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## General Government & Finance Committee Summary Minutes

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Wednesday, June 22, 2011      10:30 AM      City & County Building, Room 391

**Members Present:** Faatz, Lehmann, Robb  
**Members Absent:** Boigon, Brown  
**Other Council Present:** Nevitt

**Committee Staff:** Debra Bartleson

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### Bill Requests

**BR11-0459 Amends Article II of Chapter 10.5, D.R.M.C., eliminating the Office of Telecommunications and transferring authority for administration of cable television franchises to the Technology Services agency of the City.**

*Darryn Zuehlke, Office of Telecommunications; Lauri Dannemiller, City Council*

Darryn Zuehlke, Office of Telecommunications (OTC), and Lauri Dannemiller, City Council, explained that in 1982 City Council passed an ordinance creating the Office of Telecommunications and the staff serve at the pleasure of Council. In 2004, the City Attorney's Office opined that it was possible to move the responsibilities of this office to the Administration, without a vote of the people. Ms. Dannemiller explained that by transferring this office to the Mayor's Office, it would delineate the responsibilities of each branch of government more appropriately. The proposed ordinance would move the franchise duties under the Technology Services agency. (See attachment.) In addition, this transfer also responds to a 2010 performance audit finding and recommendation by the Auditor's Office, stated Mr. Broadwell. Ms. Dannemiller said the structural change will clarify the directives and reporting expectations.

Councilmember Robb questioned how the legislation would outline Council's role in franchise decision-making and she wants to make sure there is language in the bill that confirms that. David Broadwell, City Attorney's Office, said Council will retain its role in the cable franchise negotiations and re-negotiation processes, regardless

of this transfer. He noted on page 4, line 33 of the draft bill, which states negotiations for a new franchise will include City Council, but what it doesn't do is elaborate the process of how feedback is obtained from the public concerning cable franchise needs. Councilmember Faatz noted that the office conducts a lot of public input. Mr. Zuelke clarified that there is a public process to obtain community feedback which includes public forums and surveys.

The transfer of duties will impact three employees of OTC. The transfer will include recruitment for these positions and the positions will be hired under the Career Service system. Once the positions are filled, the City Council positions will be abolished. Chuck Federick, Technology Services, said that CSA approved the transfer process and confirmed that the three employees would have CSA protections, especially related to layoffs. There will be no budget rescission to City Council's 2011 budget, but the 2012 budget will incorporate budget needs for these responsibilities in the Technology Services budget. Mr. Zuelke indicated that his position and the joint responsibilities he had for telecommunications and Channel 8 functions are included in one job description - Manager 2. He is currently classified in that position/job description.

Mr. Fredrick said he will assure that Council is comfortable with the transfer and roles of authority.

A motion offered by Councilmember Nevitt, duly seconded by Councilmember Faatz, to file a bill to approve eliminating the Office of Telecommunications and transferring the authority for the administration of the cable television franchise to the agency of Technology Services, carried by the following vote:

AYES: Nevitt, Faatz, Lehmann, Robb(4)

NAYS: (None)

ABSENT: Boigon, Brown(2)

ABSTAIN: (None)

## **Presentations**

### **1 Structural Financial Task Force (SFTF) – revenue options and tax burden**

*Ed Scholz, Manager of the Department of Finance; Brendan Hanlon, Dept. of Finance*

Ed Scholz and Brendan Hanlon, Department of Finance, provided the following highlights of the Structural Financial Task Force (SFTF), 5th meeting. Please see attachments for details of the tax burden and revenue idea proposals.

Mr. Scholz stressed that City staff is not endorsing any ideas or suggestions presented to them and the Task Force. City staff is conducting their due-diligence to investigate and analyze all options. Some ideas could be doable and others not, due to legal constraints, etc. Currently, there is no time limit so others may

continue to submit suggestions.

The assumptions used were based on household income of \$59,007 which translated to the following statistics: 1) Sales tax burden equates to 5th lowest of 26 jurisdictions in the metro area; 2) Property tax burden equates to 2nd lowest of 26 jurisdictions in the metro area, and 3) Combined sales, property, and OPT tax burden equates to 4th lowest of 26 jurisdictions in the metro area. Methods used by Denver to determine the tax rate and tax burden are correlated to a study performed by the Office of the Chief Financial Officer in Washington, D.C. (<http://cf.dc.gov>). It was explained that the legal incidence of tax means that it is the entity responsible for paying a tax, for example, where an individual is living and spending. Economic incidence of a tax is the result of spending changes by an individual (reduction in spending) as a result of an increase to a tax.

Mr. Scholz noted that sales taxes are generally regressive which means that lower income households are burdened at a higher rate than higher income households. Nevertheless, Denver maintains the second least regressive sales tax in the metro area.

In 2009, Denver had the second lowest property tax mill levy in the metro area for comparable city and county services. Denver residents pay 25% less (\$443) than the metro area average (\$606) in property taxes. Mr. Hanlon said the comparisons are based on a home value of \$219,000. He added that not many other cities nationally charge an occupational privilege tax (OPT). Denver's analysis assumes that where you live is where you'll spend your money. Denver's OPT burden is approximately \$69 per year, with the assumption that each month the employee earns more than \$500. It is estimated, based on the model assumption (\$59,007) that a household would pay \$1,303 in combined sales, property, and OPT taxes. In the metro area, the same household would pay \$1,539 on average in combined taxes.

Mr. Hanlon reiterated that ideas provided to the Task Force are not necessarily endorsed by the City, but City staff is investigating and analyzing the suggestions. (See handout for complete details.)

Tax policy revenue ideas include: 1) eliminate the Gallagher Amendment; 2) address TABOR's ratchet effect - that property tax revenues are limited to growth based on prior year collections; 3) "de-bruce" TABOR's growth rate restrictions; 4) raise OPT rates to \$10 per employee; 5) fund TABOR reserve out of existing General Fund reserves (could impact City's Triple-A bond rating); 6) implement an income tax in lieu of OPT; 7) implement a sales tax on services while reducing the sales tax rate for all taxable transactions, and 8) implement sales tax on internet sales.

David Broadwell, City Attorney, said the income tax in lieu of OPT suggestion is unconstitutional in Colorado, and stated this suggestion would not be legal.

Dedicated revenue sources possible for enhanced revenue possibilities include: 1) adding other types of districts such as library, parks, or recreation; 2) transfer money from enterprise funds to pay for unrelated General Fund services - this is not a legal possibility because of strict legislative guidelines for the use of enterprise entities/funds; 3) use public/private partnerships in mountain parks; and 4) create new enterprise entities such as solid waste or recreation.

Other sources of revenue such as reimbursements, fines, and fees include suggestions to: 1) require other metro communities to contribute to Denver Health care; 2) receive payment in lieu of taxes revenue from Denver Water; 3) charge other communities for our services (jails, fire, etc.); 4) increase parking revenue in a variety of ways including charge for parking on Sunday and lease the parking meter system; 5) charge for trash collection; 6) charge a library use fee for non-residents, and 7) index all fees and fines to inflation (assumed rate of 3%).

Mr. Scholz said in his opinion, the payment in lieu of taxes revenue from Denver Water was not feasible. He stated that the public can continue to send ideas to the Task Force website:

<http://www.denvergov.org/budget/StructuralFinancialTaskforce/tabid/440626/Default.aspx>. The next Task Force meeting is scheduled for July 25 at the City and County Building, 1437 Bannock Street.