

CITY COUNCIL COMMUNICATION



Meeting Date:	July 15, 2008	Item Number:
Type of Item:		
Presented by:	Jim Golden, Director of Finance ext. 8629 Jim.golden@ci.longmont.co.us	

SUBJECT/AGENDA TITLE: 2009 General Fund Budget

EXECUTIVE SUMMARY: Earlier this year the City staff projected that the 2009 General Fund would be facing a potential funding gap of between \$900,000 and \$1.6 million. Last month the City conducted three community forums to gather input from the community on the relative priorities of municipal service categories in the General Fund. Input was also solicited through the City's web page. Along with relative priorities citizens also submitted suggestions for increasing revenues or reducing services. As a part of this agenda item staff will identify the common themes that came out of the forums. Additionally, staff has prepared information on potential areas for increase in revenue. After reviewing these themes and revenue options with the City Council staff will utilize them, unless directed otherwise, to prepare a proposed General Fund budget for 2009.

COUNCIL OPTIONS:

RECOMMENDED OPTIONS:

FISCAL IMPACT & FUND SOURCE FOR RECOMMENDED ACTION:

BACKGROUND AND ISSUE ANALYSIS:

At the regular meeting of the City Council on March 4th staff presented a rough projection of the potential funding gap facing the General Fund for the 2009 budget. Based on varying assumptions the gap was projected to be between \$900,000 and \$1.6 million. At this time it is more likely that we will be dealing with the larger gap of \$1.6 million as sales and use tax growth has shown no growth overall through June. Recent announcements of significant layoffs at Butterball will impact future sales tax revenues. In April the City Council directed staff to begin a process of community involvement to help inform City Council about the community's municipal service priorities. Council also directed staff to review existing revenue sources in the



General Fund to see where they could be enhanced. The City's Employee Advisory Group also solicited suggestions from employees that might reduce costs or budgets.

GENERAL FUND SERVICE PRIORITIES

In order to begin a process of community involvement in setting the General Fund priorities for the 2009 budget the City scheduled three community forums in early June. Two of the forums were an open invitation to all community members and the third was a group of randomly selected invitees that demographically represented Longmont residents. Participants were asked to provide input on relative priorities among five municipal service categories and also among various individual services within each of those five service categories. This was accomplished through a voting exercise as well as through facilitated group discussions.

The results of the voting exercises were as follows:

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Additionally, a similar question on relative priorities was asked on the City's web page and the results are included as Attachment "A".

Note takers at the community forums captured sixty pages of comments from the program participants. All sixty of those pages are included as an attachment ("F") and are available on the City's web page. Further comments were also received through the City's web page and thus there are an additional eight pages of such comments also included as an attachment ("G").

Staff utilized Elise Flesher, the Crime Info and Research Analyst with the Police Department to conduct a preliminary content analysis of the comments captured in the community forums. Her report is included as Attachment "B" and it identifies common themes in four categories of comments including "General"; "Money Generating"; "Money Saving"; and "Reductions Recommended". While Attachment "B" is a seven page analysis, the following are some of the prominent themes contained in the attached information:

- Increase existing or create new fees and fines before making reductions in service.
- Recover full cost of providing services i.e. ice rink; municipal court; probation; Vance Brand Auditorium; Callahan House.
- A more comprehensive approach to utilizing volunteers.
- Combine services and/or eliminate redundancies.
- Postpone any new facilities until the accompanying O&M costs can be afforded.
- Avoid cutting basic services.
- Reduce hours of operation i.e. in the Library and the Museum.
- Reduce frequency of maintenance i.e. right of way; mowing of parks.
- Adjust staffing levels in response to cyclical service demands i.e. planning & zoning.
- Reduce programs with low levels of usage

There certainly were many more individual comments or suggestions but the issues identified above are the ones that seemed to be common themes. All other comments will also be considered and analyzed to determine if they are feasible.

The City leadership team also reviewed suggestions submitted by employees to the Employee Advisory Group. The following are ideas that were selected for further consideration:

- 1) Review use of city vehicles.
- 2) Transition to an electronic city council agenda packet.
- 3) Consider voluntary reduction of hours.
- 4) Consider use of administrative staffing pools.
- 5) Increase energy efficiency efforts.

REVENUE OPTIONS

The following are options that the City Council could choose to implement to increase General Fund revenues for the 2009 budget:

- 1) Electric franchise fee – The current franchise fee charged to the Electric utility is 6% of actual revenues with some exclusions. If the franchise fee were increased to 7% it would generate at least \$440,000 per year. For other Colorado cities with municipal electric utilities, Fort Collins and Loveland are at 6% while Colorado Springs is at 8.5%.
- 2) Sales tax vendor fee – The current city code allows for businesses that collect the city sales tax and remit it to the city to retain 3% of the total taxes collected, up to a maximum of \$100 per filing, as a sales tax vendor fee to cover their costs of collection and filing. It has been suggested that this level of vendor fee be reduced or eliminated. The vendor fee allowed by the state of Colorado is 3.3% and thus that is the same for all statutory cities. Home rule cities can set their own vendor fee and Longmont changed from the standard 3.3% fee to the current 3% with a \$100 maximum in 1991. Of sixty-three home rule cities, the average vendor fee is 1.63% with a low of 0% (twenty-one cities) and a high of 3.3% (seventeen cities). Attachment “C” is a graph and listing of all the home rule cities vendor fees. The vendor fees for some of the home rule cities near Longmont are:

<u>City</u>	<u>Vendor fee</u>	<u>Maximum allowed</u>
Boulder	0%	N/A
Fort Collins	1%	\$45
Lafayette	2.5%	\$100
Thornton	3%	\$150
Broomfield	3%	\$200
Louisville	3.3%	\$100
Loveland	3.3%	\$300

Based on 2007 data, the following are the impacts of a reduction in the vendor fee for Longmont. These estimates do not assume a reduction in the \$100 maximum but any reduction in that amount would have an even greater impact in increasing sales tax revenue.

<u>Vendor fee</u>	<u>Increase in sales tax</u>	<u>Increase to General Fund</u>
2%	\$102,574	\$ 53,245
1%	\$235,722	\$122,360
0%	\$448,365	\$232,739

A change to section 4.04.100 of the municipal code would be necessary to change the vendor fee.

- 3) Union Reservoir fees – Revenue from Union Reservoir is budgeted at \$200,000 for 2008 while the expenses for the service are budgeted at \$368,615. Parks staff were asked to evaluate a possible increase in fees for 2009. The last increase was implemented for 2006. Staff has proposed an increase in each of the individual fees charged at Union as identified on Attachment “D”. The primary change is an increase in the daily vehicle admission fee which is currently \$6. Dependant on whether that daily fee is increased to \$7 or to \$8 the total revenue that can be generated by the proposed fee increases are either \$38,299 or \$56,357.
- 4) Parks Maintenance Fee – This concept would be to create a fee to charge to each dwelling unit in Longmont to help fund the maintenance of parks. While this is not a common fee there are two cities in Oregon that currently charge a parks maintenance fee to their residential utility customers. Each dollar of monthly fee charged to the approximate 34,000 dwelling units would generate \$408,000 per year. If the City Council is interested in pursuing this concept staff would do further research and analysis and propose possible levels of funding for consideration.
- 5) Liquor Licenses – The rates for liquor licenses are limited by state statutes. Liquor license rates in Longmont were increased in July to the maximum allowed by state statute. Statute allows another increase in January of 2009. The revenue from liquor licenses does not currently recover the cost to administer those licenses. If Longmont were to increase the rates for liquor licenses in 2009 as allowed under the statutes maximums it would generate \$4,550 of new revenue.
- 6) Use of Public Places permit fees – Currently there is a \$50 fee for a use of public places permit which does not fully cover the cost of issuing the permit. Staff is currently researching similar fees in other cities and would propose increasing Longmont’s fees to get as close to cost recovery as possible while still being competitive with what is charged in other area cities. There is no UOPP permit fee charged for events where no fees are charged or donations accepted to participate in the event and no sales of goods or services occurs (i.e.: block parties) so that could be another opportunity for new revenue. Additionally a fee could be charged for a permit for alcohol on public places as none is currently charged. If the City Council is interested in pursuing any of these concepts staff would do further research and analysis.
- 7) Municipal Court Fines – A comparison of the minimum fines for certain typical violations in Longmont to the minimum fines for the same violations in other Front Range cities indicates that Longmont is generally below the average. Attachment “E” is a spreadsheet that includes those comparisons. If the City Council is interested in changing the minimum court fines it would likely result in an increase in General Fund revenue. Revenues from Court and Probation services combined are almost \$50,000 less than the current cost for providing these two services.
- 8) Sex Offender registration fees – People who are convicted of sex offenses and choose to reside in our community must register as a sex offender with the police department. There are 52 other communities in Colorado that require a fee for sex offender registration. This nominal fee is charged to cover the administrative costs associated with the registration process as well as the verifications that police officers are required to conduct. Authorization to charge registration fees derives from the Colorado Revised Statutes 16-22-108(7). The City of Longmont averages 55 new registered sex offenders annually. As of July 3, 2008, the City of Longmont has 222 registered sex offenders living in our community, 151 require annual re-registration and 71 require quarterly re-

registration. The timeframe for registration is based on the seriousness of the conviction. The Police Department is recommending registration fees of \$80 for newly registered sex offenders and \$20 for quarterly and annual re-registration for current residing registered sex offenders. This would generate approximately \$13,100 per annum.

- 9) Surcharge on municipal offenses that result in convictions – With the increase in the costs of fuel one concept that has been implemented elsewhere is to charge a surcharge, possibly \$15 to \$25, on all municipal tickets issued for violations. Based on the number of tickets issued in 2007 a \$15 surcharge per ticket would generate \$70,860 and a \$25 surcharge per ticket would generate \$118,100.
- 10) Impound fees - The LPD impounded 936 cars in 2007. That includes junked and abandoned cars, as well as cars impounded at traffic accidents. Staff would propose a \$50 fee for the junked and abandoned vehicles that are impounded. No estimate can be made at this time of potential revenue from this fee as we first need to review the records to separate junked and abandoned vehicles from traffic accident vehicles. Another option is to charge an impound fee for animals. There were 700 animal impounds in 2007. Again, a \$50 fee could be implemented to help offset the costs of the Police Department. If the City Council directs that we pursue this concept we will do further analysis of the records to determine an estimate of potential revenue.
- 11) Recreation fees – The current financial policy requires that recreation fees be established to obtain 70% self-support. In 2008 the recreation service actually budgeted to attain 80.7% self-support. The actual level of self-support in 2007 was 87.1%. A portion of that level of self-support came from revenues exceeding budgeted projections in the amount of \$91,153. If budgeted revenue were to be increased to include the additional \$91,153 then the level of self-support would be close to 83%. Effectively, this would help reduce the General Fund gap by \$91,153 without even requiring an increase in actual fees for recreation services. If council wishes to increase the amount of self-support above 83% fees would need to be increased. Every 1% increase in additional self-support would require approximately \$34,000 in additional revenues.
- 12) Museum fees – The Museum currently charges for most public programs and cost recovers 90% of actual costs (inclusive of temporary program staff, but excluding regular staff). By adjusting program fees to attain 100% cost recovery, the Museum can generate an additional \$7,000 in revenue. The Museum does not currently charge admission. By charging a \$3.00 admission, the Museum can probably generate at least \$30,000 in additional revenue. A different option to consider is charging admission for highly popular, high-profile special exhibits. A \$5.00 admission fee to attend such a special exhibit could generate up to \$12,000 in revenue per exhibit. If the City Council is interested in pursuing any of these concepts staff would do further research and analysis.
- 13) Fee for LEGI services – LEGI was a topic mentioned often at the community forums. It was recommended that fees be established for the type of economic development services provided through LEGI. One approach could be to charge \$50 for GIS and Business Analyst reports and \$20 for admission to seminars offered. The revenues these fees would generate would be nominal.

The City Charter requires that the City Manager present a proposed budget for 2009 to the City Council by September 1, 2008. Under the regular schedule of meeting on Tuesdays that would require the proposed budget to be presented at the meeting on August 26, 2008. Effectively that leaves six weeks or less to prepare the budget. Given that this is a very tight schedule with critical information yet to be determined the staff has a limited amount of time to evaluate the

information, determine the difference between available revenues and proposed expenditures, and make decisions that would eliminate any such difference.

Staff needs to receive any direction from the City Council tonight that can be utilized in preparing the proposed 2009 budget. Our intention is to pursue the revenue increases identified in this communication as well as consider the prominent themes of General Fund priorities unless the City Council specifically directs otherwise regarding any of those individual revenues or priorities. Thus, if there is anything identified above that you prefer we not consider we ask that you give us specific direction to that effect.

ATTACHMENTS:

Attachment "A": Results from question on General Fund priorities from the city web page.

Attachment "B": Preliminary Content Analysis of Comments from Community Forums.

Attachment "C": Comparison of Sales Tax Vendor Fees for Colorado home rule cities.

Attachment "D": Proposed Union Reservoir Fee increases.

Attachment "E": Comparison of minimum court fines for selected Colorado cities.

Attachment "F": Notes recorded at the three Community Budget Forums.

Attachment "G": Comments in response to budget questions from the city web page.