best “offers” (services and programs) that are most likely to achieve the results—the seven key results identified by City Council.

What to Buy to Produce the Results

The 2006-2007 Recommended Biennial Budget takes into account available resources or allocations (primarily taxes and fees). Offers were reviewed and ranked in terms of the results delivered for the money available.

Highlights of the 2006-2007 Recommended City Budget are as follows:

Revamped and Enhanced Services

- a. Operation, maintenance and debt service of a new Police Services Building
- b. Operation and maintenance of the new Northside Aztlan Community Center
- c. Maintenance of Spring Canyon Community Park
- d. Emphasis on strategic planning and business support to bolster economic development and sustainability
- e. One-Stop Shop for Customer Service (Building & Zoning, Neighborhood Resources, Code Compliance)
- f. Improved Development Review Center services
- g. Consolidated Code Enforcement and Neighborhood Services
- h. Increased partnership for the Climate wise program between Natural Resources and Utilities
- i. Work on a variety of key community planning projects, such as:
 - Southeast Subarea Plan
 - Northwest Neighborhoods Plan
 - South College Corridor Plan
 - North College Urban Renewal Plan
 - CSU/Downtown Connections Plan
- j. New emphasis on long-range planning efforts for redevelopment and sustaining an economically and environmentally vibrant community
- k. A wastewater system study to minimize the infiltration of ground water
- l. 100% conversion of the City's diesel fleet to clean burning bio-diesel
- m. Poudre Fire Authority services and resources to operate Station #14 and the South Ladder Truck
- n. Project to consider a districted system for trash services
- o. Maintenance for the Mason Bike/Pedestrian Trail
- p. Citizen survey to measure the performance of City government related to the BFO Key Results and Indicators
- q. Become a Passport Application Acceptance Center (will generate General Fund revenue at minimal cost)
- r. Election funding for special elections in November 2006 and November 2007 and a regular City election in April 2007
- s. Management study to assess organizational effectiveness

Reduced or Eliminated Services

- a. Police staffing increases for 2006 and 2007 not included
- b. Neighborhood street sweeping eliminated-collectors, arterials, and downtown streets will be swept
- c. Affordable housing production-lowered by \$602,898 leaving \$133,000 in ongoing funding
- d. Human Rights and Education Office-eliminated

- e. Transfort/Dial-a-Ride service reduced
- f. Library teen outreach program--eliminated
- g. Park maintenance reduced
- h. Transportation Demand Management program reduced by approximately 50%; for 2007 restructure the use of the federal dollars (CMAQ)
- i. Eliminate Showcase Fort Collins and other Cable 14 programs
- j. Special event/tournament coordinator for recreation programs and City-sponsored events not funded
- k. New Neighborhood parking and traffic calming programs not included
- l. Street tree replacement-reduced 50%
- m. Library hours reduced four hours per week
- n. GIS aerial photography update-not funded
- o. Youth Activity Center closes in 2007 and services will be transferred and consolidated at the new Northside Aztlan Center (gym remains open)

PERSONNEL IMPACTS

One of the City's core values is that City employees are our most important and valuable asset. Our employees deliver the diverse services our community relies on, and are deeply committed to providing quality at an affordable price.

For the past three years, compensation adjustments for the majority of employees have been modified or frozen. Additionally, the benefits plan structure and design has been modified and employees are paying a greater share of the premium costs for their medical plans to conform more closely to our benchmark communities and organizations.

Suspending compensation increases resulted in an avoided cost of approximately \$8.3 million to the General Fund over the last three years. Apart from the \$5.9 million of General Fund cuts in 2003 and 2004, this means that we have continued to provide many of our services with few noticeable reductions in service levels.

The 2006-2007 Recommended Budget reflects two important elements. First, compensation increases are included in the estimated personnel costs. Resources are included for annual merit (up to 4%) and skill ladder adjustments (up to 14%, average 6% to 8%) for employees that qualify.

Second, resources are included to provide an annual Cost of Living Adjustment (COLA)—estimated at 1.9% for 2006 and 2.3% for 2007. It is imperative that we re-establish the City's pay program if we are to retain a quality work force and attract skilled people to fill job openings.

Staff Reductions

Given the amount of resources to allocate among key results, there were not adequate resources to fund all of the offers. As a result of the offers not recommended to be funded and the "Stop Doing" activities, the number of staff positions has been reduced. Approximately 106 positions have been cut from the City's 2005 level. This applies to all employees—unclassified management, classified, contractual and hourly.

Of the 106 positions, 64 are linked to existing vacant positions and 42 are employees that will be laid off or their FTE reduced from full-time to part-time.

SUMMARY

This recommended budget reflects a number of sacrifices—services that have been reduced and discontinued and employee positions that have been cut. At the same time, resources are included for a state-of-the-art Police headquarters, a new 100-acre community park with an Inspiration Playground, a world class community recreation center, and the reinstatement of the City's employee pay plan.

Over the next three months, Council working with staff and considering community input will determine the final offers that are to be included in the adopted 2006 and 2007 budget.