

## Citizens' Finance Advisory Committee

May 13, 2015 – 6:00 PM

City of Loveland Council Chambers  
500 E. 3<sup>rd</sup> Street, Loveland, CO 80537

**Committee Members Present: Jason Napolitano, Meg Corwin, David Hallet, Rey Liss, Andrew Haines and John Case.**

**Staff & Council Liaison Present: Councilor Ralph Trenary, Marc Kahn and Brent Worthington.**

### **PUBLIC COMMENT:**

No public comment.

### **CALL TO ORDER:**

Jason Napolitano called the meeting to order at 6:00 PM

### **APPROVAL OF MINUTES & AGENDA:**

Jason Napolitano asked for approval of the April minutes and May agenda. **Motion was made and moved to approve the minutes and agenda as submitted. Motion passed 6-0.**

### **REPORTS:**

#### Council Update (Ralph Trenary)

- On Wednesday the 20<sup>th</sup> at 11am the Urban Land Institute report on the “Making Places Study” that was done on Hwy 287 will be presented to the Can Do Coalition at Aims Community College.
- There will be a gap in the council calendar for the 16<sup>th</sup>-19<sup>th</sup> when some members go to the CML conference.

#### Staff Liaison Update (Marc Kahn)

- Budget reviewed the capital project plan with the City Manager. CFAC will see this presentation at the June meeting.
- The audit should be finalized very soon, the auditors will present their findings at the June meeting.
- The City is in the midst of the budget process for 2016. All departments have been told to review their budgets assuming no sales tax plan is passed.
- Staff has prepared a presentation to share with Council next week for the sales tax reduction and will be bringing recommendations forward for budget reductions over a three year period. Departments have brought forward several million in budget cuts. Opinions and suggestions are also being provided by other Boards and Commissions.

### **REGULAR AGENDA:**

#### Overview Discussion (Jason Napolitano)

- CFAC discussed the need to be cautious in being seen as taking a political stance or taking sides in regards to the sales tax on food. The group acknowledged that if they felt a need to give their opinion to council that it be as individuals, and not as members of CFAC.

#### Subcommittee Chair Discussion (Jason Napolitano)

- CFAC currently has two subcommittees. It was thought prudent to appoint a chair for each subcommittee so that the subcommittees can communicate more effectively with the CFAC chair. John Case is chair for Sales Tax and a **motion was made and moved to make Andrew Haines the chair for PBB.**

Auditor Recommendation Approach (Jason Napolitano)

-An RFP for auditing services will be out for bid middle of June (16<sup>th</sup>-17<sup>th</sup>). CFAC will have the opportunity to review at the June meeting. Interviews will be between the 3<sup>rd</sup> week in July and 1<sup>st</sup> week in August.

Auditor Subcommittee Discussion (Jason Napolitano)

**-A motion was made and moved to create a one person subcommittee for the audit interviews to be filled by Jason Napolitano.**

Budget Subcommittee Report (Budget Subcommittee Members)

-John shared the consensus that the group wouldn't be able to compile anywhere near \$7mil worth of cuts to present to council and that council would need to delve into that themselves. CFAC is willing to participate with council to work on these suggestions if needed.

PBB Subcommittee Report (David Hallet)

-David Hallet and Andrew Haines discussed their findings pulled from the PBB tool and came to the conclusion that the model can't be used to bring forth possible budget cuts.

Sales Tax Discussion (Jason Napolitano)

-Together, CFAC drafted two recommendations for council, one addressing their position on the Food Sales Tax and one addressing the PBB model in relation to making budget cuts. **A motion was made and moved to approve these documents.** See attached for copies of the recommendations.

**ADJOURNMENT:**

**Meeting adjourned at 8:39 PM**

Minutes respectfully submitted,

Chloe Romero,  
Board Secretary

**Recommendation from CFAC to City Council**  
**RE: Sales Tax on Food for Home Consumption Tax Cuts**

The City of Loveland is just emerging from a very challenging recession. Our successful recovery from that event is due to our conservative, financial protocols.

Looking at the City of Loveland Budget, CFAC believes

- 1) There are not sufficient extra monies in the general fund to avoid the painful cuts that will result from the elimination of the sales tax on food for home consumption,
- 2) The regressive effect of the sales tax on food for home consumption is largely offset by the grocery tax rebate,
- 3) The anticipated impacts of this loss of revenue are reductions in the quality of services in Loveland which will lead to a reduction in the quality of life in Loveland.

Therefore, CFAC advises the Loveland City Council to not pass the elimination of the sales tax on food for home consumption.

## **Recommendation from CFAC to City Council**

### **RE: Priority Based Budgeting Tool**

The Citizens Finance Advisory Commission has studied the proposed revenue decrease of \$6,000,000 and has concluded that PBB is not an appropriate tool to use as an expenditure reduction tool for the following reasons:

1. The PBB tool does not allow for decisions on which programs to cut, as it can't consider unintended consequences. Examples would be the elimination of the Finance Department program 9110, Purchasing Card Management or the previously discussed elimination of Utility Meter Reading.
2. The PBB was used to view all the programs that were not mandated, had reliance on the city as sole provider of service, or were in the 4<sup>th</sup> quartile. It is apparent that current programs in these areas were necessary support functions, and/or are valued to some degree by the citizens. This latter is revealed in the city's annual citizen survey. This PBB based analysis thus does not point to program eliminations.
3. Because some programs such as police, fire and enterprise funds and maybe others are presumed exempt from revenue reduction, the brunt of the reduction will be placed on quality of life departments and programs such as the Library and Public Works.