



## Memorandum

**To:** City Council  
**From:** Ben Cowan  
**Date:** 5/20/2015  
**Re:** Semiannual Finance Department Report

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Since I've only just completed my third month with the City, this report would be more appropriately titled as a quarterly report. I have spent a considerable amount of time familiarizing myself with the City's account structure, financial software, budgetary fund structure, and various policies and procedures related to the operation of the Finance Department. One of the things that attracted me to the City Finance Department is that a director in a small organization is required to be a very operational member of the team and duties range from planning efforts to posting entries to assisting customers and many other daily functions. Since this is the case, it can be hard to have a new supervisor that must be trained in many areas. I am pleased that the employees in the Finance Department are very contentious and competent and I am very thankful that they have taken the time to answer my thousands of questions as I learn the reasons behind the department's various processes and functions. As is the case with any new position, there is a tremendous learning curve and they have greatly assisted with shortening this as much as can reasonably be expected. It was tremendously time consuming simply to gain access to over 30 bank accounts with various banking institutions.

Below are some highlights of some projects we've undertaken in Finance:

### Human Resources:

Tammy worked diligently with Gunnison Valley Health to provide payment vouchers for the annual health fair for City employees. This important program removes a major barrier for employees that participate in the City's insurance plans by eliminating the need to pay for the available tests upfront.

Tammy also conducted various salary surveys to ensure the City is offering market rates of pay and benefits so the City can attract and retain highly qualified employees.

We also researched and crafted a recommendation for conformance with the Affordable Care Act.

### Utility Billing:

Shannon does a fantastic job managing the utility billing. We often have trouble gathering the meter data from the various types of meters due to electronic and hardware challenges and she invariably works out a way to gather accurate data for billing purposes with a minimum of entry labor and interruption to the electric, sewer, water and refuse crews.

We also adjusted some procedures in the office to conform to the City Code which included offering a month deferment of the shut-off process once per twelve month period and the availability of a six-month payment plan to customers that have become delinquent in the payment of their utility bill. We created a pamphlet that outlines the process for delinquent utilities and what a customer can expect if their bill is not paid according to City policy.

May 20, 2015

Michelle found a new service for collection services with the State of Colorado Department of Personnel and Administration to enhance the City's collection efforts. We hope this will reduce the amount of balances written off since the State can withhold tax refunds and access more data than a typical collection agency.

2014 Annual Audit:

Anton, Collins, Mitchell, LLP completed the field audit of the City's financial records last week. This is the final year of a five-year engagement, so we will be preparing a Request for Proposals in the next few months. Michelle, Dorene, Shannon, and Tammy have done a great job preparing for the audit. The prep work involves the creation of many work papers to substantiate the balances in all balance sheet accounts, as well as a variety of other revenue and expense accounts. We also worked through recording end-of-year adjusting entries including capitalization and depreciation of fixed assets, adjusting budgeted transfers among funds to actual, recording accrued interest on debt, etc. Sample documentation associated with accounts payable/receivable, utility billing and various personnel records were pulled. All cash and investments, payroll liabilities, payroll benefits, pay rates and utility rates were sampled for accuracy. Bond payments and other short-term liabilities were tested for proper posting of expenses and future liabilities. Processes and procedures for handling cash (receivables and payables) were also reviewed. The final audited statements will be presented in June. State statutes require that the audited financial statements be presented to the governing body by June 30th and to the State Auditor's office by July 31st.

Marijuana Taxation:

Through cooperation with the State of Colorado, we will be forwarding an agreement to Council to allow a share-back of 15 percent of the 10 percent state retail marijuana sales tax, provided we adhere to various requirements of confidentiality. This will be in addition to the 4% City sales tax, the 5% special marijuana tax and a 5% excise tax on sales/transfers of marijuana from a cultivation or manufacturing facility to retail establishments outside the City. A great deal of attention is being given to the amount of money generated by retail marijuana establishments in Colorado. However, the sales tax return information for these establishments is confidential, including the amount remitted. In order to preserve the confidentiality of taxpayer information the City cannot release sales tax information unless there are three or more vendors and any one vendor doesn't constitute more than 80% of the total sales tax number in any particular category being reported. If there only is a single marijuana establishment operating within the City, no information may be released because doing so could disclose confidential tax information. This includes divulging or making known in any way the amount of money received from the state for the state retail marijuana sales tax. This amount cannot be published in a budget document, an annual report or any similar document which would disclose the amount of sales tax generated by a vendor. Depending on the number of establishments within the City, this may be a challenge since our ballot language requires the use of marijuana funds for particular purposes.

City Hall Renovation Update:

After the receipt of a \$200,000 grant from the Department of Local Affairs, the City embarked upon renovation of City Hall for a total budget of \$511,000. Remaining costs yet to be paid include the final payments for the east entry door (\$4,442), the parapet wall lining (\$3,704.16), and computer equipment for the new IT System Administrator position (\$1,373.99). Taking those costs into account, the remaining unencumbered budget is \$21,500.23:

Architectural/Engineering	\$1,037.50
Remodel	\$20,462.73

Other aspects of the project that will need to be prioritized for possible implementation include rekeying, the purchase of seating and a table for the Council Chambers, computer equipment for the downstairs conference room, and/or cleanup of the basement. Costs are only grant eligible if they are incurred prior to June 30, 2015.

New Purchasing Card System:

We have created a new policy for use of the purchasing cards and a new system for the electronic reporting for use of purchasing cards. The system is currently running and training is currently in process to best suit the needs of each department. The first import of electronic data to the City's financial system is planned for June 10. The system allows for better tracking of expenditures in the general ledger, better reporting of card transactions to help identify purchase trends and guard against fraud and misuse, along with a range of other benefits.

City Bonds:

I have been working with Troy Bernberg, with UMB Bank, to consider refinancing the 2007 pool and rink bonds. With rates still at historical lows and predicted to rise this year, I think it is prudent to determine whether the City can save on interest costs. I have requested that an analysis be made for both a market approach and private placement. Since refinancing with private placement may not require a debt service reserve, I asked Troy to run the numbers assuming the entire existing debt service reserve is used to assist with paying down the principal balance on the outstanding debt.

While our investment bank was of the opinion that the City was non-compliant in bond reporting, we gathered a legal opinion that we are not out of compliance since the City issued its bonds prior to recent rule changes and the requirements are not retroactive. Additionally, issuers are required to report "material" rating changes. The city's bond insurer experienced at least a couple downgrades which formerly were viewed as being material. However, during the "Great Recession," the market was well aware of rating changes attributable to the falling credit worthiness of bond insurers, so we can likely take the position that those events were immaterial. The Finance Department is working with Arbitrage Compliance Specialists to ensure the City remains compliant with all reporting requirements for its various bond issues.

Daily work continues with accounts payable, payroll, utility billing, and financial reporting for the City, the Firemen's Pension Fund and the Gunnison/Hinsdale Combined Emergency Telephone Service Authority. College students are moving around and out of Gunnison with the completion of another school year, which means a significant volume of work orders and collecting on delinquent accounts. We have celebrated several milestones in the office during the last few months. Dorene completed 22 years with the City in February, Shannon completed 5 years in April, Tammy completed 4 years in May and Michelle will have completed 7 years in June.

Please let me know if you have further questions concerning these items or other activities in the Finance Department.