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2014 Financial Update and 2016 Budget Outlook

From:

Kara Skinner, Chief Financial Officer

Summary:

Preliminary 2014 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 2014 revenue totaled \$252.4 million and 2014 General Fund expenditures totaled \$255.4 million. Therefore, actual expenditures exceeded actual revenue by \$3.0 million. Based upon these preliminary figures, we anticipate unrestricted fund balance as a percentage of the 2015 General Fund expenditure budget to be approximately 16.7% or \$43.6 million; which is \$21.1 million less than the GFOA recommended reserve balance of 25%. While there was a budgeted draw from fund balance of \$1.76 million, a total of \$2.5 million in supplemental appropriations from fund balance were approved by City Council during 2014 (see Previous Council Action for details). The actual draw from fund balance was less than the final budgeted amount as revenue exceeded budget and departments realized expenditure savings. The Q4 2014 Quarterly Financial Report (full report attached) provides additional detailed information and varies slightly from the information in this report due to the timing of its preparation.

The PSST Fund is a critical source of funding for public safety. For 2014, the PSST Fund revenue exceeded expenditures by \$1.1 million. The 2014 PSST unrestricted fund balance is approximately

\$4.4 million or 16% of the 2015 PSST expenditure budget. While there was a budgeted draw from fund balance of \$2.18 million, the actual revenue exceeded budget and departments realized expenditure savings resulting in a contribution to the fund balance, rather than a draw.

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 2014 preliminary available fund balance for CTF is approximately \$1.0 million or 20%.

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 2014 preliminary available fund balance for TOPS is approximately \$7.2 million or 83%. 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, Cemeteries, Development Review, Golf, Memorial Health System, Parking, and Pikes Peak America's Mountain. Enterprises operate like businesses and do not receive any tax payer support. Summary results are included for each enterprise in the accompanying presentation

2016 Budget Outlook:

Based largely on the 2015 Budget process, unmet operating and 5-year unfunded highest priority capital needs have been identified in the amounts of \$9.2 million and \$145 million respectively. It is anticipated that additional priorities may come forward through the 2016 Budget process.

When a number of the operating needs are accounted for in the financial forecast, we anticipate a gap going into the 2016 budget process, which will be discussed during the Work Session presentation.

Previous Council Action:

Council approved two General Fund supplemental appropriations in 2014: (1) \$2 million on April 22, 2014 for emergency roadway and pothole repairs, and (2) \$500,000 on December 9, 2014 for drainage repairs on Powers Boulevard.

Background:

The 2014 budget included a budgeted draw from fund balance of \$1.76 million for the following two purposes: (1) \$630,000 from restricted fund balance for the purpose of improvements to the City Administration Building; and (2) \$1.13 million from the unrestricted fund balance as directed by City Council at its budget markup session for funding of the projected 2014 Parks water rate increase.

Financial Implications:

No action is requested, therefore no financial implications. This is a preliminary report on financial condition as a result of operations during 2014 and a preliminary financial outlook for the 2016 budget process.

Board/Commission Recommendation:
NA/

Stakeholder Process:
N/A

Alternatives:
N/A

Proposed Motion:
N/A

N/A