

Town of Columbine Valley 2017 Budget Narrative Portion

December 13, 2016

The 2017 Town budget consists of a financial portion and a related narrative portion.

Basis of Accounting

The Budget is prepared and accounting records are maintained using a modified accrual basis of accounting. Revenues, such as property taxes and sales taxes are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the budget year or soon thereafter. Expenditures are recorded when a liability is incurred.

General Information

The Town has one General Fund, which is increased by revenues received from various Town imposed taxes and fees. The Fund is decreased by expenditures for (1) Town operating expenses and (2) amounts set aside (reserved) or appropriated for major infrequent purchases such as police vehicles, operating equipment etc., and major one time only public works. Amounts, set aside, are placed in designated or general type reserves. Amounts in these reserves are depleted as a major purchase is made or a major public works project is undertaken. Small reserves have also been established for controlling the spending of restricted lottery receipts (Conservation Trust Fund) and Arapahoe County Open Space Shareback sales tax receipts.

Sources of revenues are explained below. The main sources, however, are property taxes and various sales taxes. The amount of property taxes levied each year has been the maximum permitted in order to fund operating expenses and reserves for major public works deemed needed by the Town. Columbine Valley is subject to various property tax limitation statutes, notably Amendment #1, (TABOR/Bruce Amendment) and others.

The Town's on-going commitments for expenditures are as follows:

- Public Safety – Police protection and municipal court activity (now includes the Town of Bow Mar)
- Sanitation – Trash removal
- Public Works – Town street and property maintenance
- Administration – Town office expense including election, publication, legal and other operating costs
- Planning & Zoning – Town development expenses

Amendment #1

On November 3, 1992, the voters of Colorado passed Amendment #1 that restricts the rate of increase in spending by local governments. The maximum annual percentage change in any year's spending and property tax revenues is limited to 1) inflation (rise in consumer price index) plus 2) a percentage equal to the net percentage change in the Town's actual valuation of all real property. Spending may be increased if the voters in the Town approve additional taxes through an initiative referendum election. Revenues that exceed Amendment #1 limits are refunded in the following year unless the voters approve otherwise. In November 1998 the Town was successful in passing a referred measure to authorize the Town to collect, retain and spend all excess revenue collected in 1998, and thereafter, without regard to any limitations under TABOR provided that no local tax rate or mill levy be increased without further voter approval.

Sources of Fund Increases

Property Taxes – General Fund - \$328,683

With the advent of Amendment #1, three separate (limiting) calculations are made to determine the allowable property tax levy for the General Fund. The lowest of the three is the maximum property taxes that the Town may collect. These three calculations for 2017 are as follows:

1. Amendment #1 property tax revenue limitation - \$328,623
2. Amendment #1 mill levy rate limitation - \$374,575
3. Statutory 5.5% property tax revenue limitation - \$336,893

The lowest of the three amounts is the first calculation.

The following simple explanations are a short description of the three calculations, which can be very complicated.

The 1st calculation is based upon the percentage increase (2015 to 2016) in actual value of Town real property plus an allowance for the rise in the consumer price index multiplied by the 2016 certified property tax revenue.

The 2nd calculation is based upon the 2015 mill levy times the 2016 assessed valuation of the Town real property.

The 3rd calculation is based upon the 2015 adjusted assessed valuation of Town real property multiplied by the 2015 mill levy, adjusted for a 5.5% statutory increase.

Specific Ownership Tax - \$21,501

Specific ownership taxes are collected by the County Department of Motor Vehicles for vehicles registered in the Town. The amount allocated to the Town by the County is based upon its proportionate share of all County imposed property taxes. The budget for 2017 reflects an approximate 7.2% increase from the projected revenue for 2016.

Sales & Use Tax - \$492,000

The Town collects sales taxes on retail sales within the Town boundaries. These taxes come from sales by Columbine Country Club, its pro shop, CenturyLink, and A T & T. The Town also collects sales tax on automobile purchases by Town residents and on materials purchased for new and remodel home construction. The 2017 Budget provides for the construction of sixteen (16) new homes in two continuing developments in 2017. The 2017 Budget also anticipates remodeling costs to be approximately \$3.3 million generating \$50,000 in sales taxes. Other sales taxes are estimated to be virtually the same as the 2016 projected levels with the exception of a modest increase in sales taxes from Columbine Country Club as the new clubhouse is estimated to be complete in late summer.

Utility Franchise Fee - \$48,000

Utility franchise fees come from two sources, Public Service Company of Colorado (Xcel Energy) and CenturyLink (formerly Qwest). The fee received from Public Service is 3% of their billings to Town residents. An annual flat fee of \$3 is received from CenturyLink for each local telephone line in the Town. These fees are budgeted to increase by \$3,000 from actual fees projected for 2016. This amount may continue to increase over the next few years largely as a result of additional new homes in the Town.

Cable TV - \$28,000

In 2016, the Town granted a non-exclusive fifteen-year cable franchise covering all of Columbine Valley to a new cable operator and is renegotiating an extension of the franchise with the existing cable operator. Both franchise agreements stipulate that the Town receive an annual fee equal to 5% of gross cable receipts by the cable operator. Cable revenues have increased in recent years, likely due to increased premium services and new home construction. Our budget for 2017 anticipates revenues equal to our projection for 2016.

Permits Fees - \$138,000

Permit fees (including plan review fees) are based upon the projection of sixteen (16) new homes in 2017 and remodeling activity similar to 2016.

Fines - \$72,000

Tickets and fines issued by the Town police are a function of the level of police staff maintained during the year. We anticipate that 2017 revenues will increase over our current projection for 2016 to levels closer to those realized in prior years. These amounts include revenues generated through the issuance of tickets within the Town of Bow Mar ('Bow Mar').

Intergovernmental Revenues

Where available, intergovernmental revenues are estimated based upon information and estimates provided by the governmental agencies. Other estimates are made based upon prior year actual revenues. The Colorado Municipal League provides the estimate used for Highway User Tax (Motor Fuel Tax).

- State Highway Users Tax – 2016 projection is \$42,000; 2017 budget is \$46,000
- County Highway Mill Tax – 2016 projection is \$14,000; 2017 budget is \$12,000
- Cigarette Tax Apportionment – 2016 projection is \$800; 2017 budget is \$800
- Motor Vehicle Registration Fees – 2016 projection is \$6,000; 2017 budget is \$6,000

Effective January 1, 2014, the Town renewed its intergovernmental agreement with Bow Mar for a five year term and continues to assume the responsibility for public safety and municipal court activities for that town. In connection with this and the prior agreement and for providing these services, Bow Mar will have paid the Town \$260,910 in 2016 and will pay \$268,216 for 2017. The payments for 2017 and 2018 will be calculated based upon a formula using the then current consumer price index change. The agreement also provides that the Town will refund a portion of this fee in the event the Town is unable to maintain a total police force of six officers for the entire calendar year. There was no refund required under this provision for 2015, and none is projected for 2016.

The Town entered into a new intergovernmental agreement with Bow Mar effective November, 2016 to provide Building Department administrative services. The fee for these services will be \$40,000 in 2017. This agreement will extend through 2018 unless terminated earlier according to the provisions of the agreement.

Interest - \$8,000

The estimate for Town funds to be invested during 2017 is an average of \$1,100,000 at an estimated weighted interest rate of .73%.

Other - \$15,800

Other revenues include small receipts, miscellaneous in nature, which are received each year plus the sale of a retired police vehicle.

Sources of Fund Decreases

Public Safety - \$651,500

Public safety costs include both Town police expense and the expense of operating its municipal court. The Town intends to employ six full time and one or more part time police officers in 2017 to accommodate its expanded coverage area, which includes Bow Mar. Costs include salaries and benefits, uniforms, training, vehicle expense (four owned vehicles) and supplies. Municipal court costs are projected to remain at the projected 2016 level. In 2008 the Town became subject to a new charge from Arapahoe County for providing dispatch services. These services had been provided in the past at no cost to the Town. The annual charge was increased for the first time in 2016 to \$26,380. We have estimated the same payment for 2017.

Sanitation - \$75,000

The Town contracts with Allied Waste Services for trash removal. A new contract executed in 2012 is for a five year term with no increase in the monthly fee for three years. The fee then increased by four percent in 2016 and will increase again in 2017.

Administration - \$507,000

Costs that are considered part of administration and their percentage to total administration costs are as follows:

	<u>2016</u>	<u>2017</u>
• Town office salaries and benefits	43%	47%
• Legal, accounting and audit	14%	14%
• Insurance	6%	6%
• Building inspection fees	16%	13%
• Town Hall maintenance and utilities	12%	8%
• Other	9%	12%

Office salaries include four full time employees in 2017 and two full time employees and one part-time employee in 2016. Included in benefits are the cost of health insurance and a pension plan.

Legal fees are very dependent upon activities occurring within the Town. The primary need for legal services in 2017 will be preparation for and attendance at regular meetings of the Town Trustees. We also pay our Treasurer (non-volunteer position) a fixed fee of \$550 per month for services. We incurred a modest increase in the cost of the annual audit of the Town in 2016 due to the continuing integration of several recently expanded reporting requirements.

Insurance costs, other than health insurance, are estimated to increase approximately 5% in 2017. Our insurance carrier is Travelers Insurance effective 2010. Our Workman's Compensation insurance carrier is Pinnacol Assurance.

Building inspection fees are very dependent upon new construction within the Town. The budget for 2017 assumes a normal level of inspections and plan reviews associated with remodeling in the Town and the aforementioned sixteen (16) new homes to be constructed in 2017.

Town Hall maintenance and utilities include normal occupancy costs associated with office space including, but not limited to, water, power, lighting, janitorial services, lawn maintenance, and cleaning supplies.

Other costs include the issuance of periodic newsletters and/or flyers, a Town directory, publication of official notices, election expenses (generally in even years only), office supplies, and the possible archival of all of the Town's historical records.

Planning & Zoning - \$69,000

The costs included in this category are all associated with mapping, zoning and developing property within the Town. Incremental costs associated with requests from developers to review and approve new projects within the Town are generally recovered from the developers. The budget for 2017 takes into account the current development activity (three active developments) in the Town. A portion of these costs may be recovered if there is significant activity in planning the active developments within the Town.

Public Works - \$392,000

Town property maintenance costs include street and gutter maintenance and repair, snow removal, street lighting, road striping, park maintenance and maintenance and repairs associated with Town equipment. The Town has projected the fourth year of a multi-year street improvement project to be overseen by our consulting engineering firm. We have budgeted \$300,000 towards this effort for 2017. For 2017, the Town has determined to handle snow removal services internally, relying on a new full-time public works employee and additional part-time help, as necessary. This new public works employee will also devote time to property maintenance and repair. Some services, such as street cleaning and sealing are contracted from the City of Littleton or other third-party vendors.

General Fund Reserve Activity

Arapahoe County Open Space Shareback Fund – Receipts - \$30,000

This new fund was established to receive a portion of the .25% sales tax enacted in Arapahoe County in 2005 to provide funding for local open space projects. These funds are generally available for the purchase and maintenance of new open space lands within our municipality. As these funds become significant, the Town Trustees will identify and pursue projects which will be appropriate for these funds.

Conservation Trust Fund – Receipts - \$ 6,000 and expenditures - \$6,000

The Conservation Trust Fund receives annual proceeds from the state lottery profits. Columbine Valley is one of more than 400 cities, towns, counties and special recreation districts to receive a portion of these funds. Distribution is based upon population. The use of these funds is restricted to park and recreation spending and is currently dedicated to maintenance of the park surrounding the Town Hall.

Capital expenditures - \$53,000

The capital expenditures projected for 2017 include a new police vehicle to replace the oldest of the current fleet (\$43,000). The other expenditure (\$10,000) is for an emergency generator to be located at the Town Hall.

Reserve Balance

Reserves (Fund Balances) at the beginning of 2016 were \$1,454,873. Of this amount, \$1,097,257 was unrestricted and available for recurring operating needs. Activity for 2016 and 2017 is expected to decrease the unrestricted reserve balance to \$683,257. A desirable reserve balance is an amount equal to one year's budgeted recurring operating expenditures, or approximately \$1,400,000, which will require continued vigilance by the Town Trustees to control operating costs as well as capital spending.