



To: Mayor and Council
From: Jay Brunvand
Date: November 1, 2023
Agenda Item: Acceptance of the Fiscal Year 2024 Annual Budget

REQUEST:

Fiscal Year 2024 Proposed Town of Minturn Budget Public Hearing.

INTRODUCTION:

As required by Colorado State law, the Council must hold a public hearing on the proposed Fiscal Year 2024 budget. This Public Hearing has been published and posted for this meeting.

ANALYSIS:

As required by Colorado law, the Town has set one Public Hearing for the FY2024 Budget, this November 1st meeting. Although further discussion will ensue through final adoption of the budget on December 6, 2023 and the public will be allowed to comment at each meeting, this is the one and only official Public Hearing. To date, Staff has taken your comments and suggestions and incorporated them into the FY2024 Budget as well as comments and direction given during the previous several meetings which have occurred over the past several months. In the event any material changes come forth from the Public Hearing process or Council direction, those changes also will be included in the scheduled final passage of the budget ordinances on December 6th. I will distribute an updated budget document thereafter as the final changes are processed.

As a reminder, depending on the outcome of the November 7 election, it is possible we will see bumps in the final deadlines for budget adoption and submittal to the County and the State. It is also possible that the governor will call for a potential legislative special session to further address the property tax assessments. Again, this is possible and potential, and nothing is set in stone. I will keep Council and citizens informed as events evolve. Although it appears that passage of Proposition HH will have minimal effect on the town, a Special Session could very well have possible major impacts on our proposed property tax revenues for 2024.

Following is the Public Hearing procedure recommended that you follow in order to make sure everything is covered procedurally and legally.

- (a) The Mayor will introduce the agenda item and announce the Public Hearing as “I hereby by call to order the Public Hearing for the purpose of discussion and comment on the fiscal year 2024 proposed budget and to gather input, pro or con, on the proposed Minturn Town Budget for the fiscal year January 1 through December 31, 2024. Any

citizen that would like to speak needs to clearly state their name and physical address for the record from the podium (even if they are known by all.)”

- (b) Staff Presentation – Brunvand and Metteer
- (c) Take citizen input
- (d) Close the Public Hearing
- (e) Council discussion on the budget and comment on the Public Hearing if any.
- (f) Announce this is the official Public Hearing on the Fiscal Year 2024 Preliminary Budget and citizens are encouraged to contact the Town Hall with questions or comments during regular business hours at 970-827-5645.

Updates on Council direction regarding previously presented information:

- a. The Town will not proceed with additional leases on the UPRR land as we are unable to secure long-term leases thereby limiting our use options.
- b. Direction was given to double the salaries of the Mayor and the Town Council. This direction will be effective as each seat stands for election beginning in April 2024. An Ordinance memorializing this will be forthcoming.
- c. At this point, there will not be an increase in metered water fees proposed for 2024. Staff is asking direction for non-metered use and requesting the nonmetered rate be triple the metered rate. Staff will continue to explore a fully tiered rate structure similar to what ERWSD provides.
- d. Changes were made to pull most of the payroll expenses from the Enterprise Fund and transfer those expenses to the General Fund.
- e. Staff bid out our employee insurance policies in an effort to identify potential cost savings. The industry is seeing historic increases of double-digit inflation in the health insurance field. Although we found remaining with our current package to be the most cost effective, we were able to actually reduce our medical insurance by a small percentage essentially maintaining our 2023 costs. This was accomplished by restructuring our fees recognizing a three-tiered system over our current two-tiered. Further, our dental insurance has notified us we will not have an increase in 2024 costs.
- f. Norman and Nelson Avenues street repairs will move forward.
- g. Bellm Bridge feasibility study will move forward.
- h. The town will contract for a reserve study on the Town Hall capital expense needs.
- i. After review, the town hall apartment leases will be moved to a tiered rate based on town employee, first responder, other renter status. Additionally, the lease lot leases will increase. These increases will generate \$2,400 and \$9,000 respectively.
- j. Standard business license fees will decrease. Home business license fees will increase and Short Term Rental license fees will increase to \$300/room. Contractor license fees will switch to an annual renewal system.

COMMUNITY INPUT:

Staff has scheduled a Public Hearing on the budget at the November 1, 2023 Council Meeting and a Public Hearing is included in each of the Ordinances to adopt the four Ordinances used to

formally approve the budget funding. The public is encouraged to contact the Council or Staff to review any questions or comments they might have. Throughout this process any comments offered will be reviewed and as directed by Council items of concern will be discussed and may be included within the final budget document. The final approval of the budget will be on December 6, 2023.

BUDGET / STAFF IMPACT:

The annual fiscal budget sets forth projected income and expenses and sets forth a plan to achieve our stated goals. The budget will appropriate reserves, revenues and expenses and set the mill levy and fees for the ensuing year.

STRATEGIC PLAN ALIGNMENT:

In accordance with Strategy #1 to practice fair, transparent, and communicative local government.

RECOMMENDED ACTION OR PROPOSED MOTION:

Motion to accept the Fiscal Year 2024 Draft Annual Budget and set Public Hearing at 5:30pm on November 1, 2023 to be held in the Council Chambers and via ZOOM at 302 Pine St, Minturn.

ATTACHMENTS: The FY2024 Budget document is provided under separate cover from the packet and is available on the town website.

Previously presented information:

GENERAL FUND (01):

INCOME:

- Property Tax (01-00-4010) – The amount reported in the Certification of Values represents a 49% Increase over 2023. As a reminder, in 2019 statewide General Election included a question to reduce the impact of the Gallagher Amendment. This ballot question passed and froze the Residential Assessment value at 7.15%. However, several laws have been passed by the state legislature in addition to the 2023 ballot measure “HH”, all intended to lessen the impacts of rising property values. Such actions have reduced the Residential and Commercial assessment values and exemption allowances within the calculations. It is noted some of these changes are long term while others are short term which will cause our Property Tax revenues to flux over the coming years.
- Staff’s continued concern with all revenues is to not spend money before we have it yet balance the probability of projects coming to fruition.
- Lodging Tax (01-00-4039) has been growing year over year showing a slow gain. This is due to more units and rental nights of those units as well as a more developed and uniform collection system locally and statewide. Rental owners submit sales tax to the state for distribution to Minturn and submit Lodging Taxes directly to Minturn. Changes in the state laws have made it easier for companies like AirBnB to submit their sales taxes directly to the state for distribution to Minturn.

- Sales Tax (01-00-4040 and 4050) is growing and to fairly represent realistic numbers. For budget purposes, I have used the prior two years in comparison to the year-to-date current collections and developed a reasonable number. For most of the 2023 thus far we have been below month over month estimates compared to 2022. I will continue to watch this develop but at this point I am reasonably comfortable with this calculation. The state requires companies who sell online from both intra and interstate to collect and submit sales tax where the goods are received. Prior to this, on-line sales were either not taxed or taxed from the corporate home office. These payments are made to the state and distributed to the town monthly.
- The town has seen multiple PUD development applications which have yet to come to fruition. Although we anticipate at least a portion of these new units, it is difficult to predict when development will occur. Although these projects could provide a large increase in the town's budget numbers, weighted against the water tap moratorium we are in a wait-and-see position. Again, I try not to budget for funds until they are "in hand".
- Currently we have 8 leases on the lease lot budgeted for 2024. This includes the concrete plant, and seven others in the developed area behind the berm, plus fees received from snow dump charges. (01-00-4516 thru 4526) plus we lease land and accept single dumps of snow from outside sources. These revenue sources allow for diversification of town revenues and accounts for a budgeted \$150,500 income. This diversified income represents 18% of the estimated amount collected in property and 13% of the estimated sales tax. Overall, this income accounts for 5% of our total budgeted General Fund revenues for 2024.
- In recent years the town has earned upwards of 2.5% interest (01-00-4540) on our liquid cash investments. As a result of COVID this dropped to less than 1/10%. This downward earning cycle is reversing as the Federal Reserve continues to raise interest rates in an attempt to stabilize the economy. As a result of these higher yields I have budgeted \$100,000 in 2024. There are signs these interest rate increases will cease and probably decline. As a result, this number will be monitored.

EXPENSE:

- Due to unknown factors, the Council is budgeted for 24 regular meetings and 4 additional special meetings. This is inline with the needs of 2022 and 23. In April of 2024 we will hold our biannual municipal election, therefore, a Council retreat will be scheduled for late spring 2024.
- For all Employee insurance plans I have budgeted a 10% increase. As with everything, insurance costs are being hit by the economy. As a result, Staff has bid out our insurance coverage in an effort to test the market for better pricing. The good news is that we are seeing some positive numbers, the bad news is we will still anticipate a 10-15% overall increase in 2024 rates. In an industry that has seen 10-40% annual increases and wild fluctuations in the private markets in recent years, Staff has been able to maintain average annual growth of 3-5% and feels this continues to be a tremendous success in cost management.
- Some of the more beneficial community organizations have been funded in separate line items. For example, The Vail Valley Partnership will be funded at \$3,850 (01-01-5235) and the Minturn Community Fund is funded at \$15,000 (01-05-5275), the Minturn Bike Park is funded at \$15,000 (01-06-5357) and the Minturn Fitness Center at \$5,000 (01-06-5354). This is in addition to substantial in-kind contributions.
- It appears promising that Minturn has or will be settling several lawsuits against the town. As a result of recent, Minturn is budgeting in the General Fund alone for a combined legal and engineering budget (01-01-5220 – 5222) of \$291,000. This is down from 2023's \$632,223 total. The 2022 budget for legal, which was doubled over 2021, was approved by Council at \$200,000. Between 2015 and 2020 the town's legal average was \$83,750, 2018 was \$187,000 and in 2021 it was \$265,750 based on monthly averages.

- The Planning Department budget for 2024 includes a staff planner, a new position for Code Enforcement/Public works, a contracted planner and a small bank for consultants. In addition the Building Inspection services shows an increase in anticipation of increased need with several upcoming developments.
- The Police and Legal Department includes the contracted police services agreement with the Eagle County Sheriff's Office and a contribution to the Wildfire Fund. The police contract with Eagle County Sheriff was renegotiated in late 2022 and effective in 2023.
- Town Events and promotions (01-05-5275) includes one staff and is budgeted at \$100,000 in 2023 which includes \$15,000 for the summer concert series.
- The Public Works Department includes funding for some contracted snow plow/removal services, \$5,000 plus in-kind for the Minturn Fitness Center, and \$15,000 plus in-kind for the Minturn Bike Park.
- Public Building Repair and Maintenance (01-06-5290) is budgeted at \$15,000 and used to assist in maintenance and upgrades to our facilities. This line item will need significant increasing in the coming years as the town's infrastructure ages.
- Maintenance and improvements for streets and sidewalks has been increased to \$125,000 (01-06-5352) in an effort to better support our infrastructure needs. This does not include any work on Phase 2 of the Sidewalk project. A small ramp-up portion of Phase 2 of the Sidewalk will be funded in Fund 06 with proceeds from the Construction Use Tax.

ENTERPRISE FUND (02):

- Water rates will be discussed at the October 18th Council Meeting. During this meeting we will firm up the actual water rates as well as the Debt Service fees, Tap fees, System Improvement Fees, and Cash in Lieu fees.

As part of this review and adoption of the CIP plan water rates, debt needs, and other sources of funding have been examined completely and will require probable rate increases, grant applications, and even the issuance of additional debt to undertake all the necessary improvements.

Council and Staff will continue to evaluate our system and the pressing needs with funding opportunities to help accomplish our needs and goals. Recent accomplishments are the connection of Well #4 to the Clear Well for purification purposes, near completion of new water storage tank, installation of a water loss detection system, replacement of all but the last remaining water meters in town, and much needed repairs to the plant and distribution system.

- Annual H2O water right maintenance (02-06-5352) will increase approximately 14% on top of 2023's 4% increase. The \$160,000 covers the Cross Creek flow gage station and water rights of 5acre ft, 20acre ft, and 50acre ft through the Colorado River Distirct. The gage station shows expense; however, CBS/Viacom pays 1/3 of this cost.
- With the pending needs in the Enterprise Fund of water plant and distribution line work, it will be important that we save where we can and manage our reserves in the coming several years. Our water rates are admittedly steep as are the expenses and the estimated capital needs, all must be weighed as best we can given that water rates were kept artificially low for decades and maintenance was deferred in anticipation of Battle Mountain providing new infrastructure.

Conservation Trust Fund (03):

- FY2024 expenditures in this fund include \$61,000 to stain and treat the wood of the Little Beach Park stage, Eagle River Park restroom, and the Town Manager's house. The roof at the Manager's House will be assessed and money is included in the event it is necessary to replace or repair. This

maintenance is scheduled every five years or so. The work was originally scheduled for 2022 but after review it was determined to wait and see in light of assessments made.

SPECIAL REVENUE FUND (04):

- FY2024 reflects a \$105,223 transfer to the Capital Fund. A Fund balance of approximately \$10,000 will remain in Fund 04 for fixed asset needs or to accrue for larger projects in future years. The interfund transfer will be to accommodate non-Enterprise Fund expenses. The revenue in this fund is derived from rents paid by the USPO and the two residential units within the Town Hall. The rate structure for 2024 has been reviewed and discussed with Council. A new rate structure for the residential units was approved by Council at the September 20 meeting and included in this revenue.

CAPITAL FUND (06):

- The Capital Fund recognizes revenues resulting from the implementation of the Construction Use Tax and the previously noted income from the Special Revenue Fund transfer.
- \$250,000 has been allocated for Phase II of the sidewalk project engineering services. Actual construction is anticipated in 2025.
- Little Beach Park (06-01-5310) is budgeted for \$260,000 as a place holder. These funds are maintained in a savings account per the previous BMD funding agreements. These funds are held only for development in Little Beach Park and will be utilized once a development plan is approved.
- Budget Review during upcoming meetings (Budget page 70):
 - 10/18/23
 - Session under Discussion and Direction for Council to discuss the budget as relates to water rates in the Enterprise Fund and consider questions or direction from Council. This will begin with a short presentation and then discussion of major projects scheduled.
 - Q&A
 - 11/01/23
 - Public Hearing on FY2024 Budget (this is the ONLY public hearing)
 - GID public hearing and approval
 - Q&A
 - 11/15/23
 - Discussion of revenue changes as a result of the statewide general election
 - First Reading of Budget approval Ordinances
 - Review of 2023 Supplemental Appropriations
 - Q&A
 - 12/6/23
 - Second and final reading of Budget approval Ordinances