

**Town of Columbine Valley
2016 Budget
Narrative Portion**

December 8, 2015

The 2016 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 - \$312,843

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 2016 are as follows:

1. Amendment #1 property tax revenue limitation - \$312,843
2. Amendment #1 mill levy rate limitation - \$369,219
3. Statutory 5.5% property tax revenue limitation - \$326,075

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 (2014 to 2015) in actual value of Town real property plus an allowance for the rise in the consumer price index multiplied by the 2015 certified property tax revenue.

The 2nd calculation is based upon the 2014 mill levy times the 2015 assessed valuation of the Town real property.

The 3rd calculation is based upon the 2014 adjusted assessed valuation of Town real property multiplied by the 2014 mill levy, adjusted for a 5.5% statutory increase.

Specific Ownership Tax - \$20,097

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 2016 reflects virtually no change from the projected revenue for 2015.

Sales & Use Tax - \$631,000

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 2016 Budget provides for the construction of twenty-two (22) new homes in two new developments and the construction of a new clubhouse by Columbine Country Club. The 2016 Budget also anticipates remodeling costs to be approximately \$1.65 million generating \$50,000 in sales taxes. Other sales taxes are estimated to decline by approximately \$35,000 due to the closing of Columbine Country Club during its new construction (food and beverage services will be restricted during this period).

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 were budgeted to increase by \$3,000 in 2015, and this amount may continue to increase over the next few years largely as a result of additional new homes in the Town. Our budget for 2016 is unchanged from 2015.

Cable TV - \$25,000

In October 1982, the Town granted a non-exclusive fifteen-year cable franchise covering all of Columbine Valley. A new contract has been executed for two additional ten-year terms through October 2016 and stipulates that the Town receives 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. Our budget has continued at the level projected for 2014 which assumes a slowing of the increases we have experienced in the past few years.

Permits Fees - \$149,000

Permit fees (including plan review fees) are based upon the projection of twenty-two (22) new homes in 2016 and remodeling activity similar to 2015.

Fines - \$80,000

Tickets and fines issued by the Town police are a function of the level of police staff maintained during the year. We anticipate that 2016 revenues will approximate our current projection for 2015. 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 – 2015 projection is \$45,000; 2016 budget is \$43,000
- County Highway Mill Tax – 2015 projection is \$12,000; 2016 budget is \$12,000
- Cigarette Tax Apportionment – 2015 projection is \$650; 2016 budget is \$650
- Motor Vehicle Registration Fees – 2015 projection is \$5,000; 2016 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 \$255,795 in 2015 and will pay \$260,910 for 2016. 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 2014, and none is projected for 2015.

Interest - \$2,500

The estimate for Town funds to be invested during 2016 is an average of \$750,000 at an estimated weighted interest rate of .33%.

Other - \$9,000

Other revenues include small receipts, miscellaneous in nature, which are received each year.

Sources of Fund Decreases

Public Safety - \$668,000

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 2016 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 2015 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 since 2011 has been \$25,800. This fee will increase to \$26,380 for 2016.

Sanitation - \$72,000

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 increases by four percent in each of the fourth and fifth years.

Administration - \$435,500

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

	<u>2015</u>	<u>2016</u>
• Town office salaries and benefits	43%	43%
• Legal, accounting and audit	14%	14%
• Insurance	6%	6%
• Building inspection fees	16%	17%
• Town Hall maintenance and utilities	12%	8%
• Other	9%	12%

Office salaries include two full time employees and one part time assistant. 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 2016 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 2015 due to the continuing integration of several recently expanded reporting requirements.

Insurance costs, other than health insurance, are estimated to increase approximately 7.5% in 2016. 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 2016 assumes a normal level of inspections and plan reviews associated with remodeling in the Town and the aforementioned twenty-two (22) new homes to be constructed in 2016.

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 - \$67,000

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 2016 takes into account the current development activity (two active developments) in the Town as well as the Town's commitment to promote a solution to traffic congestion at several points adjacent to 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 - \$422,500

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 third 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 2016. Additionally, the Town has again contracted with an independent firm for snow removal services in 2016. Some services, such as street cleaning and sealing are contracted from the City of Littleton or other third-party vendors. Finally, the Town has added a part-time employee who handles maintenance issues on an as-needed basis. The estimated total compensation for this individual is \$20,000 for 2016.

General Fund Reserve Activity

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

This new fund was established in 2005 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.

Capital expenditures - \$130,000

The capital expenditures projected for 2016 include remodeling a portion of the Town Hall (\$100,000); a new telephone system (\$20,000) and police video equipment upgrades for each of the patrol vehicles (\$10,000).

Reserve Balance

Reserves (Fund Balances) at the beginning of 2015 were \$1,358,794. Activity for 2015 and 2016 is expected to decrease the reserve balance to \$1,046,456. 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.