Asset Inventory and Condition Assessment

The City and County of Denver inventories and assesses the condition of all major capital assets. Public Works, Parks and Recreation, Facilities Planning and Management, Libraries, and Theaters and Arenas shall maintain inventories of all major assets including streets, bridges, traffic signals, sewers, buildings, irrigation systems, and parks. Each department or agency shall prepare reports required to meet the GASB 34 audit requirements. In addition, each department or agency shall develop systems and processes to assess the condition of the capital assets that they are responsible for maintaining. This condition assessment shall be updated on an annual basis.

Revenue Policies

Revenue Diversification

The City values a diversified mix of revenue sources to mitigate the risk of volatility. The major source of revenue for the General Fund is sales and use tax, which is over 50 percent of the total revenue. Since sales tax is a direct function of business cycles and inflation, it is important to make every effort to improve the diversity of the City's revenue sources.

The TABOR (Taxpayers Bill of Rights) amendment to the state constitution prohibits the City and County of Denver from increasing any taxes without approval by a vote of the people. TABOR places further restrictions on property tax. The City and County of Denver annually projects the allowable growth rate for property tax rate in compliance with the TABOR amendment. If the projected revenue from assessments exceeds the TABOR limits, the City and County of Denver will make a temporary mill levy reduction to stay within the limits.

All agency-generated revenues will be reviewed at least every three years to determine whether the current rates are consistent with the City and County of Denver's Fees and Charges policies, which are summarized below.

Fees and Charges

The general policy of the City and County of Denver regarding fees and charges is based upon the following considerations:

- Tax dollars should support essential City services that benefit and are available to everyone in the community (such as parks, police, and fire protection).
- For services that largely or solely benefit individuals, the City should recover full or partial costs of service delivery through user fees.
- A fee should not be imposed on services where the cost to collect the fee exceeds the cost of the service.
- User fees must not exceed the full cost of providing the service.
- Fee increases must be approved and implemented prior to including the revenue increase in the proposed budget.
- User fee pricing policies should take into consideration:
  - Whether the service benefits the community in general or only the individual or group receiving the service
  - Whether the service is provided only by the public sector, or also by the private sector
  - Whether imposing the full cost fee would pose a hardship on specific service users
  - Whether imposing the full cost fee would place the City and County of Denver at an economic disadvantage
  - Whether NOT imposing a full cost fee would cause an unrealistic demand on the service.

The full costs of providing a service shall include at least the following:

- Direct costs associated with providing the service, including:
  - The cost of the time all employees spend on the service, including fringe benefits
  - Other direct costs, such as supplies and materials, contractual services, or internal service fund charges associated with the service

- Building and equipment depreciation

- Unit, section, division supervision, or clerical support, etc.

- Departmental indirect costs

- City-wide indirect costs (available through the City's Indirect Cost Allocation Plan).

Use of One-time Revenues

One-time revenues should be used only for one-time expenditures and not for ongoing expenditures. By definition, one-time revenues cannot be relied on in future budget years. Examples of one-time revenues are unexpected audit collections for sales tax, sales of City assets, or one-time payments to the City.

The best use of one-time revenues is to invest in projects that will result in long-term operating cost savings. Appropriate uses of one-time revenues include early debt retirement, capital expenditures that will reduce operating costs, information technology projects that will improve efficiency, and special projects that will not incur on-going operating costs.

Use of Unpredictable Revenues

Sales tax revenue is a volatile source of revenue since it is a direct function of business cycles. During periods of strong growth, sales tax revenue has increased by over 10 percent from the previous year, while during periods of recession sales tax has actually been lower than the previous year. It is not prudent to allocate sales tax revenue that exceeds the normal growth rate (defined as the average annual growth rate over the last ten years) to on-going programs. Therefore, sales tax revenues that exceed the normal growth rate should be used for one-time expenditures or to increase reserves for the inevitable economic downturns. When sales tax revenue growth is less than the normal growth rate, it may be necessary to use reserves until appropriate expenditure reductions or other measures can be implemented. Refer to the General Fund Reserve Policy for further discussion.

Interest income is also volatile. Any interest earnings that exceed the average annual earnings over the last ten years should be used for one-time expenditures or to increase reserves.

The TABOR amendment to the State Constitution limits the growth of revenue to the rate of inflation plus a local growth factor. If revenue exceeds this limitation, the City is required to reimburse the citizens or ask the citizens to retain the revenue through voter approval. The City was successful in getting voter approval to exempt all sources of revenue from this requirement through 2014, with the exception of property tax. As a result, the TABOR limit applies only to property tax revenues. If property tax revenues exceed the limit in 2010 and in the future, the City will be required to get voter approval to retain the revenue or refund the excess revenue to the taxpayers.

Use of Capital Improvement Fund Revenues

Capital improvements funds are used for the acquisition, repair, or rehabilitation of assets that last for 15 years or more. A project can be considered a capital improvement project if it is for non-recurring expenses in excess of $10,000.

The primary financial resources dedicated to the Capital Improvements Fund include a portion of the property tax mill levy, a portion of the Highway Users Fund Transfer which is allocated to bridge repair, investment earnings of the fund, and proceeds from the sale of City assets.

In addition, there are capital improvement funds that have specific revenue sources dedicated for specific purposes. These include the State Conservation Trust Fund, the Winter Park Parks and Recreation Capital Fund, and the Entertainment and Cultural Capital Projects Fund.

Expenditures from the capital improvement funds emphasize repair, rehabilitation, and upgrades to existing City infrastructure. A lesser percentage of the total annual funds is used for new projects. High-cost new projects should be financed with financing tools that do not significantly impact the use of annual capital funds.

Capital funds are dedicated to capital uses as defined above, as well as to capital planning studies that report on condition and inventory of infrastructure, infrastructure concept planning, and efficiencies to current assets that result in operating savings.

Expenditure Policies

Debt Capacity, Issuance, and Management

The key principles of the City's debt policy:

Equity	Those that benefit from the item financed should pay for it.
Effectiveness	Once the transaction is completed, it accomplishes its intent and the identified revenue source for repayment is adequate to meet debt service.
Efficiency	The relative cost of obtaining funds, including the costs of the financing and the costs of collecting pledged revenues, is better than competing alternatives.

Planning and Conditions of Issuance of Obligations

The Chief Financial Officer (CFO) shall evaluate and consider the following factors in analyzing, reviewing, and recommending the issuance of obligations:

1. Purpose and feasibility of the project
2. Public benefit of the project
3. Quantification of capital costs
4. Impact on debt ratios generally applied by rating agencies
5. Impact on the General Fund
6. Availability of appropriate revenue stream(s)
7. Requirements for and costs of a vote for approval of the financing
8. Debt Service requirements including credit implications
9. Aggregate debt burden upon the City's tax base, including other entities' tax supported debt
10. Analysis of financing and funding alternatives, including interfund borrowing and available reserves from other City funds