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Preliminary 2013 Financial Update, 2015 Budget Outlook, and Emergency Grant Status Update

Summary:

Preliminary 2013 Financial Update

The General Fund, along with the Public Safety Sales Tax (PSST) fund, the Trails, Open Space and Parks Fund (TOPS) and the Conservation Trust Fund (CTF) provide the majority of funding for traditional municipal services. This financial update focuses on those four funds. All figures are rounded for ease of discussion. In addition, the financial update provides preliminary results for the Municipal Enterprises, excluding Colorado Springs Utilities and Memorial Health System.

Based upon current pre-audited figures General Fund 2013 revenue totaled \$236.2 million and 2013 General Fund expenditures totaled \$242.7 million. Therefore, actual expenditures exceeded actual revenue by \$6.5 million. Based upon these preliminary figures, we anticipate unrestricted fund balance as a percentage of the 2014 General Fund expenditure budget to be approximately 19% or \$47.2 million; which is \$15.2 million less than the GFOA recommended reserve balance of 25%. While there was a draw from fund balance of approximately \$6.5 million, a total of \$22.6 million in supplemental appropriations from fund balance were approved by City Council during 2013 (see Previous Council Action for details). The actual draw from fund balance was less than the budgeted amount as revenue exceeded budget and departments realized expenditure savings.

The PSST Fund is a critical source of funding for public safety. For 2013, the PSST Fund expenditures also exceeded actual revenue by \$2.5 million, as a result, the 2013 PSST unrestricted fund balance decreased to \$5.7 million or 19% of the 2014 PSST expenditure budget. This draw from fund balance was planned, as the fund has accumulated fund balance for a number of years in anticipation of the completion of Fire Station 21.

Fire Station 21 was completed during 2013.

The Trails, Open Space, and Parks (TOPS) and Conservation Trust Fund (CTF) funds are critical sources of funding for parks, trails and open space. These restricted funds can only be used for designated purposes. The CTF is lottery revenue distributed through the Colorado Conservation Trust Program. These funds must be spent on park-related development, renovation and maintenance. The 2013 preliminary unrestricted fund balance for CTF is approximately \$0.8M or 18%.

The TOPS program uses revenue from a 0.1% sales and use tax, approved by voters in 1997, which was slated to expire in 2009, until an extension was approved by voters in 2003 (now slated to expire in 2025). Over the life of the funds, a minimum of 60% must go toward open space; a maximum of 20% goes toward parks, and another maximum of 20% toward trails. This percentage split may vary from year to year. The 2013 preliminary unrestricted fund balance for TOPS is approximately \$3.3M or 71%. While the fund balance seems high, it is often used to accumulate funds for open space purchases which can be costly.

Lastly, a brief update on the performance of the Municipal Enterprises is provided including, Airport, Golf, Cemeteries, Pikes Peak America's Mountain, Development Review, and Parking. Enterprises operate like businesses and do not receive any tax payer support. Summary results are included for each enterprise in the accompanying presentation.

2015 Budget Outlook

Based largely on the 2014 Budget process, unmet operating and capital needs through 2015 have been identified in the amounts of \$13.4M and \$57.5M respectively. It is anticipated that additional priorities may come forward through the 2015 Budget process.

When a number of the operating needs are accounted for in the financial forecast, there is a \$6 million gap going into the 2015 budget process.

Emergency Grant Status Update

The City received Federal Emergency Management Agency (FEMA) Grants in the last two years, for the Waldo Canyon Fire, Black Forest Fire, and September 2013 Flooding response and infrastructure repair (permanent work). Included in the presentation is an update on the status of FEMA reimbursements. In summary, we have received \$908,000 for Waldo Canyon Fire costs, \$2,570 for Black Forest Fire costs, and \$111,000 for Flooding response costs. We still expect to receive approximately \$157,059 for Waldo Canyon Fire, \$210,715 for Black Forest Fire, and \$8.6 million for Flooding response and infrastructure repair.

Previous Council Action:

General Fund supplemental appropriations in 2013 totaled approximately \$22.6 M as outlined below.

March 26	\$75,000 for Colorado regional tourism
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April 9	\$8,000,000 for the Transit litigation settlement
May 14	\$10,000,000 for Fire and Flood Safety Measures
May 28	\$1,420,000 for implementation of Phase One of the Compensation Study \$300,000 for public safety police motorcycles \$155,000 for Legislative Software \$300,000 for Security measures at CAB and City Hall
October 8	\$288,500 for implementation of Phase Two of the Compensation Study \$35,000 for Regional Stormwater Task Force
November 12	\$2,000,000 Flood Response to September 2013 Floods

PSST supplemental appropriations in 2013 totaled \$626,500.

TOPS supplemental appropriations in 2013 totaled approximately \$6.9 million.

CTF supplemental appropriations in 2013 totaled approximately \$1.9 million.

City Council approved grant appropriations for the September 2013 Flood response of \$10 million.

Background:

With the highest fund balance reserve in history and a recovering economy the City was able to make tremendous accomplishments in 2013:

- Invested \$10M for one time emergent needs as a result of the Waldo Canyon Fire in addition to settling legal cases long outstanding.
- Secured over \$6M in grants for critical infrastructure projects and fire/flood mitigation.
- Turned on all City Streetlights; restored evening bus service; maintained 156 neighborhood parks, and signed a contract to outsource fleet services with an anticipated \$4M savings over 5 years.
- Contributed \$1.8M more General Fund dollars toward Parks operations and implemented turf reduction strategies in both Parks and at our Airport

It is important to note that in 2013 our city experienced two significant events: the Black Forest Fire in June and significant flood damage in September.

Financial Implications:

No action is requested, therefore no financial implications. This is a preliminary report on financial condition as a result of operations during 2013 and a preliminary financial outlook for the 2015 budget process.

Board/Commission Recommendation: N/A

Stakeholder process: N/A

Alternative: N/A

Recommendation:

N/A

Proposed Motion: N/A