

City of Boulder Revenue & Expenditures



Overview
August 9, 2006



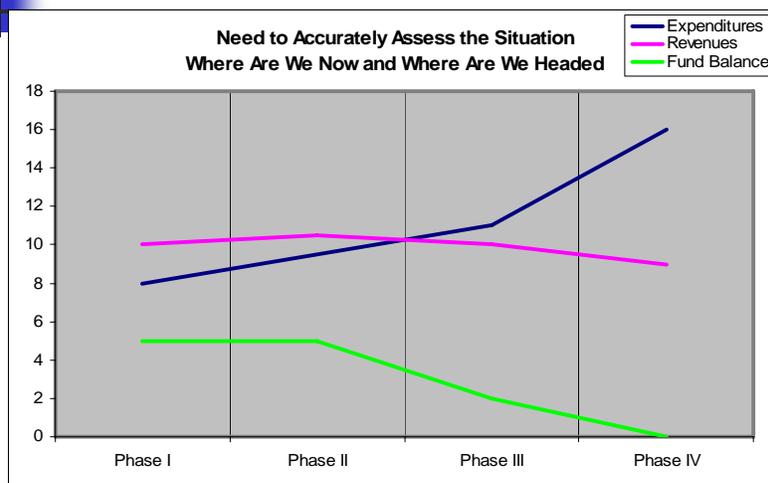
Key Terms

- Fund – A governmental accounting term that is used to refer to major segments of the city. Similar to a stand alone business. COB: General Fund, Water/Wastewater Fund, Transportation Fund and Parks & Recreation Fund.
- Fund Balance – the savings account of the fund. Measured at the end of each year. Increases if what is brought in is greater than what is spent. Decreases if spending is greater than what is brought in for the year.
- Financial Policies - Policies adopted by City Council that guide financial decisions of the City. Included in the Budget.

Financial Policy 1.1

- Budgets shall be balanced.
Budgeted expenditures and transfers-out will not exceed reasonable projection of the sum of current year revenues, transfers-in, and available fund balances.
- Debt shall not be utilized for operating expenses.

Challenges of Government Finance. Is it Balanced?



The Municipal Corporation of Boulder, Colorado



Under the Umbrella
Funds = The Businesses of the City
Departments-Divisions-Programs-Services

City is the Umbrella Corporation - Funds are the Businesses (31)

- General Fund – everything that is not somewhere else. The fund where most new issues compete for budget dollars.
- Restricted Funds – Revenues specifically restricted by law, vote, or Council – in accounting called Special Revenue Funds. Major funds are Open Space/Mountain Parks, Transportation, .25 Cent Sales Tax (1995), Recreation Activity Fund, etc.



Types of Funds Continued

- Enterprise Funds - Restricted dependent on ordinance creating the funds or bond indentures. Water, WW, Stormwater and Flood Management

Main source of revenues - fees

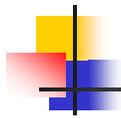
- Capital Funds - Major projects of individual funds or done with debt, lease, or grant funding.



Types of Funds Continued

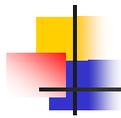
- Internal Service Funds – Provide services to other funds.

Source of Revenue – Contributions by other funds.



Restricted Funds

- If legally restricted by law or a vote:
 - They can only be used for what the law or the ballot issue says they may be used for.
 - May or may not expire.
 - In most cases the money cannot be used or transferred to other funds (businesses) in the city. When in doubt the CAO is contacted for an opinion.



Dedicated Funds

Dedicated to certain programs or expenditures by Council.



Primary Revenue Sources for Local Government

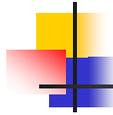
- Property tax
- Sales and Use Taxes (use taxes differ)
- Other taxes
- Fees and Charges
 - Franchise Fees
 - Utility Fees and Charges
 - Recreation Fees and Charges
- Licenses, Permits and Fines
- Intergovernmental
- Leases, Rents and Royalties
- Investment Earnings



Ongoing Versus One-Time Funds

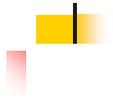
- Ongoing = the revenues can be predicted and will come in each year to pay ongoing costs.

- One-time = the revenues will only occur once. Therefore, they cannot be used to pay ongoing costs. The costs must occur only once.



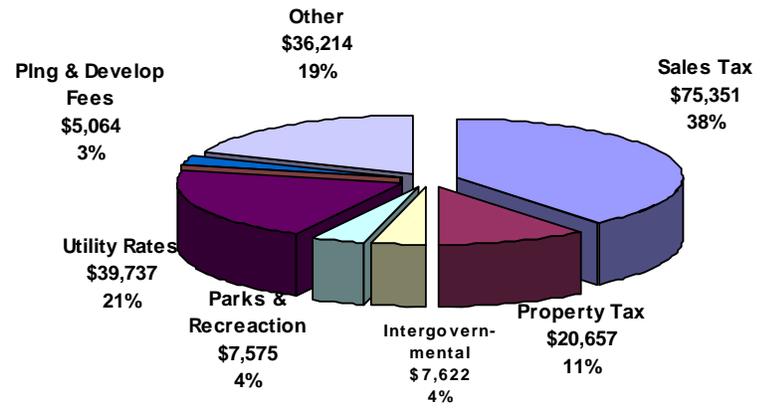
Ongoing Versus One-Time

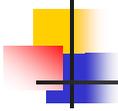
- Ongoing
- One-time



Where Does the Money Come From in the COB?

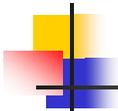
2006 Total Revenues = \$192,000 (in \$1,000s)





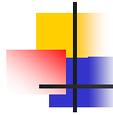
Where Does the Money Come From in the COB?

Funds	Sales Tax	Property Tax	Other Taxes	Charges & Fees	Other
General	45%	20%	15%	3%	17%
Open Space	93%	-	-	-	7%
Transportation	70%	-	-	-	30%
Utility rates of total sources \$	-	-	-	83%	17%



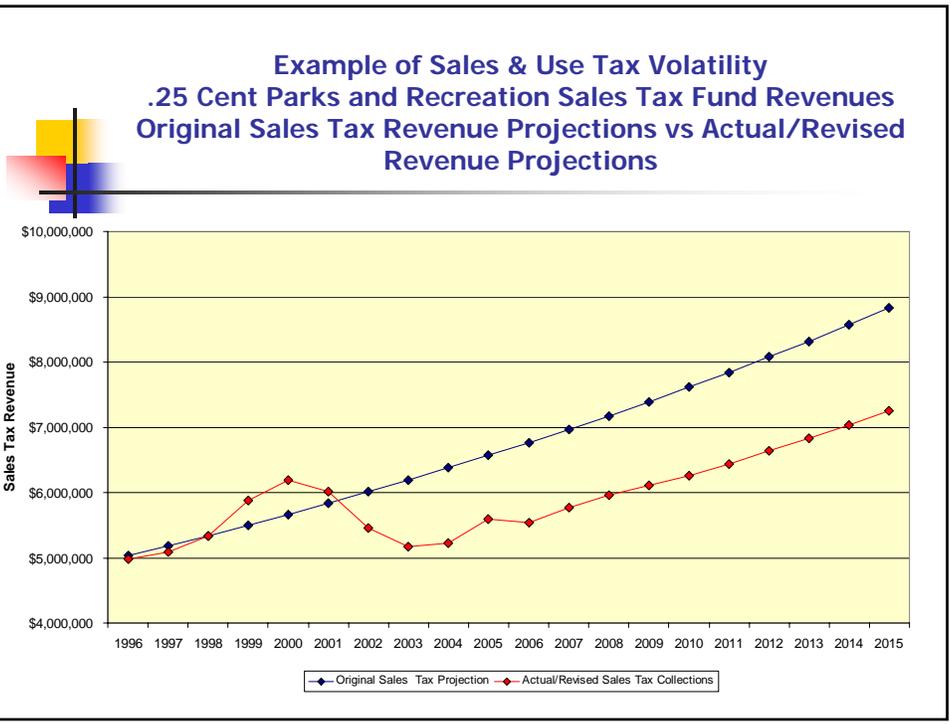
Sales and Use Taxes

\$77,397,117



Sales and Use Tax

- Volatile Tax
- Common in Colorado for General Funds to have 60%+ reliance on Sales and Use tax.
- Can lead to boom – bust cycles if not diversified.
 - Downturns impact cities more that have traded off property tax for sales and use tax.



Doesn't S&U Tax Grow By Inflation Each Year? Operating Costs Will Be Covered by the S&U Increase

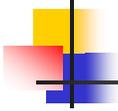
If Sales and Use Tax Grew by Rate of Inflation from 2000 to 2006

		DBG Inflation	Add Inflation	Actual	Difference
2000	81,093,515			81,093,515	-
2001	84,904,910	4.70%	84,904,910	78,871,153	(6,033,757)
2002	86,518,103	1.90%	86,518,103	71,524,396	(14,993,707)
2003	87,469,803	1.10%	87,469,803	68,031,774	(19,438,029)
*2004	87,557,272	0.10%	87,557,272	71,494,448	(16,062,824)
2005	89,395,975	2.10%	89,395,975	76,436,545	(12,959,430)
**2006	91,541,479	2.40%	91,541,479	77,397,117	(14,144,362)

*2004 .15 Sales and Use Tax Increase for Open Space 29th St **2005 Two months plus of

Sales Tax Rate All Entities 1/1/06

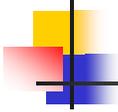
■ City of Boulder	3.41%
■ State	2.90%
■ RTD	1.00%
■ Scientific & Cultural Dist	.20%
■ County	<u>.65%</u>
■ Total	8.16%
■ Food Service	<u>.15%</u>
With Food Service	8.31%



Selected Municipal Sales and Use Tax Rates

	City	Total
■ Boulder	3.41%	8.16%-8.31%
■ Longmont	2.95%	7.70%
■ Broomfield	4.15%	8.25% (+.2 FID)
■ Lafayette	3.50%	8.25%
■ Louisville	3.375%	8.125%
■ Superior	3.46%	8.21% - 8.01% use
■ Fort Collins	3.00 - 2.25%	6.70% or 5.95%
■ *Westminster	3.85/4.35	8.65/8.45%
■ *Arvada	3.96/3.46	8.06/8.26%
■ Thornton	3.75%	8.55%

* Split counties Jefferson taxes food Adams does not



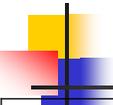
Municipal Sales and Use Tax Rates 1/1/06

- Average 2.87%
- Median 3.40%
- Most common:
 - 60 at 2.00%
 - 60 at 3.00%
 - 17 at 3.50%
 - 26 at 4.00%



Total Sales/Use Tax Rate As Of 1/1/06

<i>TAX GOES TO:</i>	<i>TAX RATE IS:</i>	<i>TAX ON \$1,000 SALE:</i>
<i>City of Boulder</i>	<i>3.41%</i>	<i>\$34.10</i>
State	2.90%	\$29.00
Regional Transportation District (RTD)	1.00%	\$10.00
Scientific/Cultural District	.20%	\$2.00
County	.65%	\$6.50
Total	8.16%	\$81.60
Food Service	.15%	\$1.50
Total with Food Service	8.31%	\$83.10



Where Does the City of Boulder Sales/Use Tax Go?

<i>CITY SALES/USE TAX GOES TO:</i>	<i>SHARE OF TAX:</i>	<i>SHARE OF TAX ON \$1,000 SALE:</i>
<i>CITY OF BOULDER</i>	<i>3.41%</i>	<i>\$34.10</i>
GENERAL FUND	1.53%	\$15.30
.15 CENT SALES TAX FUND (designated by City Council)	.15%	\$1.50
OPEN SPACE FUND	.88%	\$8.80
TRANSPORTATION FUND	.60%	\$6.00
PARKS ACQUISITION & RECREATION SERVICES FUND (.25 Cent Sales Tax Fund)	.25%	\$2.50

Sales/Use Tax Restricted or Dedicated 2006 Revised

Restricted:

Open Space	.88%	\$19,973,450
Transportation	.60%	\$13,618,261
Parks and Recreation ('95)	.25%	\$ 5,674,275

Dedicated:

General Fund	<u>.15%</u>	<u>\$ 3,405,565</u>
Total	<u>1.88%</u>	<u>\$42,670,551</u>

Unrestricted 1.53% \$34,726,566

Expiring Sales/Use Taxes



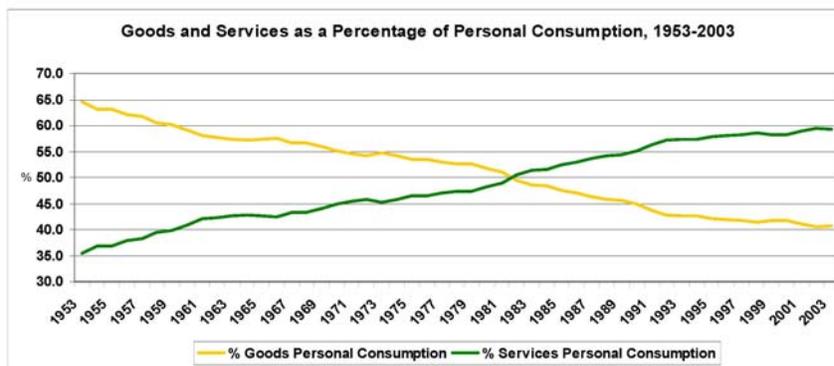
Note: The following sales taxes do not expire:

General Fund	1.00%
Open Space	.40%
Transportation	.60%

Summary of Allocation of Sales and Use Taxes

Fund	Expires	Rate	Amount 2006	Percent of Total
General Fund	12/31/2011	0.38	\$ 8,624,899	11.1%
GF Dedicated	12/31/2012	0.15	3,404,565	4.4%
Parks and Recreation	12/31/2015	0.25	5,674,275	7.3%
Open Space	12/31/2018	0.33	7,490,044	9.7%
Open Space	12/31/2019	0.15	3,404,565	4.4%
GF Formerly PS	12/31/2024	0.15	<u>3,404,565</u>	<u>4.4%</u>
Sub total expiring			<u>32,002,913</u>	<u>41.3%</u>
General Fund	None	1.00	22,697,102	29.3%
Transportation	None	0.60	13,618,261	17.6%
Open Space	None	0.40	<u>9,078,841</u>	<u>11.7%</u>
Non-expiring			<u>45,394,204</u>	<u>58.7%</u>
Total sales and use tax 2006			<u>\$ 77,397,117</u>	<u>100.0%</u>

Consumption of Services is Growing



Source: Bureau of Economic Analysis

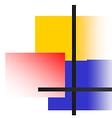
Strategies Sales and Use

Tax From the Aurora Study

- Equity issues
 - Consumer services versus goods
 - Cable TV versus satellite TV
- Cross city limits concerns – revenue sharing?
- Business flight issues
- Bricks and Mortar Versus Internet Taxation

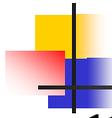
Property Tax

\$20,657,000



Property Tax

- Surveys across the nation:
"Generally considered the most disliked local tax in the U.S."
- Very stable tax (unless property values fall or a major change in a challenge to the assessment is successful).



Property Tax - COB

- 11% of total funds received
- \$20,657,000 budgeted in 2006
- Mill levy 9.643
- 1 mil = \$2,142,175
- Earmarks
 - 2.000 for public safety
 - 0.900 for permanent parks fund
 - 0.333 for Library Fund
 - Earmarks = \$6.9 million



Property Tax – Big Picture

- BVSD = 37.685 mils
- County = 21.867
- City = 9.643
- NCWCD= 1.000
- Urban Drain= 0.532
- CAGID = 5.657
- BID = 5.635
- UHGID = 2.564



Property Tax – Assessments

- Gallagher
 - 45% Residential/ 55% Commercial
 - Commercial assessment rate locked at 29%
 - Residential floats – currently 7.96%
 - Currently Residential Property accounts for 75% of total property value in state.
- TABOR
 - No increase in mill levy w/o vote of people

http://www.coloradobudget.com/gallagher_101.cfm

Property Tax For Tax Year 2005 Payable 2006

THIS IS NOT A CERTIFICATE OF TAXES DUE.

[New Search](#) [Rates and Dates](#) 7/28/2005 7:07:00 AM

Account#:	R0000994	Tax Area:	0010
Address:	1060 Lincoln Pl	City:	Boulder
Owner:	Gatof David & Jie Mao		
Legal:	LOTS 9-12 BLK 7 UNIVERSITY PLACE PROPERTY ADDRESS: 001060 LINCOLN PL BOULDER		

	2005 Taxes		Valuation	
	Amount	Assessed	Actual	
Tax:	\$4,323.56	\$61,130	\$768,000	
Water:	\$0.00			
Fees:	\$0.00		Total Mill Levy	
Specials:	\$0.00		70.727	
Total:	\$4,323.56		Hide Mill Levy Tax Detail	

Agent	Mill Levy	Tax Amount
School Re-2:	37.685	\$2,303.68
County:	21.867	\$1,336.73
City Of Boulder:	9.643	\$589.48
Ncwtd:	1.000	\$61.13
Urban Drain & Flood Cont Dist:	0.532	\$32.52
Rtd:	0.000	\$0.00
Mill Levy:	70.727	Subtotal: \$4,323.56
Fees:		\$0.00
Total:		\$4,323.56

THIS IS NOT A CERTIFICATE OF TAXES DUE.

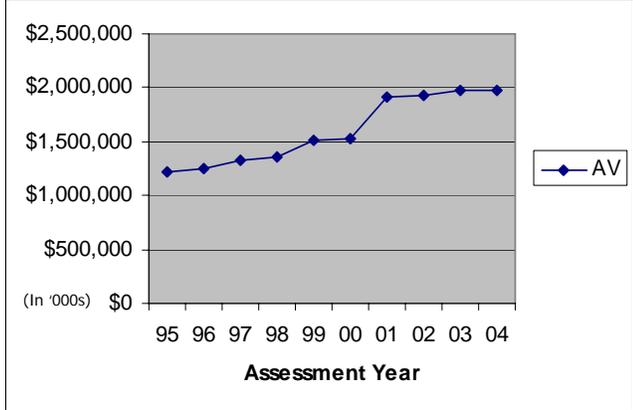
[New Search](#) [Rates and Dates](#) 7/28/2005 7:05:18 AM

Account#:	R0008350	Tax Area:	0017
Address:	1211 Pearl St	City:	Boulder
Owner:	1207 Pearl Street Lic		
Legal:	W 26 FT LOT 8 BLK 95 BOULDER O T PROPERTY ADDRESS: 001211 PEARL ST BOULDER		

	2005 Taxes		Valuation	
	Amount	Assessed	Actual	
Tax:	\$17,870.28	\$217,880	\$751,300	
Water:	\$0.00			
Fees:	\$0.00		Total Mill Levy	
Specials:	\$0.00		82.019	
Total:	\$17,870.28		Hide Mill Levy Tax Detail	

Agent	Mill Levy	Tax Amount
School Re-2:	37.685	\$8,210.81
County:	21.867	\$4,764.38
City Of Boulder:	9.643	\$2,101.02
Central Area Gid:	5.657	\$1,232.55
Downtown Boulder Bid:	5.635	\$1,227.75
Ncwtd:	1.000	\$217.88
Urban Drain & Flood Cont Dist:	0.532	\$115.91
Rtd:	0.000	\$0.00
Mill Levy:	82.019	Subtotal: \$17,870.28
Fees:		\$0.00
Total:		\$17,870.28

Assessed Value



Mill Levy (2004 for 2005)

	<u>Mills</u>	<u>Credit</u>
■ Boulder =	11.981	1.976 = 10.005
■ Broomfield =	11.457	
■ Lafayette =	8.184	
■ Longmont =	13.420	
■ Louisville =	5.184	
■ Superior =	12.127	3.322 = 8.805
■ Fort Collins =	9.797	
■ Westminster =	3.650	
■ Arvada =	4.310	
■ Lakewood =	4.711	

Selected Municipal Sales and Use Tax Rates

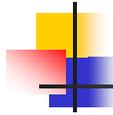
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■ Lafayette	3.50%	8.25%
■ Louisville	3.375%	8.125%
■ Superior	3.46%	8.21% - 8.01% use
■ Fort Collins	3.00 - 2.25%	6.70% or 5.95%
■ *Westminster	3.85/4.35	8.65/8.45%
■ *Arvada	3.96/3.46	8.06/8.26%
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* Split counties Jefferson taxes food Adams does not

Break

- Break
 - Break
 - Break
 - Break

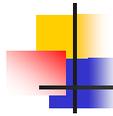
- Break
 - Break
 - Break
 - Break



Other Taxes \$12.5M Total Included in Other Income in Total Budget

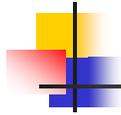
Major other taxes:

- Specific ownership taxes autos (\$1.5M)
- Franchise Taxes
 - Cable TV (\$880K)
 - Excel (\$3.3M)
- Liquor Occupations tax (\$546K)
- Telephone Occupations tax (\$768K)
- Admissions tax (\$522K)
- Accommodations tax (\$2.5M) – 9.1% goes to Boulder Convention and Visitors Bureau
- Tobacco Taxes (\$435K)



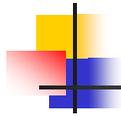
Other Taxes Unique to Boulder

- Education Excise tax – Boulder –per sq. ft. on residential up to 6,000 sq. ft. (current \$1.11) \$704K in 2005
- Trash tax – \$1.5M
- Food Service Tax – Boulder - .15% on purchased meals goes to Boulder Convention and Visitors Bureau - \$409K
- Climate Action Tax? – TBD?



Development Excise Taxes

- Taxes imposed on growth to pay the costs of future capital improvements. 2006 Budget \$1.9 M total for all.
 - Public works (General Fund)
 - Housing
 - Parks and Recreation
 - Transportation



Misc. Information Fees & Taxes

- Loveland – Transportation Management Fee
- Fort Collins – Parks Management Fee (Being considered)
- Colorado Springs – Street Lighting Fee
- Local Income Taxes Not Permitted
- Real Estate Transfer Tax Not Permitted



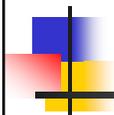
Other Income \$36M – Includes Taxes in Previous Slides and:

- Courts Fines and Fees (\$1.6M)
- Parking Revenues (\$5.2M) includes parking meters, lots.
- Parking Violations (\$2.2M)
- Photo Radar Revenue (\$1.2M) – Dedicated
- Interest Income (\$2.2M)
- Leases-Rents-Royalties (\$1.5M)
- 10th and Walnut TIF Revenues (\$1.1M)
- Other (\$7.0M)



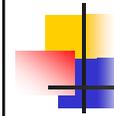
Intergovernmental \$7.6M

- Grants (\$2.8M) – Restricted per grant
- Transportation – Many projects are leveraged with State or Federal monies. Funds are project specific (\$3.5M)
- Urban Drainage and Flood Control (\$340K)
- Lottery (\$875K) - Restricted
- Misc. (\$124K)



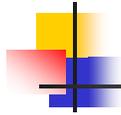
Utility Rates

\$39,737,000



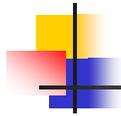
Utility Recap

	Op Income	PIF	Total
Water	20,106,000	2,250,000	22,356,000
Wastewater	11,952,000	420,000	12,372,000
Storm Water	<u>4,509,000</u>	<u>500,000</u>	<u>5,009,000</u>
Grand Total	<u>36,567,000</u>	<u>3,170,000</u>	<u>39,737,000</u>



Parks and Recreation

- Number of Funds
- How Structured for Revenues and Expenses
- Challenges



Parks and Recreation Budget – See Handout

- P & R Funding Sources
 1. General Fund
 2. Recreation Activity Fund
 3. .25 Cent Sales Tax Fund
 4. Permanent Parks and Recreation Fund
 5. .15 Cent Sales Tax Fund
 6. Lottery Fund



Parks and Recreation Budget

Budget complexity

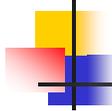
- Six funds combine to form the Parks and Recreation Budget
- General Fund (1)
- Special Revenue Funds (4)
- Capital Improvement Fund (1)



Parks and Recreation Budget

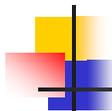
Budget Complexity

- Multiple funds used for Capital Improvement Program
 - Permanent Parks and Recreation
 - .25 Cent Sales Tax
 - Lottery Fund
- Many departmental operations are funded from more than one source
 - Parks and forestry maintenance (General Fund and .25)
 - Ball field maintenance (RAF, .25 and .15)
 - Conservation (.25 and Lottery)



Budget Complexity

- Funds are legally restricted for specific purposes
 - Permanent Parks and Recreation Fund must be used only for capital expenditures
 - Lottery Fund
 - Must comply with State of Colorado Statute
 - .25 Cent Sales Tax Fund
 - Restricted and flexible funding
 - Earmarked funding for debt service, park and facility development,
 - Flexible funding provided by ballot's "Other Parks and Recreation purposes" language.



Recreation Activity Fund (RAF)

RAF Fund Balance Concerns

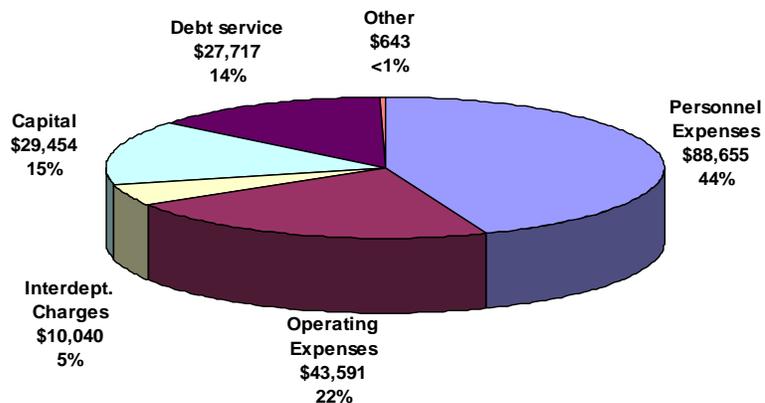
- Declining Fund Balance
 - General Fund balance reserve set at 10% minimum
 - Recreation Activity Fund balance currently 2.5%

Planning & Development Fees – Separate Fund

- \$7.5 M Total Source of Funds 2006
 - 2/3 from Fees and Permits (\$5.0M)
 - 1/3 from transfers (\$2.5M)

Citywide Uses by Category

\$200,100 (in \$1,000s)

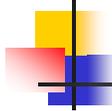


Where Does the Money Go?

General Fund	Category	Citywide
59%	Personnel Exp	44%
17%	Operating Exp	22%
7%	Interdepartmental Charges	5%
<1%	Capital	15%
3%	Debt Service	14%
<1%	Other	<1%
14%	Transfers to Other Funds	In expenses
100%	Total	100%

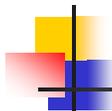
Reserve Policies aka Fund Balance

- * Reserves are used to buffer the City from downturns in the economy and to provide an additional source of accumulated funding for major capital improvement projects, replacement capital, or redevelopment.



Fund Balances – Definitions

- Budget Definition – Financial resources available for appropriation
 - Technical term - Approximates current assets less current liabilities.
 - Practical terminology – What do we have in the bank or invested that can be turned into cash if disaster strikes or there is a major downward jolt in the economy or there is a rapid decline in fees.



How Much is Enough?

- No hard and fast rules for appropriate levels of operating/emergency reserves
- Factors to consider:
 - Reliability of revenue sources
 - Volatility of revenues and expenditures
 - Possible future claims on the fund
 - Impact on credit ratings



Where Does the Fund Balance Target Originate?

- NLC Training Program, "Dollars and Sense"
- Government Finance Officers Association
- Standard and Poor's and Moody's Bond Rating Agency Guidelines
- Comparison to Other Cities in Area



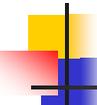
It Depends on the Individual Entity

All of the sources stated that individual situations can be unique and may require higher levels.



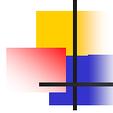
Replacement - Reserves & Cost Allocation

- Internal Service Funds (ISF) Reserves and Financial Policies.
- Significant \$\$\$ Good Business Practices & Comparisons to entities that don't
 - Fleet Replacement
 - Telecommunications
 - Computer Replacement
 - Equipment Replacement
 - Facility Renovation & Replacement
 - Self Insurance of Property & Casualty – Worker's Comp
 - Compensated absences
- Cost Allocation GF Source \$6.0 in 2006



Questions

1. *What information was not presented that you would like to see?*
2. *Which areas would you like to drill down into more detail?*



Next Meeting

- Assistance from Commissioners
 - Looking for trends
 - Demographics
 - Spending patterns
 - Taxing patterns
 - Housing Patterns
 - Use of Fees