

CML's 95th Annual Conference June 20 - 23, 2017 Breckenridge, Colorado

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Preconference Session: Finance & Budgeting 101 for Elected Officials

June 20, 2017 2:30-4:30pm

Presenter: Jeff Hansen Finance Director City of Golden

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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
- ➤ Rule Making/Oversight
 - ≽GAAP
 - ≽GASB
 - ≽GFOA
 - ➤ 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 and 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"
 - > Fee/Cost of Service Relationships
- ➤ Fund Types
 - ➤ Governmental
 - ➤ General, Special Revenue, Capital Projects, Permanent
 - ➤ Proprietary
 - Enterprise, Internal Service
 - ➤ Fiduciary
 - ➤ Trust, Agency, Pension



City of Golden Fund Structure

≻ General Fund



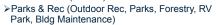
➤ Primary Revenues

➤ Sales & Use Tax, Property Tax ➤ Primary Functions



➤ Public Safety (Police, Fire)





General Administration (Council, Manager, Clerk, Communications, Finance, HR, Court, Planning, Economic Development)

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City of Golden Fund Structure

➤ Special Revenue Funds



Conservation Trust Fund

- ➤ Lottery Funds
- ➤ Development/Improvement of Parks, Open Space, Trails

GDGID Fund

- ➤ Dedicated Property Tax
- ➤ Purchase, construction and improvements of 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

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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, Debt Service





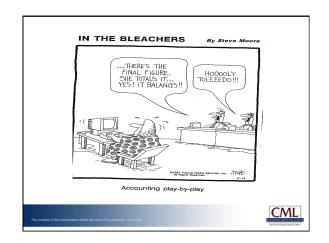
City of Golden Fund Structure > Enterprise Funds (cont.) > Community Center Fund > Splash Aquatic Park Fund > Fossil Trace Golf Course Fund > Cemetery Operations Fund > Rooney Rd Sports Complex Fund > Museums Fund

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 457
- > Permanent Fund
 - ➤ Cemetery Perpetual Care Fund



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Budget Basics	
Balanced Budget:	
Sources of Funds = Uses of Funds	
Sources: Beginning Projected Reserves plus Budgeted Revenues	
Uses: Budgeted Expenditures plus Ending Projected Reserves	
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Budget Basics	
budget basics	
➤ Reserve Philosophy	
≻Policy on Ending Reserves	
➤ How much➤ Course of action if over/under	
No. 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1	
➤ Varies by Entity and Fund/Fund Type	
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Budget Basics	-
➤ Legal Level of Control	
≻Fund, Department, or Line Item	
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➤Dictates amount of Council involvement	
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Typical Budget Process

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



Council Goals/Priorities







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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



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 tax to Golden on a 20th of the month secure deposit of a processing float. T accounts including audits, summons to	monthly, quarterly following collection ales and use tax in the City utilizes as taxpayer education	y or annual basi on. The City ha nonies. Returns number of enfor on, delinquency	s. Taxes co as established are mailed cement pro-	llected are d a lockbo directly to sedures to c	due to the x for the e the bank, ollect from	City by the fficient and eliminating delinquent
Five Year Tr	end:						
16,000,000				Year	General	SUT	Total
12.000.000				2012 2013	7,843,724	3,921,862	11,765,586
12,000,000				2014	8,812,313	4,415,903	13,228,216
8,000,000				2015			14,194,233
4.000.000							
0 +	2012 2013	2014 2015	2016				
ecovery. In 20	es have rebounded 16, revenues are 4.2	% above budget a	nd 6.1% over 20	015 through			
2016 are to end t	he year at 3% over t	he 2016 budget, or	5.3% over 2015	5.			
Forecast:	2017 \$	15,400,650	2018	\$15,862,6	550		
Rationale:	sales tax r	continued growth i evenues are project compared to the lat 017 and 2018.	ted to continue	to show a h	ealthy incre	ase, althou	igh leveling
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Operating Budget

- ➤ Current Year Projected Spending
- ➤ Subsequent Year Requests
 - ➤ Additional Staff
 - ➤ New/Different Programs
- ➤ Justifications

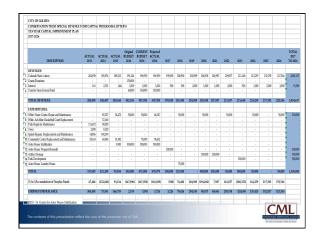


Account Description SALARIES & BENEFITS laries, Full-Time vertime	Actual 2015 \$ 657,374	Actual 2016	Budget 2017	Jan-Apr 2017	Actual 2017	Budget 2018
SALARIES & BENEFITS laries, Full-Time	\$ 657,374	6 607 187				
laries, Full-Time	\$ 657,374	£ 603.183				
laries, Full-Time	\$ 657,374	6 603 383				
			\$ 717,800	\$ 224,877		
	429	41	1.000	27		
nplovee Assistance	456	456	500	186		
cial Security - FICA	46.871	49.135	52.200	16.473		
ealth Insurance	82,740	103,752	124,400	36,830		
	900	900	900	300		
tirement	77.011	74 800	3F 000	11 107		
	840	840	840	280		
	7.117	2 728	4.000	1 748		
интрюунием соттр	3,304	3,000	3,800	1,208		
ibtotal - Salaries & Benefits	855,352	919,197	972,940	301,499	-	-
SUPPLIES & SERVICES						
ffice Supplies	5.938	5.478	5.500	501		
sh Over/Short - Bad Debt	562	27	-	-		
ofessional Services	155,759	172.793	200.000	54.245		
aining & Travel	8.260	8.644	10.000	3,436		
nior Tax Refunds	60.829	61.879	63.000	62.712		
ues & Subscriptions	2.721	2.523	2,500	250		
stare	21.504	19.247	21.000	8.474		
lephone	114	453	200	174		
entals & Leases	4.466	5.278	6.000	1.624		
Lease	123,872	143.252	133,359	44.708		
inting/Advertising	9,762	8,420	10,000	3,140		
ibtotal - Supplies & Services	393,787	427,994	451,559	179,264	-	-
CAPITAL						
ffice Furniture/Equipment	1,593	528	-	-		
f a c a c a c a c a c a c a c a c a c a	orker's Comp tierments. p. ADBD, ITD respective Company p. ADBD, ITD respective Company properties of the Company power of the Company	orker's Comp orker's Comp 30.01 orker's Comp orker's C	order's Comp 100 10	orker's Comp or	order's Comp 500 500 500 300 interment 13,31 36,300 35,000 13,307 interment 13,31 33,300 35,000 13,307 e, ADBD, LTO 6,991 7,578 7,100 2,411 raspe Cart 3,400 3,10 3,500 2,601 raspe Cart 3,120 3,728 4,900 1,268 mital Insurance 3,113 3,728 4,900 1,268 bateat - Salaries & Benefit 855,352 313,197 92,240 303,499 MIPBLITS & SERVICES 5,938 5,478 5,500 500 1,604 fice Supplies 5,938 5,478 2,500 500 3,000 1,489 story Farther 18,200 1,644 10,000 3,436 1,472 1,472 1,500 2,732 1,472 1,472 1,472 1,472 1,472 1,472 1,472 1,472 1,472 1,472 1,472 1,472 1,472 1,472	orker's Comp 000 900 300 300 100 100 100 101 14,000 35,000 10,000 101 14,000 35,000 15,000 102 14,000 35,000 15,000 103 14,000 35,000 15,000 104 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105 105

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

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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

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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



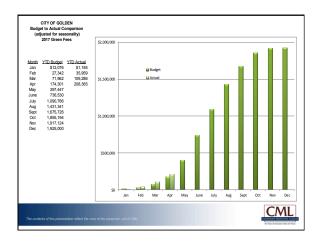
Budget Oversight

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

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		Budget to Actual					
		Cash Basis, Inte	rim & Unaudite	ed			
						Diff Current	% Chanc
Prior Year	Prior YTD		Current Year	Current YTD	% of	to Prior	Current
Budget	Actual	Description	Budget	Actual	Budget	Actual	to Prior
		FOSSIL TRACE GOLF CLUB REVENUES:					
1,900,000	57,548	Greens Fees	1,925,000	109,286	6%	51,738	90
595,000	24,540	Cart Fees	595,000	50,752	9%	26,212	107
102,000	12,095	Driving Range	115,500	16,606	14%	4,511	37
530,000	32,370	Merchandise	560,000	60,472	11%	28,102	87
45,000	6,896	Lessons	60,000	8,552	14%	1,656	24
120,000	0	Food & Beverage	115,000	0	0%	0	#DIV/0
115,000	6,160	Miscellaneous Revenue	120,089	20,406	17%	14,246	231
800	2,507	Interest	2,000	1,971	99%	(536)	-21
133,300	149,400	Gain/(Loss) on Sale of Equipment	0	0	#DIV/0!	(149,400)	-100
325,000	0	Interfund Loan	0	0	#DIV/0!	0	#DIVIO
3,866,100	291,516	Total Fossil Trace Revenues	3,492,589	268,045	8%	(23,471)	-8
		FOSSIL TRACE GOLF CLUB EXPENSES:					
		MAINTENANCE:					
684,760	111,940	Salaries/Benefits	723,820	139,904	19%	27,964	25
374,460	54,158	Operating Supplies & Services	355,909	46,411	13%	(7,747)	-14
75,000	0	Capital	133,500	6,700	5%	6,700	#DIV/0
1,134,220	166,098	Total Maintenance	1,213,229	193,015	16%	26,917	16
		PRO SHOP:					_
587,860	78,854	Salaries/Benefits	615,960	97,096	16%	18,242	23
893,803	124,267	Operating Supplies & Services	912,219	142,279	16%	18,012	14
512,000	438,217	Capital	63,000	0	0%	(438,217)	-100
1,993,663	641,338	Total Pro Shop	1,591,179	239,375	15%	(401,963)	-63
		TRANSFERS:					
	0	Transfers to Rec Campus Debt Service	700,000	0	0%	0	#DIV/0
700,000		Total Fossil Trace Expenses	3.504.408	432.390	12%	(375.046)	-46



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 DONT HAVE THE BUDGET WE DONT HAVE



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

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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

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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

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Priority Driven Budgeting

- ➤ Focus on programs and services, not departments
- ➤ Public Process
 - ➤ Community priorities
 - ➤ Competitive process



Priority Driven Budgeting

➤ Prioritize Services

Public Works **Police** Patrol **Snow Plowing** Traffic Enforcement Street Sweeping School Resource Traffic/Street Signs **SWAT** Street Maintenance Drug Task Force Street Lights



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???	
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Questions???	
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