

# Elected Official Orientation Budget Overview

November 18, 2013



# Topics

- Budget Process
- Organizational Overview
- Interim Financial Reporting
- Annual Audit
- Internal Controls
- Current State
- Questions & Answers

# Budget Process

## Colorado Revised Statutes requirements:

- Submit an estimated budget on or before October 15
- Budget format and content:
  - By fund & spending agency
  - Sources of revenue & object of expenditures
  - Compare to prior completed fiscal year, current fiscal year (estimated)
  - Fund balances at beginning & end of year (estimated)
  - Written “budget message”
  - Lease-purchase disclosure
- Notice of Budget
- Budget Hearing, Adoption, Appropriation of Funds
- Certified copy filed with the State of Colorado
- Supplemental budget amendment & appropriation

# Budget Process

## Internal Process:

- Long-range Planning
- Communication & Public Input
- Work sessions with Dept Heads, Elected Officials
- Presented at a regular council meeting
- Notice of Budget and Public Hearing date published in the Mountain Mail and on our website
- A copy of the proposed budget is made available at City Hall (hard copy) and on our website
- Electors may file objections
- Adopted by Council before end of December

# Organizational Overview

- Separate funds – different revenue sources and expenditures
  - Government funds – majority of revenue from taxes
  - Proprietary funds (Enterprise funds) – majority of revenue from user fees
- Salida has four separate funds, five separate budgets
  - General Fund
  - SteamPlant Enterprise Fund
  - Water Activity Enterprise Fund
    - Water Operations
    - Sewer Operations
  - Conservation Trust Fund (CTF)

# Organizational Overview

- Different revenue sources and expenditures are specifically accounted for in their respective fund and department within that fund
- A small part of water & sewer budgets are allocated:
  - Specific percentages of certain administrative personnel who perform substantial work in these areas
  - Financial Audit
  - Property / casualty insurance
- Water Fund - \$109,200
  - 3.0% of total budget or 12.9% of operating budget
- Sewer Fund - \$139,300
  - 9.2% of total budget or 16.8% of operating budget

# Budget Process

- An understanding of the services provided by the government is essential to understanding the budget
- Most discretionary items:
  - Capital – many one-time asset purchases & projects
  - Many of the smaller items within operations
  - Projects Priority Criteria provides an objective method for evaluating budget requests
  - City-wide goals provide guiding criteria
- Unavoidable expenses:
  - Debt Service
  - Regulatory compliance – across all departments
  - Deferred maintenance – can cost more in the long run

# Organizational Overview

- **General Fund Services**
  - Administrative & General Government
  - Community Development
  - Police & Municipal Court
  - Fire / Emergency Response
  - Aquatic Center & Recreation Programs
  - Parks & Trails
  - Other (Dispatch, Airport, Museum, Community Funding, etc.)
- **Water Treatment and Delivery** (plus associated administrative costs)
- **Wastewater Collection and Treatment** (plus associated administrative costs)
- **Event Center**

# Personnel Costs

- Most significant component of operating costs and, therefore, additional detail provided
- Summary:
  - 56 full-time employees with benefits
  - 74.2 full-time equivalents (FTEs) due to numerous part-time and/or seasonal employees
  - Part-time or seasonal employee benefit costs consist of taxes & workers comp - ~8% to 10%
  - Full-time employee benefit costs range from 30% to 75%
  - Average burden rate is 34.7%
  - Defined contribution retirement plan - non public safety EEs
  - Colorado Fire & Police Pension Assn - Defined Benefit Plan

# Administrative Payroll

- 11% of Personnel Costs are in Administration
- Six regular full-time employees:
  - City Administrator
  - Deputy City Clerk
  - Finance Director
  - Senior Accountant
  - Accountant I
  - Admin / HR Assistant
  - Intern (temporary position; 50% grant-funded)
- Part-time employees:
  - Video Technician for council meetings
  - Elected Officials

# Interim Financial Reports

- Not required by CRS or GASB
- Presented to city council since 2009
- Used for internal & external purposes:
  - Inform the council and public about the City's finances
  - Accountability for the budget
- Format is similar to the budget comparison included in RSI
  - Narrative (highlight important items, show information graphically, "Plain English" explanations, etc.)
  - City-wide Financial Summary
  - Budget Comparisons by Fund
  - Supplemental Data

# Year End Audit & Financial Statements

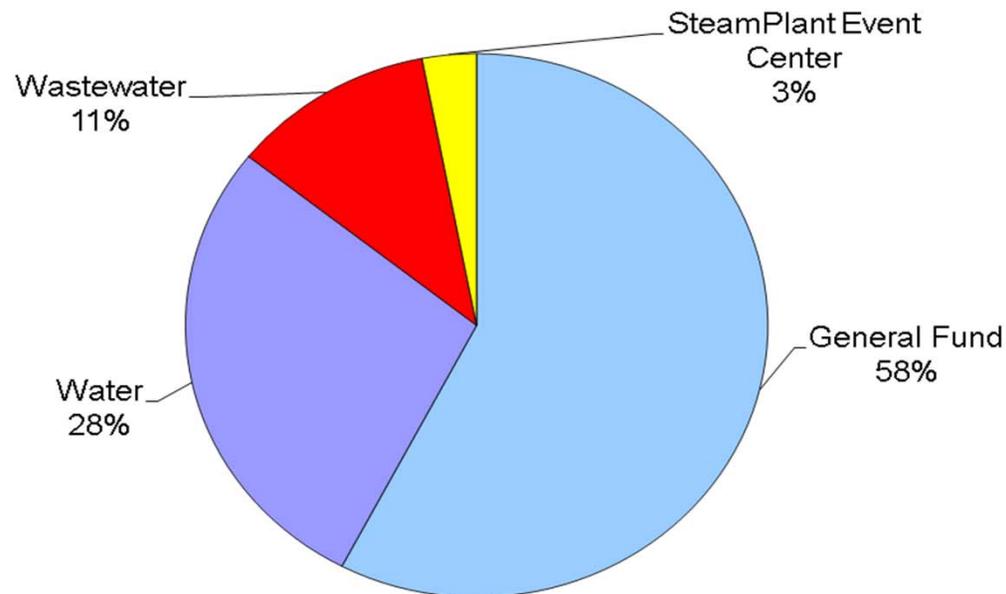
- CRS require an audit by an independent CPA
  - Financial statements are the responsibility of management
  - Outside CPA's role is to conduct an independent audit and issue an unbiased opinion
- GASB requires general purpose financial statements; format established by GASB 34
  - Government-wide and by fund
  - Required Supplementary Information (RSI)
    - Management's Discussion & Analysis (MD&A)
    - Budgetary Comparison
    - Other
- Filed with the Office of State Auditor by July 31
- CAFR is encouraged by GASB, but not required

# Internal Controls

- Auditors issue a Management Letter if they note areas of concern, such as lack of internal controls or inefficiencies
- Control environment
  - Management's "tone at the top"
  - Includes elected officials
- Roles & Responsibilities
  - Preventative controls
  - Detective controls
- Examples:
  - Separation of duties
  - Analysis of budget variances
  - Purchasing policy (bids, related parties, approvals, etc.)

# 2014 Budget Overview

- Total spending will be \$14.1 million
- “Normal” annual budget is ~ \$10 to 11 million
- Again in 2014, spending will exceed this level due to the timing of a major capital project.
- 2014 Budget:



# Current State - Debt

- Total Debt Reduction (all funds) - \$667,000
- Debt Service (P&I) – 9.3% of total revenue
  - General Fund – 2.1%
  - Water Fund – 15.4%
  - Wastewater Fund – 38.0%
- Debt Balances remaining at end of 2014:
  - General Fund - \$1.5 million
  - Water Fund - \$2.8 million
  - Wastewater Fund - \$11.7 million

# Current State – Govt Funds

- **General Fund**
  - The 2014 proposed budget uses \$193,600 in reserves for capital projects
  - \$2.7 million in cash projected at beginning of 2014
- **Conservation Trust Fund**
  - \$111,000 projected after the open space purchase at the end of 2013
  - No change in 2014; plan to spend current lottery distribution

# Current State – SteamPlant

- Revenue continues to grow
- Cost recovery improving – expect 77% for 2014 and 74% in 2013 compared to 70% or less in previous years
- Making a capital investment in 2014
- Will continue to subsidize with general fund revenue, consistent with other general government services in the scope of Salida's organization
- Friends of the SteamPlant continue to be valuable supporters

# Current State – Water Fund

- Three years ago, council took action needed to resolve the pending financial insolvency of the water system. After the completion of a capital improvement plan (CIP) and rate study in 2011, user fees were increased significantly.
- 2012 started with no available reserves and a \$300,000 “intra-fund” loan to the sewer system (pending availability of funds from a zero percent interest loan secured for system improvements).
- 2013 started with nearly \$700,000 in reserves for capital needs; expect to start 2014 with \$1.2 million
- 2014 plant upgrade uses reserves (as planned since CIP)

# Current State – Sewer Fund

- Reserves built up in recent years for the plant upgrade; \$1.35 million used before the USDA loan/grant
- Expect a break-even going forward when debt service obligation begins.
- 2013 started with \$3.1 million in reserves; no significant changes expected
- Depending on the final costs and project timing, funds may be “borrowed” for the water treatment plant upgrade

# Summary of 2014 Budget

- Capital needs being addressed with responsible financing
- Operating costs under control
- General Fund debt minimal
- Enterprise Fund debt significant, but in accordance with long-term plans, at good rates & reasonable level of debt service
- Total reserves adequate for emergencies & planned capital
- Current revenue streams provide for managed current spending

# Meeting Wrap Up

- Q&A
- Resources for more info:
  - Financial Documents on City website – Annual Audit, Budgets, Interim Reports are all available
  - GASB website
  - CO Dept of Revenue website
  - CRS
  - Contact me directly
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    - [jan.schmidt@cityofsalida.com](mailto:jan.schmidt@cityofsalida.com)