

AGENDA ITEM SUMMARY

FORT COLLINS CITY COUNCIL

ITEM NUMBER: 34

DATE: November 15, 2005

STAFF: Darin Atteberry

SUBJECT

Second Reading of Ordinance No. 132, 2005, Being the Annual Appropriation Ordinance Relating to the Annual Appropriations for the Fiscal Year 2006 and Adopting the Budget for the Fiscal Years Beginning January 1, 2006 and Ending December 31, 2007, and Fixing the Mill Levy for Fiscal Year 2007.

RECOMMENDATION

Staff recommends adoption of the Ordinance on Second Reading.

FINANCIAL IMPACT

During First Reading of this Ordinance, Council approved two amendments to the 2006-2007 Biennial Budget.

- (1) Add a 0.50 FTE Bicycle Coordinator position at a cost of \$40,840 in 2006 and \$42,840 in 2007, funded by one-time savings in the General Fund.
- (2) Appropriate \$256,041 in the General Fund from one-time savings, but not earmarked for a specific use at this time.

The Ordinance has been amended to reflect the aforementioned changes. This Ordinance represents the annual appropriation for fiscal year 2006, and adopts the total budget for fiscal year 2006 at \$477,048,152 and for fiscal year 2007 at \$464,005,551. This Ordinance also sets the City mill levy at 9.797 mills, unchanged since 1991, for fiscal year 2006.

EXECUTIVE SUMMARY

Ordinance No. 132, 2005 was adopted 5-2 (Nays: Ohlson and Roy) on First Reading on November 2, 2005. Council adopted the 2006-2007 City Biennial Budget and the corresponding appropriation of monies for fiscal year 2006 expenditures.

BACKGROUND

The 2006-2007 Biennial Budget establishes the services and financial plan to achieve results that support the seven key outcomes:

- Improve Economic Health
- Improve Environmental Health
- Improve Neighborhood Quality
- Safer Community
- Improve Cultural, Recreational And Educational Opportunities
- Improve Transportation
- A High Performing Government

For the General Fund, the sales tax rate remains unchanged at 2.25% and the property tax rate remains unaltered since 1991 at 9.797 mills. The budget includes a number of fee adjustments and increases—the most notable relating to a Transportation Development Review Fee to recover 80% of development review costs; increases in Recreation Fees and in Water and Wastewater utility rates (user fees); consideration of a Transportation Maintenance Fee (TMF) in 2007; and increased Plant Investment Fees (development impact fees) related to Water, Wastewater, Stormwater, and Electric.

Final Budget Adjustments

Based on Council's review and discussion of the biennial budget at First Reading (November 2), there were two amendments that are included in Second Reading of the 2006-2007 budget adoption and 2006 appropriation ordinance.

1. Bike Coordinator – a half-time Bike Coordinator to plan and implement programs to promote bicycling as an alternate form of transportation is included in the budget for 2006 and 2007. The Coordinator will conduct marketing, outreach activities, grant writing, and coordinate events. Monies are also included for marketing and promotional activities. Costs are divided as follows: \$40,840 for the half-time Bike Coordinator and \$16,173 for marketing.

2006: \$ 57,013	\$16,173	CMAQ (Existing grant contract)
(One-time)	\$40,840	Medical Benefits One-time Savings

2007: \$ 59,013	\$16,173	CMAQ (Existing grant contract)
(One-time)	\$42,840	Medical Benefits One-time Savings

2. 2006-2007 Biennial Budget One-time Savings – based on updated projections, our estimated costs for covering medical benefits for employees in 2006 have been reduced. In the General Fund this amounts to \$639,844; savings among other funds, apart from the General Fund, amount to \$844,291. Also, the Trash Districting Study, a one-time cost, was eliminated from the recommended budget. Consequently, additional one-time resources that amount to \$670,389 are available to cover service needs in the General Fund. Based on Council's direction, these one-time monies have been allocated for use in the 2006 and 2007 budget as follows:

Source:

One-time Medical Benefits Savings	\$639,844
One-time Trash District Study	<u>30,545</u>
TOTAL RESOURCES	\$ 670,389

Use:

a. Dial-a-Ride 2006	\$ 60,000
b. Dial-a-Ride 2007	80,000
c. Larimer Humane Society 2006	65,748
d. Larimer Humane Society 2007	124,920
e. Bike Coordinator/Marketing	40,840
f. Bike Coordinator/Marketing	<u>42,840</u>
TOTAL USES	\$ 414,348

NET AVAILABLE AFTER USES \$ 256,041

This "Net Available After Uses" of \$256,041 will be appropriated in the General Fund, but not earmarked for any particular use at this time. The amount will set aside as 2006-2007 Biennial Budget One-time Savings and available for Council to designate for a service use at a later time.

Recap of Changes from the Recommended Budget

A recap of all the changes Council made to the City Manager's recommended budget that are included in the budget adoption and appropriation ordinance follows:

- Dial-a-Ride (\$60,000 in 2006 and \$80,000 in 2007—General Fund One-time dollars)
- Enhance Camera Radar (\$177,000 in 2006 and \$185,850 in 2007—General Fund Ongoing New Fee/Fine Revenue)
- Traffic Ticket \$35 Surcharge/added Police Traffic Officers (\$240,000 in 2006 and \$247,200 in 2007—General Fund Ongoing New Fee/Fine Revenue)
- Larimer County Humane Society (\$65,748 in 2006 and \$124,920 in 2007—General Fund One-time dollars)
- Restorative Justice/Enhanced (\$17,373 in 2006 and \$18,508 in 2007—General Fund Ongoing dollars). The Restorative Justice/Basic Service of \$52,118 in 2006 and \$55,525 in 2007 is anticipated to be funded by grants.
- Neighborhood/Homeowners Association Data Base (\$15,000 in 2006 and \$15,000 in 2007—General Fund Ongoing dollars)
- Street Sweeping/Quarterly Service for Neighborhood Streets (\$112,000 in 2006 and \$115,940 in 2007—Stormwater Utility Fund—Ongoing dollars)
- Half-time Bike Coordinator and Marketing (\$57,013 in 2006 and \$59,103 in 2007—General Fund and CMAQ One-time dollars)
- 2006-2007 Biennial Budget One-time Savings (\$256,041 in 2006—General Fund One-time dollars)
- Trash Districting Study (\$30,545 in 2006—General Fund One-time dollars). The study was eliminated and these one-time resources are credited to General Fund savings.

Future Budget Issues

While the *Budgeting for Outcomes* process was an effective tool for allocating the City's available resources for services and actions directly related to the key outcomes, three key issues remain and will be addressed in preparation for the 2007 Budget Exception Process.

1. Transportation Maintenance Fee (TMF)

The biennial budget includes a recommendation to enact a Transportation Maintenance Fee in 2007. Over the next few months and prior to the 2007 Budget Exception Process (adjustments to the 2007 budget and appropriation ordinance that occur in late 2006), Council and staff will work with the community and carefully examine the Transportation Maintenance Fee, as well as other options for addressing street maintenance and other General Fund operational needs. Without an added revenue source in 2007, additional cuts approximating \$2.7 million must be made to the 2007 budget plan.

2. Employee Compensation and Benefits

In preparation for 2007 employee pay adjustments, the City Manager will work on refining the City's performance review system to achieve a greater emphasis on pay based on performance. This includes using pay as a performance incentive; refining the "market" for City jobs (e.g., if jobs are more locally benchmarked, use local comparisons; if jobs are more regional, use broader or more regional comparisons). Discussion will focus on the underlying principles of how employees' pay progress within their pay grades.

3. Police Staffing and Services

Ensuring a safe community is a key result and priority in our community. Before we determine the specific, future staffing and resource needs related to Police services, a more specific service plan and set of metrics that are pertinent and directly applicable to our community profile and public safety needs must be developed. As a starting point, Council supported the creation of a Council subcommittee to work closely with the City Manager and staff to develop the service plan and metrics.

ORDINANCE NO. 132, 2005
OF THE COUNCIL OF THE CITY OF FORT COLLINS
BEING THE ANNUAL APPROPRIATION ORDINANCE
RELATING TO THE ANNUAL APPROPRIATIONS
FOR THE FISCAL YEAR 2006; ADOPTING THE BUDGET
FOR THE FISCAL YEARS BEGINNING JANUARY 1, 2006,
AND ENDING DECEMBER 31, 2007; AND FIXING THE MILL
LEVY FOR FISCAL YEAR 2006

WHEREAS, the City Manager has, prior to the first Monday in September, 2005, 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 (10) days after the filing of said budget estimate, the Council set September 30 and October 4, 2005, 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 said dates and all persons were then afforded an 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 by passage of the annual appropriation ordinance shall adopt the budget for the ensuing term 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 2006-2007 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 2006-2007 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 2005.

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, 2006, and December 31, 2007, as Adopted by the City Council on November 15, 2005."

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, 2006, and ending December 31, 2006, the sum of FOUR HUNDRED SEVENTY-SEVEN MILLION FORTY-EIGHTY THOUSAND ONE HUNDRED FIFTY-TWO DOLLARS (\$477,048,152) 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	\$97,522,221
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ENTERPRISE FUNDS

Golf	\$2,489,469
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Light & Power

Operating Total	81,293,262
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Capital:

<i>Service Center Additions</i>	<i>254,000</i>
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<i>Substation Improvements</i>	<i>267,000</i>
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<i>Underground Conversion Program</i>	<u><i>2,368,210</i></u>
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Capital Total	<u>2,889,210</u>
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Total Light & Power	84,182,472
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Storm Drainage

Operating Total 9,233,393

Capital:

<i>Basin Master Planning</i>	50,000
<i>Canal Importation Basin</i>	1,200,000
<i>Cooper Slough-Boxelder</i>	500,000
<i>Developer Repays</i>	50,000
<i>Drainage System Replacement</i>	348,000
<i>Dry Creek Basin</i>	1,200,000
<i>Fossil Creek Basin Improvements</i>	2,100,000
<i>Service Center Improvements</i>	52,000
<i>W. Vine Basin Improvement</i>	<u>500,000</u>

Capital Total 6,000,000

Total Storm Drainage 15,233,393

Wastewater

Operating Total 16,857,643

Capital:

<i>Collection System Replacement</i>	850,000
<i>Collection System Study</i>	50,000
<i>Harmony Lift Station/CR9 Relief S.</i>	350,000
<i>Locust St./Riverside</i>	925,000
<i>Service Center Improvements</i>	55,000
<i>Sludge Disposal Improvements</i>	225,000
<i>Treatment Plant Improvements</i>	4,100,000
<i>Water Reclamation Replacement Program</i>	<u>835,000</u>

Capital Total 7,390,000

Total Wastewater 24,247,643

Water

Operating Total 24,735,956

Capital:

<i>Distribution System Replacement</i>	715,000
<i>Halligan Reservoir Expansion</i>	5,130,000
<i>Michigan Ditch Improvements</i>	150,000
<i>Service Center Improvements</i>	139,000
<i>Southwest System Improvements</i>	800,000
<i>Treatment Facility Improvements</i>	180,000
<i>Water Production Replacement Program</i>	449,000
<i>Water Supply Development</i>	<u>100,000</u>

Capital Total 7,663,000

Total Water 32,398,956

TOTAL ENTERPRISE FUNDS

\$ 158,551,933

INTERNAL SERVICE FUNDS

Benefits	\$23,193,190
Communications	1,529,491
Equipment	6,846,863
Self Insurance	3,143,487
Utility Customer Service & Administration	<u>11,600,177</u>
TOTAL INTERNAL SERVICE FUNDS	\$ 46,313,208

SPECIAL REVENUE FUNDS

Capital Improvement Expansion Fund	\$11,358,780
Capital Leasing Corporation Fund	4,721,041
Cemeteries	624,796
Cultural Services & Facilities	3,892,978
Debt Service	2,791,956
General Employees' Retirement	2,325,350
Natural Areas Fund	9,212,962
Perpetual Care	70,594
Recreation	7,777,665
Sales and Use Tax	73,579,211
Street Oversizing	4,616,069
Transit Services	9,255,434
Transportation Services	<u>27,891,460</u>
TOTAL SPECIAL REVENUE & DEBT SERVICE FUNDS	\$158,118,296

CAPITAL IMPROVEMENT FUNDS

General City Capital

City Bridge Program	\$ 300,000
Harmony Shields Intersection	1,758,886
Spring Canyon Community Park	<u>11,402,169</u>
TOTAL GENERAL CITY CAPITAL	\$13,461,055

1/4 Cent BCC - Community Enhancements

Administration	<u>\$ 26,833</u>
TOTAL 1/4 CENT COMMUNITY ENHANCEMENTS	\$ 26,833

<u>1/4 Cent BCC -Natural Areas and Parks</u>	
Administration	\$ 435
TOTAL 1/4 CENT NATURAL AREAS AND PARKS	\$ 435
<u>1/4 Cent BCC -Streets and Transportation</u>	
Administration	\$ 12,146
Mason Street Transportation Corridor	250,000
Transfer to Transportation Fund	<u>400,000</u>
TOTAL 1/4 CENT STREET AND TRANSPORTATION	\$ 662,146
<u>Conservation Trust Fund</u>	
Administration	\$ 270,883
Fossil Creek Trail	100,000
Open Space Acquisition	10,000
Trail Acquisition, Development & Repair	415,500
Transfer to General Fund-Parks Maintenance	379,195
Tri-City Trails	<u>30,000</u>
TOTAL CONSERVATION TRUST FUND	\$1,205,578
<u>Neighborhood Parkland Fund</u>	
Administration	\$ 346,447
Avery Park Improvements	50,000
Golden Meadows Park	75,000
Huidekoper Park	75,000
Lee Martinez Park Addition	75,000
New Park Site Acquisition	200,000
New Park Site Development	100,000
Old Fort Collins Heritage Park	50,000
Park Site Equipment	15,000
Provincetowne Park	100,000
Romeo Park (was Dry Creek Park)	50,000
Stewart Case Park	<u>50,000</u>
TOTAL NEIGHBORHOOD PARKLAND FUND	\$1,186,447
TOTAL CITY FUNDS	\$477,048,152

Section 3. Mill Levy

a. That the 2006 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, 2005, 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 2nd day of November, A.D. 2005, and to be presented for final passage on the 15th day of November, A.D. 2005.

Mayor

ATTEST:

City Clerk

Passed and adopted on final reading this 15th day of November, A.D. 2005.

Mayor

ATTEST:

City Clerk

AGENDA ITEM SUMMARY

FORT COLLINS CITY COUNCIL

ITEM NUMBER: 13

DATE: November 2, 2005

STAFF: Darin Atteberry

SUBJECT

First Reading of Ordinance No. 132, 2005, Being the Annual Appropriation Ordinance Relating to the Annual Appropriations for the Fiscal Year 2006 and Adopting the Budget for the Fiscal Years Beginning January 1, 2006 and Ending December 31, 2007, and Fixing the Mill Levy for Fiscal Year 2006.

RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

FINANCIAL IMPACT

This Ordinance represents the annual appropriation for fiscal year 2006, and adopts the total City budget for fiscal year 2006 at \$476,742,431 and for fiscal year 2007 at \$463,935,698. This Ordinance also sets the City mill levy at 9.797 mills, unchanged since 1991, for fiscal year 2006.

EXECUTIVE SUMMARY

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

The purpose of utilizing the BFO approach is to:

- Identify what's important to this community and develop a sound financial and service plan to achieve those outcomes;
- Allocate dollars based on current priorities and results, not simply increase last year's spending;
- Effectively deal with revenue limitations; and
- Emphasize accountability, efficiency, innovation and partnerships.

Using this approach, City Council and staff worked in close collaboration to build a financial plan, based on revenue available, that will achieve service outcomes which matter most to our citizens and community.

The Net City Budget, which excludes internal transfers between funds is \$373,721,871 for 2006 and \$373,289,082 for 2007. The following table compares the 2005 budget with the 2006 and 2007 recommended budgets, including the net operating budgets, capital improvement budgets and debt service (in millions and the numbers are rounded):

The total City budget for 2006 is \$476.7 million and for 2007 is \$463.9 million. The **Net Operating Budget** (the money necessary for operating day-to-day services, excluding transfers between funds, debt service and capital projects) for 2006 totals \$308.8 million and for 2007 totals \$322.6 million.

The **Capital Improvement** expenditures for 2006 total \$39.4 million and for 2007 total \$26.4 million.

Debt Service will be \$25.5 million in 2006 and \$24.3 million 2007. The debt service for both years is within the Council’s policy debt target of 15% of the combined general debt service and Special District Funds’ revenue.

In Millions (Numbers are Rounded)					
	2005	2006	% Change	2007	% Change
Net Operating	305.6	308.8	1.0%	322.6	4.5%
Debt	25.5	25.5	0.0%	24.3	(4.7)%
Capital	31.9	39.4	23.5%	26.4	(33.0)%
Total City Net	363.0	373.7	2.9%	373.3	(0.1)%
Internal Transfers	102.1	103.0	0.9%	90.6	(12.0)%
Total City Budget	465.1	476.7	2.5%	463.9	(2.7)%

BACKGROUND

Council adopted outcomes form the foundation of the budget. This is the City’s first budget using the principles and processes of *Budgeting for Outcomes*. The seven key outcomes and results upon which the 2006-2007 City Budget is based are:

- **Improve Economic Health**
Fort Collins produces quality jobs, is economically diverse and builds on our core community strengths such as higher education, downtown, natural environment and arts and culture.
- **Improve Environmental Health**
Fort Collins creates a clean and sustainable environment.
- **Improve Neighborhood Quality**
Fort Collins improves the safety, livability, choices, and affordability of neighborhoods.
- **Safer Community**
People in Fort Collins are safer at home, work and play.
- **Improve Cultural, Recreational, and Educational Opportunities**
Fort Collins provides quality cultural, recreational, open space/natural areas and educational opportunities to enrich lives.
- **Improve Transportation**
Fort Collins improves the safety and ease of traveling to, from and throughout the City.
- **A High Performing Government**
Fort Collins is a model for an entrepreneurial, high performing City government.

Some key highlights of the City Budget include:

Resources

1. The **total budget for all City funds** for 2006 is \$476,742,431 and for 2007 is \$463,935,698. That compares to the total budget for all City funds in 2005 at \$465,122,888.
2. There are **no tax increases** in the budget.
3. The **tax revenue projections remain conservative** – sales and use tax is projected to increase by 4% in 2006 and 4.5% in 2007.
4. The budget assumes several **fee adjustments and increases**, e.g., a Transportation Development Review Fee to recover 80% of development review; increases in Recreation Fees and in water and wastewater utility rates (user fees); and implementation of a Transportation Maintenance Fee in 2007. The TMF will be presented and deliberated in 2006.

5. There are a number of **personnel cuts** – some from vacant positions and others that require a reduction-in-force. Staffing reductions total 107 positions across all funds which amounts to a reduction of approximately \$6.6 million in compensation (salary and benefits) costs.

Revamped and Enhanced Services

While revenue limitations have resulted in service and staffing reductions, the City will continue to deliver a wide array of quality services and programs and support several new facilities in 2006 and 2007. A sample of these includes:

- a. Operation, maintenance and debt service of a new Police Services Building
- b. Operation and maintenance of the new Northside Aztlan Community Center
- c. Operation and maintenance of the new Spring Canyon Community Park
- d. One-Stop Shop for Customer Service (Building & Zoning, Neighborhood Resources, Code Compliance)
- e. Improved Development Review Center services
- f. Consolidated Code Enforcement and Neighborhood Services
- g. Increased partnership for the Climate Wise program between Natural Resources and Utilities
- h. Work on a variety of key community planning projects, such as:
 - Southeast Subarea Plan (Area of I-25/Hwy 392/Fossil Creek Reservoir)
 - Northwest Neighborhoods Plan
 - South College Corridor Plan
 - North College Urban Renewal Plan
 - CSU/Downtown Connections Plan
- i. New emphasis on strategic and long-range planning efforts for redevelopment and sustaining an economically and environmentally vibrant community
- i. A wastewater system study to minimize the infiltration of ground water
- k. Poudre Fire Authority services and resources to operate Station #14 and the South Ladder Truck
- l. Maintenance for the Mason Bike/Pedestrian Trail
- m. Citizen survey to measure the performance of City government related to the BFO Key Results and Indicators

- n. A Passport Application Acceptance Center
- o. Management study to assess organizational effectiveness
- p. 100% conversion of the City's diesel fleet to clean burning bio-diesel

FINAL BUDGET ADJUSTMENTS

In the course of the Council's budget review and discussions, some changes have been made to the City Manager's recommended budget. The following changes are reflected in the proposed budget adoption and appropriation ordinance.

1. Dial-a-Ride (\$60,000 in 2006 and \$80,000 in 2007) – The City will contract with Shamrock Taxi to provide Dial-a-Ride night service in 2006 and 2007. The offer is to provide Dial-a-Ride evening service after 7:00 pm, Monday through Saturday nights, for both non-ambulatory (wheel chair) and ambulatory passengers. The City will lease to Shamrock three vehicles—vans large enough to accommodate wheel chairs—for this evening service. Evening service will be supported with one-time General Fund dollars.
2. Enhanced Camera Radar (\$177,000 in 2006 and \$185,850 in 2007) – a second mobile camera radar unit (van and civilian operator) will be added to address traffic enforcement issues. The addition of a second camera radar unit will strengthen our ability to enforce local traffic laws and promote safe travel in our community. Proposed funding for this service is from the revenue generated from camera radar fines which are restricted revenues in the General Fund.
3. Traffic Ticket Surcharge (\$240,000 in 2006 and \$247,200 in 2007) – a \$35 surcharge on all one point or higher moving violation tickets is anticipated to generate revenues to fund two additional Police traffic officers. Again, this will strengthen traffic enforcement and community safety. Hiring for the first officer will occur in mid-2006; if revenues follow projections a second officer will be hired in early 2007. The cost of the officers would be supported by the projected revenue from the surcharge on traffic tickets which is approximately \$260,000 in 2006 and \$262,000 in 2007.
4. Larimer County Humane Society (LCHS) (additional \$65,748 in 2006 and \$124,920 in 2007) – the City contracts with the Humane Society for all animal control services throughout the City. Larimer County Humane Society ("LCHS") provides trained personnel and specialized equipment to enforce the City's animal control ordinances, respond to calls, provide shelter and emergency veterinary services, license pets and dispose of dead animals. The LCHS submitted an offer for services in 2006 (\$723,224) and 2007 (\$795,546). In the course of evaluating offers, it was reduced by staff to \$657,476 in 2006 and \$670,626 in 2007. Conversations with LCHS indicates that in order to continue animal control services for the City the full offer must be funded. Making up the gap with one-time General Fund dollars is the only viable solution in this biennial budget.

Service effectiveness of LCHS will be assessed prior to the 2007 Budget Exception Process and Council will determine whether or not the \$124,920 allocation for 2007 will be maintained or adjusted. Planning for 2008 and 2009 will revisit service options and evaluate the City's animal control service needs in conjunction with the LCHS's service targets and achievements.

5. Bike Program (\$16,000 in 2006 and \$16,000 in 2007) – the City will make available office space, telephone, computer and office furniture for bicycle groups to use to educate and promote bicycle use in the community. The resources will be used to support marketing and outreach activities. For 2006 and 2007, the resources to support this program will be one-time resources available from unspent 2005 monies. These resources represent General Fund dollars used to support Transportation Demand Management programming in prior years.
6. Trash Districting Study (\$30,545 in 2006) – the offer to update a 1997 study related to creating trash “districts” has been eliminated. These are one-time General Fund dollars that are available to be reprogrammed (used) for another purpose or retained in the General Fund Reserve Designated for Contingencies to be used at another time.
7. Restorative Justice/Enhanced (\$17,373 in 2006 and \$18,508 in 2007) – a grant supports the basic program activities for 2006 and 2007 which covers a half-time (.50 FTE) Restorative Justice Coordinator. In addition to the grant, an enhancement is included to increase the staff time of the Coordinator by .25 FTE (the Coordinator would go from .50 FTE to .75 FTE) and increases program activities related to the Restorative Justice Youth Conferencing by providing family/group conferencing for youth and young adults and the RESTORE Program for merchants, community and shoplifters. The enhancement is a General Fund cost. The original Drilling Platform included ongoing General Fund monies (\$52,118 in 2006 and \$55,525 in 2007) for the Restorative Justice basic service; however, this is redundant with the grant that supports the basic service. A portion of the original General Fund ongoing monies will be allocated for the cost of the enhancement – \$17,373 in 2006 and \$18,508 in 2007. The remaining ongoing monies (\$34,745 in 2006 and \$37,017 in 2007) are available to be applied to another service need (see Item #8 below).
8. Neighborhood/Homeowners Association Data Base (\$15,000 in 2006 and 2007) – this offer is to help people identify with their geographic area (neighborhood) and to be able to use data to deliver many targeted City services to individual neighborhoods. With the exception of the annual \$5,000 postage line item, this offer funds roughly .15 FTE (fractions of three Neighborhood and Building Services staff members) for the purpose of researching, contacting and interacting on an ongoing basis with representatives of neighborhoods and homeowners associations (“HOA”). The database is not intended to list and establish contact with just HOA property managers, many of which would see the City's communications needs as an additional burden on their time. Rather, this is about Neighborhood Services staff making direct connections with neighborhood and HOA board members and resident representatives.

General Fund ongoing monies (\$15,000 per year) will be reprogrammed from the original restorative justice offer and applied to this service. (The original offer for Restorative Justice basic service is covered by grant vs. General Fund resources. These General Fund resources

are reprogrammed to be used for the Restorative Justice Enhancement (#7 above) and Neighborhood/HOA data base.

9. Street Sweeping/Quarterly (\$112,000 in 2006 and \$115,940 in 2007) – this adds back sweeping of residential streets on a quarterly basis and provides leaf pick-up in the first and fourth quarters of a year. This is an ongoing expense. Because of the relationship between residential street sweeping and minimizing the negative impact on water quality as well as the amount and types of debris infiltrating the City's stormwater conveyance and retention system, the cost will be funded from resources within the City stormwater operational budget (Stormwater Utility Fund).

Personnel Impacts

Our employees deliver the diverse services our community relies on, and are deeply committed to providing quality at an affordable price.

The City's compensation policy sets the pay grade maximum for each job classification at the 70th percentile of defined market pay scales. The 2006-2007 Recommended Budget includes resources for employees' salaries to increase by a merit adjustment (up to 4% or a skill ladder adjustment (not to exceed 10% per year including Cost of Living Adjustment ("COLA")) for employees that qualify (i.e., based on performance and/or skill achievement).

Resources are also included to provide an annual COLA—1.9% for 2006 and 2.3% for 2007.

The budget also includes compensation (pay and benefits) increases per the collective bargaining agreement for Police personnel that are part of the bargaining unit.

Other Budget Issues

Several key issues were identified and will be addressed in 2006 in preparation for the 2007 Budget Exception Process.

1. Transportation Maintenance Fee

The biennial budget includes a recommendation to enact a Transportation Maintenance Fee ("TMF") in 2007. Over the next few months and prior to the 2007 Budget Exception process (adjustments to the 2007 budget and appropriation ordinance that occur in late 2006), Council and staff will work with the community and carefully examine the TMF as well as other options to address street maintenance and other General Fund operational needs. Without an added revenue source in 2007 additional cuts (approximately \$2.6 million) will need to be made to the 2007 budget plan.

2. Employee Compensation and Benefits

In preparation for 2007 employee pay adjustments, the City Manager will work on refining the City's performance review system to achieve a greater emphasis on pay for performance. This includes using pay as a performance incentive; refining the "market" for City jobs (e.g., if jobs are more locally benchmarked, use local comparison and if jobs are more regional, use broader or more regional comparisons). Discussion will focus on the underlying principles of how employees' pay progresses within their pay grades.

3. Police Staffing and Services

Ensuring a safe community is a key result and priority in our community. Before we determine the specific, future staffing and resource needs related to Police services, a more specific service plan and set of metrics that are pertinent and directly applicable to our community profile and public safety needs must be developed. As a starting point, Council supported the creation of a Council subcommittee to work closely with the City Manager and staff to develop the service plan and metrics.

CONCLUSION

The 2006-2007 Recommended Budget is a sound financial plan to deliver the services we believe our citizens value most. The budgeting process has enabled us to focus and apply the resources available to key community outcomes. This has not been without pain as we have had to trim existing services, cut positions and forego planned staffing and service enhancements. However, citizens will still receive excellent value for their tax dollars.

I am deeply appreciative of the extraordinary effort of and partnership by Council and staff over the past eight months to prepare the financial plan that will guide service delivery over the next two years.

First Reading of the budget ordinances will be considered at Council's November 2 meeting. Any final amendments agreed to by Council will be included in the second (and final) reading of the budget ordinances on November 15, 2005. By Charter, the budget must be adopted and appropriations for the 2006 fiscal year must be approved by November 30.

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