

City of Englewood, Colorado
Budget Advisory Committee
2017 Annual Report

Submitted on
August 31, 2017

Prepared by

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Introduction

The Budget Advisory Committee was created by the Englewood City Council in May 2013 (Ordinance 16, Series 2013) with the following purpose:

The Budget Advisory Committee (BAC) is established by Council and the City Manager to advise the City on the development, implementation, and evaluation of the annual City Budget. Participation in the Budget Advisory Committee is an opportunity not only to advise on the prioritization of how city tax dollars are spent, but also to advise policymakers in their decision-making process in an open and transparent manner.

At the time of its inception, the BAC was launched as a temporary committee with a three year sunset. BAC members spent their first year learning about city finances and meeting with different departments before issuing the first annual BAC report in 2014. Annual BAC reports were also issued in 2015 and 2016.

When the BAC sunset arrived in 2016, Council extended the BAC charter by one year. During its existence, the BAC has seen some members come and go. One of our founding members (Joel Day) left the State of Colorado in 2015 and was replaced by Ben Rector. John Moore left the BAC in 2016 in order to remain on other city boards. Shelly Manzano was appointed to replace John Moore. With the loss of each founding member, we lose some institutional knowledge, while gaining fresh perspectives. This year, Ben Rector moved to Denver and vacated his seat on the BAC.

In 2017, Council removed the BAC's sunset provision making the BAC a permanent standing committee. The BAC is very pleased that Council has decided to extend the committee indefinitely. We believe we have added a valuable voice to the City's financial and budgeting processes and policies, and we look forward to continuing to work with Council and the citizens to ensure a fiscally responsible city that has the resources to serve its citizens.

We want to give a special thank you to founding member and first BAC chair Harvey Pratt for his years of service to the Committee. We also want to thank Ben Rector for his service. We appreciate all their contributions and will miss them. The BAC is excited to welcome two new members: Julia Kiewit and Suzanne Dirksen. We look forward to sharing our knowledge and benefiting from their innovative ideas and insights.

Because of the looming expiration of the BAC's charter after the one year renewal in 2016, the loss of our Council liaisons, and the loss and replacement of three members between 2016 and 2017, our 2017 report will be shorter than our previous reports. We will spend much of this 2017 report looking back at our previous findings, the advances that Englewood has made budget wise, and looking forward to what the BAC would like to accomplish in the next year.

This year's report to Council will address the following subjects:

- A retrospective on previous reports
- A review of revenues in Englewood and nearby municipalities
- Fiscal cliff and upcoming infrastructure needs
- Advances in transparency
- Going forward

Looking Back

In our 2016-2017 cycle, we spent quite a bit of time discussing our concerns about police department staffing after Chief Collins joined us for our October 2016 meeting. We presented these findings in an issue brief that we sent to Council in March 2017. We are pleased to hear that the 2018 budget proposal includes two new police officers, and we stick with our March finding that multiple new police officers are needed in Englewood.

Our 2014 report addressed bond issues and funding sources. In our 2015 report, the BAC directly addressed the need to build a new facility to replace the current police building. Our 2016 report once again addressed the safety services building. By the time of that report, a bond question was already set to appear on the 2016 ballot.

Voters passed the bond initiative, and bond proceeds will be used to build a new Safety Services building and contribute to other needs of the Englewood Police Department.

Revenue

In our previous reports, we discussed Englewood's revenue sources. As you know, the City's main revenue sources are sales and use taxes and property taxes. Our 2014 report addressed sales tax dependency. We addressed sales tax dependency again in our 2015 report. Additionally, we pointed out in our 2015 report that Englewood's property taxes were (at that time) relatively low by comparison to other municipalities. In our 2016 report we once again encouraged Council to take an in-depth look at the property taxes of nearby municipalities and the property tax burden that an average citizen or business in one of our neighboring municipalities has compared to what we pay in Englewood.

To assist Council in examining property taxes and to ensure that we were operating with correct information, the BAC members requested an analysis of nearby property taxes from staff. The property tax picture changed significantly after the 2016 election in which the citizens of Englewood approved a bond issue to rebuild the Safety Services building, a bond issue to rebuild all of Englewood's elementary schools, and a general mill levy increase for Englewood Schools. We've attached a current comparison of area-wide property taxes to this report.

Upcoming Fiscal Cliff

The BAC remains concerned about the City's long term financial outlook and its deferred infrastructure needs. The City is facing a structural imbalance. This means that beginning in 2019 the City's expenditures will outpace its revenues by almost a million dollars. In this situation the City has two options: increase revenue and/or decrease expenditures. In past annual reports the BAC has encouraged City Council to explore options for diversifying its revenue streams and lessening its dependence on volatile sales tax revenue. The projections that show the City in the red beginning in 2019 are contingent on continued revenue growth. If that growth does not continue, the budget shortfall will be even more significant than currently projected. Given the cyclical nature of the economy and the growing presence of on-line purchasing, the City's dependence on sales tax as its major revenue stream remains a significant concern for the BAC.

We applaud the Council and City Manager's efforts to review goals and priorities with an eye on reducing expenditures where possible. We look forward to opportunities for efficiencies and cost savings that will emerge from the Budgeting for Community Goals project. However, given ever increasing expenditures, the BAC urges Council and the City Manager to engage in conversations about the City's financial future immediately, and not wait for the 2019 budget cycle. The BAC urges Council and the City Manager to think creatively about options such as vacating the City Center property and relocating City government to less costly premises. The BAC also urges City Council to explore outsourcing and shared services approaches. Functions such as Fleet, which are shared across multiple jurisdictions, have already proven to be effective. The BAC believes there may be other promising opportunities to reduce costs by taking advantage of economies of scale. The issue of outsourcing and shared services is one that the BAC would like to explore in the coming months.

The BAC also remains extremely concerned about the City's \$77 million infrastructure need. Maintaining roads, bridges, parks and other city infrastructure is critical to high quality of life in Englewood as well as being essential to our economic vitality. Additionally, deferring maintenance leads to increased project costs. Given the pending pressures on the operating budget, the BAC does not see a viable funding stream for much needed infrastructure projects. The BAC urges Council to consider approaching the citizens for a dedicated mill levy increase for infrastructure. Without such a step, the BAC sees no way for the City to meet its significant infrastructure needs.

While we will not explicitly advocate for additional increases in property taxes, we believe there is much more potential harm in a decision to defer capital maintenance or trim services in lieu of asking the People for additional funding (tax increases) to provide for capital needs and services. We, as members of the BAC understand that services cost money, and we are willing to share that word with our fellow citizens. Again, we strongly recommend that when Council faces serious concerns about the future financial health of the City, the members of Council should be prepared to give the citizens a choice to increase taxes in order to sustain services.

Transparency

The BAC applauds the City's recent strides toward transparency. The online check register allows citizens to see how the City's money is spent. Through Budgeting for Community Goals (previously known as priority based budgeting), the citizens can access online tools that help them assign funds to programs and see how those changes affect other programs.

The BAC members intend to take a closer look at the City's online check register next year to identify more possible opportunities to reallocate money. For instance, a cursory analysis of the City's online check register from January to June 2017 indicates that:

- Over \$3,000 will be spent providing coffee in the City Center this year (\$1,714.95 spent from January 1, 2017 to June 30, 2017).
- Council dinners will cost over \$3,000 from the General fund this year (\$1,479.50 spent in the first six months of 2017).
- Memberships to professional organizations such as the City Managers' Association (\$960), the National League of Cities (\$3,258 plus registration fees of \$2,360 for Council to attend the annual NLC meeting), and the Englewood Chamber of Commerce (\$3,500) can add up quickly.

BAC members understand that these expenditures represent nickels and dimes in the grand scheme of the City's nearly \$50 million annual general fund. However, if we save enough nickels and dimes, we can eventually pay for the citizens' unfunded wish list items, such as additional police officers or improvements to Englewood's parks and the recreation center.

This year, the City of Englewood conducted four public forums on Budgeting for Community Goals. Each session took place at a different location and tackled a different topic. BAC members attended at least two of these sessions. The Budgeting for Community Goals sessions were an opportunity for lay members of the public to be engaged on budget-related issues such as Broadway streetscape improvements, police funding, and parks and recreation. While these sessions were productive, it should be noted that all feedback should be considered at these sessions, including feedback that encourages city staff and Council to change course or avoid certain actions. When citizens provide feedback (such as avoiding the closure of Broadway for community events) and feedback is rejected outright, it stifles conversation and discourages future engagement. Additionally, for the purposes of record keeping and accountability, feedback and brainstorming notes should be available to workshop participants.

Looking forward

As we move forward, the BAC is contemplating looking into the following issues in the coming months:

- Outsourcing/shared services
- Alley paving
- Enterprise Funds
- Economic Development

While Council modified the BAC's charter ordinance to remove the sunset provision and restore our Council liaisons, we believe there is still room for improvement in our authorizing ordinance. The BAC's charter requires us to do the following (among other provisions):

- At the start of each budget year the City Manager shall meet with the Budget Advisory Committee and shall review projections of major revenue sources and expenditures.
- The City Manager and the Director of Finance and Administrative Services shall work with the Budget Advisory Committee to establish budget guidelines for the coming year.
- Each department shall present its budget to the Revenue and Budget Manager, the Director of Finance and Administrative Services, the City Manager and Budget Advisory Committee.

In spite of the requirements in the BAC charter, Council has directed staff not to provide any information to the BAC before it is provided to Council. For this reason, we recommend modification of the three provisions listed above. We appreciate the opportunity to meet with department heads, such as Chief Collins, but it is difficult to bring every department head before the BAC every year and may not be an effective use of staff time. We

currently have a two-month window during the budget cycle to produce our annual report. In the past, this timeline has caused difficulty in getting the best information to Council while it is still relevant.

We believe the restoration of our Council liaisons will assist us with better meeting Council's needs. An update of our charter will go further toward that goal. We look forward to ideas from Council for areas where they believe the BAC can be of assistance. We also look forward to suggestions from our new members and, as always, we are pleased to get input from citizens on what matters are important to them. We are grateful for the opportunity to serve, and we are looking forward to what our future discussions on the 2019 budget cycle will bring.

Appendix

2016 Mill Levy Rates Collected in 2017									
Entity	Englewood	Englewood	Englewood	Englewood	Englewood	Englewood	Englewood	Englewood	Englewood
City	11.613	11.613	11.613	11.613	11.613	11.613	11.613	11.613	11.613
Littleton School District									
Cherry Creek School District	53.232								53.232
Sheridan School District #2									38.744
School District		54.561	54.561	54.561	54.561	54.561			
County	14.039	14.039	14.039	14.039	14.039	14.039	14.039	14.039	14.039
Urban Drainage	0.559	0.559	0.559	0.559	0.559	0.559	0.559	0.559	0.559
Urban Drng&fld (S Platt)	0.061	0.061	0.061	0.061	0.061	0.061	0.061	0.061	0.061
Developmental Disability	1	1	1	1	1	1	1	1	1
Valley Sanitaion District							2.265		2.265
Sheridan Sanitation #2 A									
Arapahoe Library District									
Cherry Hills Fire Bonds Only									
Littleton Fire Protection District									
South Metropolitan Fire Rescue District									
South Suburban Park & Recreation Bonds (Cherry Hills)									
South Suburban Park & Recreation District									
South Suburban Park & Recreation District Bonds (Grnwd Vlg)									
Southgate Sanitation District									
Water Conveancy									
Subtotal	80.504	81.833	81.833	81.833	81.833	81.833	82.567	68.281	80.504
South Suburban Park & Recreation District-Applies to Cornerstone and Progress Parks									
Total	80.504	81.833	81.833	81.833	81.833	81.833	82.567	68.281	80.504

