



CITY COUNCIL WORK SESSION

MEETING DATE: October 18, 2021

AGENDA ITEM: Financial Management Plan update

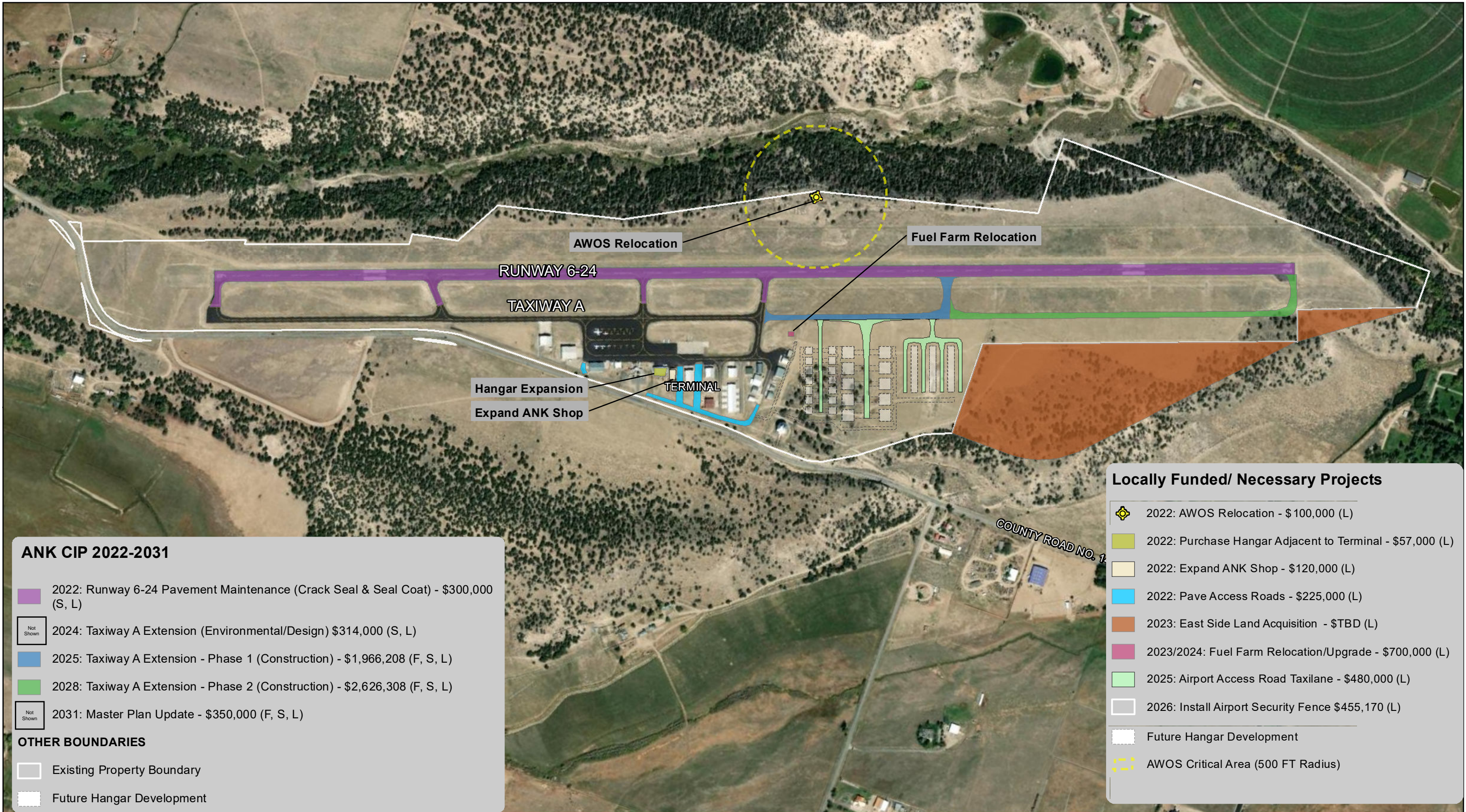
FROM: Aimee Tihonovich, Finance Director

There are 2 discussion items for the 2022 budget:

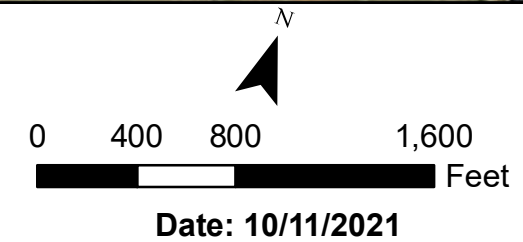
1. There is one update to the proposed budget for council to consider. Recently, Chaffee County and Airport management submitted their 2022 budget request for \$195,000 which is \$95,000 higher than anticipated in the originally proposed budget. The \$195,000 funding level will be matched by Chaffee County and airport generated revenues and will allow the Airport to accomplish several important projects in 2022:
 - a. Pave access roads
 - b. Relocation of the Automated Weather Observing System (AWOS)
 - c. Purchase of the Hangar adjacent to the Terminal
 - d. Expand the ANK shop

In an effort to increase safety and meet demand for service, the airport has identified several long term projects that will mostly be funded with grants but the City should anticipate needing to continue supporting the airport in the future until such time that Airport generated revenues make this important community amenity sustainable without our support. See attached exhibit outlining the planned projects at the Airport.

2. Council is asked to review the following draft slide deck prior to the public hearing on the budget scheduled for Tuesday's Council meeting. I have included my discussion notes (talking points) to help you better interpret the slides.



HARRIET ALEXANDER FIELD (ANK) CAPITAL IMPROVEMENT PROJECTS (CIP) 2022-2031



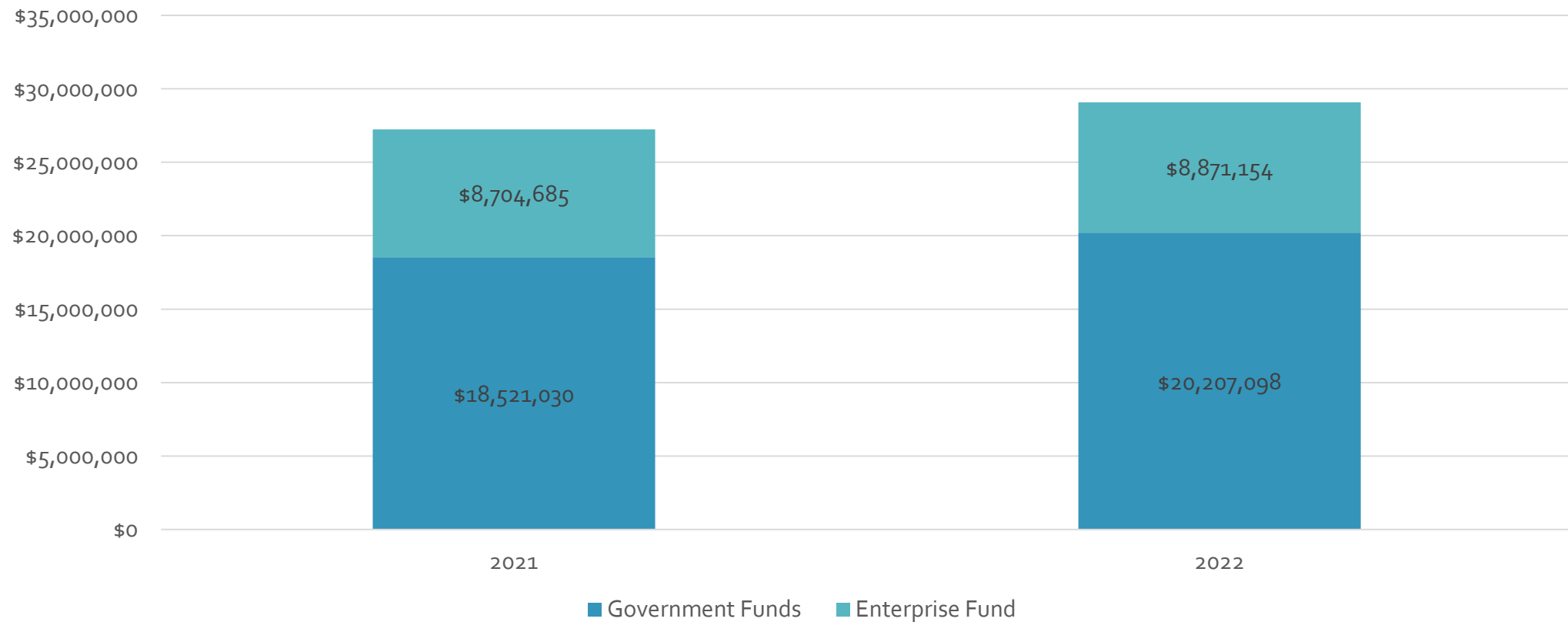


2022 Budget

Summary of 2022 Budget Process

- April 7 – Council retreat held to develop priorities
- August 16 – Proposed Draft Budget presented to Council
- August 17 – Budget available for public inspection
- Public Budget Work Sessions Held – Sept 7, Sept 20, October 4 and 18
- Public Hearing – October 19
- Budget adoption scheduled for October 19

Total Budget Comparison 2022 to 2021



Government Funds Overview

The numbers – Government Funds

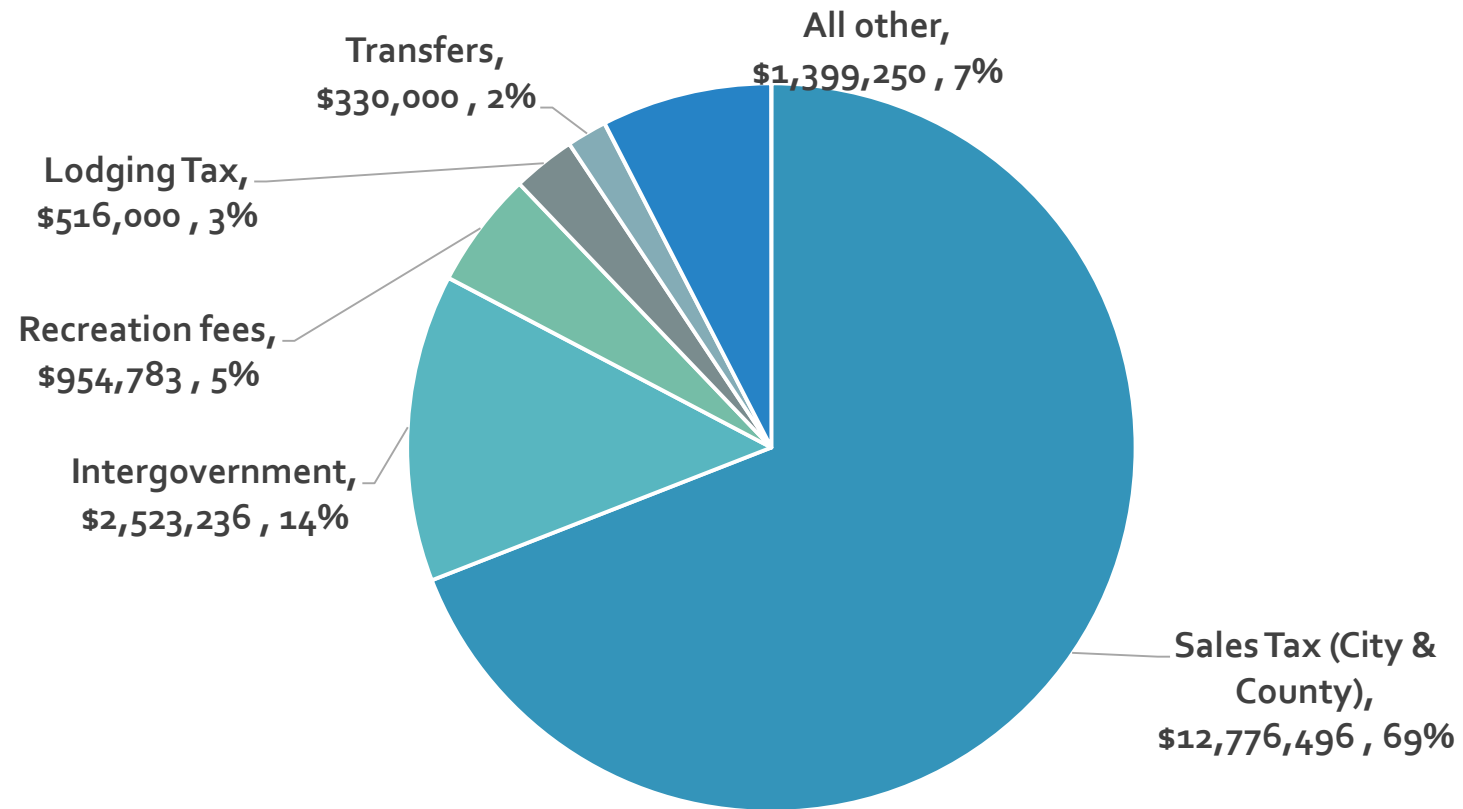
Proposed Budget Revenues

Fund	2022 Budget
General Fund	\$12,167,509
Conservation Trust	\$74,000
Streets	\$4,324,605
Capital Improvement	\$1,146,151
Economic Dev't	\$191,500
Lodging Tax	\$516,000
Housing	\$80,000
Total	\$18,499,765

Proposed Budget Expenses

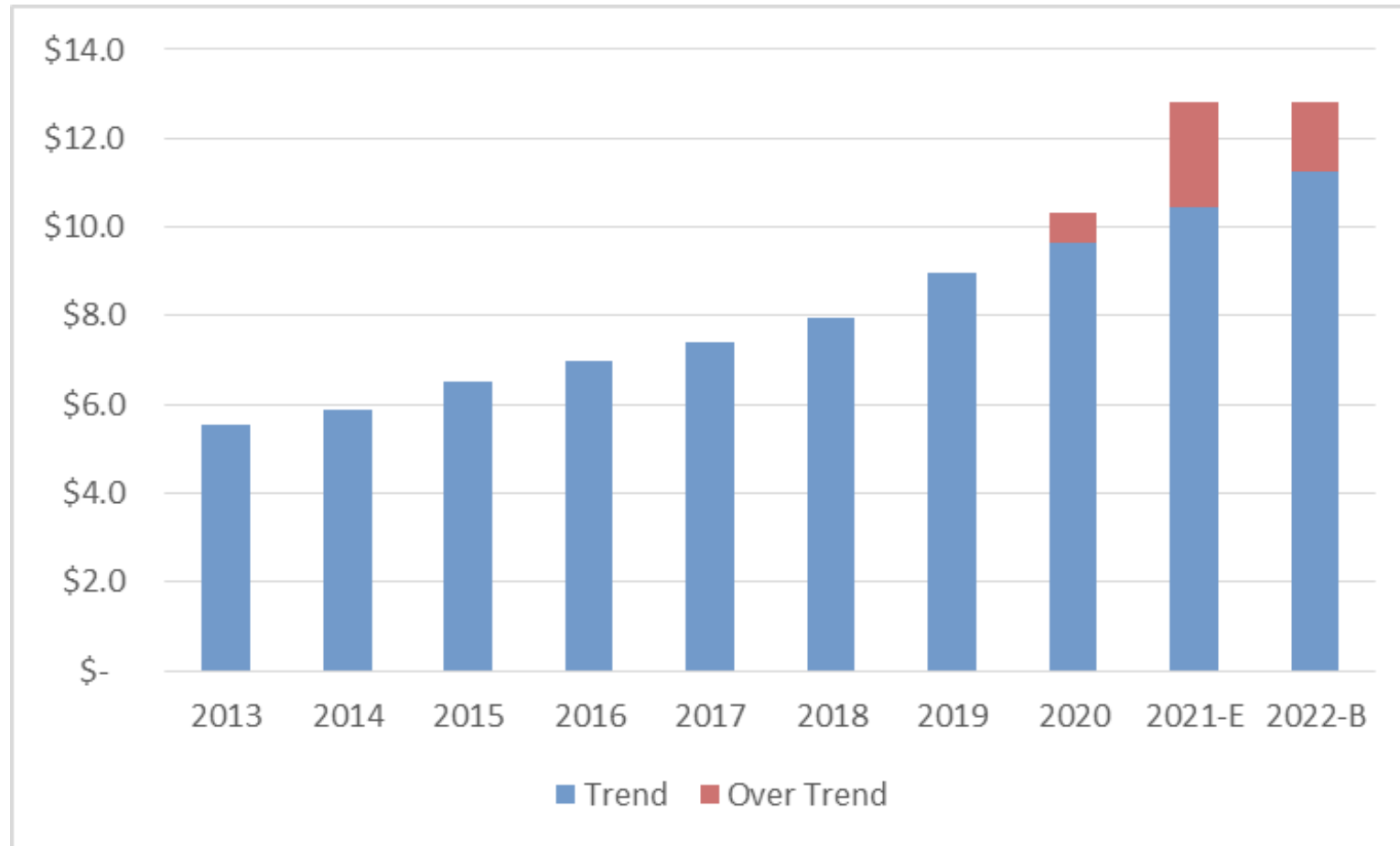
Fund	2022 Budget
General Fund	\$13,090,702
Conservation Trust	\$290,000
Streets	\$4,648,896
Capital Improvement	\$1,185,000
Economic Dev't	\$324,500
Lodging Tax	\$516,000
Housing	\$152,000
Total	\$20,207,098

Government Funds Revenue



Sales (City & County) Tax Revenue Trend

\$ in millions



Fund Comparison 2022 to 2021

	2021	2022	Increase (Decrease)	Major Reason
General Fund	\$ 10,793,738	\$ 13,090,702	\$ 2,296,964	ARP Funds, no transfer to Capital Improvement Fund
Conservation Trust Fund	340,000	290,000	\$ (50,000)	Less accumulated funds available
Streets	3,764,792	4,648,896	\$ 884,104	Grant funded Safe Routes to School project
Capital Improvement	2,235,500	1,185,000	\$ (1,050,500)	Removed soaking pool project
Economic Development	247,000	324,500	\$ 77,500	Higher contingency available to council
Lodging Tax	420,000	516,000	\$ 96,000	Higher activity and fee increase planned
Housing	720,000	152,000	\$ (568,000)	2021 included grant funded Salida Ridge Housing Project funding
	<u>\$ 18,521,030</u>	<u>\$ 20,207,098</u>	<u>\$ 1,686,068</u>	

Key Issues-Government Funds

- Sales tax budget flat with 2021, projected to be 24% higher than 2020
- Recreation and Event fee expected to return to 2019 level
- Soaking pool project removed from budget, still in long term plan
- Significant projects funded:
 - American Rescue Plan (ARP) funding planned for housing projects
 - Splashpad
 - DOT funded Highway 50 Streetscape Project (Safe Routes to School)
 - Vandaveer site planning
- 7.5 new FTE's (full time equivalent employees)
- COLA and market adjustments to maintain workforce

Government Fund Balance Analysis

	General Fund	Conservation Trust Fund	Streets Fund	Capital Improvement	Economic Development Fund	Lodging Tax Fund	Housing Fund
Projected Beginning Available	\$ 4,361,353	\$ 216,645	\$ 448,365	\$ 58,904	\$ 133,000	\$ -	\$ 117,741
2022 addition (use)	(1,439,191)	64,000	(324,290)	(318,849)	(83,000)	516,000	(122,000)
Interfund transfers	516,000	(280,000)		280,000	(50,000)	(516,000)	50,000
Proposed Ending 2022 Fund Balance	\$ 3,438,162	\$ 645	\$ 124,075	\$ 20,055	\$ -	\$ -	\$ 45,741
Percentage of 2021 Operating Expense	39%	N/A	14%	N/A	0%	N/A	N/A
Within Fund Balance Policy?	✓	✓	×	✓	×	✓	✓

NOTE: The Streets and Economic Development Fund Balances may slip below the minimum level called for in the City's fund balance policy. However, this is due to a large one time projects in the Street Fund and a contingency placed in the Economic Development Fund. It is likely funds won't be fully expended in this budget period and if they are the funds should be replenished in 2023. Worst case, there is room in the general fund to help with any immediate cash flow needs.

Enterprise Funds Overview (Utilities)

The numbers – Water & Sewer

Proposed Budget Revenues

Fund	2022 Budget
Water	\$6,344,600
Wastewater (Sewer)	\$2,180,000
Total	\$8,524,600

Proposed Budget Expenses

Fund	2022 Budget
Water	\$6,302,409
Wastewater (Sewer)	\$2,568,745
Total	\$8,652,700

Water & Sewer Key Budget Issues

- Planning and financing for two large projects have been in the works for a few years, 2022 should see the majority of actual construction for:
 - the gallery transmission line replacement
 - the pasquale spring improvements
- Sanitary Sewer Lining (CIPP) projects are planned to reduce infiltration
- Typical costs for ongoing maintenance of important infrastructure is budgeted.
- Service fees will increase according to the schedule recommended in the 2020 rate study. Impacts will be similar to the 2021 fee increases.

Utility Fund Balance Analysis

	Water Fund	Wastewater Fund
Projected Beginning Available Reserves	\$ 3,696,462	\$ 1,165,738
2022 addition (use)	\$ 42,190	(388,745)
Proposed Ending 2022 Fund Balance	<u>\$ 3,738,652</u>	<u>\$ 776,993</u>
Percentage of 2021 Operating Expense	220%	41%
Within Fund Balance Policy?	✓	✓

Note: Although the fund balance may appear to be high, it is important to note that utility projects are very expensive and it is necessary to "save up" for them.