



January 1, 2013

Honorable President and Members of City Council:

In 2012 our city experienced two historic events: the heroic response to the tragic Waldo Canyon Fire in June and the transformative 82% landslide approval by the voters in August to lease our Memorial Health System to University of Colorado Health. We are deeply appreciative of how our citizens have pulled together this year.

This letter forwards the City's 2013-15 Vision, Mission, Goals and Mayoral Strategies, 2013 Executive Branch Divisions and Departmental Breakthrough Strategies, All Funds Summary and General Fund Forecast supported by detailed budget documents.

The Vision and Mission statements reflect a great respect for our City's history and uniqueness along with our high confidence for the community's bright future. The Goals and Mayoral Strategies incorporate our fervent commitment to delivering "best in class" municipal government. The Executive Branch Divisions and Departmental Breakthrough Strategies offer game-changing new ideas with real measurable outcomes.

Jobs, Transforming City Government and Building Community continue to be our focus. The Goals, Strategies and Budgets herein are aligned with those priorities. In the Executive Branch Departmental Strategies, you'll find breakthrough Economic Vitality initiatives in support of increased civilians employed in the private sector by an average of 6,000 per year. In addition, reinvented public information structure and communications resources will provide easy access to City services and reach and engage more citizens.

The 2013 General Fund Forecast and All Funds Summary are based on balancing revenue and expenditures:

1. General Fund expenditures increase by \$8 million versus this year, but are partially offset by \$3.1 million in internal expense reductions. The \$8 million is attributable to increased funding for Stormwater, roads & bridges, pension & health care cost increases, the transfer of Utilities Attorneys expense (from Utilities revenue), Police over hiring and expanded Community Service Officer/ code enforcement program, reinstating evening Transit service, and funds held for implementation of the total compensation study results and/or emergency capital improvement projects.
2. Across All Funds 29 positions were eliminated generating approximately \$2.0 million in savings.

The General Fund Forecast includes numerous breakthrough improvements in service delivery. Following are a few highlights:

1. Fire and Police: increased force strength to budgeted authorized levels; open Fire Station 21; conduct fire station based neighborhood health clinics; expand Community Service Officers program; enhance Downtown, Westside and Southeast public safety, and Citywide code enforcement.
2. Parks: continue care of 275 acres of neighborhood parks brought back in 2011, including watering, with maintenance outsourced to private contractors; increase volunteer hours by 60,000; and replace 10% of irrigated turf with xeriscaping.
3. Planning: 50% reduction in fees; 33% lowering of review time; proactive customer service.

4. Public Works:

- 4.1. Bus Service: add evening schedule.
- 4.2. Snowplowing: implement phase two testing.
- 4.3. Streets: complete \$2 million in urgent projects via private contractors.
- 4.4. Streetlights: activate 3,500 fixtures, and complete long-range plan.
- 4.5. Stormwater: complete \$2 million in urgent projects via private contractors.

The Unrestricted General Fund Balance at 2013 year-end is forecasted currently at 20.27% of annual Expenditures, well below the 25% now recommended for Colorado Springs specifically by the Government Finance Officers Association (GFOA). In addition to the Expenditures detailed in the 2013 General Fund Financial Forecast, there are other potential, uncontrollable costs in 2013 which may drive the Fund Balance significantly lower by year end by as much \$5 million or 2%. Examples of potential uncontrollable costs include lack of support in obtaining a City government water rate for Parks, defeat of the TOPS ballot initiative, and extraordinary legal costs.

Voters approves an extension of the Pikes Peak Rural Transportation Authority sales tax at the November, 2012, ballot for critical regional transportation projects and it is essential that the voters approve next April a TOPS measure allowing more funding for Parks maintenance. Our 2013-2015 General Fund Financial Forecast takes small, first steps in addressing the \$500 million storm water or \$400 million local streets and bridges backlog improvement needs. Continued growth in sales and use tax collections will be needed. Colorado Springs Utilities should partner with the General Fund on storm water projects.

The General Fund Financial Forecast suggests that we will need \$1.5 million and \$3.5 million in 2014 and 2015, respectively, in addition, as yet undefined, operating efficiencies to achieve balanced budgets. Our challenge is great in achieving City long term fiscal sustainability, while delivering consistent quality core services. Escalating pension and health care costs are particularly burdensome. We will continue to be presented with tough, but necessary decisions to balance needs versus wants and expenditures with available revenue.

Thank you for working with us as we continue our focus on Jobs, Transforming City Government and Building Community. The road ahead is full of challenges and great opportunities which we will face with our proven resilience and vision. Together, we can lead our City to an amazing future.

Sincerely,



Steve Bach

Mayor