

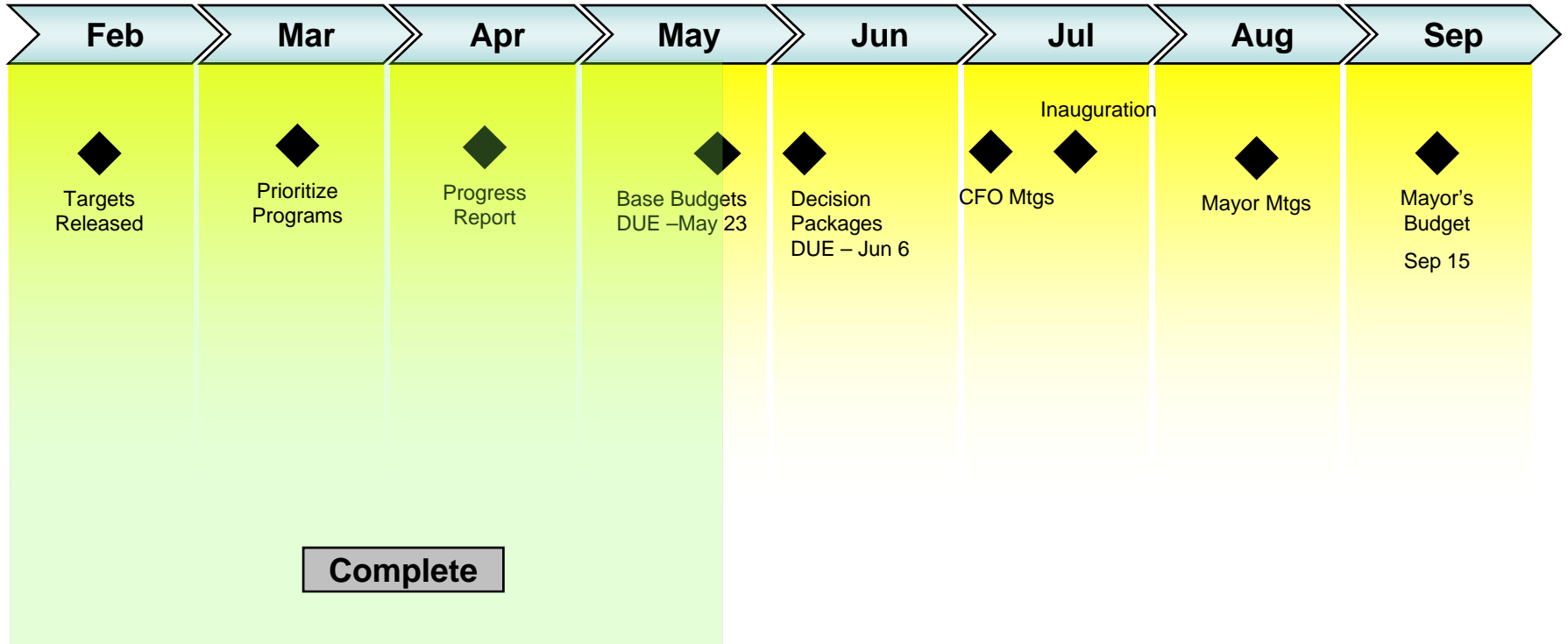
2012 Budget & Structural Financial Task Force

May 2011



DENVER
THE MILE HIGH CITY

Operating Budget Timeline



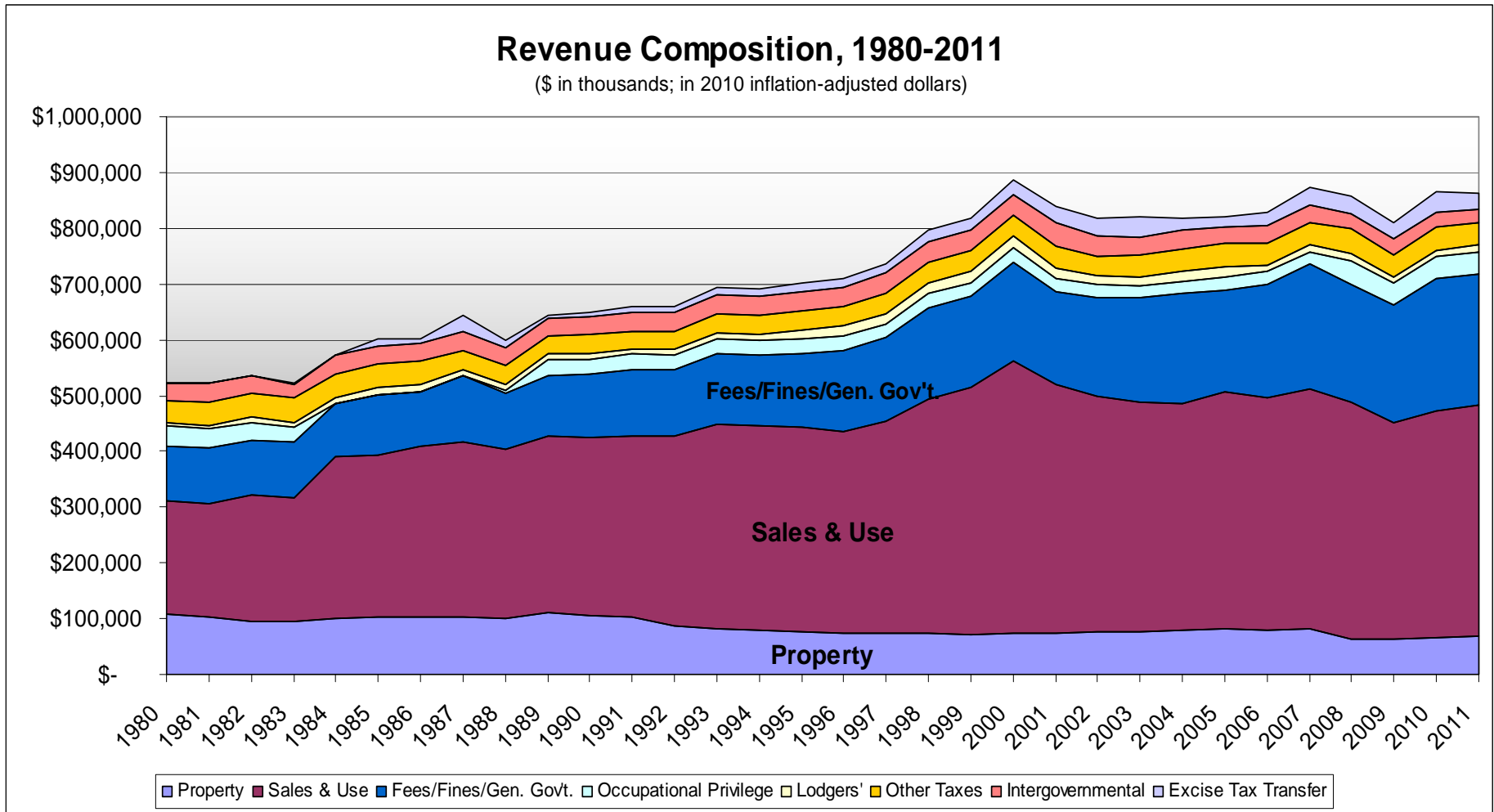
History of Reductions

- 5% reduction workforce since 2009
- Consolidated functions
 - Accounts payable/Procurement
 - Technology Services
 - Payroll
 - Human Resources
- Reduced hours of services (libraries, rec ctrs, 311)
- Eliminated or scaled back services
 - Denver8 produced programming
 - Large item pick up

SFTF Overview

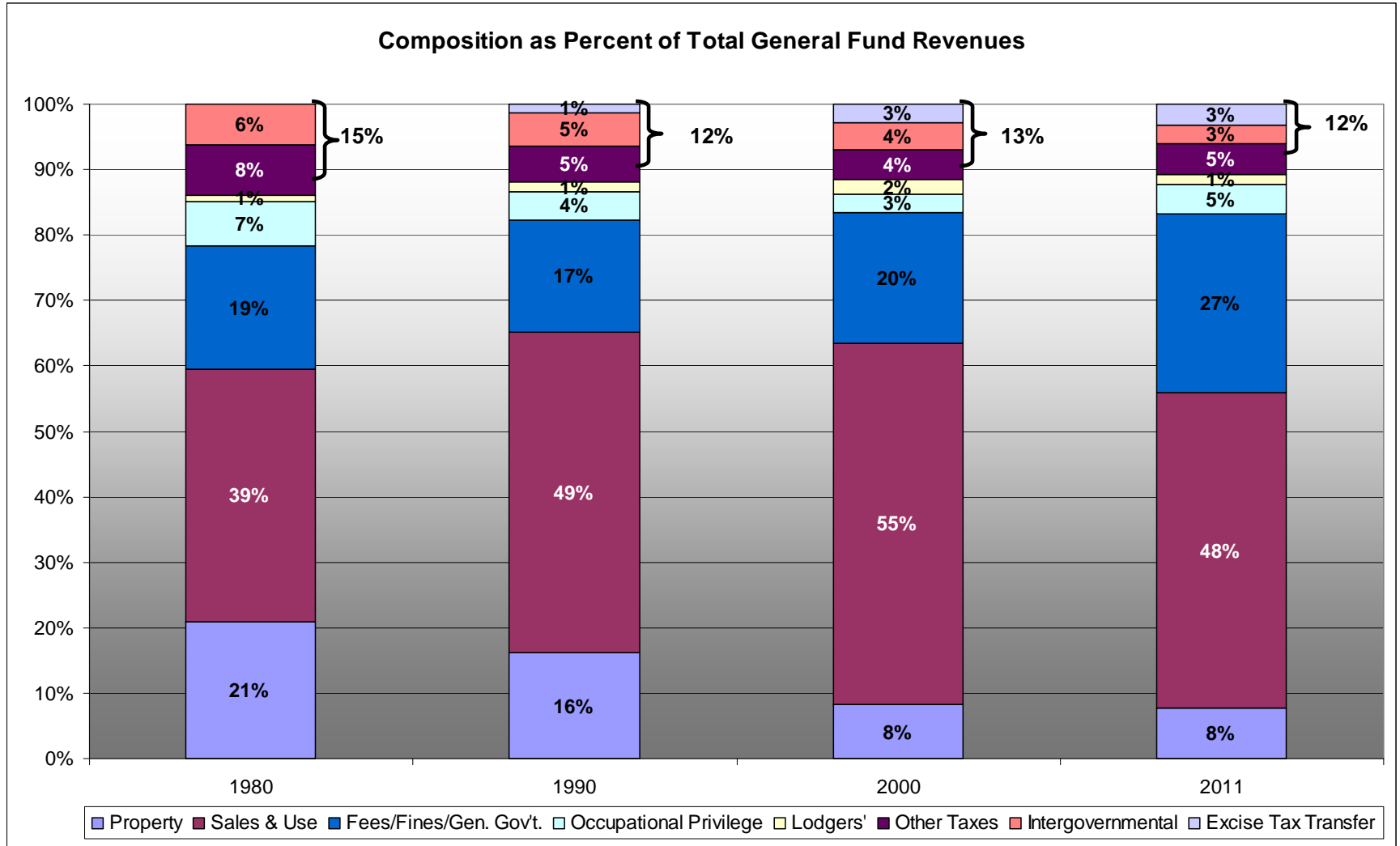
- The Structural Financial Task Force was announced in January 2011 and the group meets monthly
- It is comprised of 21 community, business, and civic leaders
- The Task Force is charged with reviewing the current expense and revenue profile of the City and County of Denver
- The group will recommend a package of expenditure and revenue options that will address the long-term structural gap
- Any recommendations will be evaluated by the new administration and the public prior to implementation.
- The DPL mill levy will be reviewed by the task force in June.

Overall Revenue Trends and Composition



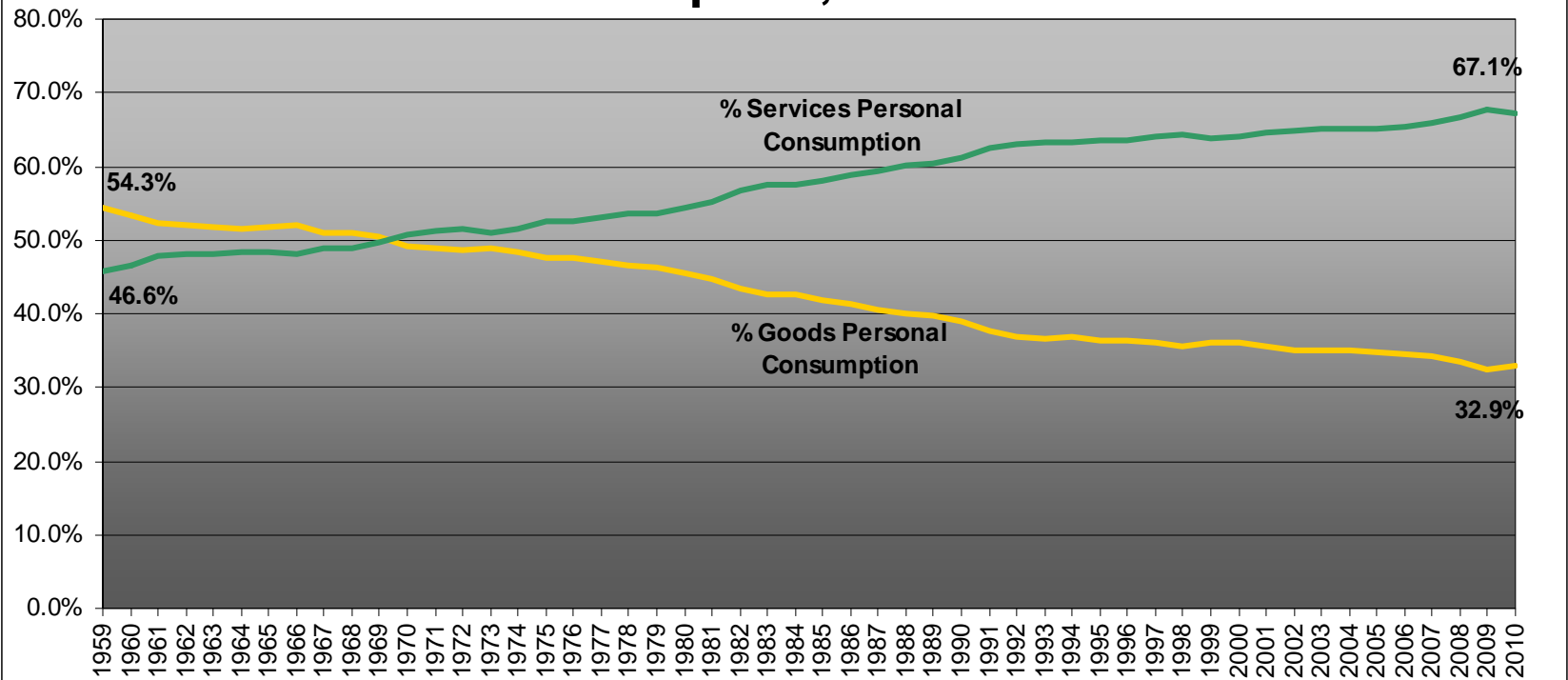
Sources: Revenue data obtained from Budget & Management Office budget books. Inflation rates are calculated in 2010 dollars derived from Denver metro-area Consumer Price Index data obtained from the U.S. Bureau of Labor Statistics. 2010 and 2011 revenues are estimated.

Overall Revenue Trends and Composition



Sales and Use Tax Revenue

Goods and Services as Percentage of Personal Consumption, 1959-2010



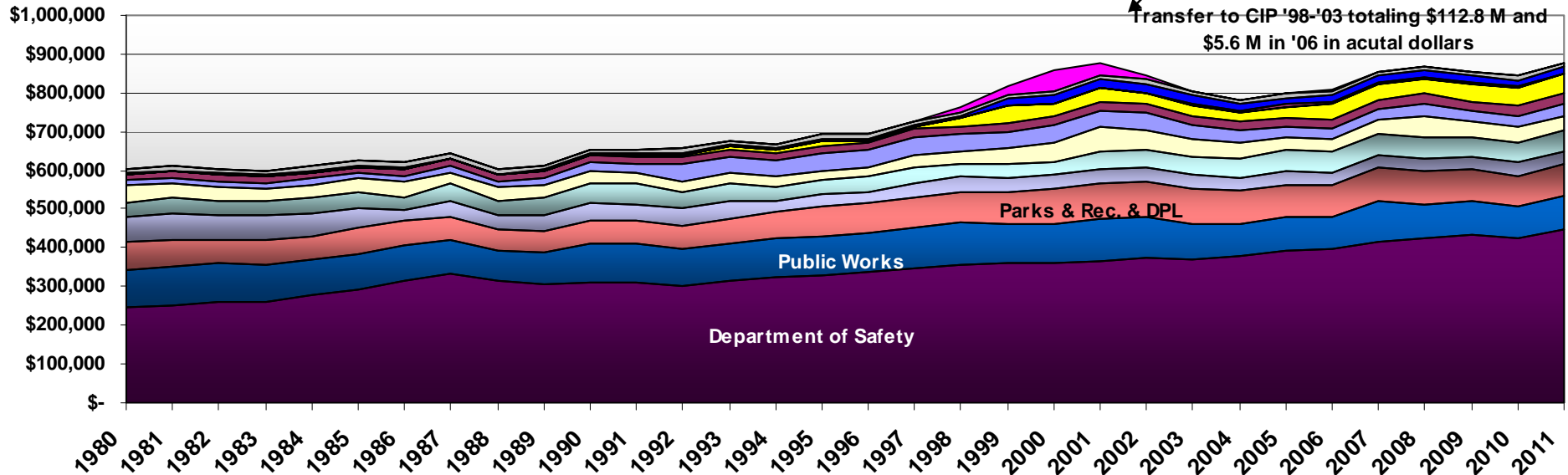
Source: Bureau of Economic Analysis

Over the last 50+ years, goods consumption has decreased significantly as a percent of total personal consumption. Denver sales tax is derived primarily from goods consumption, while few services are taxed.

Departmental Expenditures

2010 Inflation Adjusted Expenditures by Dept, 1980-2011

(\$'s in Thousands)



- Safety
- Public Works
- Parks and Recreation/Cultural Facilities
- Denver Hospital/Public Health
- General Services
- Department of Finance/Revenue
- General Administration
- Independent Agencies
- Technology Services
- Economic Development
- Community Planning and Development
- Environmental Health
- Transfer to Capital Improvement Fund

Sources: Expenditures data obtained from Budget & Management Office budget books. Expenditures are 'actual' expenditures reported; 2010 and 2011 expenditures are estimated. Inflation rates are calculated in 2010 dollars derived from Denver metro-area Consumer Price Index data obtained from the U.S. Bureau of Labor Statistics.

Framing the Citywide GF Problem

The problems to be solved include:

1. Permanently closing a monetary gap between rev and exp of approximately \$30m per year. No expansion of services or reinstatement of previous reductions.
Average each year over 17 years: \$30M
2. Permanently adjusting the growth rates of expenditures or revenues or both, so that a gap doesn't recur (and grow over time) within 3-4 years.

Growth Rate Gap

Expenditure: 4.74%

Revenue: 3.37%

Net: 1.37%

Website

If you search for “Structural Financial Task Force” on the DenverGov website you will be directed to the Taskforce website.

The screenshot shows a Microsoft Internet Explorer browser window displaying the DenverGov website. The address bar shows the URL: <http://www.denvergov.org/Budget/StructuralFinancialTaskForce/tabid/440626/Def:default.aspx>. The website header includes the Denver logo and navigation tabs for "Living in Denver", "Doing Business in Denver", "City Government", "Online Services", and "311 Help". The main content area is titled "Budget and Management Office" and features a sidebar with a navigation menu. The main content area is titled "Structural Financial Task Force Overview of the Effort" and contains the following text:

You are here: > Structural Financial Taskforce

- > Budget and Management Office
- > City Budget
- > Capital Improvements Plan
- > Citizen Information
- > Financial Updates
- > Newsletters
- > Structural Financial Taskforce
- > About Us
- > Contact Us

Structural Financial Task Force Overview of the Effort

The task force has been charged with achieving the following goals:

- > Learn about the City's revenues, expenditures and tax burden.
- > Challenge and validate Denver's thirty year expenditure and revenue forecasts identifying a structural budget gap.
- > Generate and vet expenditure and revenue ideas that could solve the structural gap.
- > Recommend to the City a package of options that will solve the structural gap.

Two Distinct Issues

In the past, budget deficits have been caused by cyclical recessions, such as in the early 2000's and in the last three years. These have been solved with expenditure reductions, some temporary in nature and some service cuts, until revenues recover. However, this recession has been so severe that we are expecting another deficit to solve in 2012. This is primarily due to continued slow revenue growth on a significantly reduced base. There is some question as to whether this revenue base will ever fully recover.

Separate from cyclical recessions, a structural deficit between revenues and expenditures has been growing over the last decade. It is being caused by:

- > A changing economy, spending habits, and demographics that are causing revenues to grow at slower rates, especially in the last 10 years
- > Pressures on expenditures, such as health care costs, that prevent the reduction of on-going costs without impacts on services. Expenditure growth does not include expansion of existing services or addition of new services (ex. composting).

This Task Force will primarily be addressing the structural budget deficit that would have been an issue even if there had not been a recession.

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