



# CML's 94<sup>th</sup> Annual Conference June 21 - 24, 2016 Vail, Colorado

The contents of this presentation reflect the view of the presenter, not of CML.



---

---

---

---

---

---

---

---

## Finance & Budgeting 101 for Elected Officials

*June 22, 2016 1:00-2:15pm*

*Presenter: Jeff Hansen  
Finance Director  
City of Golden*

The contents of this presentation reflect the view of the presenter, not of CML.



---

---

---

---

---

---

---

---

## Today's Objectives

- Keep you awake
- Provide Basic Finance and Budget Information (without a lot of numbers)
- Questions Welcomed
- Hopefully you learn something

The contents of this presentation reflect the view of the presenter, not of CML.



---

---

---

---

---

---

---

---



## 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)
    - 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, Open Space, Trails
  - GDGID Fund
    - Dedicated Property Tax
    - Purchase, construction and improvements of parking lots/garages
  - DDA Fund
    - Dedicated Property Tax
    - Economic Development in Downtown Area




---

---

---

---

---

---

---

---

---

---





## 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

- Structurally Balanced Budget
  - On-going Revenues to Pay for On-going Expenditures
  - Accumulated Reserves and/or One-time Revenues to Pay for One-time Expenditures
  - Can use On-going Revenues to Pay for One-time Expenditures

---

---

---

---

---

---

---

---

---

---



## 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
  - Dictates amount of Council involvement

---

---

---

---

---

---

---

---



## 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**

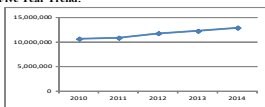
**Distribution:** General Fund 66.7%  
Sales and Use Tax Capital Improvement (SUT) Fund 33.3%

**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 lockbox for the efficient and secure deposit of sales and use tax monies. Returns are mailed directly to the bank, eliminating processing time. 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:**



Sales tax revenues have rebounded from the economic recession and shown continued growth during the recovery. In 2014, revenues are above budget by 3.3% through May sales, and are projected at 5% over 2013. The City has not experienced major store closings or new openings in recent years.

**Forecast:** 2015 **\$13,351,500** 2016 **\$13,818,900**

**Rationale:** Based on continued growth in tourism, increased population, and some increased inflation, sales tax revenues are projected to continue to show a healthy increase. The forecast anticipates a 0.8% growth in Sales Tax for both 2015 and 2016.

The contents of this presentation reflect the view of the presenter, not of CML.



# Operating Budget

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

The contents of this presentation reflect the view of the presenter, not of CML.



GENERAL FUND							
FINANCE & ADMINISTRATIVE SERVICES							
Account Description	Actual 2014	Actual 2015	Original Budget 2016	Actual Jan-Apr 2016	Proposed Actual 2016	Proposed Budget 2017	Proposed Budget 2018
<b>SALARIES &amp; BENEFITS</b>							
40100 Salaries, Full-Time	\$ 625,749	\$ 657,374	\$ 689,600	\$	\$ 215,138		
40100 Overtime	525	439	1,000				
40150 Employee Assistance	451	456	600		190		
40170 Social Security - FICA	34,624	46,871	50,400		15,836		
40180 Health Insurance	66,818	82,740	95,800		29,140		
40190 Worker's Comp	900	900	900		300		
40200 Retirement	32,571	31,011	34,500		10,741		
40210 401(a) Match	16,211	16,283	17,000		5,720		
40220 Life, AD&D, LTD	5,386	6,091	7,000		3,113		
40240 Vantage Care	10,367	2,840	3,300				
40270 Employee Allowances	840	840	840		280		
40290 Dental Insurance	2,695	3,113	2,900		1,051		
40310 Unemployment Comp	3,606	3,504	3,600		1,200		
<b>Subtotal - Salaries &amp; Benefits</b>	<b>800,993</b>	<b>855,352</b>	<b>907,540</b>		<b>282,740</b>		
<b>SUPPLIES &amp; SERVICES</b>							
51900 Office Supplies	5,693	5,938	5,000		247		
51300 Cash Over/Short - Bad Debt	150	562			(8)		
60400 Professional Services	226,434	155,759	235,000		30,797		
60700 Training & Travel	14,544	8,260	10,000		2,223		
61900 Vendor Tax Refunds	50,504	60,829	62,000		63,779		
62200 Dues & Subscriptions	2,359	2,721	2,500		435		
61400 Postage	20,748	21,004	21,000		6,450		
61700 Telephone	344	114	200		30		
64300 Rentals & Leases	5,188	4,466	5,200		1,624		
64500 IT Lease	105,600	123,872	143,252		47,752		
64600 Printing/Advertising	9,265	9,762	11,000		1,212		
<b>Subtotal - Supplies &amp; Services</b>	<b>449,629</b>	<b>393,787</b>	<b>495,152</b>		<b>152,564</b>		
<b>EQUIPMENT</b>							
90150 Office Furniture/Equipment	-	1,593	600		528		
<b>TOTAL</b>	<b>\$1,250,582</b>	<b>\$1,250,732</b>	<b>\$1,403,292</b>		<b>\$ 435,812</b>		

The contents of this presentation reflect the view of the presenter, not of CML.



## 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

The contents of this presentation reflect the view of the presenter, not of CML.

DESCRIPTION	Original Budget				Revised Budget				2018	2019	2020	2021	2022	2023	2024	2025	TOTAL 2016-2025
	2016	2017	2018	2019	2016	2017	2018	2019									
<b>CITY OF GOLDEN</b>																	
OPEN SPACE & CAPITAL PROJECTS FUND																	
THIS YEAR CAPITAL IMPROVEMENT PLAN 2016-2025																	
																5,132,000	
<b>REVENUES</b>																	
Interest on Debt	595,712	567,437	534,640	482,084	422,694	422,694	426,805	435,139	444,479	447,997	456,261	466,907	477,974	475,913	460,873	2,070,472	
Misc. Grants	99,484	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	127,421
Reserve & Misc. Revenue	85,261	4,087	1,248	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Use Cash Fund Balances/Transf. from Other	65,261	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,000
State/Federal/OT Fund	-	22,275	-	-	-	-	-	-	-	-	-	-	-	-	-	-	129,424
Gift Donations	-	-	152,347	152,347	152,347	152,347	-	-	-	-	-	-	-	-	-	-	609,391
Priority Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>845,717</b>	<b>602,801</b>	<b>619,055</b>	<b>637,441</b>	<b>625,741</b>	<b>625,741</b>	<b>633,615</b>	<b>637,139</b>	<b>645,479</b>	<b>648,997</b>	<b>657,261</b>	<b>667,907</b>	<b>678,974</b>	<b>676,913</b>	<b>661,873</b>	<b>2,292,893</b>	<b>8,487,266</b>
<b>EXPENDITURES</b>																	
Transfer to City Fund - Open Space Div/Service	268,628	6,750	288,570	268,628	268,628	268,628	278,000	288,000	296,000	312,260	-	-	-	-	-	-	1,011,236
Transfer to Cash/Proj/Fund Maint. Transf. & Open Space	105,000	189,276	177,000	177,000	177,000	177,000	178,200	178,120	177,840	177,400	179,620	179,700	183,950	182,212	175,000	175,000	1,982,274
Open Space Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,000
Trail/Bike Development/Improvement	53,250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	53,250
Maint. Open Space	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50,000
Other	33,000	-	13,624	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	230,000
Use Cash Fund Balances/Transf. from Other	50,000	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,000
Reserve/Ret. Transf. Reserve Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,000
Park Reserve Replenishment	-	-	28,225	-	39,054	39,054	33,000	-	49,000	-	-	-	-	-	-	-	148,279
Waiver of Bond/Contract (City/Utility)	83,284	38,200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	121,484
Vendor Park Reimburse	-	256,763	125,227	50,000	80,000	80,000	76,000	50,000	70,000	70,000	70,000	120,000	120,000	120,000	120,000	120,000	1,036,263
Park Improvement Program	-	-	12,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	800,000
Park Repair & Maintenance	-	-	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	270,000
Trail Repair & Maintenance	-	-	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	270,000
Gift Don.	-	6,750	125,719	125,719	125,719	125,719	-	-	-	-	-	-	-	-	-	-	503,917
<b>TOTAL EXPENDITURES</b>	<b>812,381</b>	<b>1,016,015</b>	<b>1,072,247</b>	<b>1,202,638</b>	<b>1,202,638</b>	<b>1,202,638</b>	<b>1,202,638</b>	<b>1,202,638</b>	<b>1,202,638</b>	<b>1,202,638</b>	<b>1,202,638</b>	<b>1,202,638</b>	<b>1,202,638</b>	<b>1,202,638</b>	<b>1,202,638</b>	<b>1,202,638</b>	<b>8,487,266</b>
City/Accountant of Appeals/Funds	87,876	102,270	107,866	108,644	108,749	108,749	107,900	107,900	107,900	107,900	107,900	107,900	107,900	107,900	107,900	107,900	1,000,000
<b>ENDING/FUND BALANCE</b>	<b>758,400</b>	<b>119,544</b>	<b>642,680</b>	<b>512,214</b>	<b>492,274</b>	<b>492,274</b>	<b>492,274</b>	<b>492,274</b>	<b>492,274</b>	<b>492,274</b>	<b>492,274</b>	<b>492,274</b>	<b>492,274</b>	<b>492,274</b>	<b>492,274</b>	<b>492,274</b>	<b>1,202,638</b>

The contents of this presentation reflect the view of the presenter, not of CML.

## 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

The contents of this presentation reflect the view of the presenter, not of CML.

## Public Input

- Formal Public Hearings
  - Schedule at each major stage of the process
- Don't expect much input
- Informal
  - Boards and Commissions
  - One on one with Councilors

---

---

---

---

---

---

---

---

---

---

---

The contents of this presentation reflect the view of the presenter, not of CML.



## Budget Oversight

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

---

---

---

---

---

---

---

---

---

---

---

The contents of this presentation reflect the view of the presenter, not of CML.



CITY OF GOLDEN							
Revenues and Expenditures							
Budget to Actual - 1st Quarter 2016							
Cash Basis, Interim & Unaudited							
Prior Year Budget	Prior YTD Actual	Description	Current Year Budget	Current YTD Actual	% of Budget	Diff. Current to Prior Actual	% Change Current to Prior
<b>WASTEWATER FUND REVENUES:</b>							
2,180,000	331,485	Wastewater Charges	2,200,000	341,042	16%	8,557	3%
100,000	75,500	Wastewater Development Fees	100,000	3,486	3%	(72,016)	-59%
9,000	2,245	Miscellaneous	9,000	2,085	23%	(160)	-7%
18,000	288	Interest	21,000	5,141	24%	4,873	1818%
<b>2,307,000</b>	<b>409,500</b>	<b>Total Wastewater Fund Revenues</b>	<b>2,330,000</b>	<b>351,754</b>	<b>15%</b>	<b>(57,746)</b>	<b>-14%</b>
<b>WASTEWATER FUND EXPENSES:</b>							
<b>OPERATIONS:</b>							
279,667	48,163	Environmental Quality	247,041	55,773	23%	7,610	16%
919,800	132,146	Wastewater Administration	936,400	137,066	15%	4,920	4%
471,774	65,320	Collection & Maintenance	448,937	79,986	18%	14,666	22%
<b>1,671,241</b>	<b>245,629</b>	<b>Total Wastewater Operations Expenses</b>	<b>1,632,378</b>	<b>272,825</b>	<b>17%</b>	<b>27,196</b>	<b>11%</b>
<b>CAPITAL:</b>							
485,000	15,833	Utility Line Replacement	509,200	124,020	24%	108,187	683%
200,000	146,090	Treatment Plant Upgrades	100,000	54,235	54%	(91,855)	-63%
<b>685,000</b>	<b>161,923</b>	<b>Total Wastewater Capital Expenses</b>	<b>609,200</b>	<b>178,255</b>	<b>29%</b>	<b>16,332</b>	<b>10%</b>
<b>2,356,241</b>	<b>407,552</b>	<b>Total Wastewater Fund Expenses</b>	<b>2,241,578</b>	<b>451,080</b>	<b>20%</b>	<b>43,528</b>	<b>11%</b>

The contents of this presentation reflect the view of the presenter, not of CML.




---

---

---

---

---

---

---

---

---

---

---

## Budget Oversight

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

---

---

---

---

---

---

---

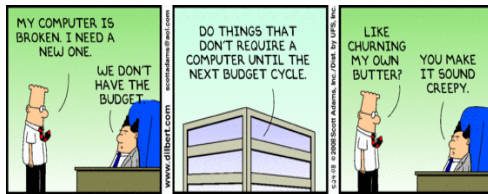
---

---

---



## 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

#### Police

Patrol

Traffic Enforcement

School Resource

SWAT

Drug Task Force

#### Public Works

Snow Plowing

Street Sweeping

Traffic/Street Signs

Street Maintenance

Street Lights

---

---

---

---

---

---

---

---

---

---

The contents of this presentation reflect the view of the presenter, not of CML.



## 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

---

---

---

---

---

---

---

---

---

---

The contents of this presentation reflect the view of the presenter, not of CML.



## 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

---

---

---

---

---

---

---

---

---

---

The contents of this presentation reflect the view of the presenter, not of CML.



# So, what's the best method of budgeting???

---

---

---

---

---

---

---

---



---

---

---

---

---

---

---

---

## Questions???

Jeff Hansen  
Finance Director  
City of Golden  
303-384-8020  
jhansen@cityofgolden.net

---

---

---

---

---

---

---

---

