



To: Mayor Dickson and Elected Officials
From: Jan Schmidt
Date: December 31, 2014
Subject: Work Session Materials for January 5, 2015
Proposed Ordinance Initiative Petition and Council's Alternate Ballot Language

Meeting Objective

Council provides direction to staff regarding the ballot language for an alternate question to revise the distribution of the city sales tax revenue that can be brought to the council for approval at the regular meeting on January 20, 2015 in the form of a proposed ordinance.

Background

Proponents Billy Carlisle and Rodney Farney circulated an initiative petition to submit a proposed ordinance to the City Council for consideration that would change the way the 2A funds are allocated. There were 418 spaces filled on the petitions and 387 of those contained a valid signature of one of the City's approximately 4,200 registered voters. A summary of the key provisions of the proposed petition is included in the last section of this memo.

The November 17, 2014 budget work session was devoted to discussion of the proposed ordinance and implications if the Council were to adopt or the voters were to approve it. In the work session packet, the council was provided with a draft of an alternate change to the "Disposition of Revenue" language in the Salida Municipal Code that could be proposed to voters as an alternative ordinance and placed on the ballot in the election.

The council chose not to adopt the Carlisle / Farney proposed ordinance at their regular meeting held on November 18, 2014. Accordingly, it will be referred to the registered electors of the City of Salida at a special election. During the regular council meeting on December 16, 2014, council set the date for the special election as March 24, 2015.

The council held a special work session on December 2, 2014 to further consider the language for an alternative ordinance regarding this matter. The draft language from the November 17, 2014 work session was expanded based on input and then redistributed to the council with blanks to be filled in. During the work session, Councilman Baker provided percentages and discussed a minimal dollar amount he would like for the council to commit toward capital improvements of streets and related infrastructure. Staff took direction to draft an ordinance with that alternative language for consideration at the regular meeting on December 16, 2014.

Councilman Brown submitted to the rest of the council a different proposed ordinance related to the allocation of sales tax revenue along with a proposed ordinance for the creation of an audit committee the day before the council packet for the December 16th meeting was distributed. It was added to the council meeting packet for consideration by the full council.

No agreement was reached during the December 16, 2014 regular meeting. The council requested an additional work session to further consider language for an alternate ballot question.

Considerations

As discussed previously, it is important for the council and voters to understand implications of proposed ordinances.

No additional revenue would be generated. The proposed ordinances each re-allocate existing revenue differently. If more money is spent in one area, less is spent for something else. Similarly, if additional data tracking and reporting requirements are implemented, less time is available for other work.

Two of the proposed ordinances direct a larger percentage of city sales tax to capital expenditures. That means a smaller percentage would be available for operating expenditures.

Based on informed discussion, what are the council's objectives?

Specific Considerations:

- What is the “right” amount to invest in capital projects and purchases?
- What is the “right” amount specifically for streets and sidewalks?
- Is a different definition of “streets” needed other than what currently exists in the Salida Municipal Code §1-2-10 or §11-1-10?
- What is the “right” amount to spend on maintenance?
- What are other priorities for the community?
- What level of restriction is appropriate for this and future councils in making budget decisions each year?
- All new proposals have a reporting requirement – how restrictive should the Salida Municipal Code be with respect to operating procedures?
- Does the creation of an audit committee belong on a ballot or should the council simply make this decision as the governing body?

Data to Inform the Discussion

- Sales Tax Allocation Scenarios (see table included in packet)
 1. Current – 42.7% of total city sales tax used for capital
 - a. 44% of 2% city sales tax restricted for capital expenditures and capital improvements
 - i. 35% is transferred to a “Capital Improvement” reserve account and is used to provide streets and other capital improvements or to pay debt service on bonds or other obligations of the City issued to provide for such capital improvements
 - ii. 9% is transferred to a “Capital Expenditures” reserve account and used for the purchase of machinery and equipment that is greater than \$500 with a useful life in excess of one year.
 - iii. 1% is transferred to an “Economic Development” reserve account to be used economic development within the city.
 - iv. Up to 8% is placed in a “Contingency” reserve in any calendar year when such fund is less than 15% of the City's General Fund Operating Budget, it being the intent to maintain a Contingency Fund which, in any year, is equal to 15% of the

General Fund Operating Budget. The Contingency Fund can be utilized by the City Council to cover unbudgeted, unforeseen reductions in revenue collections or unusual expenditures outside the scope of normal operations.

- b. 100% of 1% city sales tax “used for funding construction, operation, maintenance, and repair of roads and other public infrastructure of the City.” Currently 40% of 1% is being budgeted for capital streets projects.
2. Proposed Carlisle / Farney Initiative
 - a. At least 75% of all “2A” funds shall be used to replace, repair or improve streets and the water or sewer lines underlying or running along those streets, and to replace, repair, improve or newly install or construct sidewalks, street curbs, gutters, or storm drainage systems underlying or running along those streets.
 - i. No portion of expenditures allowed on Vandaveer Ranch
 - ii. Expenditures shall be capital expenditures
 - iii. Annual budget shall identify projects and costs for upcoming fiscal year, present fiscal year and prior fiscal year
 - b. Remainder, if any, for maintenance, routine repair, and upkeep of the city’s streets, sidewalks, curbs, gutters, water lines, sewer lines and storm drainage systems
 - c. Specific accounting by project – statement of the separate cost for each and every specific portion of work for each and every project and the street along which such work is done
 3. Proposed Council Work Session Version
 - a. Addresses all city sales tax (not only “2A”)
 - b. 35% restricted for capital
 - c. Minimum of \$1 million or 60% for streets, alleys and sidewalks to sunset in six years
 - d. Capital definition consistent with accounting policy adopted by council
 - e. Reporting required quarterly of all actual spending by project
 4. Proposed Brown Version
 - a. Addresses all city sales tax (not only “2A”)
 - b. Creates a special fund for streets and street related infrastructure
 - c. 33.33% restricted for streets and other infrastructure generally following definition in SCM §1-2-10 except that recreational trails are specifically excluded
 - d. 20.0% for capital improvements (defined as expenditures on items or improvements over \$5,000 and with a useful life of longer than 3 years including by way of example machinery, equipment, facilities and public improvements)
 - e. 6.0% for capital expenditures (defined as the purchase or machinery and equipment that is greater than \$500.00 with a useful life in excess of one year)
 - f. 0.67% for economic development within the City
 - g. Up to five percent (5%) allocated to a Contingency Fund in any calendar year when such fund is less than 15% of the City's General Fund Operating Budget that can be utilized by the City Council to cover unbudgeted, unforeseen reductions in revenue collections or unusual expenditures outside the scope of normal operations
 - h. Revenue cannot be saved for more than two years (eg. for a large future project)
 - i. Maintains different definition of capital for budget versus accounting policy
 - j. Creates different definition for “street related infrastructure”
 - k. Reporting requirements for actual spending
 - l. All other revenue must be spent for operating expenditures
 - m. Creates an audit committee

- Historical capital spending

Calendar Year	Street Related			Subtotal	Grants *	Total
	Streets	Debt Payments	Other	City Funds		Spending
2009	1,148,252	229,798	2,449,330	3,597,582	1,846,416	5,443,998
2010	420,250	227,147	847,875	1,268,125	698,500	1,966,625
2011	326,827	456,315	1,304,251	1,631,078	133,601	1,764,679
2012	682,741	-	650,888	1,333,629	837,764	2,171,393
2013	841,195	-	1,192,938	2,034,133	321,766	2,355,899
2014 (Budget)	1,163,900	-	946,600	2,110,500	537,500	2,648,000
2015 (Budget)	1,260,700	-	1,046,100	2,306,800	910,100	3,216,900
Note						
* Grants include additional spending for street improvements, primarily the Highway 50 Enhancement project.						

- General Government Services – costs per adopted 2015 budget
 - What services are provided
 - What are the costs of general services
 - What is the cost recovery from associated revenue
 - How many employees provide the services in each department?
 - How might services be affected if more revenue is directed to capital and away from operations
 - Note: also refer to the department by department assessment of tasks and projects included in the November 17, 2014 work session packet
- General Fund Operating Expenditures
 - Components of total operating costs
 - Component of operating costs excluding personal
- Personnel Costs
 - Total by department
 - Costs net of cost recovery by department
- Capital versus Operating Expenditures
 - Relative to the total General Fund budget, how much does Salida invest in capital?
 - How does this compare to other Colorado municipalities?
 - Does Salida achieve top priorities with this level of capital spending?
- Existing Definitions of Streets in the Salida Municipal Code
 - §1-2-10. Street includes all streets, highways, avenues, alleys, lanes, courts, boulevards, squares, places, curbs, sidewalks or other public ways in the City which have been or may hereafter be dedicated and open to public use, or such other public property so designated in any law of this State.
 - §11-1-10. Street means that portion of the public right-of-way extending from the normal line of curb face on one (1) side to the normal line of curb face on the other side or which is used for vehicular traffic.

Sales Tax Allocation Scenarios

2015 Sales Tax Revenue Budget	\$	4,468,600
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<u>Current Capital Restrictions</u>		<u>Proposed Carlisle/Farney Petition</u>		<u>City Council Work Session</u>		<u>Proposal for Alternate Capital Commitment</u>		<u>Councilman Brown Proposal</u>	
Expected City Sales Tax Revenue	\$ 4,468,600	Expected City Sales Tax Revenue	\$ 4,468,600	Expected City Sales Tax Revenue	\$ 4,468,600	Expected City Sales Tax Revenue	\$ 4,468,600	Expected City Sales Tax Revenue	\$ 4,468,600
	66.67%	\$ Required for Capital	\$ 2,428,004	\$ Required for Capital	\$ 1,564,010	\$ Required for Capital and Other	\$ 2,681,160		
2% of Total Sales Tax	\$ 2,979,216	"2A" Portion of Total City Sales Tax	33.33%	% Restricted for Capital	35.00%	Restrictions:			
% Required for "Capital Improvements"	35.00%		\$ 1,489,532	% Required for "Streets"	60.00%	% for Streets & Related Infrastructure	33.33%		
\$ Required for "Capital Improvements"	\$ 1,042,725	% Required for "Streets"	75.00%	\$ Required for "Streets"	\$ 938,406	\$ for Streets & Related Infrastructure	\$ 1,489,384		
% Required for "Capital Expenditures"	9.00%	\$ Required for "Streets"	\$ 1,117,149	Minimum Amount for "Streets"	\$ 1,000,000	% for Capital Improvements	20.00%		
\$ Required for "Capital Expenditures"	\$ 268,129	NOTE:				\$ for Capital Improvements	\$ 893,720		
Total Capital Spending Requirement	\$ 1,310,855	The Carlisle / Farney proposal does not affect the current capital restrictions on the first 2% of the City's total 3% sales tax. The current capital restrictions outlined in the previous column would remain in place.				% for Capital Expenditures	6.00%		
						\$ Capital Expenditures	\$ 268,116		
<u>Current Capital Practice</u>		<u>Current Practice compared to Carlisle / Farney Proposal</u>		<u>Current Practice compared to Work Session Proposal</u>		<u>Current Practice compared to Brown Proposal</u>			
Allocation of "2A" for Capital:	40.00%	Total Sales Tax Allocated to Capital	\$ 1,906,668	Total Sales Tax Allocated to Capital	\$ 1,906,668	Total Sales Tax Allocated to Capital	\$ 1,906,668		
Current Capital Budget for Infrastructure	\$ 595,813	Carlisle / Farney Proposal	\$ 2,428,004	Work Session Proposal	\$ 1,564,010	Brown Proposal (excl. economic devel)	\$ 2,651,220		
		Difference	\$ 521,336	Difference	\$ (342,658)	Difference	\$ 744,552		
		% of Sales Tax Restricted for Capital	54.3%	% of Sales Tax Restricted for Capital	35.0%	% of Sales Tax Restricted	59.3%		
<u>Total Current Capital Spending</u>									
Total Sales Tax Allocated to Capital	\$ 1,906,668								
% of Total Sales Tax Allocated to Capital	42.7%								

Historical Capital Spending

Calendar Year	Street Related			Subtotal City Funds	Grants *	Total Spending
	Streets	Debt Payments	Other			
2009	1,148,252	229,798	2,449,330	3,597,582	1,846,416	5,443,998
2010	420,250	227,147	847,875	1,268,125	698,500	1,966,625
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Note
* Grants include additional spending for street improvements, primarily the Highway 50 Enhancement project.

**General Government Services
Adopted 2015 Budget**

Department:	Administration	Community Development	Public Safety		Public Works		Pool & Recreation	Other	Total General Fund	SteamPlant Fund
Costs and Cost Recovery for Government Services	Liquor, marijuana & arborists licensing, birth & death certificates, municipal court, public communication, intergovernmental facility management, payroll, accounts payable, accounts receivable, budgeting, financial reporting, human resources, legal, cash management / treasury, insurance, records management, task force & public meeting coordination and other general government and administrative services	Land use and zoning administration and enforcement, administrative review of development plans, subdivision exemptions, building permits & sign permits, long range and current planning, historic preservation; works with Planning Commission, Historic Preservation Commission & Regional Planning Commission	24/7 police protection, vehicle, bicycle and foot patrol, crime prevention and law enforcement, vehicle identification number inspections, special event support, school safety programs, DUI awareness program, drug task force, regional preparedness, E911 board representation	24/7 professional fire response (structural and wildland), emergency medical services, hazardous material response, technical rescue (ice, swift water, confined space, high and low angles), installation of smoke detectors, inspections and plans reviews, code enforcement, Fire prevention and CPR classes, fireworks shows, regional preparedness, SAFFPD coordination	Operation, maintenance and improvement of streets, walkways, public buildings, parking lots, storm sewer system, regulatory signage, street lights, and other public infrastructure; works with Tree Board	Operation, maintenance and improvement of parks, public restrooms, playground equipment, park structures, trails and open space; works with Tree Board and budgets for tree plantings, maintenance and removals, as needed.	Swimming pool, lessons, fitness & recreation programs, activities and special events for community members of all ages, manage capital projects, serve as community liaison with outside organizations (chamber of commerce, small business association, etc.) and Recreation Advisory Board	Community funding grant program, airport operating subsidy, Creative District, municipal prosecutor, municipal judge, hot springs water source and other city owned property not currently in use for basic municipal purposes	All departments have substantial involvement with public communication, council meetings, special task forces, website updates, grant writing and administration, as well as special community events	The hub of Salida's Creative District, this event facility is used for a wide variety of visual and performing arts, conferences, training sessions and private event. The SteamPlant Event Center recovers approx 75% of its costs through rental charges and other sales. The General Fund subsidizes the remainder.
Personnel - salaries/wages, taxes, medical insurance, retirement, workers compensation	\$ 399,400	\$ 184,200	\$ 1,288,200	\$ 843,700	\$ 472,300	\$ 183,500	\$ 423,500	\$ -	\$ 3,794,800	\$ 246,900
Contracted services - legal, IT, engineering services, municipal judge, prosecutor, physician advisor, audits, etc.	179,000	16,400	196,000	37,400	16,800	2,300	22,500	40,400	510,800	3,600
Supplies and materials - consumable items for operations, including for internal repair & maintenance of city property	7,500	2,100	59,800	32,700	54,100	19,000	47,300	-	222,500	39,000
Utilities - electricity (including street lights), natural gas, water, sewer, telephone, broadband	24,900	100	28,800	3,800	131,000	49,500	71,900	12,000	322,000	32,100
Other operating costs - property insurance, printing legal notices, parking lot leases, repairs & maintenance, fireworks, election costs, etc.	180,700	14,700	31,200	37,900	68,000	20,500	69,600	91,000	513,600	27,800
Total department operating costs	\$ 791,500	\$ 217,500	\$ 1,604,000	\$ 955,500	\$ 742,200	\$ 274,800	\$ 634,800	\$ 143,400	\$ 5,363,700	\$ 349,400
Direct operating revenue	38,000	26,000	75,000	85,000	38,000	-	435,600	-	697,600	261,000
Cost Recovery Percentage	5%	12%	5%	9%	5%	0%	69%	0%	13%	75%
Net Cost	\$ 753,500	\$ 191,500	\$ 1,529,000	\$ 870,500	\$ 704,200	\$ 274,800	\$ 199,200	\$ 143,400	\$ 4,666,100	\$ 88,400
Percentage of Total Net Cost	16%	4%	33%	19%	15%	6%	4%	3%	100%	2%
Cost Recovery Percentage	5%	12%	5%	9%	5%	0%	69%	0%	13%	75%
Full-time Equivalents	5.20	3.00	17.00	11.00	7.20	3.90	12.00	-	59.30	5.62
Avg burdened personnel cost per FTE	\$ 76,808	\$ 61,400	\$ 75,776	\$ 76,700	\$ 65,597	\$ 47,051	\$ 35,292		\$ 63,993	\$ 43,932
Net services cost per FTE	\$ 110,481	\$ 63,833	\$ 89,941	\$ 79,136	\$ 97,806	\$ 70,462	\$ 16,600	\$ -	\$ 78,686	\$ 15,730

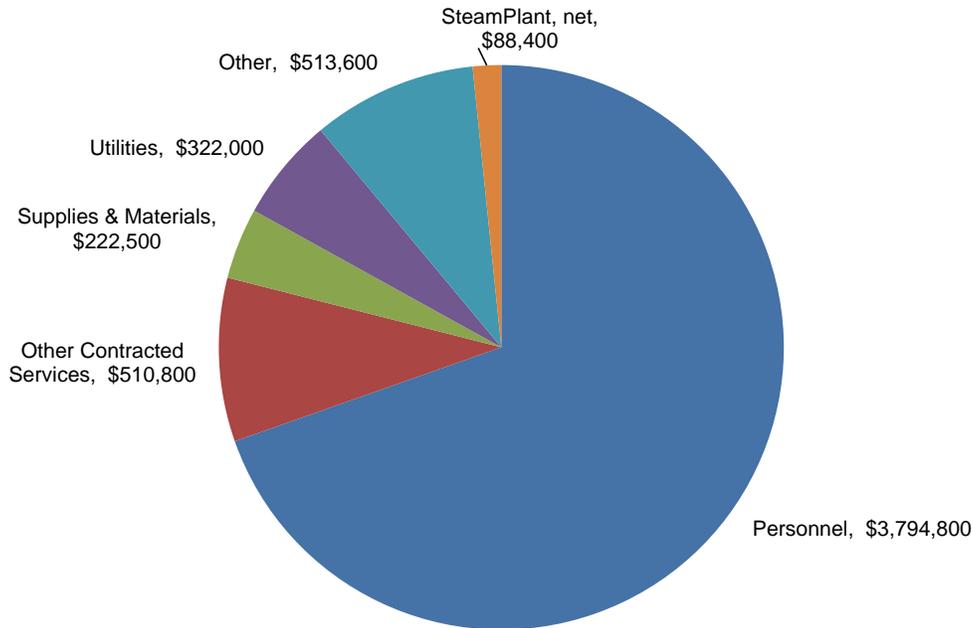
Notes:
100% of legal services and property / casualty insurance for the general fund is reflected in the administration department.
Full-time equivalent employees are based on a annual work schedule of 2,080 hours for all employees except firefighters who work 2,904 hours.

Transfer from operations to capital if "2A" petition passes \$ 521,325
Percentage of current net operating budget 11.2%

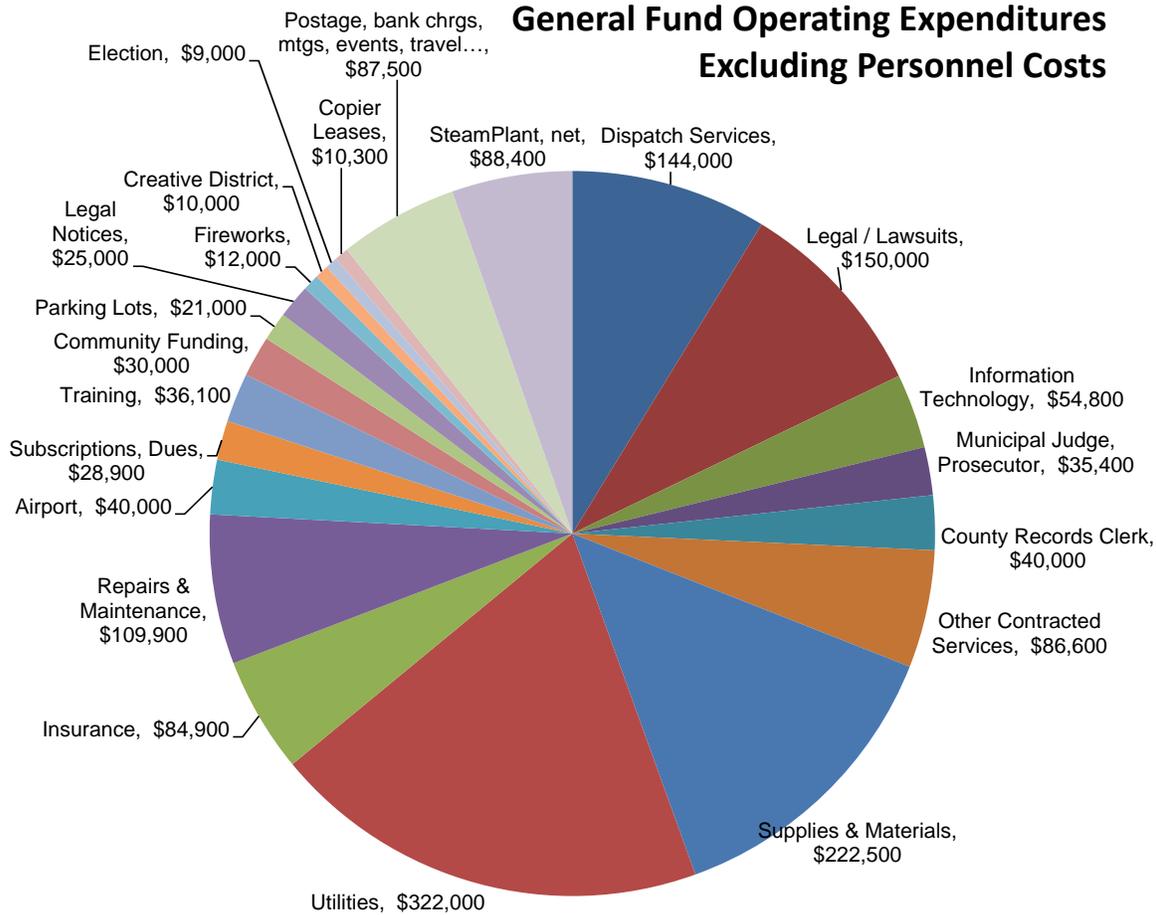
SMC 4-3-50(b) - "The proceeds of the one percent (1.0%) increase in sales tax imposed by Ordinance No. 34, Series of 2008 shall be used for funding construction, operation, maintenance, and repair of roads and other public infrastructure of the City."

of full-time equivalent employees at average burdened cost 8.1
Potential headcount loss 8 to 12 FTEs
Percentage of current general fund staff 13% to 20%

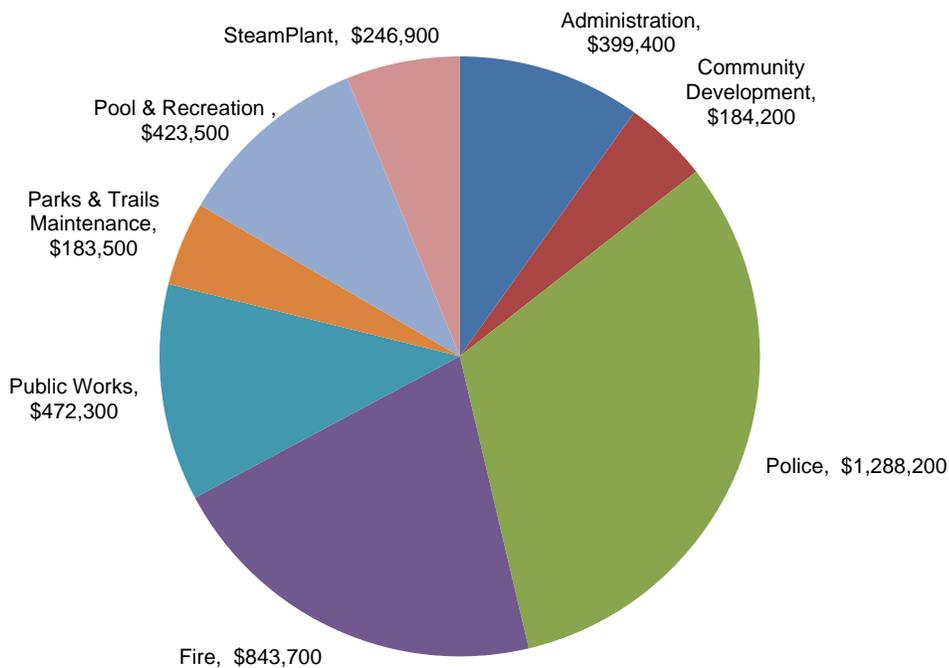
General Fund Operating Expenditures



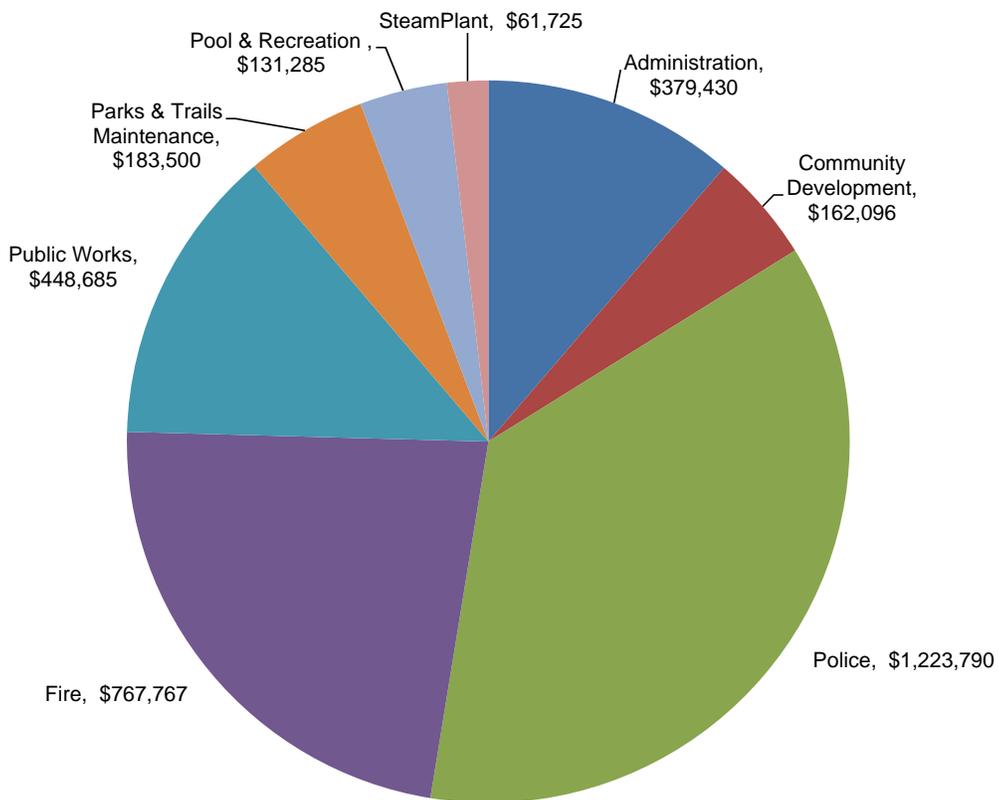
General Fund Operating Expenditures Excluding Personnel Costs



Personnel Costs by Department

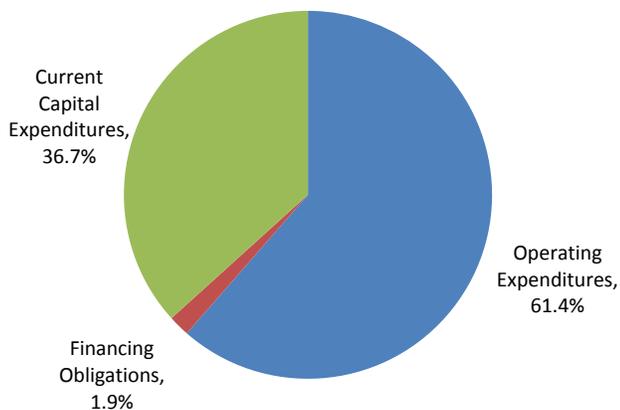


Personnel Costs Net of Cost Recovery



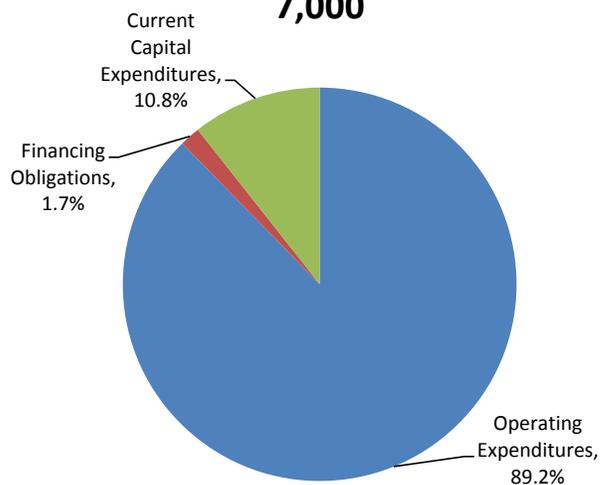
General Fund

Salida - 2015 Adopted Budget

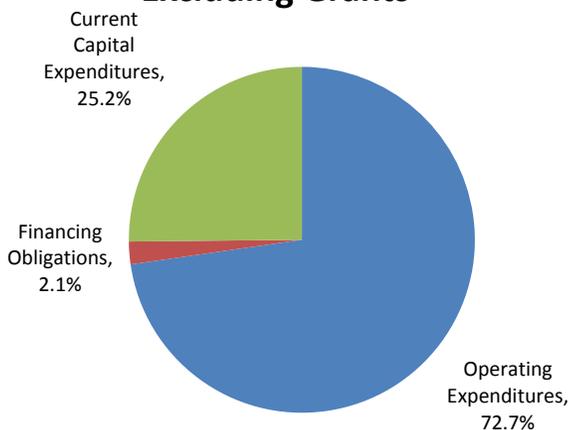


Based on the following comparative data, as a percentage of total spending Salida invests between 2.5 and 3.4 times as much as other Colorado municipalities on capital purchases and improvements. Without grants, this figure is 1.7 to 2.3 times as much. The proposed petition would require a greater amount of capital spending from the existing evenue.

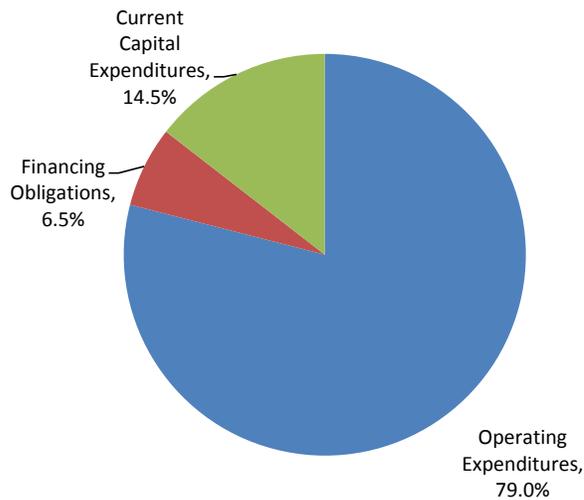
Colorado Cities and Towns with Populations between 4,000 and 7,000



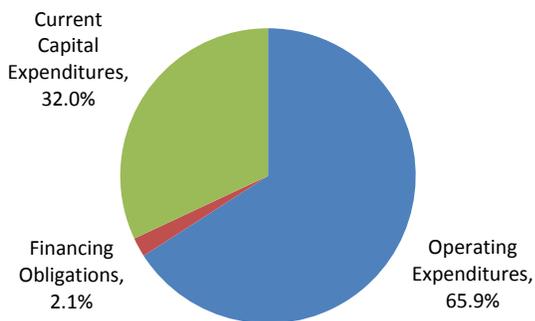
Salida - 2015 Adopted Budget Excluding Grants



Colorado Municipalities in RubinBrown Public Sector Report



Salida - After Petition Excluding Grants



**CITY OF SALIDA, COLORADO
ORDINANCE NO. 29
SERIES OF 2014**

AN ORDINANCE OF THE CITY OF SALIDA, COLORADO, TO PROVIDE FOR A CHANGE IN DISPOSITION OF THE SALES TAX TO FUND THE CURRENT AND FUTURE CAPITAL SPENDING FOR STREETS, ALLEYS AND SIDEWALKS, AND SUBMITTING THIS ORDINANCE FOR APPROVAL OF THE REGISTERED VOTERS OF THE CITY OF SALIDA AT SPECIAL ELECTION ON MARCH 10, 2015.

WHEREAS, qualified electors of the City of Salida, Colorado, have previously approved in total a three percent (3.0%) retail sales tax; and

WHEREAS, of the three percent (3.0%) approved sales tax the one percent (1.0%) imposed by Ordinance No. 34, Series of 2008 is used for funding construction, operation, maintenance, and repair of roads and other public infrastructure of the City; and

WHEREAS, the disposition of sales tax proceeds is further codified within Chapter IV, Article 3, Section 4-3-50 of the Salida Municipal Code (the "SMC"), wherein it is referred to as "Disposition of Revenue"; and

WHEREAS, a citizen initiative has proposed changes to the disposition of sales tax codified within Chapter IV, Article 3, §4-3-50; and

WHEREAS, City Council wishes to provide an alternative to the citizen initiative to be placed on the ballot for the March 10, 2015 special election; and

WHEREAS, in order to provide for those purposes, the Council has determined that it is necessary to submit to the registered voters of the City of Salida the question of whether to amend the SMC to change the disposition of sales tax for current and future capital spending for streets, alleys and sidewalks, which question will be submitted to the registered voters at the general election to be held on March 10, 2015.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SALIDA, COLORADO, THAT:

1. The foregoing recitals are incorporated herein as if set forth in full.
2. Purpose. The purpose of this Ordinance is to amend the present Salida Municipal Code regarding the disposition of Sales Tax, and to provide for current and future capital spending for streets, alleys and sidewalks.
3. Subject to registered voter approval, the first clause of Section 4-3-50 of the SMC relating to the disposition of sales tax imposed on the transactions set forth therein is hereby repealed and re-enacted as follows:

City of Salida, Colorado
Ordinance No. 29, Series of 2014
Page 2 of 3

4-3-50. Disposition of revenue.

(a) Thirty five percent (35.0%) of proceeds received from the three-percent sales tax imposed by the City shall be restricted for capital spending as defined below in 4-3-50(d).

(b) At least sixty percent (60.0%) or \$1,000,000, whichever is greater, of the proceeds identified in 4-3-50(a) received between January 1, 2015 and December 31, 2020 shall be capital spending for streets, alleys and sidewalks.

(c) Any proceeds from the sales tax for restricted capital spending received and not spent within the same fiscal year shall be held in a restricted capital reserve account until appropriated for capital spending in a future year.

(d) Capital spending is defined as expenditures for real, personal and/or intangible property with a cost of \$5,000 or greater and a useful life longer than 3 years including by way of example machinery, equipment, vehicles, facilities and public improvements.

(e) The City Administrator shall report quarterly to the City Council identifying all year to date capital spending including the amount, vendor and project. These reports shall be made readily available to the public for review through the City's website and at City Hall.

4. Effective Date. If approved as hereinafter set forth, this Ordinance and the changes in disposition of the Sales Tax shall become effective for all sales which occur from and after April 1, 2015.

5. Submission to Voters. This ordinance shall be submitted to, and must receive the approval of a majority, of the registered voters of the City of Salida voting on the question of approving the foregoing amendment to the SMC regarding a change in the SMC regarding the disposition of the sales tax at the special election which shall be held on Tuesday, March 10, 2015. As near as practical, this election shall be held in compliance with the Colorado Municipal Election Code, as amended.

INTRODUCED on December 16, 2014, read by title, passed on first reading with amendments, and ordered published by title as required by the Charter.

INTRODUCED a second time at a regular meeting of the Council of the City of Salida, Colorado, held on January 6, 2015, passed with amendment, approved, and ordered published in full as required by the Charter.

City of Salida, Colorado
Ordinance No. 29, Series of 2014
Page 3 of 3

Dated this ____ day of _____, 2015.

CITY OF SALIDA, COLORADO

BY: _____
Mayor

ATTEST:

Deputy City Clerk

2nd Draft 12-9-2014

FULL TEXT OF THE PROPOSED ORDINANCE:

ORDINANCE NO. _____
(Series of 2014)

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SALIDA, COLORADO, AMENDING SECTIONS 4-2-30, 4-3-50 AND CREATING SECTION 2-7-71 OF THE SALIDA MUNICIPAL CODE REGARDING THE ESTABLISHMENT OF A SPECIAL FUND FOR STREETS AND STREET RELATED INFRASTRUCTURE, THE DISPOSITION OF THE PROCEEDS OF THE THREE PERCENT (3%) SALES TAX IMPOSED BY ORDINANCES NO, 1 SERIES OF 1990 (2%), AND NO. 34, SERIES OF 2008 (ADDITIONAL 1%), AND THE CREATION OF AN AUDIT COMMITTEE.

WHEREAS, Ordinance No. 1, Series of 1990 imposing a two percent (2%) sales tax was approved by the voters of Salida in 1990; and

WHEREAS, Ordinance No. 34, Series of 2008 imposing an additional one percent (1.0%) sales tax was approved by the voters of Salida in 2008; and

WHEREAS, the residents of the city wish to reaffirm and continue the imposition of the three percent (3%) sales tax approved by prior ballots; and

WHEREAS, there has been community sentiment expressed that the proceeds of the one percent (1.0%) tax imposed by Ordinance No. 2008-34 should be spent on improving existing streets and sidewalks, improving and repairing existing water and sewer lines, and installing, improving or repairing curbs and gutters incident to existing streets or existing sidewalks, and maintaining the same items; and

WHEREAS, there has been community sentiment expressed that there has been confusion and misinformation about the accounting for the distribution of revenues mandated by Ordinance No. 1990-1 and Ordinance No. 2008-34; and

WHEREAS, the City of Salida desires to conform to accepted “Best Practices” in regard to financial accounting and reporting, and will not limit financial reports to the minimum requirements necessary to be in conformity with generally accepted accounting principles (GAAP); and

WHEREAS, the provisions of C.R.S. §§ 31-15-708(1)(a), 31-15-709(1)(a) and / or other applicable law allow the City of Salida to construct and maintain water and sewer lines notwithstanding the existence of the City’s Water and Sewer Enterprise Fund; and

WHEREAS, the City of Salida wants no violation of the Taxpayer’s Bill of Rights embodied at section 20, article X of the Colorado state constitution with respect to the City’s Water and Sewer Enterprise Fund;

NOW THEREFORE BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SALIDA, COLORADO:

2nd Draft 12-9-2014

- Section 1. The aforementioned recitals are hereby fully incorporated herein.
- Section 2. Section 4-2-30 of the Salida Municipal Code shall be repealed and replaced as stated below.
- Section 3. Section 4-3-50 of the Salida Municipal Code shall be repealed and replaced as stated below.
- Section 4. Section 2-7-71 of the Salida Municipal Code shall be created and inserted as stated below.
- Section 5. Upon adoption of the ordinance codified herein by the City Council, said ordinance shall be submitted to an election by the registered electors of the City for their approval or rejection.

4-2-30. Special funds.

The City Administrator shall maintain, in the accounting records of the City, separate accounts for any and all special funds of the City, including, but not limited to, the Conservation Trust Fund, the Water and Wastewater Enterprise Fund, the Streets and Street Related Infrastructure Fund, and the SteamPlant Event Center Fund. The principal and interest earned by the amounts in each such fund shall be credited separately in each such account, and the monies in each fund shall be used only for the purposes allowed by law and as may be stipulated by this Salida Municipal Code.

4-3-50. Disposition of revenue.

(a) One third (33.33%) of proceeds received from the three-percent sales tax imposed by the City shall be deposited in the Streets and Street Related Infrastructure Fund established by section 4-2-30 above, and used solely for construction, operation, maintenance, and repair of city streets and street related infrastructure. For purposes of this section “Street” is defined in section 1-2-10 of this Salida Municipal Code. Said definition of street shall not be interpreted to include recreational trails. “Street related infrastructure” includes, gutters, storm drainage systems and water or sewer lines underlying or running along streets. “Construction, operation, maintenance, and repair” may apply to capital projects or operating projects. If used for operating projects, expenditures shall be applied only to costs that are traceable directly to the authorized work (i.e. in-house or contracted labor and materials for street maintenance or repair). It shall not be used to cover Public Works departmental overhead, allocated costs or work not done on streets and street related infrastructure.

(b) At least twenty percent (20%) of proceeds received from the three-percent sales tax imposed by the City shall be allocated to a Sales Tax Capital Improvement Fund to be used to provide streets or other capital improvements or to pay debt service on bonds or other obligations of the

2nd Draft 12-9-2014

City issued to provide for such capital improvements. "Capital improvements" is defined as expenditures on items or improvements over \$5,000 and with a useful life of longer than 3 years including by way of example machinery, equipment, facilities and public improvements.

(c) Six percent (6%) of proceeds received from the three-percent sales tax imposed by the City shall be allocated to a Capital Expenditures Fund to be used for the purchase of machinery and equipment that is greater than five hundred dollars (\$500.00) with a useful life in excess of one (1) year.

(d) Two thirds of one percent (0.67%) shall be allocated to an Economic Development Fund to be used as approved by the City Council for economic development within the City.

(e) Up to five percent (5%) shall be allocated to a Contingency Fund in any calendar year when such fund is less than fifteen percent (15%) of the City's General Fund Operating Budget, it being the intent to maintain a Contingency Fund which, in any year, is equal to fifteen percent (15%) of the General Fund Operating Budget. The Contingency Fund can be utilized by the City Council to cover unbudgeted, unforeseen reductions in revenue collections or unusual expenditures outside the scope of normal operations.

(f) Any proceeds from the sales tax for restricted capital spending or special fund which are received and not spent within the same fiscal year shall be retained in the fund to which deposited or allocated and spent for the purposes defined for that fund within the next two fiscal years.

(g) Upon the initiation of any work by the City budgeted and funded under this section, at a frequency determined by the size and complexity of the project, the City Administrator shall report, in writing, to the City Council, a clear statement of the work scheduled, the budgeted value of the work scheduled, the work accomplished, and the actual cost of the work accomplished. The report will include work and costs for the reporting period and start of project to date. The City Administrator shall make reports periodically, but no less than quarterly, to the City Council identifying all project status. These reports shall be made readily available to the public for review through the City's website and at City Hall.

(f) All other revenue collected from the City sales tax shall be allocated to the General Fund for operating expenditures.

2-7-71. Audit Committee

(a) Establishment. Pursuant to the authority granted by section 2-7-70(a) above, there is hereby created an Audit Committee for the City, which shall be part of the city government.

(b) Purpose. The Audit Committee is created for the following purposes:

(1) To provide much needed independent review and oversight of the government's financial reporting processes, internal controls, and independent auditors.

(2) To provide a forum separate from management in which auditors and other interested parties can candidly discuss concerns.

2nd Draft 12-9-2014

(3) To ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management's practices, and that the independent auditors, through their own review, objectively assess the government's financial reporting practices.

(c) Membership.

(1) Members of the Audit Committee shall be members of the City Council. To ensure the committee's independence and effectiveness, no governing body member who exercises managerial responsibilities that fall within the scope of the audit will serve as a member of the Audit Committee;

(2) The minimum membership of the committee shall be no fewer than three;

(3) Members of the Audit Committee shall be educated regarding both the role of the Audit Committee and their personal responsibility as members, including their duty to exercise an appropriate degree of professional skepticism;

(4) Once appointed, members will remain on the Audit Committee for the duration of their term of office unless they resign or are removed by the City Council.

(d) Powers and Duties

(1) The Audit Committee shall be guided in the performance of its duties by the Government Finance Officer's Association (GFOA) Best Practices for Audit Committees

(2) The committee shall have access to the reports of internal auditors, as well as access to annual internal audit work plans;

(3) The Audit Committee shall present annually to the full City Council a written report of how it has discharged its duties and met its responsibilities. This report will be made public.

(4) The Audit Committee shall establish procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters. Such procedures should specifically provide for the confidential, anonymous submission by employees of the city of concerns regarding questionable accounting or auditing matters.

(5) The Audit Committee also should monitor controls performed directly by senior management, as well as controls designed to prevent or detect senior-management override of other controls.

(6) The Audit Committee shall be adequately funded and will be authorized to engage the services of financial experts, forensic auditors, legal counsel, and other appropriate specialists, as necessary to fulfill its responsibilities.