

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

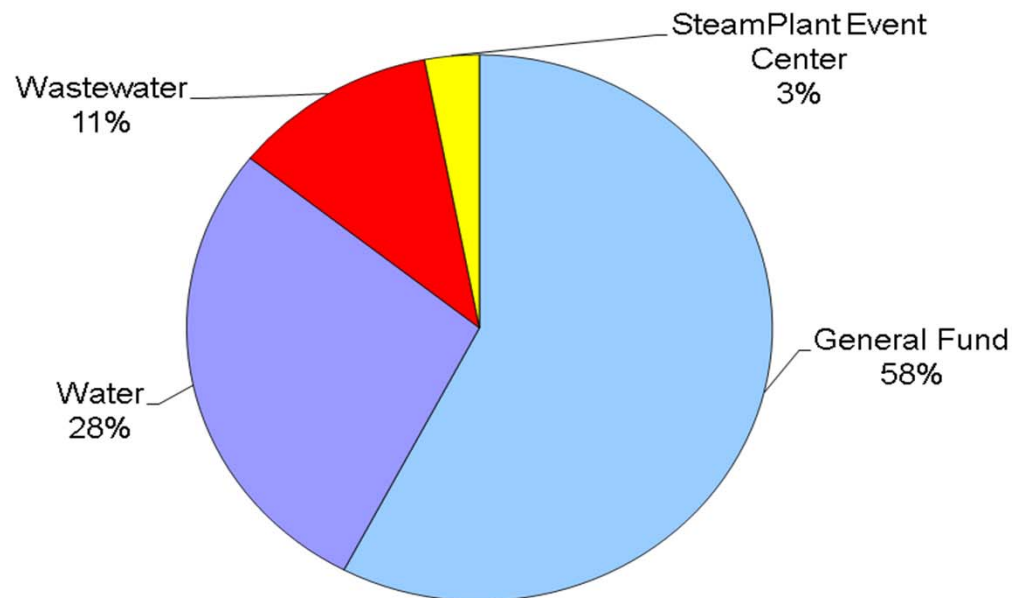
- CRS require an audit by an independent CPA
 - Financial statements are the responsibility of management
 - Outside CPA's role is to conduct an independent audit and issue an unbiased opinion
- GASB requires general purpose financial statements; format established by GASB 34
 - Government-wide and by 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
 - 530-2623
 - jan.schmidt@cityofsalida.com