



**CITY OF BOULDER
CITY COUNCIL AGENDA ITEM**

MEETING DATE: October 2, 2018

AGENDA TITLE

Consideration of a motion to accept the Study Session Summary from the September 11, 2018 study session on the **2019 Recommended Budget and Recommended 2019-2024 Capital Improvement Program**

PRESENTERS

Jane S. Brautigam, City Manager
Kara Skinner, Assistant Director of Finance
Kady Doelling, Executive Budget Officer
Jeff Arthur, Director of Public Works for Utilities
Chris Ranglos, Associate Planner

EXECUTIVE SUMMARY

The purpose of the September 11 Study Session was to present the [City Manager's 2019 Recommended Budget](#) and [2019-2024 Recommended Capital Improvement Program](#), allowing City Council an opportunity to review the recommendations, ask questions of staff and provide additional comments. The study session covered economic conditions, projected future city revenues, budget principles and major themes in the recommended budget, along with details of specific items proposed for funding in 2019.

Public hearing and first reading of the budget will take place at the October 2 City Council Meeting, with a public hearing and second reading scheduled for October 16, 2018. Additional information related to the September 11 Study Session will be provided in the October 2 City Council Meeting 2019 Recommended Budget first reading memo attachments.

STAFF RECOMMENDATION

Suggested Motion Language:

Staff requests council consideration of this matter and action in the form of the following motion:

Motion to accept the summary of the September 11 study session related to the 2019 Recommended Budget and Recommended 2019-2024 Capital Improvement Program. The summary is included as **Attachment A** to this agenda item.

BACKGROUND

Background information can be found in the [September 11 Study Session Memo](#), [April 24 Study Session Presentation](#), and the [Advance Study Session Summary](#) that was included in the May 1 City Council packet.

NEXT STEPS

A public hearing and the first reading of the 2019 Budget ordinances will be held at the October 2 City Council Meeting. Second reading will be held at the October 16 City Council Meeting.

In response to the discussion at the September 11 Study Session, additional information will be included in the memorandum for first reading on the 2019 Recommended Budget:

- **CIP Follow Up**
 - Provide previous information related to the plans for the **Alpine-Balsam** site in 2019 and discussion related to possible uses.
- **Financial Update Follow Up**
 - Update the **Cost Allocation** portion of the city's General Fund revenue chart to better reflect the funding source origination
 - Provide **Property Tax** historical revenue trends, including how much the 2018 property tax budget increased
 - Provide the list of **Sales Tax** increments that are sunseting or shifting to different funds
 - Compile a chart that illustrates the **Reserve %** of comparable communities
 - Compile a list of **Bond Rating** criteria and a chart that illustrates the history of Boulder's bond ratings
 - Compile **Special Events** information, including an outline of the process that larger events are required to go through to attain an event permit, the number of event permits issued between 2010-2017, and what the process would be to charge an admissions tax for foot, bike, and swim races
 - Share the **Accommodations and Food Service Tax** background and additional information on the **Boulder Convention and Visitor's Bureau's** budget and community events that they support
 - Provide additional details on the **General Fund transfers** to other funds
- **2019 Operating Budget Follow Up**
 - Share the **Library Late Fees** analysis, including how different socio-economic groups are impacted, how the late fees impact book returns, what the library

believes will be the incentive for patrons to return books if late fees are eliminated, and what the cost of staff time is to collect late fees

- Compile information regarding the **Library's Work Study Program**, illustrating usage over time and how the program is promoted
- Complete further analysis of possible correlation between the **Museum of Boulder** visitation impacting Carnegie Library visitation
- Share **OSMP's Funding Priorities** in preparation for the upcoming tax increment expirations
- Compile **Fire Inspections** information, illustrating the impact of reducing the Fire code enforcement officer – the current schedule, how the line will cover the work, etc.
- Provide additional information on the proposal to eliminate police staffing usage of the **University Hill Annex** in 2020
- Provide information on the schedule for future conversations with council regarding transitioning to in-house **Advanced Life Support (ALS)**
- Compile information on the city's **Economic Vitality program** and proposed 2019 support for small businesses and affordable commercial
- Clarify what was proposed in **2018 Reductions and continued in 2019**
- Provide information on the Fleet replacement policy

Finally, in the first reading materials and budget ordinance, the Library budget will reflect an increase of \$355,677 ongoing and \$85,000 onetime.

ATTACHMENT

A. Summary of the September 11 City Council Study Session

2019 Recommended Budget and Review of the Draft 2019-2024 Capital Improvement Program

PRESENT:

City Council: Mayor Suzanne Jones, Council Members Aaron Brockett, Cindy Carlisle, Jill Adler Grano, Mirabai Kuk Nagle, Mary Young, Lisa Morzel, Bob Yates.

Staff Presenters: Kady Doelling, Executive Budget Officer, Finance; Chris Ranglos, Associate Planner, PH&S; Jeff Arthur, Director of Public Works for Utilities, Public Works; Kara Skinner, Assistant Finance Director, Finance; Jennifer Phares, Deputy Library Director, Library; Michael Calderazzo, Fire Chief, BFD; Greg Testa, Police Chief, BPD; Yvette Bowden, Director of Parks & Recreation and Community Vitality; Lauren Kilcoyne, Central Services Manager, OSMP; Ken Baird, Senior Financial Manager, Public Works; Mike Sweeney Director of Public Works-Transportation, Public Works.

OVERVIEW

The purpose of this study session was to present the [City Manager's 2019 Recommended Budget and 2019-2024 Recommended Capital Improvement Program](#), allowing City Council an opportunity to review the document, ask questions of staff and provide additional comments. The study session covered economic conditions, projected future city revenues, budget principles and major themes in the recommended budget, along with details of specific items proposed for funding in 2019.

SUMMARY OF PRESENTATION

Staff provided general financial context for the development of the 2019 Budget including:

- Information on the 2018 financial picture and approach to closing the gap between ongoing revenues and ongoing expenditures;
- High-level summary of changes to the operating budget, capital improvement program, and the total annual budget proposed for 2019.

Staff presented the draft 2019-2024 Capital Improvement Program (CIP). This information included:

- Video overview of the draft CIP;
- Review of CIP definitions, process, and types of projects;
- Overview of CIP funding allocations by department and type of project;
- Additional information on water, wastewater, and stormwater projects proposed in the CIP and associated utility rate increases;
- General Fund capital projects proposed in the 2019-2024 CIP.

Staff then transitioned to providing a financial information update which covered:

- Domestic, State, and Citywide economic climate information;
- Information on the rates and collection of citywide revenue sources with a focus on property and sales tax;

- Requested follow-up information from the [April 24th Study Session on Budget and Revenue Updates](#), including city retail sales tax trends and per-capita retail sales comparisons to other communities.

Finally, staff presented the 2019 recommended operating budget, including:

- An overview of citywide expenditures and city fund structure;
- Approaches to developing the 2019 general fund operating budget
- An overview of 2019 budgeted citywide initiatives including broadband and electric utility projects;
- Information regarding the 2019 recommended reductions, both general fund and citywide;
- Information regarding the 2019 recommended reallocations;
- Information on the 2019 operating budget strategic investments, in the areas of core services, community engagement, social equity, and one-time investments.

DISCUSSION SUMMARY

Capital Improvement Program

- A council member asked about the projected utility rate increases, and whether a roughly 6% increase should be expected in future years. Staff responded that rate increases depend on several factors including keeping up with inflationary costs of supplies such as chemicals and construction materials, as well as capital expenses. The city makes an effort to avoid rate spikes for capital and regulatory projects by carefully planning capital expenses and gradually increasing rates where necessary.
- A council member asked what the full timeline of transportation underpass projects from design to implementation. Staff responded that the average timeline is 5-6 years, which can vary depending on timelines for federal grant applications and funding cycles. The council member also asked about the average cost of building an underpass, and staff responded that the cost varies greatly depending on the project but is around 7 million dollars.
- Several council members discussed the timeline and coordination of the 19th street and Fourmile underpasses. Staff explained that there will be coordination and phased implementation of underpasses and flood mitigation projects in the area.
- A council member asked how the passage of Proposition 110 might impact the Transportation department's budget. Staff replied that the department reduced \$1.8 million to keep pace with slowing sales tax revenues, but the new tax would increase funding by \$2.8 million so it could reinstate the budget reductions and increase the department's budget. The department would look at prioritizing and adding enhancement projects back into its budget.
- Council members discussed the Barker pipeline project with staff; staff indicated that the 12-year timeline has already begun, but proposed funding increases in the CIP and the potential for new technologies could shorten that timeline. Staff also outlined coordination with the county and the forest service that occurs as part of the process.
- A council member asked how the boulder creek flood mitigation is reflected in the 2019-2024 CIP, and staff explained that there are placeholders for the project in 2020. However, it would be a bond-funded project, so it would be included specifically in the CIP the year it was approved.

- Council members asked on a chart showing flood insurance rates whether the visual included households that should have flood insurance but do not. Staff responded that the chart shows those that have FEMA policies and there could be others that are not required to have insurance but do anyway. A council member inquired further about how flood insurance works and staff provided a response, including encouraging any member of the public to work with an insurance broker for their specific case.

Admissions Tax and Special Events

- Several council members noted an increase in special events and requested additional information on the number of events hosted in Boulder throughout the year, as well as the process for city event permitting.
- Council members inquired about the history of not charging swimming/running/walking events an admissions tax; staff responded that a policy decision was made over a decade ago by council.
- Council members about the process and possibility of changing that policy, and staff agreed to research the procedure and potential impacts to that policy change.
- Staff additionally agreed to provide the number of event permits issued throughout the year, as well as the approval process for event permits.

Property Tax Trends

- A council member inquired about the dollar amount and percentage of property tax increase for the 2018 budget, and staff responded that the increase was roughly 17%, and 6.4 million dollars.

General Fund Reserve Policies

- Several council members asked for clarification on how general fund reserve policies are set, and staff responded that council ultimately sets the reserve policy via the budget adoption.
 - In the past, the general fund has had 10% reserves, and council in the mid-2000s directed that the city should move towards 15%. In the years since the 2013 flood, city leadership created a goal of 20% reserves, which is less than three months of operating costs. While council did not adopt that shift as a policy goal, staff has brought it forward in the recommended budget each year and its received approval.
 - During the flood recovery, the city spent \$27.6 million and FEMA reimbursed the city around \$17 million, so the total cost burden to the city was between \$11-\$12 million.
- There was discussion between council and staff regarding how the reserves influence the city's AAA bond rating. Staff agreed with council that the city has other strengths besides its reserves, and that the agencies look at the organization's resiliency and operation as a whole when determining the ratings, and agreed to provide follow-up information on how the ratings are determined.

2019 Recommended Library Budget

- Council provided consensus and direction that the library's 2019 budget should be increased to reinstate the Carnegie service reductions and meet the fiscally constrained level of the library's recently approved master plan.
- Several council members asked about the proposed policy to eliminate late fees at the policy; both to ask how the library will ensure material returns and for verification that late fees disproportionately impact low-income populations. Staff agreed to provide information on how late fees impact behavior change and socio-economic groups.
- Council asked for additional information on the elimination of the work study program with CU; staff indicated that the program is under-utilized and agreed to provide follow up information on program usage.
- Several council members asked about the possibility of finding areas of cooperation between the Museum of Boulder and the Carnegie Library. First, a council member asked if there was a possibility to outsource any of the administrative costs to Museum of Boulder, and staff responded with concerns about training and having city work be done by non-city employees. Outside of that possibility, council encouraged staff to investigate any other areas of cooperation between the two entities.

Open Space & Mountain Parks Reductions

- Several council members asked for information on how the proposed OSMP reductions would impact service levels. OSMP staff provided background on the succession planning and assessment work in the department that's led into the master plan process this year. Staff explained that these reductions were planned and will not impact service levels, and reinforced that the department remains ready to be flexible and respond to the needs and priorities set by the community through the master plan process.

General Fund Subsidies

- A council member inquired about the purpose of general fund subsidies. Staff responded that the subsidies represent historic agreements to support the Planning & Development Fund, Open Space Fund and the Recreation Activity Fund.
- The OSMP subsidy dates back to the early 2000s, when the Mountain Parks department merged with Open Space. The transfer reflects the revenues that would have been generated by Mountain Parks pre-merge, and it will end after 2019.
- Staff will provide a full explanation of all General Fund subsidies to council in the follow-up information.

2019 Recommended Budget Materials

- Council requested clarification and changes in a few areas of the budget documentation provided:
 - Council asked for clarity and notes on the memo attachments, specifically for the "Reductions not Taken" and "Requests not Approved" attachments. Staff will make these edits to clarify titles.
 - Council members asked for clarification on the cost allocation revenue for the general fund; these funds come into the general fund from other city funds. Staff agreed to provide additional information on the original sources of those revenues.

- A council member asked about the location of the Housing department. Staff responded that in the 2019 recommended budget, housing is still included in the Planning, Housing and Sustainability department. Staff plans to show housing in the Human Services department in the approved budget.

2019 Recommended Fire Budget

- Several council members inquired about the funding for moving towards providing Advanced Life Support (ALS) services in-house, as opposed to outsourcing them as the city does now. Staff responded that the issue will be addressed in the Fire Master Plan and funding does not need to be incorporated into the 2019 budget.
- A council member asked about the service impact of reducing the code enforcement position in fire, and staff explained that there will not be a reduction in service, but the bulk of the routine inspections will be shifted to line staff, while remaining code enforcement staff will focus on specialty, complex, or hazardous materials inspections.

Economic Vitality Program

- A staff member asked for additional explanation regarding the economic vitality program generally and the flexible rebate program specifically.
 - Staff explained that the economic vitality program has been in place for 10 years in the Community Vitality department, and its focus is on retaining business in the city.
 - The flexible rebate program provided a rebate on construction use tax to select businesses based on evaluation of how companies complied with the sustainability guidelines for the city as well as a return-on-investment for keeping the business in the city.
 - Approved businesses in the flexible rebate program averaged 7-10 per year, and they received \$10,000-\$75,000 in rebates each.
 - In the past few years, the number of applicants and thus the number of recipients has decreased, so staff is proposing to use the \$350,000 allocated to the program for other programs that are having a greater impact in the community.
- A council member expressed a concern related to how expanding businesses impact the Average Median Income (AMI) for the city, and thus impact the affordable housing programs.
- A council member asked for clarification on the restructuring of the economic vitality program in 2018. Staff explained that last year one economic vitality position was reduced. The position remaining does crucial data work, and liaises with the Boulder Chamber and local businesses. The Community Vitality department is focused on its downtown retail study and internal restructuring and will continue to evaluate what positions are needed to best serve the community.
- Several council members asked if the Community Vitality and Parks & Recreation departments would merge, and staff clarified that they will not be merging but are sharing one director at present.

2019 Recommended Police Budget

- A council member asked about the proposed reduction to close the Hill Police Annex in 2020. Staff gave a brief history of the building and explained that it hasn't been open to

the public since 2011 but is instead used as a workspace throughout the day. Staffing levels and police visibility on the hill would not change as a result of this reduction, and the department plans to continue to evaluate potential efficiencies in its office locations in the coming years.

- A council member inquired about the impact of the staffing reductions proposed in the police department, and staff responded that the positions proposed for reduction had been vacant for some time, which provided an opportunity for the department to take a strategic look at the positions. Ultimately, the police department determined that reducing the administrative positions won't impact direct service levels in any way.

EcoPasses

- One council member drew attention to the increases proposed by RTD for the EcoPass program and asked how the 2019 budget might address a potential shortfall in funding. Staff responded that the 2019 budget would cover the proposed increase but indicated that this may be an issue in future budgets, depending on what fare increases RTD ultimately approves.

Overall, council appreciated the thoughtful budget and flexibility it provided in making decisions.