APPENDIX J

Description of Expanded General Fund

As the Blue Ribbon Commission's (BRC) purpose notes, the commission was tasked with looking at a 20 year planning period. For consistency, the commission used the year 2030 as its planning horizon because it corresponded with the planning time frame of the Boulder Valley Comprehensive Plan.

In order to provide the necessary context and information to form its recommendations on revenue stability, the BRC requested that staff develop a long-range financial model to project revenues and expenditures from 2006 through 2030. The Commission hired two economists, William Kendall and Phyllis Resnick, to develop the long-range financial model.

The long-range financial analysis was created to project expenditure and revenue growth for the city's nine largest funds (excluding the fee-based water utility funds). Excluding the fee-based utility funds, the nine funds represent 93% of the city's 2008 budget. A financial analysis for these nine funds projected future expenditures and revenues based on local and national economic data, trend forecasts, projected job and population growth and identified critical funding deficiencies (ICDs). The nine funds include:

1. General Fund
2. Planning and Development Services Fund
3. .15 Cent Sales Tax Fund (dedicated)
4. .25 Cent Sales Tax Fund (Parks & Recreation)
5. Library Fund
6. Recreation Activity Fund
7. Open Space Fund
8. Transportation Fund
9. Downtown Commercial District Fund (formerly known as CAGID)

The long-range financial analysis indicated that a funding gap existed for seven of the nine funds. Although many of these services have been funded through separate restricted funds (rather than the General Fund), seven of the funds were combined in this study into an "Expanded General Fund" because they provide funding for basic city governance services. The Expanded General Fund includes:

1. General Fund
2. Planning and Development Services Fund
3. .15 Cent Sales Tax Fund (dedicated)
4. .25 Cent Sales Tax Fund (Parks & Recreation)
5. Library Fund
6. Recreation Activity Fund
7. Transportation Fund

The analysis did not indicate that either the Open Space Fund or the Downtown Commercial District Fund (formerly the CAGID Fund) would have a significant funding gap in 2030.

As noted above, the scope of this analysis did not include every city fund. Although most city programs and services are reflected in the analysis, a few high profile programs were not included due to the time constraints associated with development of detailed projections for smaller funding sources and the inherent difficulty of projecting external funding sources. The majority of city programs and services excluded from the model include:

- the affordable housing program (which will be conducting its own community dialogue and update to Council in 2008)
- the Development Excise Tax Funds (which will be studied in 2008)
- the Climate Action Plan Fund (program will be evaluated prior to expiration of carbon tax in 2012)
- the Permanent Parks and Recreation Fund
- the Lottery Fund
- the Airport Fund
- the University Hill Commercial District Fund (formerly the UHGID Fund)

The forecast adjusted the 2006 expenditure budget to 2030 by identifying an appropriate inflation factor for each type of expense (e.g. personnel, facility energy costs, transportation construction). The 2006 revenue forecast was also projected to 2030 using a similar methodology to inflate each revenue category by the appropriate factor.

The analysis assumes that 2006 city service levels would be maintained at the same level through 2030. In other words, the model adjusted expenditures for inflationary pressure, projected job and residential growth but not to increase service levels (e.g. adding library hours or new programs and/or services).

In addition, the financial model includes a component to provide funding for four Identified Critical Deficiencies (ICDs) without changing the overall service standard. For example, there are essential capital or basic operating services currently in place, but insufficient funding to pay for lifecycle replacement or increased operating costs. The total estimated annual costs of the ICDs are $3.6 million per year. The ICDs include:

- Develop a fire apparatus replacement mechanism to replace the vehicles that are currently in the stations when their useful life expires;
- Develop a software replacement mechanism to replace software that is currently in use for city operations when the software exceeds its life expectancy and/or the vendor no longer supports it (ex: financial software, human resources software, police records software);
- Increase FAM (Facility and Asset Management) fees to fund 50 year replacement and ongoing maintenance of most existing facilities (see the 2005 FAM Master Plan for additional detail); and,
- Increase funding to match the inflation costs associated with energy and fuel.