



To: Mayor and Council
From: Jay Brunvand
Date: October 2, 2024
Agenda Item: Acceptance of the Fiscal Year 2025 Annual Budget

REQUEST:

Staff is requesting the Town Council to accept the Fiscal Year 2025 Preliminary Budget.

INTRODUCTION:

As required by Colorado State law, the Council must accept the proposed budget for the following year no later than October 15 of the preceding year.

ANALYSIS:

This budget recognizes revenues and expenses for the forthcoming year in a manner responsive to Council discussions over the past several months. Over the coming meetings, Council will have other discussions on this budget as well as Public Hearings before it is finalized and approved during the December 4, 2024 Council Meeting.

In August, the state legislature held a Special Session to consider and eventually adopt a compromise deal and led to the removal of two ballot initiatives. The new bill, which was quickly signed into law by the Governor, lowers residential assessments rates from 7.15% to 6.25% for property taxes going to local governments as well as lowers commercial assessment rates from 29% to 25%.

In late August, the town received our preliminary Assessed Valuation where our Property Tax revenues are anticipated to remain almost flat. This budget reflects the legislative actions; however, because this was directly on the heels of the legislative session. It is probable that the final Assessed Valuation will further impact or revenue. During the upcoming council meetings, Council will have an opportunity to review the budget, special projects, and legislative effects.

Please reference the Budget Schedule and Calendar included on pages 74-82. This will give you a clear vision of which meetings will include budget discussions, public hearings, and approvals. We all know the budget includes the operational items like electric bills and general day to day items. My intent is not to review that material in detail, rather to highlight some of the recent items of note in our General Fund revenues and expenses and allow for council and public questions. I have listed a few of the accounts below to show the Council that we do have money to perform some of the items we have recently discussed that are not Special Projects.

GENERAL FUND (01):

INCOME:

- Property Tax (01-00-4010) – The amount reported in the Certification of Values represents a 2% INcrease over 2024. 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%. As values continue to adapt to this action as well as legislative and voter actions we are in a somewhat continuous upheaval. Additionally, 2024 is a

NON-assessment year. Normally, the property values do not change significantly during odd years. In 2025, when property values are re-assessed, and in consideration of the current growth Minturn is experiencing we should see the full effect of the growth laid up against the legislative actions taken to control property value growth. 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. The current Lodging Tax rate is 1.5%. The town has presented a ballot question in this November's county wide coordinated election to increase this to 6.5%. The number represented in the budget does NOT include this increase and won't until we know the results of the November election.
- 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. I will continue to watch this develop but at this point I am reasonably comfortable with this calculation.
- The town has seen multiple PUD development applications which have been considered and have begun to trickle in. 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 and a conservative estimate is included in the budget numbers, I try not to budget for funds until they are "in hand".
- Currently we have 8 leases on the lease lot budgeted for 2025. 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 \$156,100 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 2025. Leases were increased 3% in both 2024 and 2025.
- As the economy continues to churn along the town has been earning almost 5.5% yield in interest (01-00-4540) on our liquid cash investments. In the last month we have seen the Federal Reserve reduce rates from approximately 5.5% to 5%. There are signs these interest rates may further decline. As a result, this number will be monitored.

EXPENSE:

- Due to unknown factors, the Council is budgeted for 24 regular meetings and 3 additional special meetings.
- 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 2025 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.

- Minturn was able to settle several lawsuits against the town in 2024 which should help bring into control several line items that have been in flux such as the legal and engineering budgets (01-01-5220 – 5222).
- The Planning Department budget for 20254 includes a staff planner, a newly hired position for Code Enforcement/building permit technician, 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 2025 which includes \$15,000 for the summer concert series.
- The Public Works Department includes funding for some contracted snowplow/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 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 continue to be discussed at the October 16th 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.

- Currently the town water billing is handled by ERWSD. In 2025 the town will be moving to a different managed system that will give the town greater autonomy with our system. The overall intent is to provide better and quicker monitoring of our water use, greater customer service, and better cost containment.
- Annual H2O water right maintenance (02-06-5352) will increase approximately 5% over 2024. This line item covers the Cross Creek flow gage station and water rights of 5acre ft, 20acre ft, and 50acre ft through the Colorado River District. The gage station shows expense; however, CBS/Viacom pays 1/3 of this cost and other entities have agreed to contribute as well.
- 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 short and long terms. Our water rates are admittedly steep as are the expenses and the estimated capital needs, all must be weighed as best we can.

Conservation Trust Fund (03):

- The CTF currently does not have FY2025 expenditures. These funds will be assessed for use in a matching grant for Little Beach Park that has been applied for to remodel that park or other qualified expenditures.

SPECIAL REVENUE FUND (04):

- FY2025 reflects a \$112,823 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. A new rate structure for the residential units was approved by Council in 2024.

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.
- Council discussion on this fund will include an update of the current balance, anticipated incoming revenue, and anticipated expenses 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):
 - 10/16/24
 - 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
 - 11/06/24
 - Public Hearing on FY2025 Budget (this is the ONLY public hearing)
 - Q&A
 - 11/20/24
 - 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
 - 12/4/24
 - Second and final reading of Budget approval Ordinances

COMMUNITY INPUT:

Staff has scheduled a Public Hearing on the budget at the November 6, 2024 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, 2024.

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 2025 Draft Annual Budget and set Public Hearing at 5:30pm on November 6, 2024 to be held in the Council Chambers and via ZOOM at 302 Pine St, Minturn.

ATTACHMENTS: The FY2025 Budget document is provided under separate cover from the packet and is available on the town website.