



**CITY OF BOULDER
CITY COUNCIL AGENDA ITEM**

MEETING DATE: October 16, 2012

AGENDA TITLE Consideration of a motion to accept the summary of the Sep. 11, 2012 Study Session on the 2013 Recommended Budget

PRESENTERS

Jane S. Brautigam, City Manager
Paul J. Fetherston, Deputy City Manager
Bob Eichem, Chief Financial Officer
Eric Nickell, Budget Director
Peggy Bunzli, Budget Manager

EXECUTIVE SUMMARY

The purpose of the Sep. 11 Study Session was to present information on the 2013 Recommended Budget and receive council's feedback.

The first reading of the 2013 budget ordinances was held at the Oct. 2, 2012 City Council Meeting. Responses to City Council questions from the Sep. 11 Study Session were provided in the [Oct. 2, 2012 City Council Meeting agenda packet](#) and at the Oct. 2, 2012 City Council Meeting.

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, 2012 study session related to the 2013 Recommended Budget. The summary is included as Attachment A to this agenda item.

BACKGROUND

Background information can be found in the [2013 Recommended Budget document](#), the Aug. 30 [Study Session memo](#), and the Sep. 6 [additional memo](#) provided to council.

ATTACHMENT

- A. Summary of the Sep. 11, 2012 City Council Study Session

September 11, 2012
City Council Study Session Summary
2013 Recommended Budget

PRESENT

City Council: Council Members Suzy Ageton, Matt Appelbaum, KC Becker, Macon Cowles, Suzanne Jones, George Karakehian, Tim Plass, Ken Wilson

Staff Members: City Manager Jane S. Brautigam, Chief Financial Officer Bob Eiche

PURPOSE

The purpose of this study session was to present information on the 2013 Recommended Budget and to receive Council feedback in preparation for the first reading of the 2013 budget ordinances on October 2, 2012. The study session had the following agenda:

- Economic and Financial Update
- 2013 Recommended Budget
 - Budget Overview
 - Budget Highlights
- Next Steps

PRESENTATION

Introduction

City Manager Brautigam opened the meeting by giving a brief overview of the agenda for the evening. She then began by acknowledging that the 2013 Recommended Budget was put together with the efforts of many people throughout the city. She emphasized that staff has been concentrated on preparing a transparent budget document with a focus on Priority Based Budgeting.

Economic and Financial Update

Chief Financial Officer Bob Eiche provided an update on the economic indicators and potential headwinds and tailwinds related to the development of the 2013 budget. He reviewed the economic and political factors that are causing a climate of uncertainty throughout the region. Due to these economic conditions, city staff developed the budget recommendations with short term (tactical) and long term (strategic) decisions, based on revenue projections for the next six years.

Mr. Eiche examined the economic challenges facing the city. These include the federal fiscal cliff, which may cause automatic spending cuts that will impact federal labs and the education system. The political uncertainty on how to deal with the federal fiscal cliff may also result in several tax increases or elimination of current tax exemptions. If agreement is not reached, the federal fiscal deficit will increase and may cause similar problems to those experienced by Europe. The impact to businesses may mean no new hiring.

Another headwind is the slow pace of the current recovery. It has been the weakest recovery after a recession since the Great Depression. New jobs are not being created and consumer

confidence is dropping. The jobless rate remains above 8%. Moreover, the city is losing on revenue from internet sales, which continue to increase. Colorado is not in the group of states positioned to collect internet sales tax. Various legislative solutions are being debated at the federal and state level. City staff will continue to monitor this legislation as it affects local government internet sales tax revenues.

Mr. Eichem also reviewed the positive indicators of our economy. Property valuations have stabilized, housing prices are slowly rising, business loans are becoming more available, successful businesses have cash on hand, and our city has entrepreneurial and innovative strengths.

Next, Mr. Eichem revisited some of the key economic indicators for 2012. The city sales and use tax projection has been revised downward. This is primarily related to flat retail sales tax revenues. A 1.6% increase in sales tax is mostly due to a onetime business to business payment of \$200,000. Mr. Eichem also provided explanation of the loss of purchasing power of 22% over a decade.

Mr. Eichem concluded that the upcoming election and the debt crisis in Europe continue to be wildcards, but the local economy will continue to improve slowly. The headwinds appear to be stronger than the tailwinds, but the city is responding by budgeting conservatively and putting aside bigger reserves to deal with the uncertainty.

Questions were then taken from City Council. Answers were provided in the study session itself, in a follow-up provided with the [Oct. 2 council meeting agenda packet](#), and at the Oct. 2 City Council meeting.

2013 Recommended Budget – Executive Summary

Budget Overview

City Manager Jane S. Brautigam provided an overview of the citywide budget. The 2013 Recommended Budget is approximately \$256 million, of which \$223 million is operating and \$33 million is capital. Of the \$223 million operating budget, \$99 million is in the General Fund and \$124 million is in restricted funds.

The City Manager reviewed the utility rates proposed for 2013. Even though the utility rates are projected to increase by 3% for water and stormwater/flood management and 5% for wastewater, the city's rates will remain very competitive with those of other providers along the Front Range.

The City Manager then reviewed citywide expenses. The largest 2013 expenditures are allocated to Transportation, Utilities, Public Safety, Open Space and Mountain Parks (OSMP), and Parks and Recreation. The remaining third is divided among the Fire, Library, Human Services, Housing, Community Planning and Sustainability, Development Support Services, Energy Strategy, Parking and neighborhood services, and administrative functions.

Budget Highlights

The City Manager reviewed the priorities for the 2013 budget. These priorities are aligned with the Sustainability Framework for the city, Priority Based Budgeting, and council priorities. The Recommended Budget for 2013 provides additional funds in the following community priority areas:

- Environmentally Sustainable Community – one time funding for Boulder’s Energy Future, and ongoing funding for OSMP crews and a forest management technician
- Healthy and Socially Thriving Community – one time funding for the Civic Area Master Plan, and ongoing funding for a children’s and youth services librarian, a homeless resource officer at the Municipal Court, and a Parks and Recreation “Ready to Work” crew
- Accessible and Connected Community – one time and ongoing funding for transportation maintenance and street lighting
- Economically Vital Community – one time funding for a business liaison position
- Safe Community – ongoing funding for Public Safety, water quality, and wildland fire response
- Good Governance – one time funding for replacement and renovation reserves for the East Boulder Community Center, and ongoing funding for security audits.

The 2013 Recommended Budget continues Boulder’s guiding principle of paying for on-going expenses with on-going revenues in order to ensure the base budget remains fiscally sound and the city does not live beyond its means. Part of this guiding principle requires projections of one time expenses and non recurring expenses so that the city can properly apply one time revenues and intentionally save for anticipated expenses. So while the base budget is proposed to increase only 2 percent, there are additional non recurring obligations that will come due in 2013, and the city has saved over the years to pay for these obligations.

As a summary, the City Manger stated that the Recommended Budget allocates the small amount of additional funding available in 2013 according to community and council priorities. The Budget also proposes an increase to the General Fund reserve from 10 to 15 percent, it invests in the city’s infrastructure by increasing Capital Improvement Program investment by 40 percent in 2013 and continuing the 2011 Capital Improvement Bond projects.

Questions were then taken from City Council. Answers were provided in the study session itself, in a follow-up provided with the [Oct. 2 council meeting agenda packet](#), and at the Oct. 2 City Council meeting.

Next Steps

City Manager Brautigam reviewed the schedule of upcoming meetings relating to the 2013 budget with council. Council concluded the meeting by agreeing that a second study session would not be necessary.