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**Finance & Budgeting 101
 for Elected Officials**

June 20, 2019 1:45-3:00pm


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 City of Golden



Contents of this presentation reflects the view of the presenter, not of CML.


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




Basics of Governmental Accounting

- Rule Making/Oversight
 - GAAP (Generally Accepted Accounting Principles)
 - GASB (Government Accounting Standards Board)
 - GFOA (Government Finance Officers Association)
 - State Statutes
 - City Charter/Municipal Code



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)

City of Golden Fund Structure

- **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

City of Golden Fund Structure




- **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





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

- **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

- 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

IN THE BLEACHERS *By Steve Moore*

Accounting play-by-play

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




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

Distribution: General Fund 66.7%, Sales and Use Tax Capital Improvement (SUT) Fund 33.3%

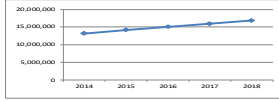
Source: Visitors, residents and employees in Golden.

Collection: In 1979, the citizens of Golden voted to install a 2% sales and use tax. In 1991, the citizens voted to increase the sales and use tax rate to 3%, with the extra 1% to be earmarked for capital improvements. Sales tax is charged on certain services and all retail purchases including food.

As a home rule city, Golden collects and administers its own sales and use tax. Businesses remit tax to Golden on a monthly, quarterly or annual basis. Taxes collected are due to the City by the 20th of the month following collection. The City has established a bookbox for the efficient and secure deposit of sales and use tax monies. Returns are mailed directly to the bank, eliminating processing fees. The City utilizes a number of enforcement procedures to collect from delinquent accounts including taxpayer education, delinquency notices, personal phone contact and visits, audits, summons to municipal court and seizures.

Five Year Trend:


Year	General Fund	SUT	Total
2014	9,812,313	4,475,003	13,287,316
2015	9,455,215	4,701,144	14,156,359
2016	10,038,008	5,229,148	15,267,156
2017	10,651,432	5,226,647	15,878,079
2018	11,271,000	5,335,500	16,606,500



Sales tax revenues have shown strong, continued growth since the 2008/09 recession. In 2018, revenues are 0.8% above budget and 5.8% over 2017 through June sales. Projections for 2018 are to end the year at 2% over the 2018 budget, or 5.3% over 2017.

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.



GENERAL FUND FINANCE & ADMINISTRATIVE SERVICES							
Account Description	Actual 2017	Actual 2018	Original Budget 2019	Actual Jan-Apr 2019	Projected Actual 2019	Proposed Budget 2020	
SALARIES & BENEFITS							
40100 Salaries, Full-Time	\$ 721,993	\$ 742,232	\$ 762,400	\$ 255,316			
40110 Overtime	334	708	500	462			
40150 Employee Assistance	445	457	600	190			
40170 Social Security - FICA	51,540	52,950	59,000	18,756			
40180 Health Insurance	320,152	308,105	319,800	30,214			
40190 Worker's Comp	900	900	900	300			
40200 Retirement	35,137	37,237	40,600	12,119			
40210 401(a) Match	20,758	21,309	21,700	6,598			
40220 Life, AD&D, LTD	7,549	7,780	9,000	3,678			
40240 Vantage Care	4,133	6,463	3,300	1,490			
40270 Employee Allowances	840	845	840	275			
40290 Dental Insurance	4,077	3,633	5,400	966			
40310 Unemployment Comp	3,800	3,900	4,300	1,432			
Subtotal - Salaries & Benefits	972,678	986,494	1,028,540	331,786			
SUPPLIES & SERVICES							
51900 Office Supplies	3,421	5,688	5,500	838			
52555 Employee Engagement	-	403	3,000	188			
53100 Cash Over/Short - Bad Debt	5	-	-	(20)			
60400 Professional Services	195,209	187,458	210,000	67,942			
60700 Training & Travel	38,569	7,692	11,000	781			
61900 Senior Tax Refunds	62,712	60,400	64,000	65,352			
62200 Dues & Subscriptions	2,602	1,736	3,000	1,084			
63400 Postage	20,274	23,203	22,000	8,751			
63700 Telecom/Data Services	913	1,032	1,000	231			
64300 Rentals & Leases	2,842	3,248	5,000	-			
64500 IT Lease	133,359	148,063	229,038	76,348			
64600 Printing/Advertising	13,595	8,534	8,000	4,819			
Subtotal - Supplies & Services	440,501	449,558	563,538	226,334			
CAPITAL							
90150 Office Furniture/Equipment	1,255	1,412	-	-			
TOTAL	\$1,414,434	\$1,435,464	\$1,590,078	\$ 558,120	\$ -	\$ -	\$ -



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



DESCRIPTION	ACTUAL		BUDGET		ACTUAL		YTD		PREPARED		TOTAL	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
CITY OF GOLDEN (CONSIDERATION THROUGH REVENUE FROM CAPITAL PROGRAMS (LOTTERY))												
TEN YEAR CAPITAL IMPROVEMENT PLAN												
2019-2028												
REVENUE												
State-Use Lottery	10232	22167	24076	28080	10232	28080	26240	26240	26240	26240	26240	26240
Grant/Donation	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	88	44	188	188	280	280	280	280	280	280	280
TOTAL REVENUE	10232	22255	24120	28268	10232	28368	26520	26520	26520	26520	26520	26520
EXPENDITURES:												
Water Electric Costs	3421	4147	-	5000	5000	4620	5000	-	5000	-	5000	5000
Land Park Taxes Costs	-	-	-	-	-	-	15000	-	-	-	-	15000
PAID Taxes/Expenses	-	-	-	-	-	-	-	-	-	-	-	36000
Common Code Replacement and Maintenance	4872	9736	-	-	-	-	-	-	-	-	-	36000
Asset Depreciation	900	17034	1367	-	-	-	-	-	-	-	-	-
PAID Debt Service (Principal)	-	-	8078	-	-	-	-	-	-	-	-	36000
PAID Debt Service (Interest)	-	-	8000	8000	1278	8000	8000	-	-	-	-	36000
Miscellaneous Improvements	-	-	2000	2000	-	2000	2000	2000	2000	2000	2000	2000
PAID Improvements	-	-	6100	6100	4250	6100	6100	6100	6100	6100	6100	6100
TOTAL	9234	38281	4243	24288	24282	24280	24280	24280	24280	24280	24280	24280
Use/Amortization of Sinking Funds	9584	61976	118597	144000	144000	4280	142300	143000	143000	143000	143000	143000
FINANCIAL BALANCE	10398	6231	26123	18549	82129	21176	14213	137	4619	18181	18181	45146



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

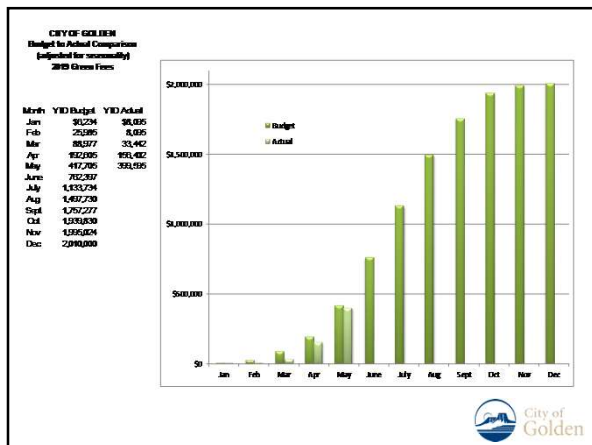


Budget Oversight

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



CITY OF GOLDEN Revenues and Expenditures Budget to Actual - 1st Quarter 2019 Cash Basis, Interim & Unaudited									
Prior Year Budget	Prior YTD Actual	Description	Current Year Budget	Current YTD Actual	% of Budget	Diff. Current to Prior	% Change Current to Prior		
FOSSIL TRACE GOLF CLUB REVENUES:									
1,925,000	74,542	Greens Fees	2,010,000	33,442	2%	(41,100)	-55%		
615,000	31,842	Cart Fees	623,000	15,511	2%	(18,351)	-68%		
100,000	13,275	Driving Range	100,000	9,919	10%	(3,351)	-25%		
600,000	44,178	Merchandise	650,000	20,299	3%	(23,880)	-54%		
75,000	6,805	Lessons	80,000	11,930	15%	(5,115)	-7%		
111,000	4,695	Food & Beverage	145,000	5,834	4%	(1,139)	-24%		
178,014	6,530	Miscellaneous Revenue	155,000	10,492	7%	(3,362)	-61%		
5,500	3,913	Interest	10,900	6,420	50%	(1,507)	-39%		
3,610,174	185,772	Total Fossil Trace Revenues	3,773,900	110,846	3%	(74,929)	-40%		
FOSSIL TRACE GOLF CLUB EXPENSES:									
MAINTENANCE:									
748,220	135,777	Salaries/Benefits	763,220	155,678	20%	19,801	15%		
38,870	70,846	Operating Supplies & Services	419,281	38,785	9%	(32,161)	-43%		
175,000	0	Capital	150,000	0	0%	0	#DIV/0!		
1,293,090	206,723	Total Maintenance	1,322,501	194,363	15%	(12,365)	-6%		
PRO SHOP:									
675,660	91,271	Salaries/Benefits	702,760	83,675	13%	(2,404)	-3%		
925,896	121,669	Operating Supplies & Services	1,017,457	112,743	11%	(6,926)	-7%		
78,500	6,724	Capital	84,500	2,421	3%	(4,303)	-64%		
1,680,056	219,664	Total Pro Shop	1,804,717	208,839	12%	(10,825)	-5%		
TRANSFERS:									
700,000	0	Transfers to Rec Campus Debt Service	700,000	0	0%	0	#DIV/0!		
3,673,146	426,387	Total Fossil Trace Expenses	3,931,218	403,202	11%	(93,185)	-6%		

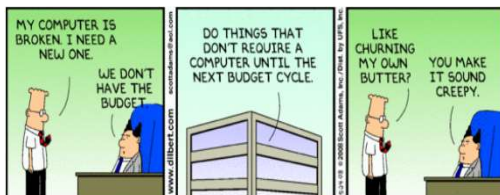


Budget Oversight

- Budget Sub-Committees
 - Councilors
 - Citizen group
 - Combination
- Budget Amendments
 - Why?
 - When?



Budget Amendments



Budget Amendments (Take 2)



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

<p><u>Police</u></p> <p>Patrol</p> <p>Traffic Enforcement</p> <p>School Resource</p> <p>SWAT</p> <p>Drug Task Force</p>	<p><u>Public Works</u></p> <p>Snow Plowing</p> <p>Street Sweeping</p> <p>Traffic/Street Signs</p> <p>Street Maintenance</p> <p>Street Lights</p>
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Priority Driven Budgeting

- 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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