

RECORD OF PROCEEDINGS

Town of Estes Park, Larimer County, Colorado, October 2, 2009

Minutes of a Regular meeting of the **TOWN BOARD BUDGET STUDY SESSION** of the Town of Estes Park, Larimer County, Colorado. Meeting held at Town Hall in said Town of Estes Park on the 2nd day of October, 2009.

Committee: Mayor Pinkham, Trustees Blackhurst, Eisenlauer, Ericson, Homeier, Levine and Miller

Attending: Mayor Pinkham, Trustees Blackhurst, Eisenlauer, Ericson, Levine and Miller

Also Attending: Town Administrator Halburnt, Deputy Town Administrator Richardson, Finance Officer McFarland, Town Clerk Williamson

Absent: Trustee Homeier

Mayor Pinkham called the meeting to order at 8:30 a.m.

2010 BUDGET PRESENTATION

Administrator Halburnt stated the budget was prepared this year by Deputy Town Administrator Richardson and Finance Officer McFarland. Staff has prepared a flat budget for 2010 to maintain a 30% fund balance. Revenues have been projected down 2.5% for a total of \$6.9 million for both 2009 and 2010. Salary increases are not included in the draft budget; however, benefit increases (10% Health, 8% Dental and 2% Vision) have pushed personnel costs higher in 2010. **The Board requested staff have a prioritized list of items to be added to the budget if revenues increase in 2010.** The Community Reinvestment Fund (CRF) includes a transfer of \$800,000 in 2010. The Vehicle Replacement Fund (VRF) would be used to replace seven vehicles. The largest change to the budget is the transfer to the CVB budget due to the passage of the Local Marketing District in 2008. The Larimer County Open Space Fund would be used to improve Bond Park. Funds budgeted in 2009 for the Prospect Avenue Overlay would be rolled over and added to 2010 funds in order to complete the approximately \$800,000 project.

Deputy Town Administrator Richardson reviewed the budget process, schedule for adoption, budget structure, and the different types of funds. He stated the budget is a policy document that can be modified throughout the year as needed to address economic changes. Revisions to the 2009 budget were completed with a reduction in sales tax projections of 4.8%, reduction in expenditures and transfers from the General Fund (\$259,809) and reconciliation of the 2008 CAFR. Personnel changes for 2010 include the elimination of the Permit Technician in Community Development, a hiring freeze on one Police Officer until June of 2010 and an ongoing evaluation of the Town's organizational structure as vacancies occur. The proposed budget contains no merit or Cost of Living Adjustment (COLA) for 2010. **The Board requested an estimated performance and community wide sales tax potential generated by the addition of the MPEC included for review during week four budget hearings.**

Finance Officer McFarland provided a review of the current economic outlook, which demonstrates a slowing of the economy and a recovery at a lower growth path with consumers paying down debt and spending less. He stated the average community in Colorado has seen an 8% decrease and are projecting zero increases in 2010. The Town is projecting a 5% decrease with a flat budget in 2010. The General Fund would maintain a 30% fund balance and transfers to Special Revenue funds would decrease. A review of General Fund balance illustrates the Town has been deliberately spending

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down the fund balance; however, the fund cannot withstand further decrease without dropping below the 30% fund balance.

Trustee Levine questioned the need to have a fund balance twice the expenditures in the Medical Insurance Fund. The fund is required by the actuarial study to maintain a balance to support claims. As of last year the Town had a partially self-insured medical plan and the fund was being built up with the intention of having a fully-insured plan in the future. Last year the Town moved to a fully insured plan, and therefore, the fund balance would be decreasing over the next few years. **The Board requested staff provide an industry standard for medical insurance fund balances.**

Trustee Miller expressed concern with cutting employee benefits such as the Town Christmas party. He stated as revenues become available employee benefits should be added to the budget.

VEHICLE REPLACEMENT FUND.

The internal services fund maintains a fund balance for future vehicle purchases of \$1.77 million at the end of 2009. The 2010 budget contains revenues of \$505,000 and expenses of \$370,500 to purchase a police car, smaller street sweeper, Cushman truck, two L&P vehicles, one Water department truck, and a tractor. Projected purchases of replacement vehicles through 2015 demonstrate the fund is fully funded and maintains a healthy fund balance. Trustee Blackhurst questioned if the fund is over funded. The fund includes the depreciation of the current fleet with a 4% inflation rate. Currently vehicles are more affordable, and therefore, the fund balance is healthy. Staff continues to evaluate the fund and make adjustments as necessary to maintain the appropriate fund balance. Auxiliary equipment for vehicles is paid for by the department using the equipment and not the VRF. Staff also continues to evaluate the use of alternative fuel vehicles.

Trustee Blackhurst questioned what would become of the budgeted revenue from the Fire Department if the district passes in November. Staff stated the budgeted revenue would not be realized and the vehicles would be transferred to the district.

INFORMATION SYSTEMS TECHNOLOGY FUND.

The internal service fund was formed in 2007 to manage Town wide information systems including technical support, maintenance, security, phone support, audio-visual support and GIS services Town-wide. Each department pays a fee based on the equipment the department utilizes (167 laptops and computers, 24 servers, 221 audio and video components, 4,000+ instances of software and 1,321 telephone components). The phone maintenance fee pays for the maintenance contract (\$68,822) of the current phone system and the future purchase of a replacement system (\$30,000). No funds have been budgeted in 2010 for improvements to the Board Room's AV systems; however, \$40,000 would be spent in 2009 to capture meetings digitally.

Mayor Pinkham called a break at 10:05 a.m. and reconvened the meeting at 10:20 a.m.

LIGHT AND POWER FUND.

A \$6 million bond was issued to pay for a new substation and distribution upgrades to increase reliability and create redundancy. The bond, and future upgrades, will be paid for with rate increase over six years beginning in 2008. A financial plan would be completed for 2011 – 2013 to determine the new rates. Other projects for 2010 include a rate study to determine the true cost of services per customer class; completion of distribution improvements for Beaver Point, Peak View and Fish Creek; increased tree trimming due to bark beetle infestation and fire mitigation in the Forest along power lines. The fund balance decreases in 2010 to \$4.37 million with ongoing improvements to the substation distribution. The source of supply expense increases in 2010 by 6.2% with an increase in wholesale rates from PRPA. The Town's wholesale rate from Platte River

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continues to be substantially lower than other energy providers; however as more pressure is applied for energy providers to acquire green energy (natural gas and wind), the cost of electricity will increase.

Finance Officer McFarland recommended the Town call the 1999 15-year L&P Bonds after November 2009 and pay the bond off early with no penalty. By paying off the \$1.3 million principle the L&P fund would realize a savings of approximately \$210,000 and improve their debt ratio. Trustee Miller questioned if this action would help to offset future rate increases. Director Goehring stated rate increase would still be needed; however, paying of the loan could lower the overall rate increases needed.

WATER FUND.

In 2008, a \$5.45 million bond was issued to pay for Phase 1 of the water treatment plant upgrades for the Mary's Lake Water Treatment plant, which doubled capacity from 2 mgd to 4mgd using membrane filtration technology to meet EPA regulations. This bond and future upgrades would be paid for with rate increases for six years beginning in 2008. A financial plan would be conducted in 2010 to recommend increases for 2011 – 2013. Director Goehring reviewed the 2010 budget containing \$3.2 million in projected revenue, \$3.4 million in expenses and an ending fund balance of \$1.19 million. A feasibility study would be conducted in 2010 to determine the placement of the Glacier Creek plant. A rate study would be completed to determine the cost of services among the 6 rate classes and tap fees. In conjunction with improvements along Prospect Avenue, water mains would be replaced prior to reconstruction of the roadway by Public Works. Funds have been budgeted in 2010 to included properties in the Northern Colorado Water Conservancy District currently receiving Town water.

GENERAL FUND. Each fund was reviewed and requests for additional information is noted below:

- Legislative – The budget increased 4% because of the approved salary increases for the newly elected Board in 2010.
- Judicial – The 2010 budget increased by 5% because of salary increases for court personnel.
- Executive – The proposed 2010 budget for personnel increased with the inclusion of a full time PIO. O&M decreased in 2010 with the elimination of a department assessment.
- Elections – Two elections have been budgeted for in 2010, including an Initiated Ordinance to abolish EPURA and the regular Municipal election in April to elected three Trustees. Both elections have been budgeted as mail ballot elections.
- Finance – Finance personnel costs are increasing as part of a six year plan to reallocate the expense with Finance and Utilities splitting the cost 50/50. 2010 would be the fifth of six phases. O&M has increased with the increased cost of IT services.

MISCELLANEOUS

Finance Officer McFarland reviewed the proposed transfer to the CVB in 2010. He stated the transfer was not reduced by the total advertising budget of approximately \$800,000 because the CVB Special Revenue fund had a smaller fund balance at the end of 2009, therefore, requiring a larger transfer in 2010 to fund the other activities of the department.

The next Budget Study Session is scheduled October 9th, 8:30 a.m. – 12:00 p.m.

There being no further business, Mayor Pinkham adjourned the meeting at 11:30 a.m.