Today’s Objectives

- Keep you awake
- Make this interactive
- Ask Questions!!!
- Hopefully you learn something
- Either from me or each other

Outline

- Finance
  - Basics of Governmental Accounting
- Budget
  - Budget Basics
  - Typical Budget Process
  - Budget Oversight
  - Other types of Budget Processes

Basics of Governmental Accounting

- Not-for-profit perspective
- Accountable to citizens/bondholders
- Relationship between the charge for a service and the cost to provide it

Fund - Defined

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law (i.e. Conservation Trust Fund) or bond covenants. However, the Council/Board may establish other funds to help control and manage spendable resources for particular purposes (i.e. Recreation Center Fund). All of the municipality’s funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.
Basics of Governmental Accounting

- Fund Accounting
  - “Separate Checkbooks”
  - Each Fund needs to balance
- Fund Types
  - Governmental
    - General, Special Revenue, Capital Projects, Permanent
  - Proprietary
    - Enterprise, Internal Service
  - Fiduciary
    - Trust, Agency, Pension

City of Golden Fund Structure

General Fund
- Primary Revenues
  - Sales & Use Tax, Property Tax
- Primary Functions
  - Public Safety (Police, Fire)
  - Public Works (Streets)
  - Parks & Rec (Outdoor Rec, Parks, Forestry, RV Park, Bldg Maintenance)
  - General Administration (Council, Manager, Clerk, Communications, Finance, HR, Court, Planning, Economic Development)

Special Revenue Funds
- Conservation Trust Fund
- Lottery Funds
- Development/Improvement of Parks, Space, Trails
- GDGID Fund
  - Dedicated Property Tax
  - Purchase, construction and parking lots/garages

Capital Projects Funds
- Sales & Use Tax Fund
  - Dedicated Sales & Use Tax (1%)
  - Infrastructure, Facilities, Capital Equip
    - Curb, Gutter, Sidewalks
    - Traffic Calming, Major Street Projects, Bridges
  - Public Art Program
  - Fire Trucks, Police & Fire Equipment
  - Community Center Equipment/Capital Improvements
  - Capital Related Debt Service

Enterprise Funds
- Water Fund
  - Environmental Quality, Treatment, Maintenance, Water Rights, Storage, Capital, Debt Service
- Wastewater Fund
  - Environmental Quality, Maintenance, Treatment, Capital
- Drainage Fund
  - Maintenance, Capital, Service

City of Golden Fund Structure

Capital Projects Funds (cont.)
- Capital Programs Fund
  - State Highway Users Tax, Fund Transfers
  - Used for Street Improvements
- Open Space Fund
  - County Open Space Tax
  - Open Space Purchases, Trail Development

City of Golden Fund Structure

Capital Projects Funds (cont.)
- State Highway Users Tax, Fund Transfers
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City of Golden Fund Structure

Enterprise Funds
- Water Fund
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City of Golden Fund Structure

- Enterprise Funds (cont.)
  - Community Center Fund
  - Splash Aquatic Park Fund
  - Fossil Trace Golf Course Fund
  - Cemetery Operations Fund
  - Rooney Rd Sports Complex Fund
  - Museums Fund

City of Golden Fund Structure

- Internal Service Funds
  - Fleet Management Fund
  - Information Technology Fund
  - Insurance Fund
  - Medical Benefit Fund
  - Workers Comp & Unemployment Ins Fund
- Fiduciary Funds
  - Volunteer FF Pension Alternative
  - Permanent Fund
  - Cemetery Perpetual Care Fund

Budget Basics

Balanced Budget:
Sources of Funds = Uses of Funds

Sources: Beginning Projected Reserves plus Budgeted Revenues
Uses: Budgeted Expenditures plus Ending Projected Reserves

Budget Basics

- Reserve Philosophy
  - Policy on Ending Reserves
    - How much
    - Course of action if over/under
  - Varies by Entity and Fund/Fund Type

Budget Basics

- Legal Level of Control
  - Fund, Department, or Line Item
  - Most efficient is Fund level
Typical Budget Process

- Council Goals/Priorities
- Revenue Projections
- Operating Budget
- Capital Planning & Budget
- Council Review
- Public Input (throughout the process)
- Adoption

Council Goals/Priorities

Best and most important time for Council involvement and input

- General goals/direction
- Specific projects
- Community needs

Revenue Projections

- Needs to be a separate, independent part of the process
  - Initial draft early in the process
  - Adjust only if justified based on current year trends or proposed fee increase
  - **DO NOT ARTIFICIALLY INCREASE REVENUE PROJECTIONS TO BALANCE THE BUDGET!!!!!!!**

Revenue Projections

- Current Year Projections
- Budget Year Projections
  - Trends
  - Assumptions
  - Inflation
  - Rate/Fee increases?
  - One Time Revenues
- Revenue Manual

SALES TAX REVENUE

<table>
<thead>
<tr>
<th>Year</th>
<th>General SUT Year Fund</th>
<th>Salary and FB Year Fund</th>
<th>Total</th>
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<tbody>
<tr>
<td>2014</td>
<td>8,812,313</td>
<td>4,415,903</td>
<td>13,228,216</td>
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<tr>
<td>2015</td>
<td>9,492,395</td>
<td>4,701,838</td>
<td>14,194,233</td>
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<td>2016</td>
<td>10,083,698</td>
<td>5,029,154</td>
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<td>2017</td>
<td>10,651,432</td>
<td>5,326,047</td>
<td>15,977,479</td>
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<tr>
<td>2018</td>
<td>11,271,000</td>
<td>5,635,500</td>
<td>16,906,500</td>
</tr>
</tbody>
</table>

Forecast:

- 2019: $17,413,650
- 2020: $17,936,100

Rationale:

Based on new retail establishments, increased population, small inflation increases, and increased remittances from on-line vendors, sales tax revenues are projected to continue to show a healthy increase, although leveling off some compared to the last 5 years. The forecast anticipates a 3% growth in Sales Tax for both 2019 and 2020.
Operating Budget

- Current Year Projected Spending
- Subsequent Year Requests
  - Additional Staff
  - New/Different Programs
- Justifications
- Council should stay out of the minutia unless/until the situation dictates they need to get into the minutia.

Capital Budget

- Should have a 5-year Capital Improvement Plan (CIP) at minimum
  - Need for future fee increases or debt issuances?
- Identify impact on operating expenses

Council Review

- Reviews at various stages in the process
  - Revenues, Rate & Fee increases, CIP, Operating Exp
- Draft Budget should already be balanced
  - Staff’s final recommendation
  - Discussions at Council Study Sessions
- Any changes at this point still need to balance

Public Input

- Social Media Solicitation
- Formal Public Hearings
  - Schedule at each major stage of the process
- Informal
  - Boards and Commissions
  - One on one with Councilors
- Don’t expect much input
- Other than special interests
Budget Oversight

- Interim Reports
  - At least quarterly
  - Review revenues and expenditures
  - Compare to budget
  - Compare to prior year

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Budget Oversight

- Budget Sub-Committees
- Councilors
- Citizen group
- Combination

- Budget Amendments
  - Why?
  - When?

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Budget Amendments

- MY COMPUTER IS BROKEN, I NEED A NEW ONE
- WE DON'T HAVE THE BUDGET

- DO THINGS THAT DON'T REQUIRE A COMPUTER UNTIL THE NEXT BUDGET CYCLE

- LIKE CHURNING MY OWN BUTTER?
- YOU MAKE IT SOUND CREEPY!

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Budget Amendments (Take 2)

- I MADE A TYPO IN MY ANNUAL BUDGET REQUEST, BUT DON'T WORRY.
- THERE ARE ONLY TWO THINGS YOU CAN'T BUY FOR THE TEST LAB THIS YEAR.
- HARDWARE AND SOFTWARE.
Types of Budget Processes

- Annual vs Biennial
- Zero Based
- Incremental
- Priority Driven
- Outcome Based

Annual vs Biennial Budgets

- Annual – Entire process every year
- Time consuming and labor intensive
- Biennial – majority of process every other year
- Adopt budget for both years
  - Likelihood of formal budget amendments in year 2
- Adopt budget for current year only
  - Year 2 adjustments for significant changes

Zero Base Budgeting

- Start from scratch each year
- “Justify your entire existence”
- Pros – includes prepared alternative levels of service/funding
- Cons – labor intensive and time consuming process, information overload, not amenable to fixed mandates, encourages dog & pony shows – who wins/loses?

Incremental Budgeting

- Start with prior year budget
- Allowance for $ or % increases without justification
- Add new staff, capital and/or programs as funds allow

Incremental Budgeting

- Pros – efficient use of time, not labor intensive, easy to calculate new budget, avoid conflict/competition between departments
- Cons – allocates budget where it may not be needed, takes budget away from other areas of need, doesn’t always work well with changing Council goals/priorities, may promote use it or lose it mentality

Priority Driven Budgeting

- Focus on programs and services, not departments
- Public Process
  - Community priorities
  - Competitive process
Priority Driven Budgeting

- Prioritize Services

<table>
<thead>
<tr>
<th>Police</th>
<th>Public Works</th>
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<tbody>
<tr>
<td>Patrol</td>
<td>Snow Plowing</td>
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<tr>
<td>Traffic Enforcement</td>
<td>Street Sweeping</td>
</tr>
<tr>
<td>School Resource</td>
<td>Traffic/Street Signs</td>
</tr>
<tr>
<td>SWAT</td>
<td>Street Maintenance</td>
</tr>
<tr>
<td>Drug Task Force</td>
<td>Street Lights</td>
</tr>
</tbody>
</table>

Pros – Effective in flat/declining revenues, true cost of doing business, transparency, accountability

Cons – Mandates may not be community priorities, subsequent years, changing priorities, uncertainty in workforce, support services

Outcome Based Budgeting

- Desired Outcomes identified
- Costs provided to achieve outcomes

Pros – allows for private sector to bid on certain outcomes, works well with sufficient revenues

Cons – line item detail not provided, costs could be inflated

So, what’s the best method of budgeting???

Questions???

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