

October 13, 2015

Dear Council,

The 2016 City of Gunnison Budget is presented to City Council at the October 13, 2015 regular session. Our staff is pleased to present a balanced budget, with a few exceptions in the use of cash reserves. Economic conditions continue with a positive trend. Based on sales tax returns through August 2015 we project a 5% sales tax revenue increase for 2015 and forecast revenues with a 2.5% increase for 2016. Use tax has gone up for a third year with continued commercial development taking place. The 2014 adoption of the Fund Balance/Cash Reserve Policy provides clear direction on cash flow management and defines a process for fund designation.

The budget focuses on ongoing operations, full implementation of the staff compensation plan, and support for the City's Strategic Plan. The primary objective with the strategic plan is to fund Council's top priorities with actions include planning, operational support and capital expenditures. The top three priorities identified in the recent strategic planning process are highway corridor improvements, downtown area enhancements, and connectivity for multimodal and recreational uses. In support of these goals there is a designated fund of \$500,000 for the purpose of strategic plan implementation. The use of these funds will be refined at a further work session. There are some possible targets for these funds. Priorities listed in the Strategic plan include securing downtown parking, using contracted landscape architectural services for aesthetic streetscape applications, and contract services to create small scale commercial design standards.

Another area of particular interest in 2016 is the use of revenues derived from the 5% Special Marijuana Sale Tax. We have based our estimates loosely on the 2014 market base in Crested Butte. That level will generate approximately \$50,000, but could differ greatly depending upon the actual market. The 2016 budget utilizes these extra funds by hiring a new police officer to assist with random checks and enforcement, enhancing recreation program scholarships, increasing educational material purchases in the Police Department, and growing grants available for educational programming.

The most significant proposal on the expense side for the coming fiscal year is the proposal to continue implementation of the compensation plan for employees. We were able to achieve 90% movement toward that goal in 2015 and in 2016 full implementation is proposed. There are dollars allocated in personnel expenses in each department for the purpose of providing this proposed compensation increase. Health insurance premiums will increase 16.5% in 2016 and the minimum wage increase, even for those employees at the top of their pay range, is proposed to be \$804 to accommodate the premium increase. It is important to preserve the employees' purchasing power. A new department is established for Information Technology to handle these services in-house.

The 2016 General Fund revenues are estimated to be \$6,942,034 and projected expenditures at \$7,375,403 which includes \$215,502 for Grants and Contracts for Service. We continue to move toward compliance with the Fund Balance (Cash Reserve) Policy with a 2015 year end projection of 41%. This will allow further investments to be made as opportunities arise in the future. Looking at the planning currently underway, there will be associated capital projects that may be grant eligible. Having matching dollars in the future will allow these funds to be leveraged for larger undertakings.

The City's Sales Tax Compliance ordinance allocates 10% of General Fund Sales and Use Tax revenue to capital improvements equaling \$463,418. Proposed expenses in capital include equipment for our computer system upgrade, some rolling stock for Fleet, Police and Fire along with a thermal imaging camera. Parks propose adding some maintenance equipment, lighting for the Skate Park and Dog Park amenities. Street Improvements utilize 35.9% of sales tax revenues which equates to \$1,616,440. Within this allocation there is \$655,000 for street improvement projects that will be determined prior to 2016 construction. The net of capital improvements and street improvements comply with the sales tax allocation set by voters in 2009.

Grants and Contracts for Services bottom line has been increased for 2016 from the \$130,000 flat funding level budgeted in 2015 to a formula based approach. 5% of City Sales tax is dedicated to this purpose. This equates to \$215,500 for 2016 to support community based programs, projects, and events. Requests for funding are made through an application process and reviewed by Council to determine eligibility and award. The Gunnison Housing Association IGA between the County and other municipalities expires at the end of 2015 and a request to continue our support of that program is forthcoming. There are also Economic Development funds proposed to consider funding requests that meet that specific funding criteria as well.

Electric rates were increased by 5% in 2015 and a further 5% rate adjustment is required in 2016. Water and Sewer rates have were adjusted in 2015 with a 5% rate increase included for Water and 3% increase for Sewer. The proposal is to make the same adjustment once again in 2016. The Refuse account remains healthy and continues to accumulate reserves. The franchise fee remains at five percent in the Electric, Water, and Sewer Departments for 2015. The Ditch Fund includes \$470,292 for a River Restoration project involving the improvement of the Piloni Ditch diversion. A major portion of those dollars come from a Colorado Water Conservation Board grant in partnership with Upper Gunnison River Conservancy District and Trout Unlimited

The Park & Recreation Fund sales tax revenues are projected on the same basis as the General Fund. There is a capital expense for pool covers anticipated for 2015 in the Pool. The Pool Fund is not in balance, so reserve funds were utilized for 2015 with a plan to complete a rate analysis in 2015. The result is to provide a greater subsidy for pool operations in order to provide reasonable wage for pool staff. Once these adjustments were made, the 2016 budget is balanced except for the use of fund balance for the replacement of pool covers. Other Recreation Improvements division was added to the budget in 2015 and will support the aforementioned dog park amenities. This is where excess revenue will accumulate and be dispersed for Park & Recreation projects.

The budget will appear on Council agendas until final adoption on December 8, 2015. Our employees are dedicated to providing a high level of service for our community in very positive ways. They are the heart and soul of this organization and enhance the lives of our citizens on a daily basis. Our management staff works hard to ensure we present a balanced budget that reflects the interests of our citizens. Ben Cowan and the Finance Department crew put their best energy into refining the details presented in this document. This is truly a team effort and Council is congratulated for their leadership in developing this guide for the City of Gunnison.

Sincerely,

Ken Coleman
City Manager