



CML's 93rd Annual Conference
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Breckenridge, Colorado

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Tips for Elected Officials when Reviewing Budgets and CAFR's

Jeff Hansen, Finance Director, City of Golden

John Lewis, Finance Director, Eagle County

Catrina Asher, Financial Compliance Manager, Boulder County


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Overview

- Narratives
 - CAFR
 - Transmittal Letter
 - MD&A
 - Budget
 - Budget Message(s)


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Transmittal Letter

- Requirements, responsibilities
- Profile of the City
- Economic Condition and Outlook
- Major Initiatives
- Awards and Acknowledgements


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MD&A

- Overview and analysis of the financial position and performance of the City
 - Governmental Activities
 - Business Activities
 - General Fund
 - Capital Assets
 - Debt


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Budget Message(s)

- Operating Budget
 - Background
 - Revenue
 - Significant changes from current budget
- Capital Budget
 - Background
 - Policy and economic factors
 - Recommendations


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BUDGET TIPS!

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9187 ST. GOLDEN CO ROAD
 TEL: 303.666.8000
 FAX: 303.666.8001
 WWW.CITYOFGOLDEN.ET

Council Memorandum

For: The Honorable Mayor and City Council
From: Mike Beaker, City Manager *MBeaker*
Date: October 14, 2014
Re: Recommendations Regarding the 2015 - 2016 Operating Budget


I. BACKGROUND:

A. City Charter Requirements
 Section 7.3(d) and Section 11.2 of the Golden City Charter require me to submit budget recommendations to you with adequate lead time for your decision making process and for input from our citizens. This submittal exceeds those timelines and the proposed budget schedule provides for three more public hearings on the total budget instead of the required one public hearing. The budget schedule sets your meeting on November 13 to make final amendments, approve a 2015-16 biennial budget, approve the property tax mill levy, and appropriate (authorize) funds for 2015 spending. If more time should be needed you can delay your final decision into December and still meet statutory requirements but this has almost never been necessary.

B. Established Budget Policy
 This recommendation conforms to the existing City of Golden Budget Policy and our Vision 2030 Plan, particularly Value Theme C – Safe, Clean, Quiet Neighborhoods. The estimated ending fund balances all

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City of Golden
 2015-2016 Biennial Budget



meet established policy with the General Fund finishing each year with fund balances at or above the high end of the policy target.

C. Good Financial Practices
 We have a lot of faith in these revenue and expenditure estimates because we now have three full quarters of our fiscal year completed. By using such current data we correct any false assumptions from last year's budget estimates and have very good (but not infallible) estimates for actual end-of-year results. Our healthy reserve, conservative forecasting and experience in the Great Recession allow us to move forward with confidence that any mistakes in forecasting will fall well within our comfort zone. Our transparent budget amendment process and excess fund balances will allow us to easily adjust when presented with unanticipated problems or opportunities.


Although these recommendations add several new positions, on-going expenditures in 2015 and 2016 will still be below current revenues each year. This is an important measure as both your established budget policies and good management require existing fund balances be used for one-time expenditures (like the skate board park) and not for personnel and other recurring expenditures which continue on from year to year.

II. REVENUE ESTIMATES:
 You will soon receive a final version of our Revenue Manual. We have refined end-of-year 2014 estimates and updated many of our 2015-16 estimates. Good revenue estimates are the most critical part of good budgeting. We believe our estimates are accurate and conservative.

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City of Golden
 2015-2016 General Budget


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Budget Document

- Summary of what we will cover
 - A few interesting governmental history stories
 - Overview of purpose of budgeting
 - Budget messages and policies
 - Budget drivers
 - Budget tips
 - Other?


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History

- Lord of Exchequer- it's his fault
- Stages
 - 1920-1935 –developed measure for control over public expenditures
 - 1935- 1960-New Deal and performance budgeting
 - 1960- present- attempting to link strategic planning to a multi-purpose budget system


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Overview of Purpose

- Fiscal control
 - Expenditures for various programs are viewed in monetary terms
 - Under this approach- “object of expenditures” supported
- Work efficiency
 - Expenditures for various programs are viewed in terms of work-cost measurements
 - Performance budgeting

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Overview of Purpose

- Support your Strategic Plan
 - “Every action has an equal and opposite ___ ?
 - Your budget should be:
 - Policy document
 - Financial plan
 - Operations guide
 - Communications device
- So let's get into the tips that you can use!



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Where Do We start?

- Look at most current budget (using City of Golden as an example)
 - Introduction and overview
 - Strategic goals and strategies
 - Organizational and economic factors influencing decisions



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Other Important Factors

- Fund descriptions
 - What are they and why do we use them?
 - What are the relationships to the departments?
- What is the budget process?
- What is the “Basis of Budgeting”?
 - Line item? Classification? Departmental?



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What Are The Revenue Drivers?



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What are The Drivers?

- Revenue
 - Taxes: Sales tax?/Property tax?/Use tax?
 - Trends in brick and mortar: manuf/ATMs
 - Trends in retail sales tax: Blockbuster vs. Netflix
 - Licenses and permits: Liquor? Building?
 - Charges for service: Trash? Utility?
 - What drives their variability?
 - Where are we vulnerable?
 - What can we increase if necessary? (Tabor?)



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COMPARATIVE BUDGET CHANGES 2013 - 2014						
GENERAL FUND						
DESCRIPTION	Actual 2013	Actual 2013	Adopted Budget 2013	Projected Actual 2013	Proposed Budget 2014	Amended Budget 2014
REVENUES:						
Taxes	16,740,000	16,371,425	17,424,563	16,661,843	17,227,000	16,371,425
Licenses and Permits	1,902,612	463,112	926,000	926,000	945,000	463,112
Charges for Service	2,172,738	2,294,927	2,494,000	2,462,561	2,462,500	2,462,500
Intergovernmental	1,100,000	1,025,498	1,025,000	1,025,000	1,025,000	1,025,498
Fines and Penalties	490,000	551,416	564,000	574,400	576,100	576,225
Interest & Miscellaneous	740,700	833,039	791,000	812,749	843,000	802,303
TOTAL REVENUES	21,915,490	21,479,515	22,644,000	22,158,066	22,644,728	22,164,557
OPERATING EXPENDITURES:						
General Government	3,822,529	3,897,222	3,733,000	3,694,232	3,823,000	3,827,222
Judicial & Legal	336,512	761,237	722,000	594,408	724,400	711,250
Planning & Development	698,132	1,026,244	1,175,000	1,071,214	1,248,000	1,242,214
Public Safety	8,296,200	8,266,228	8,761,000	8,713,767	8,696,222	8,696,222
Public Works	3,094,445	3,020,020	2,775,000	3,020,760	3,020,000	3,020,760
Parks & Recreation	2,193,044	2,295,244	2,470,000	2,427,000	2,490,714	2,225,000
Subtotal	19,480,261	20,265,976	20,695,000	20,614,792	21,093,472	20,707,258
OTHER EXPENDITURES:						
Transfers to Other Funds	401,700	1,704,819	685,000	2,220,000	685,000	1,460,000
GR&A Investment	418,200	770,643	827,000	801,000	800,000	800,000
Senior Resource Center	20,000	20,000	20,000	20,000	20,000	20,000
County Transfer Payment Fee Rebate	412,000	427,000	425,000	425,000	425,000	425,000
Single Trash Hauler Program	407,700	474,409	371,000	330,000	371,000	340,000
Subtotal	3,067,600	3,402,971	3,372,000	4,071,000	3,046,000	3,465,000
TOTAL EXPENDITURES	22,547,861	23,668,947	24,067,000	24,685,792	24,139,472	24,172,258
Unallocated/Unexpended or Surplus Funds	(662,000)	773,964	(140,000)	(1,200,000)	(734,244)	(1,264,703)
Ending Fund Balance	6,915,029	6,907,003	6,499,000	6,466,096	4,827,258	4,263,295
Fund Balance as % of Expenditures	30.1%	29.4%	28.3%	28.3%	20.6%	17.9%

What Are The Cost Drivers?



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What are The Drivers? (continued)

- Operating Costs
 - Payroll and benefit increases (health)
 - Web based services vs. people based
 - More services online
 - Network costs
 - Technical expertise
 - Capital Costs
 - LT debt
 - Trends-fewer people/fewer buildings

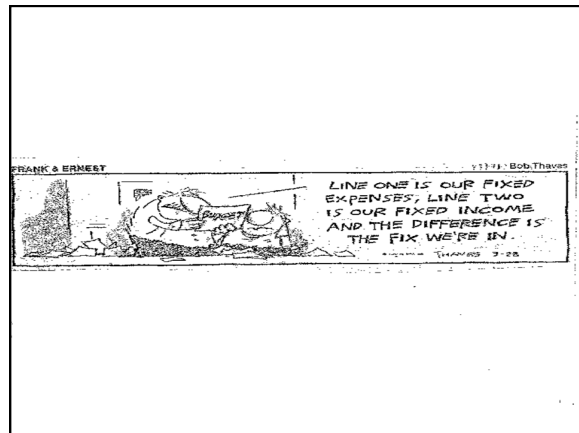
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Ask questions!

- How healthy are our cash reserves?
- What program(s) no longer fit within our strategic plan?
- Are there green/sustainability programs with no or low long term ROI?
- What have we set aside for future growth/ capital needs and upgrades?

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OTHER QUESTIONS TO ASK!

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Did We Follow Proper Process?

I am no cook. But I can follow the directions. Which said to let the bird chill in the sink for a few hours.



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Proper Distributions Between Funds?



Can We Find Efficiencies?



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Be Patient..It Takes Time



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Part 2 Tips for reviewing CAFRs

*Catrina Asher, CPA, CPFO
Financial Compliance Manager
Boulder County*



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THE WALL STREET JOURNAL.



"We're in good shape.
Nobody understands our financial statement." —



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A few things to know about CAFRs

1. Driven by regulation
2. Factual explanations, not opinions
3. It's comprehensive (what does that mean?)



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Reviewing a CAFR Where to start?

Management's Discussion & Analysis

- Includes highlights and summaries
- Explains major changes
- Provides comparison to prior year



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Reviewing a CAFR The General Fund

It's the source of many questions,
so know where to find the answers!

- | | |
|---|----------------------------|
| What you'll find | What you won't find |
| - What did we spend our money on? | - Capital assets |
| - What is our fund balance, and did it go up or down? | - Long term obligations |
| - How much revenue did we bring in from taxes, other governments, etc.? | |



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The General Fund - Balance Sheet

	Sole and Use Tax Capital Improvement		Other Governmental Funds		Total Governmental Funds	
	2013	2012	2013	2012	2013	2012
ASSETS						
Cash and Investments	\$ 1,778,580	\$ 6,984,288	\$ 1,181,832	\$ 11,368,765	\$ 14,348,153	\$ 25,718,676
Property Taxes Receivable	2,288,610	-	20,276	2,244,408	2,264,684	4,533,092
Accounts and Taxes Receivable	2,013,881	633,891	6,706	2,621,031	2,627,837	5,240,928
Prepaid Items	217,515	-	-	737,025	217,515	954,540
Inventory	18,649	-	-	34,440	53,089	111,537
Interest in Other Funds	1,892,880	-	1,308,890	1,308,000	3,201,870	4,509,770
Due from Other Funds	188,000	-	-	100,000	288,000	388,000
Due from Other Governments	14,716	474,781	264,404	601,151	780,361	1,486,316
Restricted Cash and Investments	427,456	702,420	-	487,975	915,431	1,342,886
Total Assets	12,927,594	9,796,376	3,255,932	26,735,525	30,013,462	56,736,964
LIABILITIES						
Liabilities						
Accounts Payable	1,895,622	252,217	88,483	1,566,022	1,594,518	3,160,540
Accrued Liabilities	102,847	-	-	142,297	102,847	245,144
Due to Deposits and Other	441,796	-	-	441,796	395,494	837,290
Advances from Other Funds	-	-	-	4,813,197	1,511,287	6,324,484
Unsettled Property Taxes	-	-	-	159,662	5,995,717	6,155,379
Unsettled Revenues	139,462	-	-	139,462	657,963	797,425
Total Liabilities	3,519,127	252,217	88,483	16,958,376	18,787,481	27,566,830
DEFERRED INDEBTNESS OF RESOURCES						
Property Tax Revenue	5,268,435	-	26,274	5,294,709	-	-
Use Tax Revenue	182,200	-	-	182,200	-	-
Total Deferred Inflows of Resources	5,450,635	-	26,274	5,476,909	-	-
Fund Balance						
Nonspendable						
Prepaid Items	217,515	-	-	217,515	217,515	435,030
Inventory	94,449	-	-	144,440	181,387	335,836
Prepaid Fund Principal	-	-	1,312,866	1,312,866	1,272,396	2,585,262
Advances to Other Funds	1,892,880	-	187,000	1,892,880	-	3,779,880
Restricted for:						
Capital Expenses	940,000	-	-	940,000	888,000	1,828,000
Paid to Government	-	-	-	396,983	396,983	793,966
Parking Improvements	-	-	-	61,946	18,875	80,821
Customer Measurement	-	-	-	76,782	139,650	216,432
Open Facility	-	250,430	-	250,430	295,629	546,059
Assigned for:						
Street Improvements	-	-	124,475	124,475	88,801	173,276
Paid to Government	-	251,664	-	251,664	688,000	939,664
Capital Projects	-	1,240,287	-	1,240,287	773,704	1,914,011
Private Trust Fund/Endowment	1,603,812	-	-	1,603,812	1,603,812	3,207,624
Unassigned	1,877,683	-	-	1,877,683	2,269,482	4,147,165
Total Fund Balance	6,750,587	3,663,687	2,828,567	21,000,767	24,825,747	45,826,514



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The General Fund - SORE

	Sole and Use Tax Capital Improvement		Other Governmental Funds		Total Governmental Funds	
	2013	2012	2013	2012	2013	2012
REVENUES						
Taxes	\$ 18,386,308	\$ 5,834,897	\$ 27,459	\$ 24,248,624	\$ 24,276,083	\$ 25,718,676
Licenses and Permits	673,820	-	-	673,820	673,820	663,112
Intergovernmental	786,434	-	1,418,086	4,083,267	2,481,710	4,871,716
Charges for Services	2,521,458	1,833,437	-	5,172	2,523,890	2,476,162
Fees and Forfeitures	624,136	-	-	624,136	624,136	551,415
Investment Income	95	228	-	2,256	2,351	89,375
Miscellaneous	887,329	189,800	3,329	837,458	891,456	779,686
TOTAL REVENUES	23,997,559	7,858,362	1,506,673	32,973,199	35,478,110	36,478,110
EXPENDITURES						
Current						
General Government	6,745,219	-	16,028	5,761,247	6,811,276	11,572,726
Planning & Economic Development	1,630,787	-	-	1,630,787	1,707,737	2,315,514
Public Works	7,243,687	-	-	7,243,687	6,787,524	10,764,544
Fire	1,535,326	-	-	1,535,326	1,537,003	2,572,003
Parks and Recreation	2,200,412	-	-	2,200,412	2,322,771	2,322,771
Debt Service	-	2,050,000	-	2,050,000	2,000,000	2,000,000
Principal	-	1,126,117	-	1,126,117	1,199,114	1,199,114
Interest and Other Charges	-	923,883	-	923,883	800,886	800,886
Capital Outlay	-	1,794,311	-	1,794,311	6,776,526	4,828,188
TOTAL EXPENDITURES	21,829,511	8,153,821	1,810,349	31,803,681	31,027,054	33,678,054
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	\$ 2,168,048	\$ (395,459)	\$ (303,676)	\$ 1,169,518	\$ 4,451,056	\$ 2,800,056
OTHER FINANCING SOURCES (USES)						
Transfer In	195,000	2,810,028	597,386	3,572,424	3,836,015	6,486,015
Transfer Out	(2,274,999)	(882,202)	(445,023)	(3,596,224)	(2,896,049)	(2,896,049)
Proceeds from Sale of Assets	-	-	-	-	100,000	100,000
TOTAL OTHER FINANCING SOURCES (USES)	(2,079,999)	1,927,826	152,363	276,200	940,000	3,690,000
NET CHANGE IN FUND BALANCES	(439,948)	1,625,441	158,682	1,374,961	1,963,301	4,476,061
FUND BALANCES, Beginning	6,890,463	1,627,011	2,669,885	19,625,806	18,662,517	21,992,053
FUND BALANCES, Ending	\$ 6,450,515	\$ 2,252,452	\$ 2,828,567	\$ 21,000,767	\$ 20,625,818	\$ 26,468,114



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Know where to find more information

- Statistical Section - Historic data and trends
- Combining Fund Statements – information at the fund level
- CGFOA Fundamentals of Accounting Course – FREE for Elected Officials
- Anything else – ask your finance team!



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Questions?

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