

CITY OF COMMERCE CITY ANNUAL BUDGET

Budget Overview

Introduction

Dynamic changes in the City's external and internal operating environments require a fresh approach to community and financial planning to effectively manage and respond to growth and maintain the level of services the citizens of Commerce City have come to expect. In addition, the City undertook a Long Range Financial Analysis in 2003, which identified the need to create and add new financial tools to provide for our community needs.

Commerce City is facing new challenges created by external forces; some anticipated by the Long Range Financial Plan and others are a result of recent economic conditions. These external forces include -

- * Slowing of the national, regional and local economies
- * Decreasing local residential development and growth
- * Stagnating commercial, industrial and retail development and growth
- * Changing community demographics
- * Geographic barriers to creating community
- * The need to revitalize and redevelop the historic city
- * Stagnant development on the Prairie Gateway
- * Annexing unincorporated areas
- * Acquiring water for development

Each of these forces creates unique community issues and challenges and links in many ways to one another in terms of their individual and collective impact on Commerce City. City Council and staff's challenge is one of creating unique solutions to effectively manage and mitigate the impact of these forces on the community. Revisiting and implementing the 2002 Strategic Plan is an on-going process critical for the City to control their own destiny.

In the same way, opportunities such as the ability to diversify the City's position related to the control and allocation of water resources to meet future commercial development demands, irrigation requirements for new parks in the community, and augmentation water commitments for parks and the Prairie Gateway project are crucial for controlling the City's destiny. The City accomplished this and assisted the development community's ability to weather the economic downturn through purchase of ERU water credits directly from developers. The City's partnerships with the development community and water district bring additional water resources to the City.

Strategic Community Planning

The 2002 Strategic Community Planning efforts consisted of three distinct components: community; financial; and, organizational planning. It was intended to provide staff and City Council with the means to identify strategic issues; conduct proactive multi-year community, financial and organizational planning; identify creative solutions; and, manage the impact of change. The three components consisted of: 1) implementing a Strategic Community Planning process; 2) converting the City's current activity based operating budget to a biennial performance/program operating budget; and, 3) developing/implementing a long-range financial planning process for both operating and capital improvement. The three components consist of the following five elements:

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- * **Strategic Community Planning Process:** This process serves to generate a variety of multi-year community and operational plans. The following community and operational plans are completed or are being updated -
 - City Council's Community Goals
 - These were updated by City Council in 2009
 - An updated Comprehensive Plan
 - In 2009, the beginning of an eighteen month process was started
 - An updated Land Development Code
 - In March 2009, the revised Land Development Code was adopted
 - An Economic Development Strategic Plan
 - The first formalized plan for the history of the City was initiated in the summer of 2009
 - The plan will be part of the larger comprehensive plan
 - An Information Technology Long-Range Plan
 - One of the first plans developed and implemented; being updated in 2009/2010
 - An Open Space, Parks and Trails Development Plan
 - Another plan developed early in the process is being reviewed and updated as needed as part of the larger comprehensive plan process
 - A Transportation Plan
 - Initiated in the summer of 2009 as part of the continuation of the updated Comprehensive Plan and scheduled to be completed in 2010
 - A Long-Range Financial Plan
 - Originally adopted in 2004, it provided long-range strategies including the identification of other financial tools strategic for the success of the City
 - The plan revisited in 2009/2010 will reflect the global, national, state, and local economic downturn and the recommendations of the 2009/2010 Comprehensive Plan

- * **Operating Budget Methodology:** In the past, the City had used an activity-based budget methodology. In 2001, steps taken to begin conversion to a performance/program budget methodology started. This conversion is still ongoing.

The 2010 operating budget continues to focus on the improved efficiencies and maintaining services to the community. Built into this concept is the notion that employees are an important asset to the organization. In 2002, the City shifted its philosophy from an activity-based budget to a performance and program budgeting philosophy. This shift requires the organization to establish criteria to assess the need for, and the effectiveness and efficiency of, every individual program. Performance budgeting is intended to demonstrate operational accountability on the part of the City Council and staff. Based on the Council's goals, designing a program structure, including program objectives, to prescribe how to achieve the goals organizationally. Under a program budget format, all alternatives that could contribute to the achievement of the goals are to be systematically examined. The alternative with the greatest net benefits for a given cost becomes the basis of the program's budget request.

Program budgeting requires an individual program's objectives tie to one or more of the City Council's goals. If a program's objective does not tie to a goal, then it must be evaluated and justified on its own merits or eliminated from consideration. Program budgeting is most effective when used in conjunction with multi-year financial plans.

Therefore, commencing with the 2003 budget cycle Commerce City initiated steps to convert from an annual to a biennial operating budget cycle. The biennial budget cycle allows City Council to appropriate program funds and evaluate the need for, and effectiveness of, individual programs on a multi-year basis.

More attention in 2010 by the organization will provide an opportunity for continued efforts in this endeavor.

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- * **Biennial Budget:** Commerce City has initiated development of a biennial budget. Currently, the budget consists of the proposed 2010 operating budget and the 2011 planning budget (budget plan). The 2011 planning budget is based on a variety of economic, financial and operational assumptions. The City Council will adopt the 2010 proposed budget and review the 2011 planning budget. The 2011 planning budget will be modified next year to reflect changes in the assumptions underlying the planning budget.
- * **Long-Range Financial Planning:** The City of Commerce City has developed a Long-Range Financial Plan. The financial planning process provides the basis of the five-year operating and capital improvement and preservation budgets. The spreadsheets that provide the basis for the Long-Range Financial Plan are updated annually. The intent is to periodically update and reprint the long-range financial plan document.
- * **Strategic Plan:** The Plan reflects the City's vision and related goals, mission statement, organizational values, significant issues confronting Commerce City, and broad strategies to address and/or manage the strategic issues. The Council's community goals (vision), as updated in 2009, form the basis for all the organizational strategies.

Measurement Indicators

Three indicators reflected in the 2010 operating budget are to provide a basis for measuring and evaluating the need to expand or eliminate existing programs, create new programs, and operational efficiency and effectiveness.

- * **Demand Indicators:** Demand indicators or cost drivers are external and, in certain circumstances, internal factors which demonstrate the need for a given level of service or the need to expand the activities comprising individual programs. Examples include population growth, or numbers of building permit applications.
- * **Service Levels:** Service levels associated with each programmatic objective are identified. Service levels enumerate the level of activities undertaken to provide service or carry out the individual activities comprising each of the programs (number of arrests or number of miles of roads maintained).
- * **Core Business Services and Programs:** Core business services and programs are the primary services and programs provided by each department to Commerce City citizens and businesses.

The operating budget includes departmental demand indicators on the introductory page of each department's budget. The program service levels and core business services are included with program objectives on the individual program sheets within each department. In future budgets, developing other measurement indicators and adding it to the City's financial planning and budgeting processes is necessary. These indicators may include:

- * **Resource Levels:** Resource levels will be determined for individual service levels measuring the resources required to maintain a given level of service. Resources include, among other things, full-time equivalent units (FTE's) of labor and dollars budgeted.
- * **Service Costs:** Eventually we hope to determine the service cost through tracking service and resource levels (e.g., how much of a service can be provided or accomplished per FTE, FTE-Hour and dollar budgeted).
- * **Benchmark:** Benchmarking analysis is one way of identifying trends in service provision and variances in actual service provision from expectations by performing a benchmarking analysis. (What the cost has been over time and why the actual has varied from its forecast.) Each department will be able to evaluate changes/modifications, which could increase capacity, efficiency or effectiveness.

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- * **Forecasting Model:** Developing a proforma forecasting model and taking into account the service and resource levels and determining service cost. By knowing the service cost the total appropriation requirement for a desired service level can be determined. The proforma will use the information known and adjust the program expense accordingly. By analyzing all programs in this way, a more accurate picture of the City's future needs can be assessed.
- * **Trend Analysis:** Trend analysis examines a program's status against its past status. External benchmark comparisons can provide an insight into current and future program needs. External comparisons consider the status of a program compared with a similar program, either within the same or different municipality.

Capital Budgeting

As part of the annual budget preparation process, Commerce City annually updates its five-year Capital Improvement and Preservation Plan (CIPP) budget. In 2002, a redesign of the CIPP budgeting process to clearly identify and prioritize capital improvements and projects was completed. A City Council subcommittee was established to evaluate capital improvement projects identified and recommended by the City's staff. The process used to identify and prioritize capital improvements and projects ideally consists of the following elements:

- * The City's key departmental staff conducts an in-depth assessment of the City's infrastructure to identify appropriate improvements and projects.
- * Review projects identified in the previous Capital Improvement and Preservation Plan to determine if they still merited the same priority assigned previously.
- * Review the Long-Range Financial Plan for projects identified for completion within the CIPP budget years.
- * Cost estimates, timelines and maintenance/operational costs for each improvement and project are developed.
- * Preparing individual project sheets reflecting expanded information including a diagram, site plan, map, or other illustration documenting elements of the proposed project.
- * Each project and improvement is evaluated and prioritized by staff and forwarded to the CIPP subcommittee for review and approval.
- * The CIPP subcommittee evaluates staff's recommendations and submits the capital improvements budget to the City Council for review and approval.
- * For the 2010 budget and 2011 planned budget, staff did not recommend funding CIPP above what could be accomplished using dedicated restricted funds such as road and park impact fees and pass through funding such as Lottery Funds.

Conclusion

City officials and Council are accountable to the citizens of Commerce City for the effective use of the City's financial resources and assets, and developing the model for a sustainable community. The implementation of the Strategic Community Planning Process and performance/program budgeting will enable City Council and staff to proactively plan and identify creative solutions to the challenges confronting Commerce City. Once the City has completed the transformation of the budget discussed above, the citizens of Commerce City will be better able to assess the staff's and Council's financial stewardship of the City's assets and resources.