

TOWN OF GEORGETOWN
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To: Bob Smith, Police Judge/Ex-Officio Mayor Memo #2005-047
Board of Selectmen

From: Chuck Stearns, Town Administrator

Re: 2006 Budget Transmittal

Date: October 5, 2005

Attached to this memo is the proposed 2006 budget as required. This transmittal memo will describe the major aspects and issues of the proposed budget.

GENERAL FUND

Cash Balance

Mary estimates the beginning of the 2006 year general fund cash balance at January 1st, 2006 is estimated to be \$53,055 although this amount will change as estimates turn into reality between now and January 1st. This level of cash balance is a great increase from the January 1, 2005 audited cash balance of a general fund deficit of <\$19,328>. Future audit adjustments may also change Mary's estimate, but as we have discussed throughout the year, we are slowing climbing out of the financial hole that we inherited.

General Fund revenues equal \$715,669 and expenditures and transfers out total \$700,458, so we project to add \$15,211 to the cash balance during 2006 for a year end cash balance of \$68,266. Part of this increase may be illusory however as the 2006 budget does include \$30,000 of revenue estimated from a use tax on building materials. If the use tax referendum does not pass on November 1st, our year end cash balance will decrease by \$30,000 and we will have used up \$15,000 of cash balance for the budget instead of adding \$15,000.

In making expenditure cuts to balance the budget with revenues, I went as far as I could in making reductions without getting into personnel, important O&M expenditures, and programs. If the use tax does not pass, we can balance next year's budget by using \$15,000 of cash balances, but doing so is not sustainable in the long run, so we might have to make significant cuts in programs or operations in future years.

Revenues

As mentioned, the General Fund revenues are estimated to be \$715,669 which is a decrease of \$94,125 or 11.62% from the 2005 budget. The primary reason for this decrease is that we will not have a FEMA dredging grant in 2006 as we did in 2005.

As shown in the revenue budget worksheets, tax revenues are estimated to increase by \$46,874 or 9.31%, but \$30,000 of this increase is due to budgeting for the Use Tax on building materials.

We increased the sales tax budget from \$242,000 in the current year to \$251,000 for 2006 which is a 3.72% increase from the 2005 budget, but it is less than what we expect to take in for actual sales tax revenues in 2005. So, that projection is a conservative estimate on sales tax revenues.

The property tax levy would decrease from 8.990 mills to 8.757 mills because of higher property values, so we would be decreasing property taxes on most property owners by 2.59%.

Most other General Fund revenue sources are fairly stable in their estimates. Highway Users Trust Fund (HUTF) revenue which is our allocation of the state gas tax would decrease from \$44,000 to \$39,000 because of population and road mileage growth in other jurisdictions around the state and possibly because of lower gas purchases leading to less state revenue to allocate.

There is also \$20,000 of new revenues and it is offset by \$20,000 of expenditures to hire consultants or engineers to help evaluate Scott Russell's proposed development on the Berry Trust Land if Scott brings forward a proposal. The Town Code allows the Town to hire outside help on land use applications and to charge the developer for the cost of such outside help. So any such costs are offset entirely by new revenues charged to the applicant.

There are two pages of narrative explanations of many of the revenue sources at the beginning of the General Fund section of the budget.

Expenditures

With just modest revenue growth, balancing the budget was difficult and I even stopped cutting expenditures when I felt we could afford to use \$15,000 of the cash balance if needed. When Mary and I sat down to figure out budget cuts, we had \$97,920 to cut. While some cuts were fairly obvious such as cutting \$30,000 for a new plow truck, others such as cutting \$8,000 out of the \$10,000 merit pay pool, a new copier, abutments for the 9th Street bridge and many others were not so easy. There is very little room in the budget once we accommodate 2% pay increases, gasoline and natural gas increases, and other expenditures which keep going up.

There are no new employees requested in the General Fund, but there is one additional employee proposed for the Water and Wastewater operations. One other impact on General Fund expenditures was that 1/3 of Brian Carlson's salary had been allocated to the Water and Sewer funds in the past, but Brian is working in Roads and Bridges now, so his salary is allocated

entirely to the General Fund. We are budgeting to fill the vacant Road and Bridge position and we are advertising for that position in October.

We did increase the road maintenance budget from \$20,000 to \$23,000, but I had hoped to increase it to \$28,000. We had to cut out some hot mix asphalt patching and one of three mag chloride applications, but two mag chloride applications to the arterial roads should suffice. On call pay in the Police Budget is increased to reflect the actual usage that we are experiencing. We are budgeting \$2,500 to replace the garage door at the Road and Bridge shop building as that garage door is getting close to failing.

Overall, General Fund expenditures are up by 8.84% and there is Budget Comparison Sheet on 11 X 17 inch paper that will help you evaluate which departments and accounts had significant changes.

OTHER FUNDS

The other funds have their revenues and expenditures budget pages together for each fund along with a narrative for major revenue and expenditure

Town Business Promotions Fund

Revenues are almost exactly same in 2006 as was budgeted for 2005, but expenditures are \$3,000 higher because of a higher projected cash balance at January 1, 2006. The narrative with the budget pages describes their projects and expenditures.

Sales Tax Capital Improvement Fund

There are a lot of changes in the Sales Tax Capital Improvement Fund in 2006. Revenues are up by almost \$200,000 because of budgeting \$168,000 of revenue from GOCO and the Open Space Commission to help purchase Block 83 if we go ahead with that grant application and if the application is successful. There is also \$30,000 of revenue as part of a proposal to sell our existing grader and buy a smaller grader that will work on our narrow roads. We would sell the existing grader and do a five year lease purchase of a new, smaller grader. There is also the possibility of sharing the grader cost with Silver Plume and Empire either for the initial capital cost or on a rental basis.

The 2006 budget includes paving Rose Street and I would like to extend the paving up to the bridge at 11th Street and farther north to get to the former end of pavement on Rose north of 11th. The budget may or may not allow those additions. If the auditor allows us, I believe it is justifiable to have the Water and Sewer funds pay for a portion of the paving project since it was the water and sewer line projects on Rose Street which tore up the old asphalt. If so, we will

transfer \$10,000 from each of those funds and make the paving budget \$105,000. I am also concerned about the effect which higher oil costs will have on asphalt costs in 2006 because much of hot mix asphalt is petroleum based.

The budget includes \$197,000 for land acquisition which is \$192,000 for the Block 83 grant project and \$5,000 for our annual contribution to the Guanella Pass right-of-way acquisitions. The budget just allows for the Block 83 project to occur – the final decision to go ahead with this grant application would be made by the Board in the late winter. However, if you do not want to go ahead with that grant application, there would be no reason to budget for it.

Water and Sewer Operating Funds

I will describe both of these funds together, but they do have separate cash balance, revenue, and expenditure budget pages. The main change in these budgets is the proposal to add a third employee to the Water and Sewer operations. The State WQCD Engineer suggested recently that we should have more employees and my experience with similar size districts is that there is typically more than two employees for systems service 1,000 to 1,500 populations. Even with adding an employee, the Water Operating Fund has \$20,000 lower expenditures in 2006 compared to 2005, while the Sewer Operating Fund has higher expenditures in 2006 by \$38,000.

Both operating funds will retain sufficient reserves for 3-6 months of operations as recommended by HDR in their compliance reports. Other excess reserves are transferred to the Water and Sewer Capital Improvement Funds to help pay for projects. Given our bids this year for water and sewer projects, we may need to discuss a water and sewer rate increase sooner than the 2008 time frame that was anticipated in the last rate increase. The 2006 budgets work financially, but we would be drawing reserve levels down quite far for all of our projects.

Water Capital Improvements Fund

We moved Development Fees from the Operating Funds to the Capital Improvement Funds for both Water and Sewer because the Development Fees are an impact fee. One tenet of impact fees is that they should be spent on capital projects within five years of their receipt to help show the benefit to those who paid the fees. Projects in the Water Capital Improvement Fund are described in the narrative with the fund, but 2006 highlights are finishing the Water Treatment Plant Improvements project for pre-filtration and chlorine contact time as well as mud-jacking the water storage tank, work on the Georgetown Lake Dam, a SCADA system for remote monitoring and operation, and some appropriation for water rights acquisition.

Sewer Capital Improvement Fund

The Sewer Capital Improvement Fund has grant revenues in 2006 as a carryover of the DOLA Grant for the Wastewater Treatment Plant Improvements Phase I project into 2006. Also, Silver Plume would be scheduled to make a contribution toward the Phase I project to cover their pro-rata share of the construction and engineering costs.

In addition to carrying over the unfinished portion of the Phase I Improvements project for a new headworks, bar screen, and chlorine contact basin, other projects include \$25,000 for addressing Inflow and Infiltration into our sewer pipes, a possible \$20,000 contribution towards the Regional Sewer Project as our pro-rata contribution, and a SCADA System for remote operation and monitoring.

All in all, it was a difficult, but not impossible budget to put together. There may still be some changes as time goes along, especially in the Water and Sewer Capital Improvements Funds. If the Use Tax fails at the November election, we can reduce revenues by \$30,000 in the General Fund. As I have said before, I believe our financial issues are more of a lack of revenues and resources, rather than extravagant or unnecessary expenditures.

One other topic for the Board to consider is if you want to entertain proposals from non-profits and community based organizations for possible donations. If so, we will need to know if you want us to send out a donations request letter as was done last year.

Please begin reviewing the budget and we will have our first work session on the budget on Tuesday, October 18th at 7:00 p.m. in the Board Chambers at Town Hall.