



**City
of
Boulder**
Office of the City Manager

August 1, 2000

City Council and Citizens of Boulder:

Enclosed is the City Manager's recommended 2001 Budget for all funds. During 1999, City Council adopted the city's first biennial budget covering both the 2000 and 2001 fiscal years. This 2001 update of the biennial budget continues previously approved budget strategies updated with new information acquired since the previous budget was adopted.

INTRODUCTION

I am pleased to report the City of Boulder is currently operating from a position of fiscal soundness. This results from a combination of the continuing strong economy in the area and the strategic budget decisions made by City Council over the past several years. During this time, the city has responsibly emphasized the buildup of adequate reserves and the long-term sustainability of its revenue and service offering bases. Continuing this pattern, additions to the operating base in this budget have been kept to an essential few and, the organization is striving to support Council goals within the parameters of continuing strong cost control and effective management of available resources.

The "big picture" budget strategy for all city funds continues to be:

- Ensuring that city programs and services are being provided in the most efficient and effective manner possible;
 - Transitioning to a philosophy to better recognize our responsibility as a mature community to emphasize long-term sustainability in our revenue and service offering bases;
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- Using resources from 1999 budget reductions, revenue received over budget, and expenditure savings to build up financial, insurance, workers' compensation, equipment and building replacement, and building maintenance reserves to sound levels;
- At the point where reserves have reached sound levels, using the lower expenditure base created by the 1999 reductions to help absorb anticipated revenue reductions from increasing retail competition in surrounding communities and reduced building related revenue in the City of Boulder; and
- Accepting that, as a city approaching buildout (and choosing to constrain growth to protect quality of life), absent new revenue sources, we cannot add substantial new services unless there is an offsetting reduction in some other area.

In addition to the "big picture" budget strategies, the 2000/2001 biennial budget included the several specific goals, which are listed below along with a description of progress toward accomplishment:

Managerial Goals	
• Development of performance measures	✓ Implemented
• Funding of management audits	✓ Implemented
• Consideration of privatization options	✓ Implemented and on-going

Financial Goal – Continue building reserves to established goal levels	
• General Fund reserve	✓ Implemented, 1999 year end reserve at 12%
• Building maintenance reserve	✓ Funding plan on track
• Property/Casualty insurance reserve	✓ Funding plan on track
• Workers' Compensation reserve	✓ Implemented

Policy/Strategy Goal	
• Adopt a policy for dealing with the Public Safety Tax expiring in 2004	✓ Council indicated its intent to schedule a vote in November, 2001 to continue the .15% sales tax

ALIGNING BUDGET TO SUPPORT ATTAINMENT OF COUNCIL GOALS

In addition to maintaining quality on-going city services in a myriad of areas, City Council established four priority goals for the 2000/2001 fiscal years as follows:

- Affordable housing - Create and preserve housing opportunities in order to promote an economically diverse community.
- Economic sustainability - Consistent with community goals and character, encourage a strong sustainable economy to fund quality city services for all citizens.
- Environmental sustainability - To enact and pursue city policies that cause the Boulder community to become a nationwide environmental leader among communities. The city will be a role model of exemplary environmental practices.
- Transportation - Develop strategies to keep congestion at reasonable levels that maintain a liveable community. To generate consensus among and between the City Council and community about the specific transportation goals.

In the current constrained revenue environment, without additional revenue or eliminating some current service(s), it is challenging to redirect revenues and expenditures to address new goal-oriented programs and initiatives. The single largest resource included in this proposed budget is city staff. Salaries and benefits comprise approximately

59% of the General Fund, 19% of the Transportation Fund and 39% citywide. Therefore, managing workload and reallocating current employee resources is the primary tool available to the city to accomplish priority goals. Such has been, and this budget assumes will continue to be, the case in these four goal areas. A listing follows of accomplishments that have been achieved by a combination of Council member support and reallocation of employee time. In addition, the 2001 proposed budget includes resources for continued support of Council priority goals.

AFFORDABLE HOUSING

Areas of focus to date:

- ✓ Completed housing needs assessment
- ✓ Developed the "Comprehensive Housing Strategy"
- ✓ Continue significant number of existing programs supported by city CHAP funds and a variety of Federal funding sources

Resources for further accomplishments included in the 2001 proposed budget

- Waiver of costs for city development fees associated with affordable housing. The lost revenue is estimated at \$150,000 per year
- Recommendation to put a measure on the November, 2000 ballot to determine if additional taxes should be implemented to further support affordable housing

ECONOMIC SUSTAINABILITY

Areas of focus to date:

- ✓ City economic development projects established and is being monitored and updated:
 1. Complete BURA market analysis
 2. Complete Citywide market analysis
 3. Evaluate alternative revenue sources
 4. Complete 9th & Canyon project
 5. Encourage Table Mesa Shopping Center mixed use development
 6. Finalize plans for 28th Street, integrating an economic analysis
 7. Develop plan to relocate the depot and train
 8. Define and encourage projects along the Canyon Blvd. Cultural Corridor
 9. Define comprehensive plan policies related to the economy
 10. Participate in the conference center study
 11. Work with CU to integrate master plans
 12. Initiate a strategic economic sustainability plan
 13. Promote expansion of a fiber optic network
 14. Start a sales tax education campaign
 15. Retain existing major discount retailers
 16. Redevelop Crossroads Mall
 17. Continue to improve customer service in the building services area
 18. Improve the Downtown Boulder Mall
 19. Develop an economic development strategy for the University Hill business district
 20. Explore models for retail incubators to support local businesses
- ✓ Draft list of City strategies reviewed by two focus groups
- ✓ Objectives defined:
 1. Identify a definition of economic sustainability for Boulder;
 2. Develop a benchmark analysis on Boulder's current economic state and a sustainable economic development strategic plan;

- 3. Actively pursue immediate and near-term opportunities for economic development.
- ✓ Committee on Economic Sustainability consisting of Council members Corson and Lopez and five community members formed.
- ✓ Consultant for benchmark analysis identified - Economics Research Associates - and under contract.
- ✓ Plans for first community forum on economic sustainability underway.

Resources for further accomplishments included in the 2001 proposed budget:

- Funding for benchmark analysis consultant, two additional public forums, community survey.
- Staff and other resources associated with active projects and support for Committee on Economic Sustainability and other citizen involvement efforts.
- Funding included for on-going \$250,000 per year after the BURA debt is retired (beginning in 2003) for continuation of some on-going city economic development effort to replace BURA.

TRANSPORTATION

Areas of Focus to date:

- ✓ Community Transit
- ✓ New transit services; Jump, Leap & Bound—on-line 2001
- ✓ Eco Pass; community pass and/or neighborhood/district pass mechanism
- ✓ Regional Transportation Issues & Key Transportation Corridors including US 36, 28th Street, Arapahoe, and the Diagonal Highway
- ✓ Travel Demand Management Strategies - Created prioritization for implementation

Resources for further accomplishments included in the 2001 proposed budget:

- Resources have been re-directed in both capital and operating budgets to reflect these priorities. Transportation Fund reallocations are summarized in the next section of this transmittal letter.

ENVIRONMENTAL SUSTAINABILITY

Areas of Focus to Date:

- ✓ Environmental Policies - Revised through Boulder Valley Comprehensive Plan Update Process
- ✓ Environmental Priorities including pesticide reduction, waste reduction, energy efficiency, habitat preservation and water quality
- ✓ Operational Strategies - Implement Environmental Management System (EMS) through pilot efforts to target environmental priorities. Pilot programs are being evaluated in transportation & utilities maintenance, fleet services and urban parks.

Resources for further accomplishments included in the 2001 proposed budget:

- The Environmental Sustainability subcommittee will continue including staff from Environmental Affairs, City Attorney's Office, Fire, Parks & Recreation, Open Space/Real Estate, and Public Works Departments. This broad organizational involvement represents an appropriate and significant allocation of personnel resources to this effort.
- The EMS pilot programs will be accomplished within base budgets. Additionally, federal resources will be leveraged by utilizing Environmental Protection Agency staff to support the EMS pilot efforts.

ASSUMPTIONS RELATED TO THE ECONOMY

Fiscal issues in the City of Boulder are integrally linked to economic factors in the region, the State and the nation. Assumptions regarding general economic conditions underlay many of the city's budget forecasts. The revenue forecasts in the 2001 proposed budget assume continued economic strength through 2000 and a gradual slowing of Colorado's economy in 2002 and beyond. The primary factors that will contribute to this slowing are a scarcity of labor, a higher cost environment, and a slow-down in construction activity.

2001 BUDGET ISSUES

SUSTAINABILITY OF THE SALES TAX BASE

Sales tax revenue is a significant funding source for General Fund, transportation, open space, public safety, parks & recreation, human services, and other important city services. Although sales tax revenue growth was strong in 1999 and the beginning of 2000, negative revenue impacts are anticipated when the Flatirons Crossing Mall opens in Broomfield in August of 2000. This new mall is expected to capture some retail sales (and the associated retail sales tax) that would otherwise have occurred in the city of Boulder. The 2001 proposed budget assumes that, even with added retail competition, a combination of the new Boulder retail stores recently opened or planned for the future and increased retail spending due to the growth related general increases in disposable income in the region should ensure continuing slow growth in Boulder's retail sales tax base. For budget purposes, sales and use tax increases are forecast by year as follows:

<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
3.03%	2.01%	4.02%	2.98%	3.02%	3.02%

Two of the more significant assumptions underlying this forecast are:

- Beginning in 2001, Flatiron Crossing will annually absorb approximately \$2.2 million dollars of sales tax revenue that would otherwise have been available to the City of Boulder
- Beginning in 2002, some limited new development at Crossroads Mall will generate approximately \$900,000 in sales tax revenue on an annual basis.

In addition to having built up financial reserves, in the event of either a general economic decline, the unfavorable impact of the Flatirons Crossing Mall, or delays in the redevelopment of Crossroads Mall which would negatively impact sales tax revenue to a greater degree than forecast, further contingency options are available to cover revenue shortfalls or as a "bridge" to enable adequate time to thoughtfully address necessary revenue alternatives or expenditure reductions to balance budgets.

- In 2002, when the Boulder Urban Renewal Authority debt is paid off, the General Fund and Transportation Fund (sales tax otherwise due to these funds have paid the BURA debt) will receive an additional 2 months of "BURA Surplus" sales tax revenue that has been held by a trustee as security for the debt. This one-time revenue will be available either as a short-term contingency to address revenue shortfalls or to be allocated to one-time projects such as capital improvements. The amounts should approximate \$650,000 for the General Fund and \$350,000 for the Transportation Fund.
- Beginning in 2003, also associated with the payoff of the BURA debt, if the property remains primarily non-residential, approximately \$200,000 in on-going annual property tax (previously being allocated to fund the BURA debt) will be available in the General Fund. The proposed budget does not allocate this revenue for any specific service but maintains flexibility for the future.
- Traditionally, as departments endeavor to provide services within or below authorized appropriations, some level of budget savings results on an annual basis. An estimated amount of \$450,000 in savings could be included in this proposed budget which, in turn, could enable offsetting appropriations for new services. While this category has been included in past budgets where revenues were more predictable, staff does not recommend such a direction as we move into a period of enormous revenue uncertainty. Staff recommends that this probable savings be considered as a contingency for possible undercollections in forecast revenue. If revenues meet or exceed those budgeted, any expenditure savings would fall into fund balance which could be appropriated in the subsequent year.

CHANGES IN TRANSPORTATION FUND DIRECTION

The transportation budget is formulated within the policy context of the Transportation Master Plan (TMP) which is the City's long range blueprint for travel and mobility. The TMP defines the city's transportation investment strategy creating a future transportation system consistent with the community's values and priorities. The TMP priorities form the base for funding allocation. Based on TMP Prioritization funding scenarios, Council directed staff to develop the 2001 budget with a reallocation of \$1 million to bicycle/pedestrian improvements and transit/transit pass programs. Required resource reductions are focused first on non-modal functions (\$200,000/year reduction in traffic mitigation) and then on enhancements to the roadway system (\$800,000/year reduction). Roadway enhancement reductions are focused on the lowest priority corridors.

Proposed funding reallocations were accomplished as a result of better than projected sales tax revenue, a reduction/reallocation in specific program areas, e.g., signal system replacement and transportation system management, inflationary increases and by shifting funds from capital improvement programs to operating. This combination reflects additional resource allocations for the Transportation Fund operating budget totaling \$1.55 million (\$235,000 one-time, \$1.3 million ongoing) including an additional 2.5 employees.

UTILITY REVENUE AND ASSOCIATED FEES

The proposed budget includes the following fee increases for the city's utilities in 2001: Water - 10%, Wastewater - 6%, Stormwater/ Flood Control - 4%. In addition to funding inflationary increases in personnel and non-personnel expenditures, additional revenue is needed to fund debt service associated with several major capital projects. They are: reconstruction of the Lakewood Raw Water Pipeline (total rate increase is to be implemented over two years), acquisition of approximately 1,000 acres of land (Caribou Ranch) adjacent to the Silver Lake Watershed, construction of a Class A Biosolids Composting Facility, and construction of a Biosolids Handling and Dewatering Facility to replace and upgrade aging centrifuges at the city's Wastewater Treatment Facility.

The 2001 Utilities budget also includes additional funding for on-going operations and maintenance for the soon to be acquired Barker Reservoir and related facilities, increased ditch assessments for storm water fees, and increased costs for the city's share of the County Household Hazardous Waste program due to growing citizen participation.

The Utilities recommended rates and financial plan are designed to fund operation, maintenance, and capital costs, maintain required reserves and meet debt service coverage requirements. As part of the bond covenants each utility is required to generate net revenues equal to 125% of its annual debt service requirements. Each utility maintains a 20-25% operating reserve over a six- year planning period. This reserve level is based on several factors: weather dependent revenues, the capital-intensive nature of the utilities, and contribution to higher bond ratings.

The recommended rate adjustments would increase a typical residential customer's bill approximately \$40 annually or \$3.33 per month. Public process and information disbursement regarding utility rate adjustments include: public hearings, submittal to, and recommendation from the Water Resources Advisory Board, notification on customer's utility bill, inclusion of related materials on the Public Works home page and Boulder FYI, and public hearings during Council consideration of the annual budget. If approved, the recommended rates would become effective January 1, 2001.

BUILDING SERVICES FUND

Further improvements are being implemented for the new building services center. Business processes are being streamlined in order to contribute to the success of Council goals and in recognition of supporting our customer service value system. Work is targeted in three primary areas:

- Make processes more comprehensible and predictable, revise business processes accordingly and integrate/automate systems.

- Make records and information accessible to customers and staff
- Make customer service a priority; focus on attitudes and accountabilities

Staff has recommended that certain development related fees be increased to recover 50% of full cost for development review activity and 100% of full cost for permit and license related activities. The proposed budget includes a request to allocate the revenue associated with these increased fees to continue improvements in the building services area.

PUBLIC SAFETY FUND ISSUES

A dedicated increase in funding for public safety purposes was approved by the voters in 1997. This funding includes 2 mills of property tax in perpetuity and .15% sales tax, which is scheduled to sunset in 2004. As previously mentioned in this letter, the current City Council approved strategy includes returning to the voters with a request to also extend the .15% sales tax in perpetuity.

Several expense areas in the Public Safety Fund have required more resources than originally planned and, even assuming that the .15% sales tax is extended by the voters, multi-year operating expenditure projections currently exceed revenue projections beginning in 2002. The largest contributor to this negative variance is splitting off the City of Boulder Police Communications Center from the multi-governmental agency that was previously utilized for dispatch services. Staff is exploring various alternatives and remains committed to actions that will balance this fund within the constraints of available revenue. Accomplishments to date in the dedicated Public Safety Fund include the following:

The Police Department added 33 officers to the department and approx. 28 civilian staff enabling faster, more effective service to the public as follows:

- ✓ Significantly improved response time.
- ✓ Opened two fully staffed and functional community police centers, one in the downtown district and one on the Hill.
- ✓ Become more involved in community policing projects such as Adopt a Site, Adopt a Frat, San Juan Del Centro, Youth Mentoring, Mall projects, Hill projects, Neighborhood meetings, etc.
- ✓ Increased staffing to the downtown mall bicycle unit, for a total of 7 positions.
- ✓ Added 5 officers to the Hill, for a total of 8 Hill officers.
- ✓ Increased the minimum level of officer street staffing from 6 to 8.
- ✓ Increased detectives from 16 to 20 which has enabled implementation of a major crimes unit.
- ✓ Added detectives to the evening shift, increasing coverage and response to crimes after hours. This has also resulted in overtime savings for detectives.
- ✓ Increased staffing in Community Services and now have 4 Cops in Schools officers.
- ✓ Are in the process of implementing a new Police Information Network (records management system) with new technology that will enable better coordination of records. Police reports will eventually be entered directly by the officers into the database for instant availability. Searching and data base comparison will be much easier.
- ✓ Implemented a k-9 unit last month.

Municipal Court has accomplished the following significant service improvements:

- ✓ Increased hours on the bench for the Associate Judge.
- ✓ Three deputy court clerks for front line case processing.
- ✓ Two court case specialists to perform probation functions.
- ✓ A program coordinator to commence restorative justice initiatives such as directed community service projects, pre-sentence needs assessments and community group conferencing on designated cases.
- ✓ Implementation of a mail-in plea/payment system.
- ✓ Interface with the Colorado Bureau of Investigation (CBI) for state and national offender information and corresponding equipment and wiring.

- ✓ Staff training and certification (CBI, Court Basics I and Court Basics II, Community Group Conferencing and Cognitive Classes).
- ✓ Implementation of improved audit trails, cash handling and collection procedures

Funding has also enabled the following improvements in Fire Department services:

- ✓ Hired a public education specialist and implemented an on-going public education campaign including fire station visits by community groups, school classroom presentations by fire fighters and fire department participation in community events. In 1999, the Fire Safety Education program made 18,000 citizen contacts, providing education and safety materials. This was an 80% increase over 1998. Twice as many children visited fire stations for tours and lessons.
- ✓ Added a training assistant that has enabled adequate fire fighter training within the Fire Department.
- ✓ Added staffing to improve wildland fire response and management capabilities. Improvements include seasonal mitigation crew efforts at vegetation management through fuel reduction and the formation of an initial attack crew for fast response to wildland fires. The Wildland Fire Division and Wildfire Mitigation program accomplished over 300 acres of prescribed fire, 50 acres of forestry thinning, numerous public education and training programs and contributed to the local and national wildland fire fighting effort.
- ✓ Added a two-person rescue squad, including a new rescue vehicle. This vehicle enables reduced response times to medical emergencies, various types of rescues and other emergency situations. In 1999 the squad responded to 426 calls. The squad has improved response times within the station #3 response district and has allowed engine three to be more available for responses in other areas.
- ✓ Added a new Fire Station in east Boulder (initiative included the new station, fire fighter staffing and a new fire engine). Construction of the station is nearing completion. The new fire engine has been delivered and is be readied for use. New fire fighters have completed their fire academy training and staffing for the new station is ready to begin serving the east Boulder community in mid August. This will substantially improve response times in this area.

NEW INITIATIVES INCLUDED IN THE PROPOSED BUDGET

As previously discussed, additions to the operating base in this budget have been kept to an essential few. A description of these new initiatives follows:

GENERAL FUND

- Funding the city share of debt cost for a new Humane Society facility (on-going \$85,000).
- Covering the cost of the campaign finance ballot issue approved by the voters in 1999 (\$75,000 every other year beginning in 2001).
- Additional eco-passes for downtown employees (on-going \$80,000).
- Enhancing geographic information systems and services by creating a citywide GIS repository enabling citywide and public access to information via web based applications and creating citywide standards and base mapping (on-going \$206,000).
- Transfer the cost of Pearl Street Mall maintenance from CAGID to the General Fund (Increasing by \$25,000/year over four years, on-going).
- Telecommunications planning and deployment (one-time \$25,000).
- Additional consulting/project funding to enable timely completion of Council requested projects (on-going \$100,000).

OPEN SPACE FUND

- An increase in funding for seasonal staff (\$100,000 on-going out of the Open Space Fund)

TRANSPORTATION FUND

- Resource reallocation to bicycle/pedestrian and transit/transit pass programs (on-going \$1.2 million)
- Formalize annual subsidy to the General Fund for photo enforcement activities (on-going \$100,000)
- TMP prioritization resource reallocation (on-going \$1.2 million and one-time \$30,000)
- Five year update to the TMP (one-time \$167,500)
- One new alternative fueled vehicle in the Sign Shop (on-going \$9,600, one-time \$40,000)

TRANSPORTATION DEVELOPMENT FUND

- Telecommunications planning and deployment (one-time \$25,000)

WATER FUND

- Barker Reservoir facilities (on-going \$40,000 expense and \$50,000 revenue, one-time 55,000)
- Increase in ditch fees (on-going \$10,000)
- Telecommunications planning and deployment (one-time \$15,000)

WASTEWATER FUND

- Household Hazardous Waste Program (on-going \$22,000)
- Telecommunications planning and deployment (one-time \$5,000)

FLOOD CONTROL FUND

- Increase in stormwater fees (on-going \$50,000)
- Increase Household Hazardous Waste Program (on-going \$18,000)
- Telecommunications planning and deployment (one-time \$5,000)

BURA

- Relocation of the BURA administrative office to the BVRC

CONCLUDING COMMENTS

This proposed budget, including both the responsible allocation of resources and performance measure information, illustrates the city's commitment to supporting a strong quality of life for citizens by providing efficient, effective, and customer focused government. It reflects the highest standards of fiscal accountability which is a key component of any effective organization and supports the city's commitment to responsible public service.

Adopting a budget is one of the single most important policy issues that the governing body will make. This document is much more than an allocation of revenues and expenditures. It is a plan of work, an allocation of human resources and talent, and a contract with the citizens of Boulder, committing us to high standards of performance and conduct. The staff looks forward to working collaboratively with Council and citizens to insure that the adopted budget plan meets our community's needs and expectations within the context of fiscal sustainability.

The 2001 proposed budget supports the City Council's policies of balanced budgets with adequate reserves, attracting and retaining high quality staff with competitive salaries and benefits, adding new programs cautiously and making decisions within the context of balanced multi-year financial plans. Although it does not add many of the new services we would all like to consider if revenues were not so constrained, it continues to support the excellent services our customers deserve and have come to expect. The recommended budget is aligned with and focused upon addressing the City Council's priority goals in the areas of affordable housing, economic sustainability, environmental sustainability and transportation.

In closing, I wish to express my sincere thanks, admiration and appreciation to all city staff who contributed to the development of this proposed budget. Hundreds of city employees contributed to its development and accuracy.

Respectfully Submitted,

Ronald A. Secrist
City Manager