



2021-2022 Summary Budget Message

Dear Mayor and City Council,

On behalf of the City of Fountain, we have been able to provide you with a balanced budget for the 2021-2022 Fiscal Year. This budget has been prepared using budgetary practices and techniques recommended by the Governmental Accounting Standards Board (GASB).

Within the framework and policies established by the GASB and the City of Fountain, this budget has been prepared after analyzing and evaluating detailed requests from each of the City departments. The intent of this budget document is to provide a clear picture of the financial condition of the City and the planning needed to properly manage our financial resources for the coming year. As usual, sincere appreciation should be expressed to the staff and department heads for the amount of work and effort expended in this process under tremendous time pressures.

As in years past, the staff is committed to providing services in a more efficient manner than ever before, and continues to provide the foundation for improvement in the future.

The City utilizes a two year budget cycle wherein only the first year is approved by Council prior to the beginning of the year. The second year is used as a future guide and corresponds with each department's two year plans. The second year is reviewed again by City Council in the summer and fall of the next year and not approved until certain adjustments are eventually made, at the suggestion of staff and/or Council. Based on this practice, the Fiscal Year 2021 budget included in this document has been approved by Council. The Fiscal Year 2022 budget included in this document remains at the proposed stage until the next annual budget cycle.

In preparing this budget, there were three significant issues that impacted our ability to develop the 2021-2022 budget in a timely manner, namely, COVID-19, the changeover to a new auditing firm, and the switch to the new budgeting software, OpenGov. While we have been able to work through these challenges, they have created delays to our normal process that have had a domino effect for our departments as they developed their budgets. The ultimate goal of OpenGov is to create a much more transparent budget document that is 100% digital and easy to access by staff, the City Council, and the public. Our transition to the digital budget document has been accomplished and will continue to allow us to be more transparent to our citizens.

TOTAL BUDGET

The overall approved City Budget for Fiscal Year 2021 is approximately \$73,764,000 and the proposed City Budget for 2022 is approximately \$71,221,000.

The total approved General Fund budget for the City of Fountain amounts to \$25,705,000 for Fiscal Year 2021 and the proposed budget for 2022 is approximately \$25,946,000.

At the end of 2020, the total Unrestricted Fund Balance (including the 3% TABOR requirement) is projected to be \$4,600,000 in the General Fund. In reality, that figure will likely be higher due to the fact that City Departments typically spend less than their budgeted appropriations, however, that is what is projected at this time. When applied against the total operating budget for the General Fund, it ends up equaling 20.24%, or \$58,000 more than the City's 20% Financial Policies goal.

Through the 2021 budget process, we anticipated having additional funds in the General Fund of approximately \$1,088,000 on top of the \$58,000, for a total of \$1,146,000 above the 20% goal. Of that amount, the City Manager recommended approximately \$711,000 be allocated towards salary increases and additional personnel in the General Fund. Details of those recommendations are provided below. City Council supported those recommendations, which left \$435,000 unallocated to be applied towards any other priority of City Council. Upon review of the 2021 proposed budget, City Council did request that an additional \$250,000 be added to the Streets budget within the General Fund. The difference between the proposed and final appropriated budget for 2021 was therefore, just the \$250,000 added to the Streets department for additional maintenance and an improvements study.

FINANCIAL ENVIRONMENT AND CONDITION

The Financial environment and condition of Fountain during 2020 was highly volatile, reflecting the economic impacts of the COVID-19 pandemic worldwide and their trickle-down effects to the State of Colorado and the El Paso County Region. The impact of the Great Recession has created a great deal of uncertainty for local businesses and the City as a whole. Fortunately – and contrary to initial projections – the City experienced relatively stable revenue growth, due in large part to the increase of online purchasing, which increased our sales tax revenues, as well as a greater focus on local service-based and food industries, which also increased sales tax revenues. Finally, because Fountain’s largest retailers are those that experienced the greatest degree of sales during the height of the pandemic (Lowe’s, Wal-Mart, and Sam’s Club) our sales taxes were largely stabilized. That being said, we have taken a cautious approach to the development of the 2021-2022 budget and have worked to keep changes to a minimum.

The budget has been developed using conservative but realistic housing and growth figures based on the large number of developments and developable acreage that is currently working its way through Community Development.

SIGNIFICANT BUDGETARY ISSUES

There are many significant budgetary issues that were addressed through this 2021-2022 budget proposal. This portion of the budget message highlights those particular funding requests (new personnel, programs, projects, or policy issues) which have a significant impact on the City of Fountain’s budget.

Organization-Wide Issues

Following are some specific issues that impact our budget organization-wide:

- **Salaries & Benefits.** In the past, the City Council has indicated a desire to ensure that the City is able to provide salary increases within the budget. Consequently, the budget included a *recommended* 3% merit pool, with an associated cost of \$365,000 to the General Fund that was approved by City Council.
- **Health Insurance increase of 3%.** Although average increases to health insurance plans nationwide are in the vicinity of 12-14% and medical inflation is around 8%, the City started self-insuring for health insurance several years ago and has been able to keep increases to our medical costs at only 3% for this budget year. However, that still represents an increased cost of doing business. The total cost increase to the City is approximately \$117,000 (\$59,000 in the General Fund, \$34,000 in the Electric Fund, \$19,000 in the Water Fund, and \$5,000 in the Ambulance Fund). There is no projected increase for 2022.

General Fund

The basic theme for the General Fund budget this cycle is austerity. We have continued to provide a very basic budget that focuses on providing the basic level of services, with a few notable exceptions mentioned below.

- Capital. Total approved capital for the General Fund is \$321,225 for 2021 and \$827,000 is proposed for 2022.
 - 2021 capital needs are:
 - PD – Police Hostage Negotiation System. \$18,000
 - PD – Computer aided dispatch and law enforcement records management system. \$15,000
 - PD – Mobile Device Forensics App. \$18,100
 - PD – Police vehicles. \$110,000
 - FD – Extrication Equipment. \$66,000
 - Streets – Skid steer trailer. \$13,000
 - Streets – Planer Attachment for skid steer. \$20,000
 - Streets – Single Axle Dump truck. \$42,000 annual lease
 - Streets – One ton Pickup with Dump Bed. \$7,265 annual lease.
 - Parks – Volleyball lighting at Metcalfe Park. \$11,500.
 - 2022 capital needs are:
 - FD – Mobile Data Terminal Replacements. \$20,000
 - FD – Vehicle Exhaust System for Firehouse #1. \$100,000
 - IT – Cybersecurity Improvements. \$60,000 total (\$20,000 General Fund, \$20,000 Water, \$20,000 Electric)
 - IT – Event Manager/Analyzer Suite. \$75,000 total (\$25,000 General Fund, \$25,000 Water, \$25,000 Electric)
 - IT – Telephone System Replacement. \$120,000 total (\$40,000 General Fund, \$40,000 Water, \$40,000 Electric)
 - PD – 2-way radios. \$25,000
 - PD – Police vehicles. \$165,000
 - Parks – New ADA playground equipment at Metcalfe. \$165,000
 - Streets – Single Axle Dump Truck. \$42,000 annual lease
 - Streets – Double-axle Dump with Snow Plow. \$225,000 (but looking to lease)
- Personnel. The following personnel were requested and *recommended* for approval in the budget. City Council did approve all of these requests. The total costs equate to \$346,000 for 2021 and \$90,000 for 2022.
 - Part-time Streets Maintenance worker. In order to provide enough staff to separate into multiple crews to address various issues throughout the City, the Department requested a new PT Streets Maintenance worker. Fully burdened cost equals \$38,389.
 - Change of a Part-time Finance Accountant to Full-time. To address the growing workload in Finance for such things as increased payroll, increased projects, IGSA processing, online payment systems, auditing of Use tax fees from Regional Building, etc. This increase in personnel should bring us into compliance with segregation of duty requirements as recommended by our auditors. The increased cost to the budget is \$54,089 shared between General, Water, and Electric Funds. (\$16,227 General Fund and \$21,636 each Water and Electric Funds)
 - A new Full-time Mental Health Coordinator contract person for the Police Department, following Council discussion and direction to include this position. Fully burdened cost is \$107,000.
 - New Full-time Planning position to help handle the growth that we are currently experiencing and projected to experience over the next several years. The costs of this position are entirely offset through the increased development fees generated by the growth. Fully burdened cost equals \$99,347 which is shared between General, Water, and Electric Funds. (\$69,543 General Fund and \$14,902 each Water and Electric Funds)

- A new Facilities Maintenance position to assist with increased facility needs. 80% of this position is to be funded by decreasing our HVAC maintenance contract. The increased cost to the budget equals \$23,162.
- We are shifting the Full-time Economic Development Specialist position to Part-time and using the savings to change the Part-time Administrative Assistant to Full-time to better address departmental needs. There is no cost to this change.
- A new IGSA Analyst position in 2022 to help manage the Fort Carson Projects of Urgent Military Priority IGSA, projected to be completed in late 2021. The cost of this position will be entirely offset by IGSA revenues coming in from the PUMP IGSA. Fully burdened cost equals \$90,741.
- The budget does not include 4 new Firefighter positions, with a total fully burdened cost of \$420,000. The intent is to propose these positions in late 2021 when the City receives funds through the Federal Medicare/Medicaid reimbursement grant, which would make the funding for these positions sustainable.

Water Fund

- Overall Budget. The overall approved Water Fund budget for 2021 is approximately \$12,740,000 and proposed for 2022 is approximately \$10,708,000.
- Personnel Changes. There is one personnel change that has been requested, *recommended* and approved in the budget in addition to a portion of the cost of the new Planning and Accountant positions.
 - Change of a Part-time Groundskeeper in the Electric Fund to a Full-Time Groundskeeper shared at a 70/30 split between Water and Electric. The 30% share of the cost to the Water Fund is \$12,424.
- Water Rights. \$516,700 for 2021 and \$100,000 for 2022 have been included in the approved and proposed budgets, respectively, for the purchase of additional water rights.
- Capital Needs. Total approved capital for the Water Fund is \$2,254,200 for 2021, dropping down to a proposed \$482,000 for 2022.
 - 2021 Capital Needs are:
 - System Improvements - \$931,700
 - City's share of Groundwater Treatment Plan - \$1,304,000
 - Security Upgrades for the new Utility Building - \$18,500
 - 2022 Capital Needs are:
 - Small system improvements - \$397,000
 - Share of IT related costs mentioned in GF above - \$85,000

Electric Fund

- Overall Budget. The overall approved Electric Fund budget for 2021 is approximately \$28,318,000 and for 2022 is proposed at approximately \$27,235,000.
- Personnel Changes. There is one personnel change that has been requested, *recommended* and approved in the budget in addition to a portion of the cost of the new Planning and Accountant positions.
 - Change of a Part-time Groundskeeper in the Electric Fund to a Full-Time Groundskeeper shared at a 70/30 split between Water and Electric. The 70% share of the cost to the Electric Fund is \$28,988.
- Capital Needs. Total approved capital for the Electric Fund is \$1,467,600 for 2021, dropping down to \$324,900 as proposed for 2022. However, the Electric Department is still working through the cost analysis and timing of several large capital projects that are not included in the 2021-2022 budget, but will come to Council once a thorough analysis has been completed. If necessary, they will be included in a 2021 supplemental budget request for Council.
 - 2021 Capital Needs are:
 - Building addition of \$188,000
 - Construction of Underground distribution lines - \$910,000

- Outdoor Inventory Improvements and Equipment - \$369,600
- 2022 Capital Needs are:
 - New vehicles, wire trailer and other equipment of- \$239,900
 - Share of IT related costs mentioned in GF above - \$85,000

BUDGET POLICIES

This budget document has been prepared pursuant to Section 9.6 of the Fountain City Charter and has been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The budget has also been prepared to comply with all applicable State of Colorado statutes and regulations.

The City utilizes fund accounting to account for the different functions and activities of the City. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The City further identifies divisions of each fund as departments. A department is an administrative division of the City that has management responsibility for an operation, or a group of related operations, within a functional area. Examples of departments within the General Fund would include the Police Department, the Fire Department, City Clerk, Public Works, etc. Departments are then divided further into personnel, non-personnel and capital outlay categories. The objects appear in the budget as "line items".

The City uses the modified accrual method of accounting as the budgetary basis for governmental funds, which include the General Fund, Special Revenue Funds, Debt Service, Capital Project Funds, and Permanent Funds. Under this method, revenues are recognized in the period they become measurable and available to finance expenditures of the period and expenditures are recorded when incurred with the exception of principal and interest on long term debt, which are recorded when due. The basis of budgeting is identical to the basis of accounting used the audited fund financial statements.

The City uses the accrual method of accounting as the budgetary basis for proprietary funds, which include Enterprise Funds and Internal Service Funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The following are exceptions from the budgetary basis to the audited fund financial statements:

- Capital outlay is budgeted as an expenditure in the year purchased
- Depreciation is not budgeted
- Proceeds from the issuance of debt are considered to be revenues, not an increase in liabilities
- Salaries and benefits are budgeted as an expenditure; however, for the electric fund, the portion of the salaries and benefits related to new construction for the electric system is capitalized in the audited financial statements.

The City uses the accrual method of accounting as the budgetary basis for fiduciary funds. The budgetary basis is identical to method used in the audited financial statements.

CONCLUSION

As indicated above, the budget for 2021-2022 is austere, while being cautiously optimistic towards how COVID will continue to impact our revenues. It also makes some slight adjustments to assist with the projected growth that is set to come through thousands of new acres of development that are currently in various stages of review. As a reminder, this is a two year budget. City Council has approved the 2021 numbers included in this budget document. The 2022 numbers that are proposed will be once again reviewed by City Council later in 2021. Historically, City Council requests changes to those numbers prior to their appropriation.

Thank you to the City's Department Heads, who manage their limited resources on a day-to-day basis with the City's residents in mind. Thanks also to those employees who make these decisions every day -- their commitment to making the most of each taxpayer dollar is the key to a successful budget.

Sincerely,



Scott Trainor
City Manager

To review and download a copy of the 2021-2022 City of Fountain Budget, please click the link below:

<https://stories.opengov.com/fountainco/published/tQ8UzqkvM>