



Financial Overview

January 8, 2018 Presentation 18-04

Opening Remarks





City Fund Types

Fund Accounting

- Fund accounting is used both for budgeting and accounting purposes. Each fund is established for a specific purpose and is considered a separate accounting entity.
- Council must approve or appropriate any expenditure from the various funds including expenditures from reserves. The appropriation is generally done prior to the beginning of each fiscal year, but can be done by the City Council anytime during the year if funds are available.



City Funds

General Fund:

- To account for the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds:

- These funds account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.



City Funds

Enterprise Funds:

- Enterprise funds are used to account for activities financed, in whole or in part, by fees collected from customers. Refer them to the page in the budget book

Internal Service Funds:

- Internal service funds account for activities that provide goods and services to other departments on a cost-reimbursement basis



Capital Project Funds :

- Capital Project Funds are used for the acquisition or construction of public infrastructure or improvements

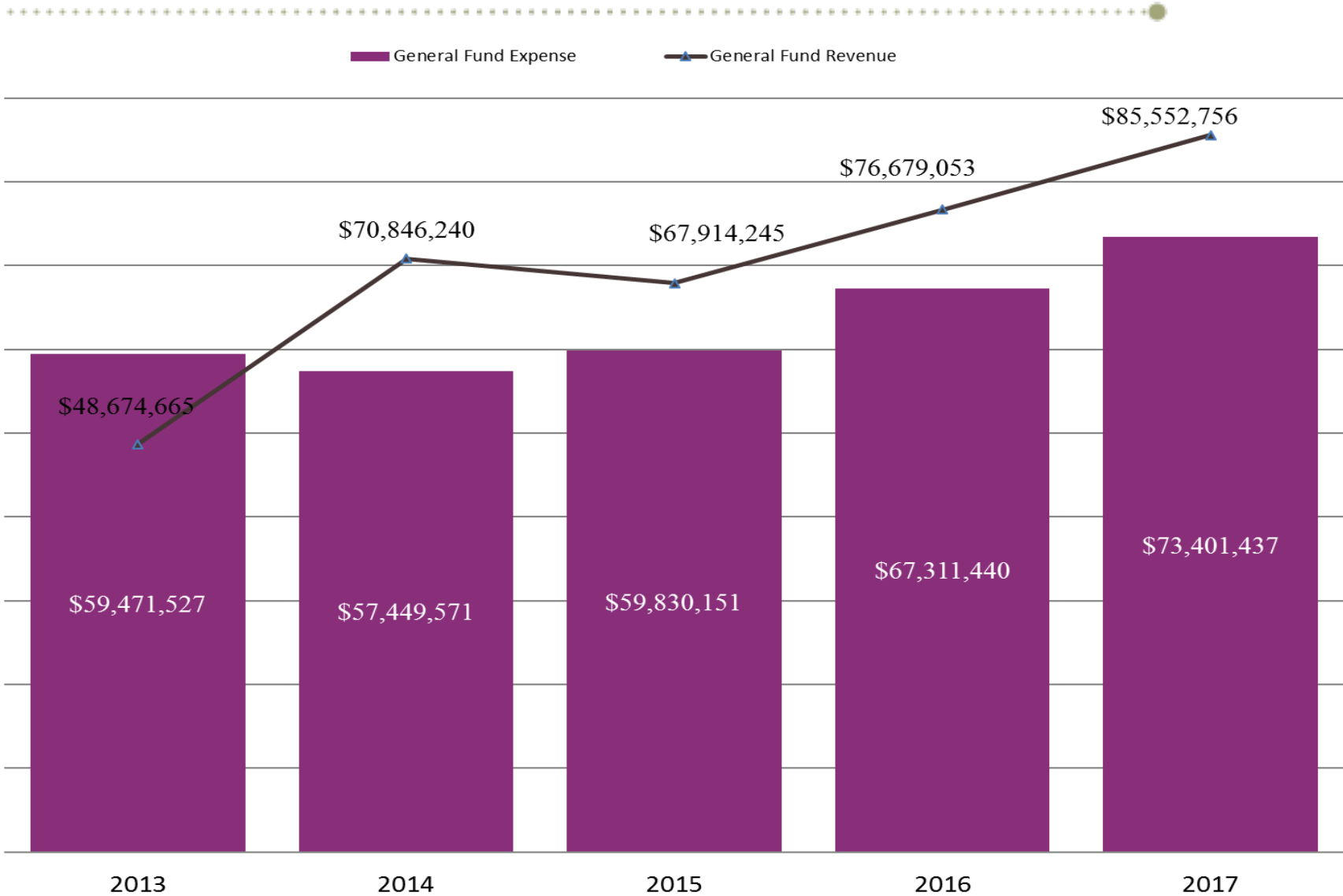


Revenue Overview

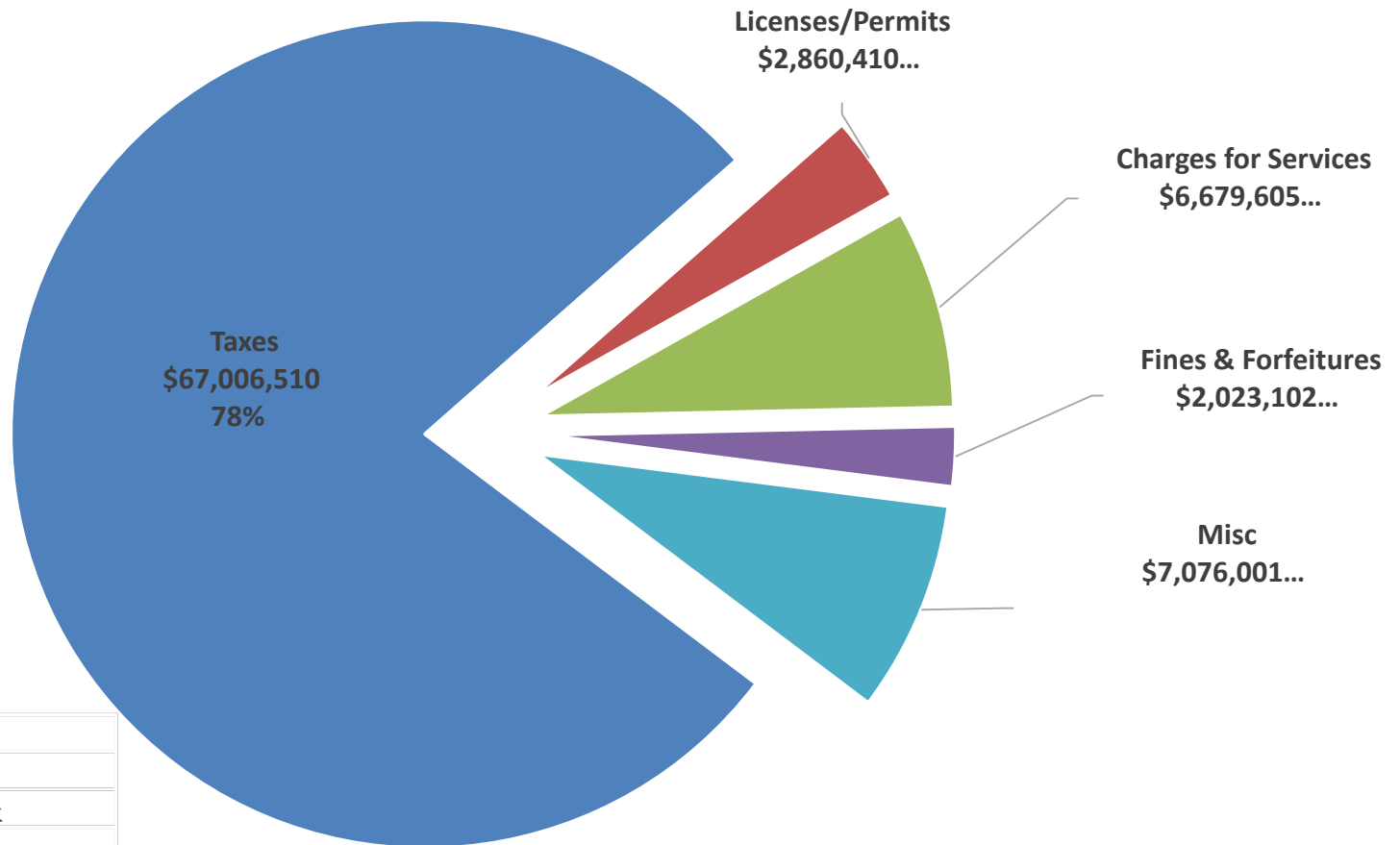
- The City strives to maintain a strong, diverse revenue base
- The voters of Commerce City have exempted all revenues under tabor, with the exception of property tax revenues
- All revenues are conservatively projected



GF Revenue & Expense History



2017 Revenue Overview



Taxes

General property tax
Specific ownership tax
Vehicle transfer tax
Franchise fees
Accommodation fees
Sales and use tax
Retail Excess

2017 Expenditures

- Expenditures are broken out into the following categories:
 - Personnel Services
 - Materials and Supplies
 - Allocations
 - Services and Charges

*Largest expenses for day to day operations is personnel and benefits





Debt

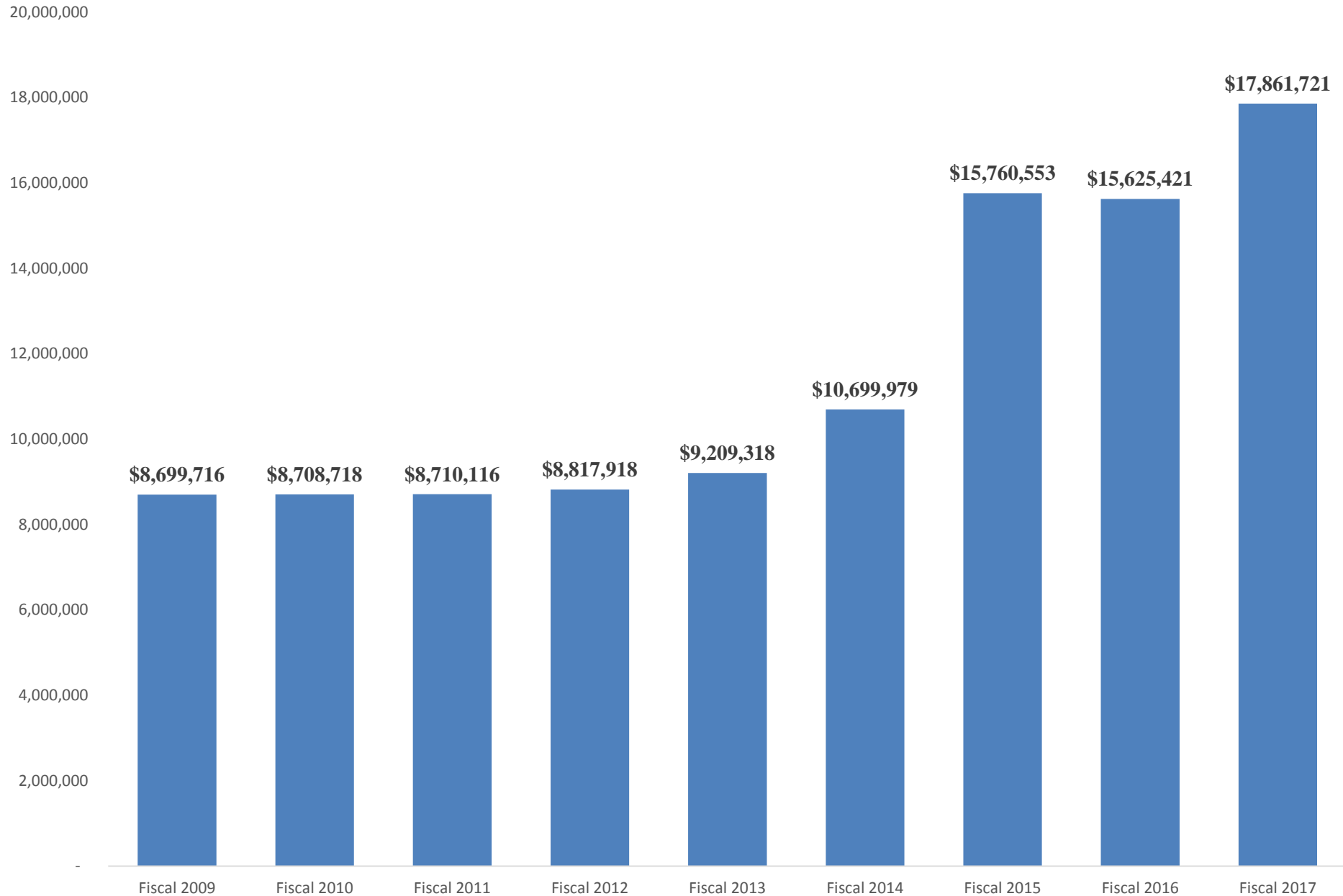


Debt

- Total government-wide Debt (principal and interest) \$585,157,584
- 2017 (7) Debt payments
- Total 2017 Annual Payment \$17,861,721



Total City Debt Payment History





General Fund-Fund Balance

Fund Balance/Reserves Policy

Policy:

- The City of Commerce City maintains reserves that are required by law or contract and that serve a specific purpose. These types of reserves are considered restricted and are not available for other uses.
- Within specific funds, additional reserves may be maintained according to adopted policies.
- All expenditures of reserves must be approved by City Council.



Fund Balance/Reserves Policy

Four Levels of Reserves:

- Restricted:
 - TABOR reserve \$2,334,714
 - 2K Capital outlay and operations \$22,488,662
- Designated “Safeguard” Reserves \$11,743,937
- Designated “Operating” Reserves \$6,233,955
- Undesignated Reserves \$18,298,549



Fund Balance

General Fund	\$61,173,968*
Non Spendable	\$ 74,150
2k Fund	\$ 22,488,662
Restricted	\$ 2,334,714
Committed	\$ -
Assigned	\$ 17,977,892
Unassigned	\$ 18,298,549

*Unaudited Fund Balance as of Dec.





CAFR

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- Required submittal of Comprehensive Annual Financial Report (CAFR) to state auditor by July 31
- External Audit Firm
 - Express opinions on the financial statements
 - Conduct audit in accordance with audit standards
 - On site 2-4 weeks annually
 - Review of transactions from all funds as well as financial statements
 - Seek unmodified “clean” opinion (Statements present fairly in all material respects of government)



CAFR Presentation

- Finance and Audit firm present CAFR information to council in June annually
- Finance submits for the GFOA award for Certificate of Achievement for Excellence in Financial reporting (June deadline)





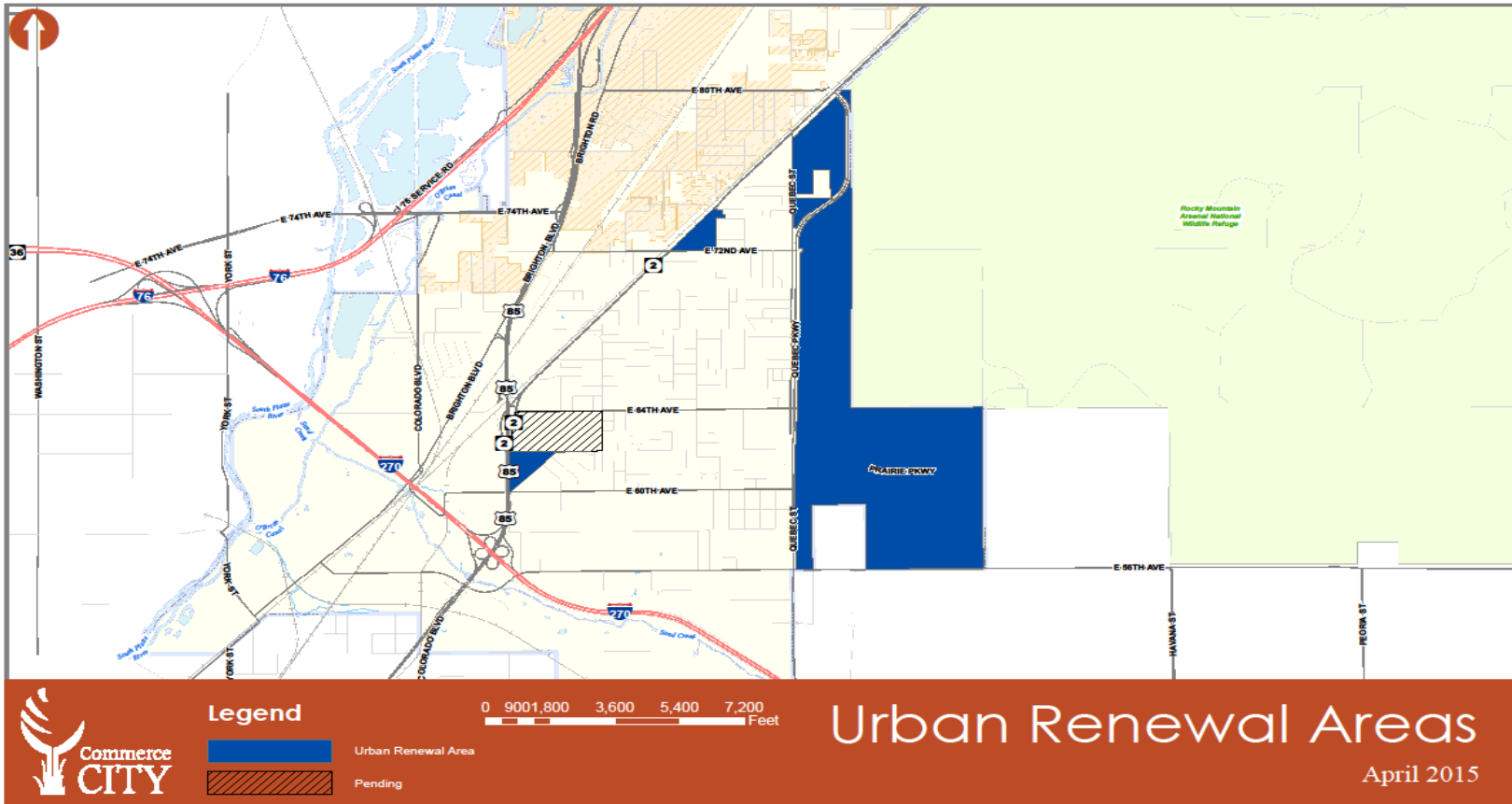
Urban Renewal Authority

Urban Renewal Authority

- URA authority is located at C.R.S. § 31-25-101, *et. seq.* and specific process for creation is located at C.R.S. § 31-25-104.
- Rely on TIF and property tax revenues to fund redevelopment
- **Purpose** – acquisition, clearance, rehabilitation, conservation, development, or redevelopment of blighted areas.
- **Board** – 13 Members
 - Elected City Council
 - Member appointed by Adams County Board of County Commissioners
 - Elected member of a special district certifying a mill levy within the boundaries of the Authority
 - Elected member of a board of education of a school district certifying a mill levy within the boundaries of the Authority
 - Member appointed by Mayor of Commerce City



URA AREAS MAP



Center City Phase I (King Soopers) URA

- City collects sales tax increment & remits to URA
- Base is \$170,625
- URA owes increment to developer per agreement for reimbursement of their improvements.



Prairie Gateway URA

- City collects sales tax increment & remits to URA
- County collects property tax increment & remits to URA
- URA owes increment to Kroenke for \$101 million investment (stadium & infrastructure)
- Kroenke owes City for \$12 million of bonds issued for Quebec & 56th Ave. improvements
- Kroenke's payment to City exceeds total TIF



Derby Business District URA

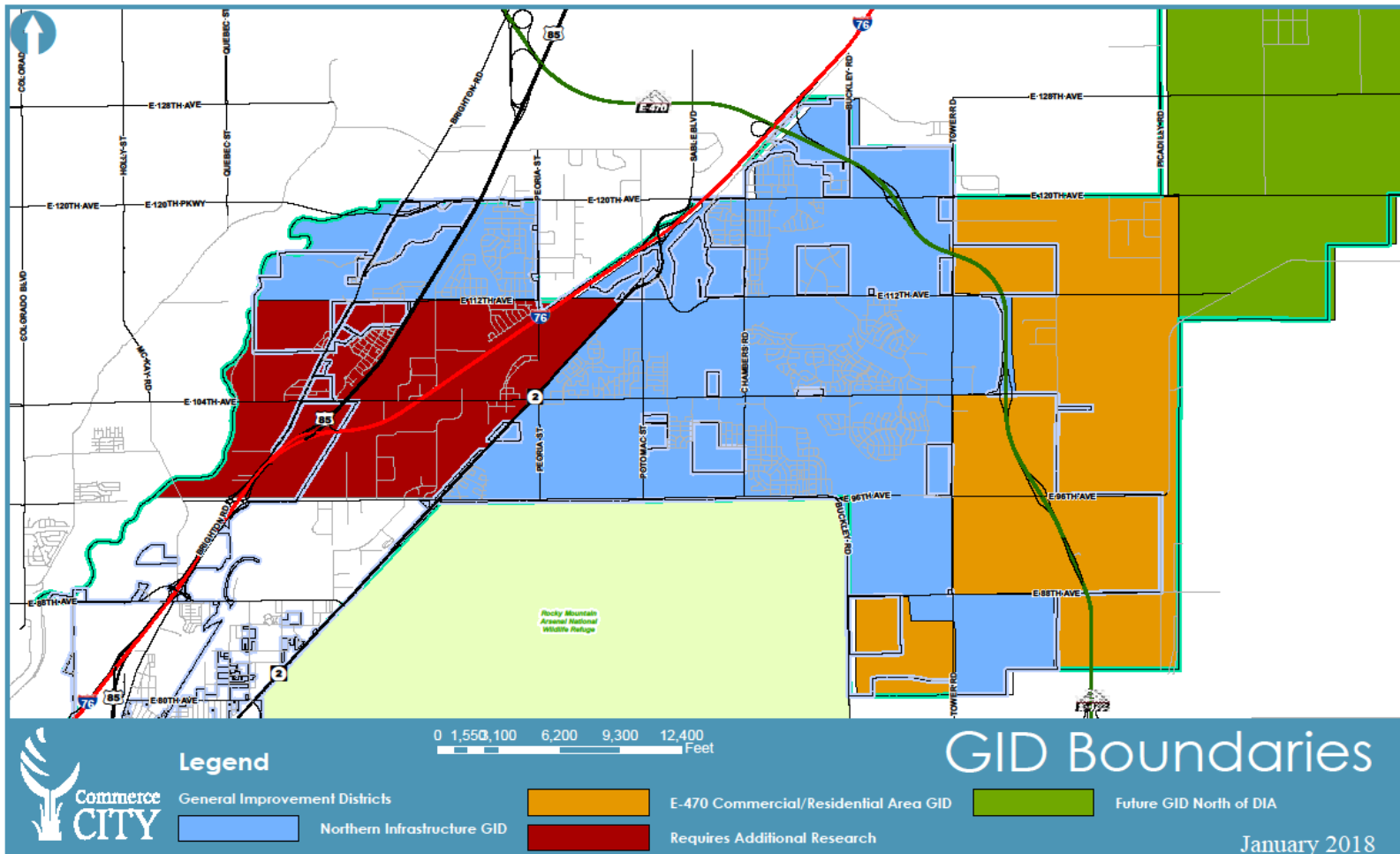
- City collects sales tax increment & remits to URA
- Base is \$150,577





General Improvement Districts

GID Boundaries



General Improvement Districts

- GID authority is located at C.R.S. 31-25-601, et. seq. and specific authority is granted to municipalities at C.R.S. § 31-25-603
- City Council serves as the Board of Directors
- Purpose – development of roadway, water and wastewater improvements in the district
- Reported as a capital projects fund
- NIGID is reported as a blended component unit and does not issue separate financial statements.



Commerce City Northern Infrastructure General Improvement District (NIGID)

- Established 1997
- 27 Mills certified for 2018 Budget
- Budget details can be found on page 312 of the 2018 budget



NIGID Debt

- November 1997 voters authorized \$15M in bonds for financing water and sewer improvements
- June 1998 NIGID issued GO debt of \$11.5 million
- January 2002 NIGID issued GO debt refunding the earlier 1998 bonds, 2004 and 2004 bonds were called an retired early
- November 2005 voters authorized the increase to debt issuance to be increased to \$79.9 M for improvements on 104th Ave and other street improvements deemed necessary for the district



NIGID Debt continued

- February 2006 \$44.4M of the \$79.9M were issued.
- June 2008 \$35.5M issuance occurred
- February 2013, refunding bonds were issued to refinance a portion of the 2002, 2006 and 2008 to a fixed rate.
- 2002 issuance will be paid off December 2031
- 2013 issuance will be paid off December 2038



E-470 Commercial Area GID(ECAGID)

- Established April 2013
- No debt issued to date
- 27 Mills certified at inception, council voted to lower the mill levy temporarily. 10 Mills have been certified for the 2018 budget.
- Budget details can be found on page 322 of the 2018 budget



E-470 Residential Area GID (ERAGID)

- Established July 2013
- No debt issued to date
- 30 Mills certified for 2018 budget
- Budget details can be found on page 330 of the 2018 budget





Capital Improvements and Preservation Plan – (CIPP)



Capital Budget

- CIPP projects include public infrastructure or building improvements costing \$50,000 or more
- City Council identified the need for a five-year CIPP during the annual retreat in 2015
- Focus on completing significant, existing project commitments
 - 2K Bond projects
 - Existing projects
 - Advance multi-year projects previously identified as a council priority
- More conservative approach to funding CIPP projects
- Establish a policy on how best to fund long-term capital maintenance needs



Why Create a Five Year CIPP

- Budget certainty and predictability for projects
- Advances strategic goals and initiatives
- Systemic, programmatic approach to plan and manage city's project portfolio
- Sustainable approach to implement needed investments with available resources
- Communication tool for public and partners




2017 Council Retreat

- Priority outcomes guide evaluation criteria for capital projects
- Support for “maintain what have” – long-term capital replacement
- Need to fund “regulatory bucket” of capital projects (signals, etc.)
- Engage Capital Improvement Program Citizen Advisory Committee (CIPCAC) and staff to provide recommendations for council consideration



Framework for Five Year Plan

- **Traditional Capital Projects**
 - New parks, recreation amenities, roads & facilities
 - Variety of funding sources, including general fund
 - **Operational Capital Projects**
 - Signals, bridge replacement, warning towers, sidewalk connections, drainage/water quality, park/road enhancements, studies
 - General fund transfer + variety of fees
 - **Preservation Capital Projects**
 - Long-term asset maintenance/replacement of roads, flatwork, parks, and golf assets
 - Set annual funding amounts (percentage or dollar) to improve budget/project certainty
 - Facilities, fleet and information technology long-term capital projects will adopt a similar approach, but funded through internal service funds, not CIPP
- 

CIPP Funding Sources

- General Fund
- Highway Users Tax
- Motor Vehicle Registration
- Solid Waste
- AdCo Open Space
- Lottery
- Park Impact Fee
- AdCo Road & Bridge
- Road Impact Fee
- Drainage Basin
- All GIDs (future)
- Airport revenue (future)
- CDBG (future)
- 2K (future)



Total CIPP Submittals: 2018 - 2022

CIPP Summary By Project Type

Traditional	\$170,561,600
Operational	\$20,965,521
Preservation	\$16,352,500
Total	\$207,879,621

CIPP Summary By Department

Community Development	\$250,000
Traditional	\$0
Operational	\$250,000
Preservation	\$0
Parks, Recreation & Golf Department	\$5,257,500
Traditional	\$1,270,000
Operational	\$435,000
Preservation	\$3,552,500
Police Department	\$345,521
Traditional	\$0
Operational	\$345,521
Preservation	\$0
Public Works Department	\$202,026,600
Traditional	\$169,291,600
Operational	\$19,935,000
Preservation	\$12,800,000



2018 CIPP Source/Use

		2018 Budget
<u>Financial Sources</u>		
Transportation Tax	\$	1,030,000
Adams County Open Space Tax		535,600
Cable Subscriber Fee (PEG)		33,000
Transfers From		
General Fund Indirect alloaction Long term Capital (20%)		110,774
General Fund		820,000
General Fund-Highway User Tax		1,762,766
General Fund - Road and Bridge Tax		524,243
Fund Balance - General Fund-2K		10,000,000
Solid Waste Fund		200,798
Conservation Trust Fund		215,144
Northern Infrastructure GID Fund		182,000
2nd Creek Drainage Impact Fee Fund		1,868,025
Impact fee Fund (Transportation)		117,000
Total Transfers From		15,800,750
Total Financial Sources	\$	17,399,350
<u>Financial Uses</u>		
Approved Projects		
Pavement Management 2018	\$	1,820,363
2018 PRG Preservation		495,035
112th Package, Potomac		1,868,025
Traffic Signal Maintenance		35,000
Culvert Repair-Peoria		190,000
Sidewalk Connectivity		85,000
88th Ave widening		117,000
Tower Rd/Pena on-Ramp		10,000,000
Total Approved Projects		14,610,423
Transfers To		
Fund Balance - CIPP		2,755,927
Fund Balance - CIPP-Cable Subscriber Fee (PEG)		33,000
Total Financial Uses	\$	17,399,350



- Five Projects, Five Years, One Penny
 - 2K Election passed with 55% of the vote in November 2013, 1% sales tax increase
- Five Projects – Completion by Dec 2018
 - Tower Road Widening East 80th To East 103rd
 - Recreation Center (Bison Ridge) and Infrastructure at Second Creek
 - New Outdoor Leisure Pool (Paradise Island)
 - 3 New Neighborhood Parks
 - Upgrade Commerce City Recreation Center (Eagle Pointe)



2K Continued

- Voter authorization \$166M
 - Used to finance certain park, recreation and road improvement along with operations and maintenance
- 1st Issuance
 - Issued June 5, 2014, \$73,445,000
 - Debt Service payment for 2018 \$4,434,988
- 2nd Issuance
 - Issued September 20, 2016, \$54,460,000
 - Debt Service payment for 2018 \$2,670,900



2K 1% Revenues

History of 1.0% Sales and Use Tax Collections

	Sales/Use Tax	Percent
<u>Year</u>	<u>Collections</u>	<u>Change</u>
2014	10,206,202	--
2015	10,706,367	4.9%
2016	12,009,907	12.2%
2017	12,095,514	0.7%





Taxation

Home Rule vs. State Collected

- Home Rule Cities Like CC:
 - Set own tax laws & rates
 - Taxpayers remit city tax directly to City
 - Home rule city tax laws may have some differences
- State Collected Cities (Statutory):
 - Follow state tax laws
 - These city taxes are reported on State tax return
- State also collects for most counties



Sales Tax

- Sales Tax is a transactional (excise) tax that must be collected by the seller on the sale (for any consideration) of tangible personal property or taxable services.
- A sales tax applies to all transactions within a taxing jurisdiction unless it is specifically exempted by law.



Use Tax

- The purchaser pays use tax directly to the city when the proper amount of sales tax has not been charged by the seller or if the seller is not required to charge the tax



Adams County Tax Rates

ADAMS COUNTY CITIES & TAX RATES		
	City	Total
Arvada	3.46%	8.21%
Aurora	3.75%	8.00%
Brighton	3.75%	8.50%
Commerce City	4.50%	9.25%
Federal Heights	4.00%	8.75%
Northglenn	4.00%	8.75%
Thornton	3.75%	8.50%
Westminster	3.85%	8.60%
Average	3.88%	8.57%
Commerce City Variance	0.62%	0.68%



Auditing

- Educate taxpayers
- Ensure compliance with code
- Identifies unlicensed businesses
- Recovery of unpaid revenues



- How are audits selected?
- What is the audit period?
- What records / documents will be reviewed ?
- What if a company disagrees with the results of the audit?
- What is the audit process ?



Sales & Use Tax Returns

- Return is due the 20th day of the month or quarter following the reporting period.
- Filing Frequencies Requirements:
 - Monthly – (More than \$100/month total tax due)
 - Quarterly – (\$100 or less/month; \$300/Qtr)
 - Annual – (\$20 or less/month; \$240/Yr)
- Vendor fee is 2% of tax collected (\$100 per reporting period maximum)
If return is filed past due date, add the following late charges:
 - Penalty: 10% of tax due
 - Interest: 0.583% of tax due for every month late (2017)
- If no sales & use tax is due, a zero tax return must still be filed



Sales Tax Continued

- Audit Staff
- Auditor Travel
- Audits completed
 - Over the last 5 years, the city completed an average of about 64 audits per year. This represents less than 1.6% of the existing licensed businesses. This means that the vast majority of businesses are not audited each year.





CLOSING REMARKS



ADDITIONAL INFORMATION PROVIDED FOR YOUR REFERENCE



Cash Management and Investment Policy

Policy:

- The Director of Finance and his/her designees are authorized to invest funds of the City in accordance with the City Charter.
- Legal investments for governmental entities are provided in the Colorado Revised Statutes.
- City funds may be invested in certain securities if the period from the date of purchase of such security to its maturity date is ten years or less, with a maximum portfolio duration of five years or less, or if the City authorizes investment for such period in excess of ten years.



2k Operations and Maintenance Policy

- Original policy was presented at the budget retreat in 2015
 - Internal Service Funds (Fleet, Facilities, IT)
 - Utilities
 - Street Traffic Maintenance
 - Parks Maintenance
 - Recreation Programs
 - Support Costs



2K Operations and Maintenance

- Recommendations in 2017
 - Indirect Costs
 - Long Term Capital Repair/Replacement
 - Less onerous on staff/accounting
 - Review and amend policy after one year of additional 2K projects completion

