

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, changes in the community's demographics and future increases in population will necessitate the creation and addition of new programs and services. The City Council and staff cannot afford to plan one year at a time.

Commerce City is faced with new challenges created by external forces which require a change in the way we do business. These external forces consist of the following:

- * Residential development and growth.
- * Commercial, industrial and retail development and growth.
- * Changing community demographics.
- * Growth within the Hispanic community.
- * Two geographically separate communities within Commerce City.
- * Revitalization and redevelopment of the historic city.
- * Development of the Prairie Gateway.
- * Acquisition of sufficient water to meet commercial development needs and irrigation requirements of new community parks.
- * Imposition of Governmental Accounting Standards Board (GASB) Statements require dramatic changes in the City's financial accounting, reporting and accountability to the citizens of Commerce City.
- * Annexation of unincorporated areas.

Each of these external forces create unique community issues and challenges and in many ways are linked 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. Therefore, a new planning system, Strategic Community Planning (SCP), was developed for the 2002 budget and is being implemented during subsequent years.

Strategic Community Planning

Strategic Community Planning consists of three distinct elements, community, financial and organizational planning. Once fully implemented, SCP will 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. SCP consists of three distinct components: implementation of a Strategic Community Planning process; converting the City's current activity based operating budget to a biennial performance/program operating budget; and development and implementation of a long-range financial planning process for both operating and capital improvement, and preservation purposes. The three components consist of the following elements:

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- * **Strategic Community Planning System:** Basically, this is a strategic planning process to generate a variety of multi-year community and operational plans. Community and operational plans include the following: City Council's Community Goals; an updated comprehensive plan; an infill development plan; an updated land development code; an annexation plan; a corridor beautification plan; a municipal facilities expansion plan; an information technology long-range plan; a long-range financial plan and a strategic plan.
- * **Operating Budget Methodology:** The City has used an activity-based budget methodology. In 2001, steps were taken to begin conversion to a performance/program budget methodology. The conversion is ongoing.

The 2009 operating budget continues to incorporate a performance budgeting philosophy establishing criteria to assess the need for and the effectiveness and efficiency of individual programs. Performance budgeting ensures operational accountability on the part of the City Council and staff. Program budgeting is a more centralized form of budgeting. Programs are identified and relate directly to one or more of the City Council's Community Goals. On the basis of the Council's goals, a program structure, including program objectives, is designed to prescribe how the goals will be achieved organizationally. Under a program budget format, all alternatives that could contribute to the achievement of the goals are 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's Destination Points. If a program's objectives do not tie to a destination point, 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 converted from an annual to a biannual operating budget cycle. The biannual budget cycle allows City Council to appropriate program funds, and evaluate the need for and effectiveness of individual programs on a multi-year basis.

- * **Biennial Budget:** Commerce City has developed and implemented a biennial budget consisting of the proposed 2009 operating budget and the 2010 planning budget (budget plan). The 2010 planning budget is based on a variety of economic, financial and operational assumptions. The City Council will adopt the 2009 proposed budget and review the 2010 planning budget. The 2010 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 a five-year operating and capital improvement and preservation budgets. The long-range financial plan will be updated annually to provide a rolling five-year financial plan.
- * **Strategic Plan:** The Plan reflects the City's vision and related destination points, mission statement, organizational values, significant issues confronting Commerce City and broad strategies to address and/or manage the strategic issues.

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Measurement Indicators

Three indicators are reflected in the 2009 operating budget 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, and numbers of building permit applications to name a few.
- * **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, other measurement indicators will be added to the City's financial planning and budgeting processes as they are developed. These indicators 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, as service and resource levels are tracked, the service cost – 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 what is expected 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.
- * **Forecasting Model:** A proforma forecasting model will be developed taking into account the service and resource levels and determining service cost. If the service cost is known, 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. As all programs are analyzed in this way, a more accurate picture of the City's future needs can be assessed.
- * **Trend Analysis:** Trend analysis examines a program's current 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.

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Budget Overview (cont.)

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, the CIPP budgeting process was redesigned to clearly identify and prioritize capital improvements and projects. 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 consisted of the following elements:

- * The City's engineering staff conducted an in-depth assessment of the City's infrastructure to identify appropriate improvements and projects.
- * Projects identified in the previous Capital Improvement and Preservation Plan were reviewed to determine if they still merited the same priority assigned previously.
- * The Long-Range Financial Plan was reviewed for the projects identified as needing to be completed within the CIPP budget years.
- * Construction estimates, timelines and maintenance/operational costs for each improvement and project were developed.
- * Individual project sheets reflect an expanded informational format including a photograph of the project.
- * Each project and improvement was evaluated and prioritized.
- * The CIPP subcommittee evaluated staff's recommendations and submitted the 2009 capital improvements budget to the City Council for review and approval.

Conclusion

City officials and Council are accountable to the citizens of Commerce City for the use of the City's financial resources and assets, and developing a model and sustainable community. The implementation of the Strategic Community Planning system 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.