

# Principles of Sound Financial Management and Fiscally Constrained Financial Plans

June 5, 2018

Presented by Tiffany Hooten, Finance Director



# Contents

- Principles of Sound Financial Management
- Fiscally Constrained Financial Plans
  - Financial Status as of December 31, 2017
    - General Fund
    - Capital Projects Fund
  - Five-year Projections
    - General Fund
    - Capital Projects Fund

# Principles of Sound Financial Management

## **REQUESTED COUNCIL ACTION**

Does council support staff bringing a resolution forward to adopt these principles?

*NOTE: These are enhancing established policies.*

# Principles of Sound Financial Management

## WHY?

- The city has a responsibility to its citizens:
  - to account for public funds
  - to manage its finances wisely
  - to plan for the adequate funding of services desired by the public
- The city needs to ensure that it is capable of adequately funding and providing government services desired by the community
- Following these principles will enhance the city's financial health

# Principles of Sound Financial Management

## HIGHLIGHTS

- Formalizes five-year long-range financial forecasting
- Incorporates annual review of potential sources of revenue
- Establishes grant guidelines
- Includes periodically conducting a cost of service study
- Formalizes the capital improvement plan
- Requires an overhead cost allocation model

# Principles of Sound Financial Management

## **STAFF RECOMMENDATION**

Approval of formalized principles will:

- Establish guidelines for fiscal planning and management
- Support financial strength and stability of the city
- Enhance the city's financial health
- Establish best practices

# Fiscally Constrained Financial Plan: General Fund

## **REQUESTED COUNCIL ACTION**

Adopt fiscally constrained financial plans via the budget process.

## *NOTES:*

- *Separate scenarios for inclusion vs. contracting of fire services*
- *These will be updated periodically and during the budget process*

# Fiscally Constrained Financial Plan:

## General Fund

### **2017 GENERAL FUND** (Unaudited)

#### **Revenues** (Compared to 2016)

- Sales and use tax: ⬆ 6%
- Property tax: ⬆ 2%
- Intergovernmental: ⬆ 15%
- Total: ⬆ 6%

#### **Expenditures** (Compared to 2016)

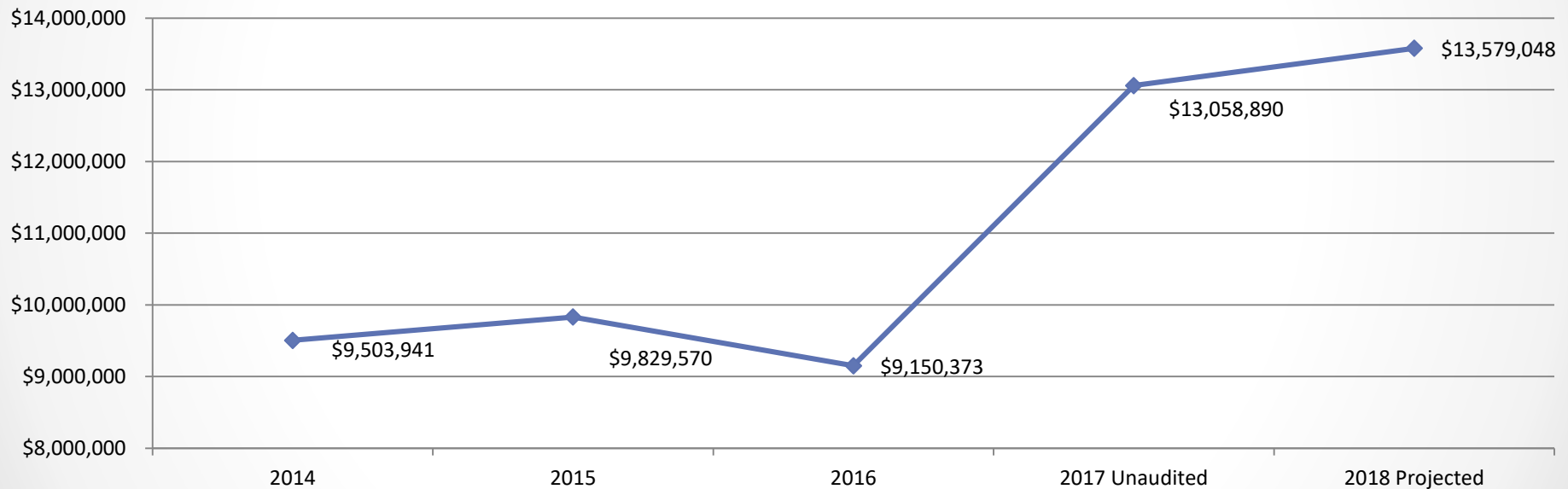
- Personnel: ⬆ 3%
- Non-personnel: ⬆ 4%
- Total expenditures  
(including transfers out): ⬆ 5%

**2017 Ending Fund Balance = \$13,058,890 (⬆ \$3,908,517)**



# Fiscally Constrained Financial Plan: General Fund

## ENDING BALANCE



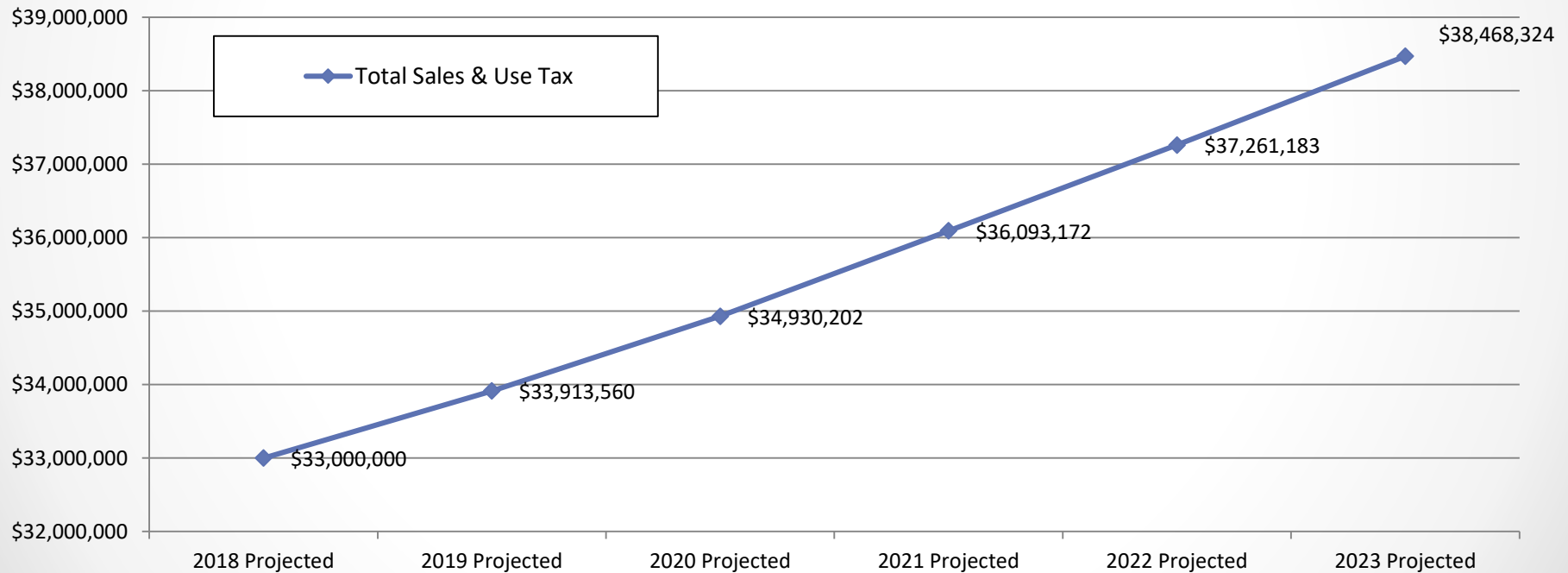
# Fiscally Constrained Financial Plan: General Fund

## **2018-2023 PROJECTIONS INCLUDE:**

- 2017 ending fund balance adjusted to actual
- Adjusted revenue est. for retail sales tax
  - National trends = moderate growth, locally this is not the case
- Adjusted property tax revenues
- Two models for fire funding scenarios
- New term-limited employee positions

# Fiscally Constrained Financial Plan: General Fund

## SALES & USE TAX PROJECTIONS



# Fiscally Constrained Financial Plan: General Fund

City of Littleton  
General Fund Sources / Uses  
2017-2023 Financial Projections

5/30/2018

**FIRE CONTRACTED THROUGH 2023**

	2017 Unaudited	2017 Change from 2016	2018 Projected	2019 Projected	2020 Projected	2021 Projected	2022 Projected	2023 Projected
<b>REVENUES</b>								
Taxes:								
Sales and Use Taxes	\$ 32,749,360	5.7%	\$ 33,000,000	\$ 33,913,560	\$ 34,930,202	\$ 36,093,172	\$ 37,261,183	\$ 38,468,324
Franchise and Other Taxes	2,831,691	2.2%	2,877,113	2,930,515	3,025,444	3,081,792	3,116,371	3,174,538
Total Taxes	\$ 35,581,051	5.4%	\$ 35,877,113	\$ 36,844,075	\$ 37,955,646	\$ 39,174,964	\$ 40,377,554	\$ 41,642,862
Property Tax*	4,825,964	2.5%	5,623,046	5,735,507	5,964,927	6,084,226	5,901,699	6,019,733
Intergovernmental	17,181,566	17.2%	16,587,866	1,178,725	1,220,776	1,262,740	1,306,150	1,306,150
Other Revenues	5,717,725	-14.1%	6,390,552	4,745,017	4,822,945	4,902,431	4,983,507	5,066,205
Total Revenues	\$ 63,306,306	5.9%	\$ 64,478,577	\$ 48,503,324	\$ 49,964,294	\$ 51,424,361	\$ 52,568,910	\$ 54,034,950
<b>EXPENDITURES</b>								
Personnel Costs	\$46,343,823	3.9%	\$49,121,251	\$30,106,559	\$31,180,486	\$32,252,434	\$33,361,320	\$34,508,419
Non-Personnel Costs	12,705,642	4.6%	15,129,168	20,873,431	21,284,710	21,631,669	21,600,686	22,039,757
Total Expenditures	\$59,049,465	4.0%	\$64,250,419	\$50,979,990	\$52,465,196	\$53,884,103	\$54,962,006	\$56,548,176
<b>OTHER FINANCING SOURCES/(USES)</b>								
Total Other Fin Sources/(Uses)	(2,286,228)	36.0%	292,000	-	723,234	-	-	-
Net Cash Flow	\$1,970,613	56.6%	\$520,158	(\$2,476,665)	(\$1,777,668)	(\$2,459,741)	(\$2,393,096)	(\$2,513,226)
FUND BALANCE BEG	\$11,088,277	12.8%	\$13,058,890	\$13,579,048	\$11,102,383	\$9,324,715	\$6,864,974	\$4,471,877
FUND BALANCE END	\$13,058,890	17.8%	\$13,579,048	\$11,102,383	\$9,324,715	\$6,864,974	\$4,471,877	\$1,958,651
Minimum Working Capital (17%)	\$10,038,409		\$10,922,571	\$8,666,598	\$8,919,083	\$9,160,298	\$9,343,541	\$9,613,190
Difference	\$3,020,481		\$2,656,477	\$2,435,785	\$405,632	(\$2,295,324)	(\$4,871,664)	(\$7,654,538)
FUND BAL. AS % OF OP EXPS	22%		21%	22%	18%	13%	8%	3%

\* - The CAFR reports property tax revenues net of senior refunds

# Fiscally Constrained Financial Plan: General Fund

City of Littleton  
General Fund Sources / Uses  
2017-2023 Financial Projections

5/30/18

## FIRE INCLUSION IN 2020

	2017 <u>Unaudited</u>	2017 Change from 2016	2018 <u>Projected</u>	2019 <u>Projected</u>	2020 <u>Projected</u>	2021 <u>Projected</u>	2022 <u>Projected</u>	2023 <u>Projected</u>
<b>REVENUES</b>								
Taxes:								
Sales and Use Taxes	\$ 32,749,360	5.7%	\$ 33,000,000	\$ 33,913,560	\$ 34,930,202	\$ 36,093,172	\$ 37,261,183	\$ 38,468,324
Franchise and Other Taxes	2,831,691	2.2%	2,877,113	2,930,515	2,699,412	2,749,239	2,793,794	2,845,510
Total Taxes	\$ 35,581,051	5.4%	\$ 35,877,113	\$ 36,844,075	\$ 37,629,614	\$ 38,842,411	\$ 40,054,977	\$ 41,313,834
Property Tax*	4,825,964	2.5%	5,623,046	5,735,507	1,756,295	1,791,420	1,737,677	1,772,431
Intergovernmental	17,181,566	17.2%	16,587,866	1,178,725	1,220,776	1,258,803	1,301,446	1,301,446
Other Revenues	5,717,725	-14.1%	6,390,552	4,745,017	4,822,945	4,902,431	4,983,507	5,066,205
Total Revenues	\$ 63,306,306	5.9%	\$ 64,478,577	\$ 48,503,324	\$ 45,429,629	\$ 46,795,065	\$ 48,077,607	\$ 49,453,916
<b>EXPENDITURES</b>								
Personnel Costs	\$46,343,823	3.9%	\$49,121,251	\$30,106,559	\$31,180,486	\$32,152,434	\$33,241,820	\$34,384,737
Non-Personnel Costs	12,705,642	4.6%	15,129,168	20,879,459	11,975,530	12,197,260	12,485,896	12,793,471
Total Expenditures	\$59,049,465	4.0%	\$64,250,419	\$50,986,018	\$43,156,016	\$44,349,694	\$45,727,716	\$47,178,208
<b>OTHER FINANCING SOURCES/(USES)</b>								
Total Other Fin Sources/(Uses)	(2,286,228)	36.0%	292,000	-	(2,376,766)	(3,193,000)	(3,288,790)	(3,387,454)
Net Cash Flow	\$ 1,970,613	56.6%	\$ 520,158	\$ (2,482,693)	\$ (103,153)	(\$747,629)	(\$938,899)	(\$1,111,746)
FUND BALANCE BEG	\$11,088,277	12.8%	\$13,058,890	\$13,579,048	\$11,096,355	\$10,993,202	\$10,245,573	\$9,306,675
FUND BALANCE END	\$13,058,890	17.8%	\$13,579,048	\$11,096,355	\$10,993,202	\$10,245,573	\$9,306,675	\$8,194,929
Minimum Working Capital (17%)	\$10,038,409		\$10,922,571	\$8,667,623	\$7,336,523	\$7,539,448	\$7,773,712	\$8,020,295
Difference	\$3,020,481		\$2,656,477	\$2,428,732	\$3,656,679	\$2,706,126	\$1,532,963	\$174,634
FUND BAL. AS % OF OP EXPS	22%		21%	22%	25%	23%	20%	17%

\* - The CAFR reports property tax revenues net of senior refunds

# Fiscally Constrained Financial Plan: General Fund

## KEY POINTS

- Without inclusion, fund balance drops to 3% in 2023
  - No dedicated funding for street maintenance
  - Will require deep discussions regarding services provided
- With inclusion, fund balance remains 17% or higher through 2023
  - Dedicated funding for street maintenance
  - Fund balance stable through 2023

# Fiscally Constrained Financial Plan: Capitol Projects Fund

## **REQUESTED COUNCIL ACTION**

Adopt fiscally constrained financial plans via the budget process.

# Fiscally Constrained Financial Plan: Capitol Projects Fund

## 2017 CAPITAL PROJECTS FUND (Unaudited)

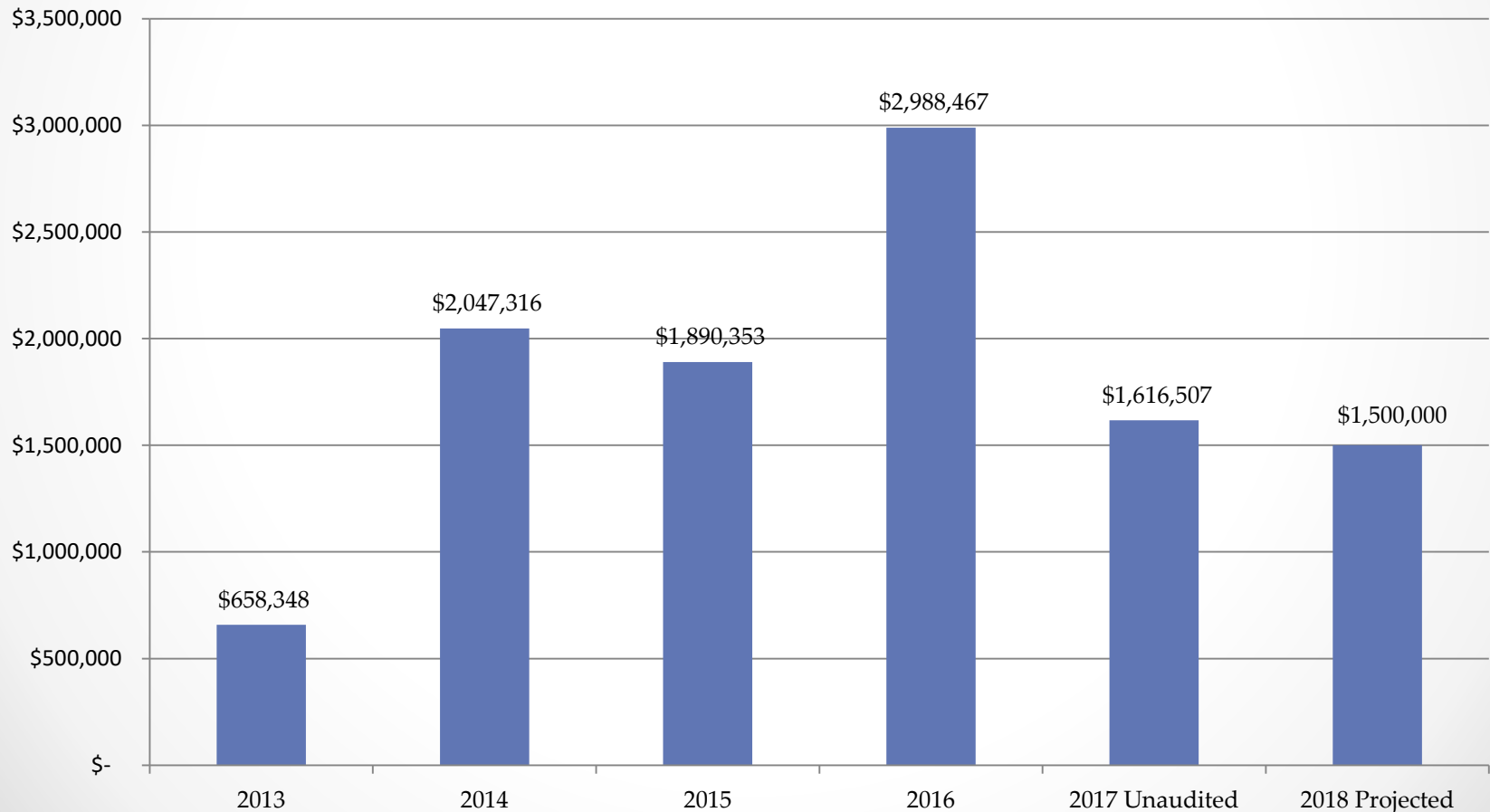
- Revenues (compared to 2016)
  - Building use tax: ⬇️ \$1,371,960 or 46%
  - Intergovernmental: ⬆️ \$107,883 or 5%
  - Total revenues: ⬇️ \$1,544,239 or 17%
- Expenditures (compared to 2016)
  - Expenditures: ⬇️ \$815,727 or 8%
- Other Financing Sources (USES)
  - Transfer from General Fund \$1,937,904 (TABOR funds)
  - Capital lease proceeds of \$1,400,000 were received in 2017

**Ending Fund Balance = \$14,098,782; ⬇️ \$1,705,071**



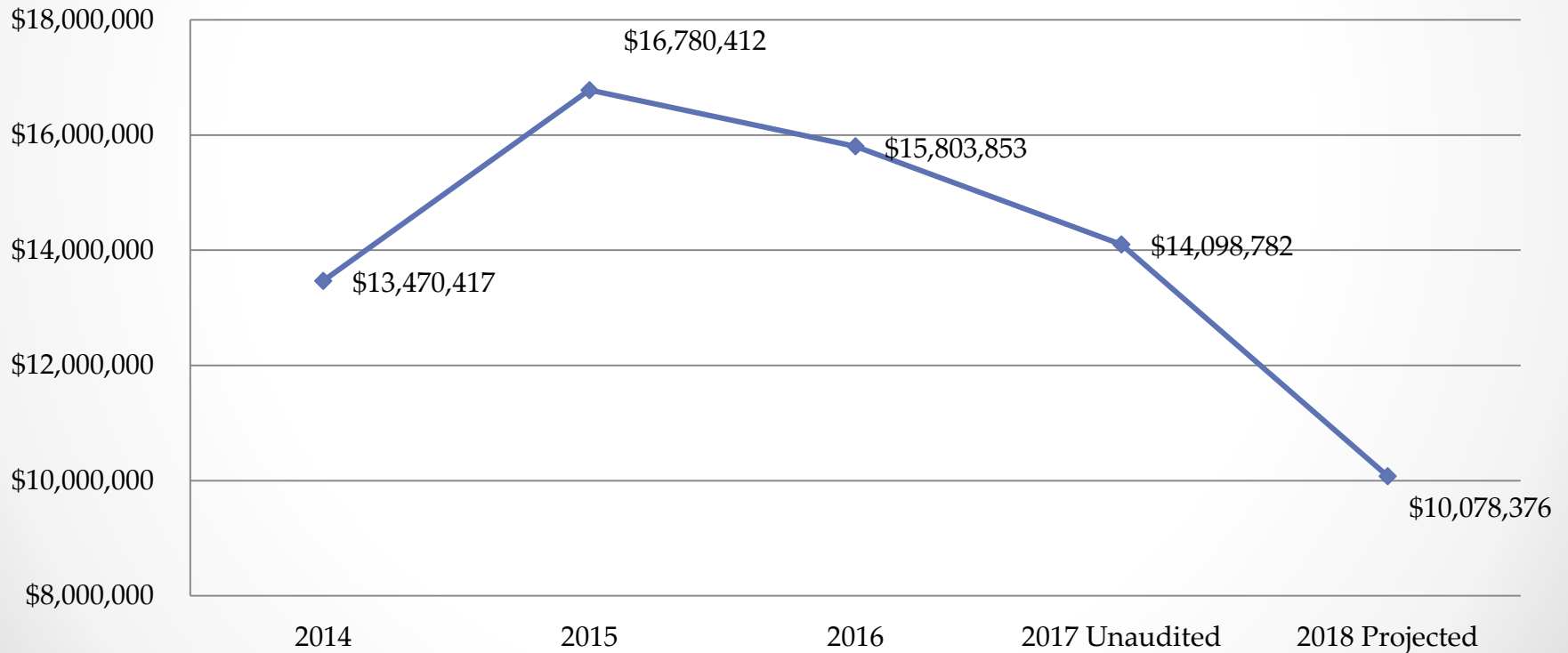
# Fiscally Constrained Financial Plan: Capitol Projects Fund

## BUILDING USE TAX REVENUE



# Fiscally Constrained Financial Plan: Capitol Projects Fund

## ENDING FUND BALANCE



# Fiscally Constrained Financial Plan: Capitol Projects Fund

## CAPITAL IMPROVEMENT PRIORITIES

- Priority # 1
  - Leases
  - Vehicles and apparatus
  - Technology
  - Equipment
  - HUTF related street and infrastructure Improvements
  - Street maintenance (dedicated)
- Priority # 2
  - Street and infrastructure improvements (over HUTF portion)
  - ADA Improvements
- Priority # 3
  - Building improvements

# Fiscally Constrained Financial Plan:

## Capitol Projects Fund

### **UNFUNDED CAPITAL PROJECTS**

- Santa Fe/Mineral corridor improvements
- Broadway improvements
- Widening of County Line Road
- Traffic signal replacements
- Sidewalk replacements
- Service Center Building #2
- Littleton Center improvements
- Police Equipment replacement
- City vehicle replacement program
- Technology improvements and replacements
- Library and museum building systems replacement
- Courthouse building improvements
- ADA improvements

# Fiscally Constrained Financial Plan: Capitol Projects Fund

## FIVE-YEAR FISCALLY CONSTRAINED CAPITAL PLAN

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total Resources	\$ 17,465,914	\$ 11,958,700	\$ 11,311,617	\$ 9,584,854	\$ 8,635,728	\$ 7,689,004
Projects						
Leases	\$ 1,752,860	\$ 3,591,220	\$ 1,457,950	\$ 1,461,920	\$ 1,459,670	\$ 371,340
Vehicles & Apparatus	1,586,640	600,000	600,000	600,000	600,000	600,000
Technology	633,446	607,500	1,102,500	320,000	319,026	404,098
Equipment	352,220	225,100	225,100	227,580	230,120	232,723
TABOR Capital Projects	1,937,904	-	-	-	-	-
Streets & Infrastructure (HUTF portion)	1,368,000	1,388,520	1,409,348	1,430,488	1,451,945	1,473,724
Dedicated Street Maintenance	-	-	3,100,000	3,193,000	3,288,790	3,387,454
Street & Related Infrastructure	741,918	332,195	-	-	-	-
Building Maintenance Proj	<u>472,500</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
Total Projects	\$ 8,845,488	\$ 7,044,535	\$ 8,194,898	\$ 7,532,988	\$ 7,649,551	\$ 6,769,339
Ending Fund Balance	\$ 8,620,426	\$ 4,914,165	\$ 3,116,719	\$ 2,051,866	\$ 986,177	\$ 919,666

# Fiscally Constrained Financial Plan: Capitol Projects Fund

## KEY POINTS

- While this may appear to be healthy in the interim, the city's unfunded needs far surpass funding capabilities.
- After 2023, how will we fund capital projects?

# Questions?

...