

JANUARY 2010 NEWSLETTER

CITY OF VICTOR, COLORADO - BUDGET IN REVIEW

HIGHLIGHTS OF THE 2010 BUDGET AND CAPITAL PLAN

In order to effect sound financial planning, and in order to increase reserves for the future, the members of the City administration have analyzed each line item, both revenue and expense, in order to present an optimum plan.

The City of Victor 2010 Budget and Capital Plan proposes an aggressive strategy to sustain the continued operations of the city in light of the loss of Gaming Funds (approx \$385,000 and Mineral Impact Funds (\$25,000) for 2010, as well as continuing to address the needs of maintaining and improving the City's infrastructure.

During 2009 the Council engaged in numerous planning and goal setting sessions which have resulted in a number of strategic goals and objectives which will provide guidance for future decision making. These goals and objectives have been incorporated into the 2010 budgeting process and will be reviewed and revised on a continuing basis to meet the demands of the City's changing requirements in the future.

The Budget is broken down into a number of Funds which include: the General Fund, Industrial Water Fund, Enterprise Water Fund, Enterprise Wastewater Fund, Cemetery Fund, Conservation Trust Fund and Police Forfeiture Fund. Each of these will be discussed in turn.

GENERAL AND OTHER RELATED FUNDS

General Fund: The General Fund covers revenues and expenses related to the general operating costs and associated capital costs for the administration of the City of Victor. Fund revenues for 2010 are budgeted to be \$543,903. This amount includes \$151,582 in funds transferred from the Industrial Water Fund. Operating revenues include locally generated taxes (\$305,849), License Fees (\$11,147), Intergovernmental Revenue (\$31,308), Court Fines and Fees (\$200), Public Safety Fees (\$2,700), and Donations (\$3,200). Locally generated taxes include property tax, sales tax, and franchise taxes. Of these, sales tax generated the greatest amount of revenue (\$230,000). Property Tax (\$64,549) and the various franchise taxes (\$11,300) make up the balance.

Operating Expenses include Administration (\$193,321); Building and Planning (\$300); Legislative (Council related - \$27,209); Police (\$179,350); Municipal Court (\$1,300); Fire Department (\$16,578); Public Works (\$86,310); Parks (\$6,300); VICCI Center (\$4,852) and Capital (\$28,383). With the exception of capital, the aforementioned operating expenses include the cost of labor for streets and administration along with legal, audit, equipment repairs and fuel, street lights and utility costs related to the City Hall, Maintenance Shop, Balke Building and the VICCI Center.

General Fund Capital (\$28,383) includes repairs to the City Hall bell tower roof, along with debt service payment related to the City Hall lease and the backhoe lease.

Cemetery Fund: In order to better record the revenues and expenses associated with Victor's Sunnyside Cemetery, the Council requested that a new Fund be established in order that these transactions not become co-mingled with other General Fund transactions and thereby not readily retrievable in the future. Revenues will include amounts from the sale of burial and cremain plots (\$1,900) plus a nominal amount for associated bank interest (\$10). Expenses are budgeted at \$500 for the 2010 year to be spent for cemetery improvements. The excess of revenues over expenses will be carried forward as a Fund Balance for use in future years.

Conservation Trust Fund: The Conservation Trust Fund includes revenues from the State of Colorado and associated bank interest which is given specifically for Conservation Trust activities. These primarily include improvement to parks and associated infrastructure. We anticipate receiving \$4,000 from the State in 2010 along with about \$80 in bank interest. Expenditures for CTF related projects for the year are estimated at \$5,000.

Police Forfeiture Fund: The Police Forfeiture Fund has been in existence, with no activity, for a number of years with a modest balance of \$799. As there has been no activity related to this fund, it was decided to close it and roll the balance over into the General Fund.

INDUSTRIAL WATER AND ENTERPRISE FUNDS

Industrial Water Fund: This Fund presents the revenues and associated expenses related to the sale of water to our primary industrial customer. Projected revenues for 2010 are \$517,440 which include industrial water sales (\$450,000), Miscellaneous waster Sales (\$60,000) and Wheeling/Water Storage Fees (\$7,440). Expenses include purchased water (\$70,000), storage fees (\$7,600) and transfers to the General Fund (\$151,582), Water Enterprise Fund (\$237,500) and Wastewater Enterprise Fund (\$186,946).

Water Enterprise Fund: The Water Enterprise Fund includes revenues and expenses associated with providing clean drinking water to the residents of Victor and Goldfield.

Water revenues are estimated at \$255,063 sourced from water sales to residential (\$100,000) and commercial customers (\$11,553), along with capital improvement fees \$30,000), tap fees (\$6,250) and miscellaneous charges for services (\$1,500). The balance of \$105,000 represents funding from the State in support of our Water Meter Capital replacement program slated for the spring of 2010. Additionally, the fund is subsidized by transfers from the Industrial Water fund, in the amount of \$237,500. This amount represents the shortfall in revenues which are needed to cover current year expenses in order to balance the Fund. Water Enterprise expenses include Operating (Salaries and associated costs to run the water plant and deliver water to customers - \$163,177) and Capital expenses (upgrades to the #2 Dam , cleaning the interior of the Water storage Tank, installation of new water meters for both residential, commercial and industrial use - \$251,246).

Wastewater Enterprise Fund: The Wastewater Enterprise Fund includes revenues and expenses associated with the collection and processing of wastewater generated by residential and commercial customers within the confines of the City of Victor. Capital projects related to this activity are also accounted for in the Fund.

Revenues for the Wastewater Enterprise Fund include charges to customers in the amount of \$151,420, Capital Improvement Fees (\$13,000), Tap Fees (\$4,000) and State Grant Revenue for capital projects (\$416,200) related to Wastewater Plant Improvements and collection line mapping, cleaning and other upgrades. This Fund also required a transfer of \$186,946 from the Industrial Water Fund in order to balance the revenues and expenses.

Operating Expenses for this fund include costs for salaries and related facility maintenance and consumables (\$182,857). Wastewater capital costs (\$540,624) include collection line mapping, plant upgrades and collection line improvements. These is also an addition \$64,916 required for debt service on the outstanding Wastewater plant loan and the backhoe lease.

SUMMARY

The 2010 Budget and Capital Plan includes some significant changes, not only in presentation style, but also in sources of funding and attention to where our money is being spent. With the likelihood of not receiving any gaming related funds or mineral severance taxes in 2010, the City Council was presented with the challenge of attempting to deliver the same level of services that Victor residents have come to expect. Cost reduction coupled with ideas to generate new revenues provided part of the solution. At the end of the day, however, funds had to be transferred from the Industrial Water Fund to the General Fund and the two Enterprise Funds in order to ensure the expenses in these funds had equal offsetting revenues. This practice cannot, however, be allowed to continue. The Water and Wastewater Enterprise Funds should be self sustaining. This means that the revenues they generate from rate payers must offset the expenses incurred to provide the respective services. The biggest challenge facing this and future administrations remains the continued balancing of increasing expenses versus static or declining revenues. The City must seek out every opportunity to reduce operating costs while still being able to deliver a high standard of service. Revenue opportunities must also be investigated. Continued work on the City's strategic plan, and using this as the foundation for future budgets and capital plans will ensure that the City of Victor will have a healthy financial future.

Nancy J. Hanks CGA
Deputy, City Clerk & Treasurer

10/20/2009