



BASALT

101 Midland Avenue, Basalt, CO 81621

Meeting Date: Wednesday, August 12, 2020

Location: Zoom Meeting

Time: 5:00 – 6:00 PM

BASALT FINANCE ADVISORY BOARD MEETING

5:00 pm

1. Call to Order
2. Approve minutes of the July 22 Finance Advisory Board
3. Budget Update and Discussion – Council meeting
4. Financial Update and Sales tax reports
5. Review and discussion of Fund Balance Policy
6. Next meeting date – September 9

6:00 Adjourn

Finance Advisory Board Minutes
7/22/2020

1. Present at the meeting – Doug MacDonald, Ann Nichols, Simon Dogbe, Cheryl Ruppel, and Dieter Schindler. Non-Board –Christy Hamrick
2. The meeting was called to order at 5:02 by Ann.
3. Ann made a motion to approve the 7/15 meeting minutes, seconded by Doug, unanimously approved.
4. There was discussion that when we go back to in-person meetings, Christy will bring some chocolate crouhnuts for the FAB. :D
5. FAB reviewed information for the creation of a Fund Balance Policy.
 - a. Christy reviewed financial indicators that were calculated last time per FAB's request.
 - b. Cheryl asked the question regarding where the 10 year recession number comes from. Christy stated that the number is from CML and other finance websites that show the full recovery time needed from the last 2008 recession.
 - c. Doug commented an the potential for a repayment plan needed in the case the fund balance fell below the minimum. Christy will include that in the fund balance policy.
 - d. Doug stated that the rolling average of expenses should be considered when using reserves, preferably future estimates. There was some discussion on future estimates and it was agreed that the budget is a solid indicator, however, future forecasting should be taken in to consideration as much as possible.
 - e. The FAB overall and Dieter discussed liking the protection/best practice language to ensure that the Council will spend fund balance with strategic thinking and long-range planning in mind.
 - f. Ann was appreciative of the indicators and said they were very useful, which Simon agreed.
6. Next Meeting Date – August 12 at 5 pm., to convene the discussion regarding fund balance policy.
7. Meeting adjourned by Ann at 5:40 pm.

**TOWN OF BASALT
SALES TAX REPORT
ADMINISTRATION**

Item Number:

Date: August 10, 2020
From: Christine Chicoine, Finance
Director

SUBJECT: Updated sales tax reports, July 2020.

RECOMMENDATION:

No action required.

DETAILS:

The sales tax report for July is attached. The July results are from June sales. The stay-at-home order started on March 25 and has been gradually lifted, with fewer restrictions currently in place.

The month of July 2020 saw a 26.3% increase compared to the month of June 2019. This result is surprisingly different than one would expect with the financial impacts anticipated by the pandemic. Roughly half of this increase is due to late sales tax remittances received in June. The other half of this increase is attributed to the new state sales tax rules requiring the remittance for online sales, and local increases in retail food, building, sporting good, and liquor sales sectors. The sectors that increased significantly between years for the month of July were retail food at 8.9%, retail sales at 26.9%, sporting retail at 52.6%, telecommunications at 40.6%, building at 49.5%, and retail liquor at 38.6%. The sectors that saw a significant decline include lodging at (40.0%), restaurants without bars at a (7.0%) decline, and restaurants with bars at (32.0%).

The revenue model anticipated \$599,526 in sales tax collections for the month of July, and the actual totaled \$710,389 (some of which was from one-time remittance of back taxes). Ryan and I increased the revenue modeling to reflect these increases through the remainder of the year, including estimated increases due to online sales, reined in by potential fall COVID impacts.

The overall change in year-to-date sales tax between July 2019 and 2020 is an increase of 15.4%, or \$544,849. The main drivers for this increase are the sales tax from online sales due to the new sales tax rules that went in to effect last year, as well as a local increase in liquor sales, retail food, and building.

Town of Basalt
Sales Tax Revenue by Type
2011 - 2020 Actual
8/11/2020

JULY, Year-to-Date:

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Change 2019 vs. 2020
Automotive	\$ 89,601	\$ 90,019	\$ 96,867	\$ 101,637	\$ 115,564	\$ 99,845	\$ 96,364	\$ 95,010	\$ 103,403	\$ 103,811	0.4%
Lodging	30,253	17,485	21,705	18,819	27,206	83,594	86,133	87,850	112,680	89,219	-20.8%
Restaurant Without Bar	52,253	54,469	49,907	67,661	68,259	75,356	67,338	75,615	68,801	54,566	-20.7%
Restaurant With Bar	153,042	184,236	177,442	185,660	209,470	209,041	265,723	287,490	285,739	224,046	-21.6%
Retail Sales	237,518	275,634	352,080	331,230	413,345	413,218	524,915	538,778	650,059	928,207	42.8%
Sporting Retail	68,176	77,507	90,987	104,973	114,206	126,151	130,880	122,797	126,073	136,966	8.6%
Finance	4,078	4,250	4,921	4,896	3,132	3,338	3,585	11,787	22,139	21,159	-4.4%
In-Home Sales	2,386	1,741	1,177	1,266	1,736	1,140	1,945	640	3,393	3,038	-10.5%
Retail Liquor	96,490	96,723	118,517	125,392	131,614	138,496	139,391	146,259	147,347	183,146	24.3%
Telecommunications	68,247	67,076	60,086	56,588	51,850	51,394	51,601	66,826	46,286	65,022	40.5%
Utilities	99,716	97,887	118,452	113,517	115,897	103,698	111,984	117,388	128,855	128,057	-0.6%
Building	88,541	98,062	103,470	134,480	153,390	144,625	148,977	183,616	251,217	368,499	46.7%
Retail Food	793,106	793,508	1,064,852	1,016,182	1,088,347	1,142,508	1,149,323	1,275,319	1,275,681	1,416,551	11.0%
TOTAL, Broken out	\$ 1,783,407	\$ 1,858,597	\$ 2,260,463	\$ 2,262,301	\$ 2,494,016	\$ 2,592,404	\$ 2,778,159	\$ 3,009,374	\$ 3,221,673	\$ 3,722,287	15.5%
Other Sales Tax	\$ 237,616	\$ 221,100	\$ 234,189	\$ 264,179	\$ 469,432	\$ 292,404	\$ 460,581	\$ 314,100	\$ 313,438	\$ 357,673	14.1%
Total, All Sales Tax	\$ 2,021,023	\$ 2,079,697	\$ 2,494,652	\$ 2,526,480	\$ 2,963,448	\$ 2,884,808	\$ 3,238,740	\$ 3,323,474	\$ 3,535,111	\$ 4,079,960	15.4%
% change vs. prior yr.	-0.7%	2.9%	20.0%	1.3%	17.3%	-2.7%	12.3%	2.6%	6.4%	15.4%	

NOTE: The Town of Basalt receives detail information from the State of Colorado remittances. However, other receipts are not broken out separately due to state requirements. Those receipts have not been included on past reports, and therefore, will not be included in this analysis.

Town of Basalt
Sales Tax Revenue by Type
2011 - 2020 Actual
8/11/2020

JULY, Month:

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Change 2019 vs. 2020
Automotive	\$ 12,872	\$ 12,328	\$ 13,227	\$ 15,177	\$ 13,123	\$ 13,070	\$ 14,693	\$ 12,909	\$ 14,345	\$ 15,123	5.4%
Lodging	9,259	4,748	3,017	5,217	5,312	22,568	14,055	15,054	18,312	10,980	-40.0%
Restaurant Without Bar	8,811	8,537	9,117	11,612	13,164	13,656	11,999	12,440	12,292	11,437	-7.0%
Restaurant With Bar	18,548	37,418	41,040	36,153	41,951	28,788	64,359	48,681	50,077	34,034	-32.0%
Retail Sales	52,704	50,489	71,780	66,119	83,661	71,693	103,364	108,623	143,711	182,342	26.9%
Sporting Retail	11,002	13,882	16,662	18,563	19,579	24,211	21,282	21,016	19,844	30,283	52.6%
Finance	880	724	617	430	310	567	215	2,204	3,082	1,269	-58.8%
In-Home Sales	379	211	132	250	228	200	227	63	531	544	2.4%
Retail Liquor	15,252	16,687	19,514	20,360	21,680	22,139	23,038	24,096	22,684	31,447	38.6%
Telecommunications	9,049	8,020	9,910	7,814	7,198	7,028	7,025	7,364	6,397	8,992	40.6%
Utilities	9,440	9,633	10,342	11,588	12,227	11,477	14,545	11,977	13,271	12,163	-8.4%
Building	19,275	18,856	20,744	22,822	23,871	27,919	29,314	38,131	39,450	58,961	49.5%
Retail Food	105,829	106,894	143,417	152,865	157,562	167,832	166,425	185,916	194,098	211,388	8.9%
TOTAL, Broken out	\$ 273,300	\$ 288,427	\$ 359,519	\$ 368,970	\$ 399,866	\$ 411,148	\$ 470,541	\$ 488,475	\$ 538,095	\$ 608,964	13.2%
Other Sales Tax	\$ 21,208	\$ 20,402	\$ 19,722	\$ 25,458	\$ 30,595	\$ 28,966	\$ 33,029	\$ 49,630	\$ 24,355	\$ 101,425	316.4%
Total, All Sales Tax	\$ 294,508	\$ 308,829	\$ 379,241	\$ 394,428	\$ 430,461	\$ 440,114	\$ 503,570	\$ 538,105	\$ 562,450	\$ 710,389	26.3%
% change vs. prior yr.	5.0%	4.9%	22.8%	4.0%	9.1%	2.2%	14.4%	6.9%	4.5%	26.3%	

NOTE: The Town of Basalt receives detail information from the State of Colorado remittances. However, other receipts are not broken out separately due to state requirements.

**TOWN OF BASALT
FINANCIAL UPDATE**

Item Number:

Date: August 10, 2020
From: Christine Chicoine, Finance
Director

SUBJECT: Financial Update

RECOMMENDATION: Review of information, no recommendation.

DETAILS:

The monthly Council update of finances is attached. This update includes the most recent sales tax information received from the State of Colorado for July sales tax collections (from June sales). The sales tax collections, as reported separately in the monthly sales tax report, were \$110,863 higher than projected for the month of July, about half of which is due to late tax remittances. Therefore, the revenue modeling through the rest of the year was adjusted upwards also. Please see the sales tax report in this Council packet for additional details regarding the July sales tax results (from June sales).

General fund revenue projections for 2020 were reviewed and updated based upon actual revenues received. The month of July turned the tide for revenue. There is now an increase in revenue projected for 2020 that currently totals \$221,864. In last month's results, the estimated reduction totaled (\$143,745). Currently, there are \$355,253 in delayed expenses from the cuts implemented earlier this year. Since the last Council report, total 2020 general fund projected revenues were revised from \$7.43 million in the prior report to \$7.80 million. The general fund portion of sales tax was revised upwards from \$4.79 million to \$4.98 million, representing an increase of roughly \$190,000. Building permit fees were revised upwards for building fees received to date. Additionally, other revenue accounts were adjusted to reflect the actual July results.

Due to the favorable news for 2020 thus far, we have revised the 2021 and 2022 outlook to a 5% estimated reduction for 2021 and a 10% estimated reduction for 2022. Originally, we estimated a reduction of 21% plus \$400,000 to annualize the impacts anticipated for 2021 and 2022. We are currently working on our 2021 draft budget and will have an update on the revenue numbers in early September with the next sales tax report.

Town of Basalt
Estimated Financial Impacts, 3 year Horizon
Estimating 5% reduction vs. Projection year 2 & 10% reduction year 3
Dated 8/10/2020

	2020			2021	2022
	Budget	Projection	Fav/(Unfav)		
Est. Beginning Balance		\$ 6,216,679		\$ 6,616,351	\$ 6,270,596
Revenue	\$ 7,581,618	\$ 7,803,482	\$ 221,864	\$ 7,413,308	\$ 7,023,133
Expense	\$ 7,759,063	\$ 7,403,810	\$ 355,253	\$ 7,759,063	\$ 7,759,063
Ending Fund Balance		\$ 6,616,351		\$ 6,270,596	\$ 5,534,666
NOTE: Income/(Loss)	\$ (177,445)	\$ 399,672		\$ (345,755)	\$ (735,930)

NOTES:

Fund Balance:

1. The Fund Balance Policy is 33% of General Fund Revenues, or \$2.5 million for the 2020 budget.

2020 Revenue Projection:

2. There are A LOT of unknowns, and this information will be updated with Council at least monthly.
3. Revenues were discussed with Department Heads, include year-to-date actual, and are based upon a revenue model that estimates a reduction by revenue account.
Sales tax is a detailed calculation that includes % average collected by month, anticipated declines by sector, and is based upon declines vs. 2019 actuals.

2020 Expense Projection:

4. We are taking a conservative approach due to the vast array of unknowns. The stay at home order was lifted, and therefore, some expenses have been added back to the budget.
5. Department Head discussions help to determine potential cuts, but these discussions are ongoing and will include specific committees.
6. These numbers include a hiring freeze that reduces 1 - 2 public works seasonal positions, plus one police officer position that is unfilled.

2021 and 2022:

7. 2020 budgeted expenses used for 2021 and 2022 budget estimates.

**General Fund
2020 Revenue Budget By Account
8/11/2020**

GENERAL FUND:

			2019			% Reduction (Increase)			
	2017 Actual	2018 Actual	Revised Budget	2019 Audited Actual	Difference, Budget vs. Actual	2020 Budget	Middle	2020 Projection Middle	2020 Projection +/- 2020 Budget
Taxes									
Property Tax	\$ 737,438	\$ 950,197	\$ 965,000	984,018	19,018	1,127,769	1.5%	1,110,852	\$ (16,917)
Specific Ownership Tax	88,470	90,462	80,000	95,925	15,925	90,000	10.0%	81,000	(9,000)
General Sales Tax	4,218,142	4,291,048	4,571,566	4,727,946	156,380	4,571,566	-9.0%	4,981,818	410,252
Franchise Quest/Comcast & Misc.	57,565	12,372	13,000	10,948	(2,052)	13,000	35.0%	8,450	(4,550)
Franchise Source Gas/ Black Hills	91,648	146,397	96,000	116,197	20,197	96,000	15.0%	81,600	(14,400)
Franchise Holy Cross	111,298	120,196	120,000	124,968	4,968	120,000	0.0%	120,000	-
Franchise AT & T Cable	55,791	96,845	87,500	126,805	39,305	95,000	30.0%	66,500	(28,500)
Total Tax	5,360,351	5,707,516	5,933,066	6,186,807	253,741	6,113,335	-5.5%	6,450,221	336,886
Licenses & Permits									
Business Licenses	29,358	18,562	18,000	11,905	(6,095)	13,000	15.0%	11,050	(1,950)
Liquor and Other Licenses	12,575	26,645	12,000	21,794	9,794	14,000	50.0%	7,000	(7,000)
Contractor Licenses	12,282	14,400	10,000	10,350	350	10,000	-65.0%	16,500	6,500
Contractor Testing	1,075	2,150	1,500	300	(1,200)	-	0.0%	-	-
Building Permits (NOTE A)	247,416	632,011	350,000	517,752	167,752	350,000	-30.0%	455,000	105,000
Special Improvement Fees	31,767	163,301	65,500	122,551	57,051	148,200	28.2%	106,344	(41,856)
Trailer Park Permits	-	300	-	100	100	-	0.0%	-	-
Other Development Fees	3,000	31,132	-	12,162	12,162	2,000	0.0%	2,000	-
Total Licenses & Permits	337,473	888,500	457,000	696,914	239,914	537,200	-11.3%	597,894	60,694
Intergovernmental Revenue									
Grants Recreation & Other Sponsorships	-	100	-	5,714	5,714	-	0.0%	-	-
Grants Police, General Fund	16,500	28,518	16,900	48,684	31,784	24,900	-20.5%	30,000	5,100
Highway Users Tax	127,067	157,598	125,000	158,933	33,933	127,772	10.0%	114,995	(12,777)
Motor Vehicle Special Assessment	15,421	17,807	14,000	18,660	4,660	18,000	15.0%	15,300	(2,700)
Road & Bridge Tax	78,140	82,896	83,000	84,187	1,187	83,000	-10.0%	91,300	8,300
Total Intergovernmental	237,128	286,920	238,900	316,178	77,278	253,672	0.8%	251,595	(2,077)
Charges for Services									
Zoning - Subdivision Fees	36,663	7,783	15,000	11,192	(3,808)	5,000	40.0%	3,000	(2,000)
Miscellaneous Sales (Mostly Police)	11,475	10,896	7,000	10,998	3,998	10,000	80.0%	2,000	(8,000)
Police Overtime	-	-	-	7,501	7,501	-	NA	7,000	7,000
Book Sales	-	517	-	-	-	-	0.0%	-	-
VIN Inspection	-	3,000	-	5,605	5,605	5,000	75.0%	1,250	(3,750)
Cemetery Fees	2,963	1,725	3,000	3,475	475	3,000	0.0%	3,000	-
Riverside HOA	-	-	50,000	57,384	7,384	75,000	0.0%	75,000	-

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	2017 Actual	2018 Actual	2019			2020 Budget	% Reduction (Increase) Middle	2020 Projection Middle	2020 Projection +/- 2020 Budget
			Revised Budget	2019 Audited Actual	Difference, Budget vs. Actual				
Recreational Fees	29,057	65,534	70,000	77,583	7,583	75,000	15.0%	63,750	(11,250)
Pool - Day Pass	35,642	36,653	40,000	20,843	(19,157)	21,000	5.0%	19,950	(1,050)
Pool - Lessons	7,410	1,770	5,000	9,980	4,980	10,000	88.0%	1,200	(8,800)
Pool - Private Lessons	-	-	-	1,625	1,625	2,000	100.0%	-	(2,000)
Pool - Season Pass	-	-	-	17,335	17,335	20,000	100.0%	-	(20,000)
Pool - Concessions	3,557	3,892	3,600	5,078	1,478	5,500	100.0%	-	(5,500)
Total Charges for Services	126,767	131,769	193,600	228,599	34,999	231,500	23.9%	176,150	(55,350)
Fines									
Traffic	14,868	10,770	12,500	10,935	(1,565)	11,000	15.0%	9,350	(1,650)
Parking	1,902	2,990	2,500	3,660	1,160	3,200	30.0%	2,240	(960)
Court Costs	1,130	545	1,000	-	(1,000)	-	0.0%	-	-
Other	823	1,150	750	628	(122)	-	0.0%	400	400
Total Fines	18,723	15,455	16,750	15,223	(1,527)	14,200	15.6%	11,990	(2,210)
Miscellaneous & Other Financing Sources									
Interest Earnings	96,209	191,980	140,000	260,033	120,033	150,000	51.5%	72,750	(77,250)
Rent on Facilities	225	10,914	12,200	15,653	3,453	15,000	12.5%	13,125	(1,875)
Refunds of Expenditures	15,830	(3,817)	15,000	62,218	47,218	1,500	-550.0%	9,750	8,250
Other Revenue/Mineral/Severance	803	628	-	1,380	1,380	9,300	42.5%	5,348	(3,953)
Total Miscellaneous	113,067	199,705	167,200	339,284	172,084	175,800	42.6%	100,973	(74,828)
Revenues Before Other Funding Sources	6,193,509	7,229,865	7,006,516	7,783,005	776,489	7,325,707	-3.6%	7,588,822	263,115
Other Financing Sources:									
Operating Transfers In (after 2017)	633,374	227,506	225,910	225,910	-	225,910	0.0%	225,910	-
Lease Proceeds	-	-	-	265,000	265,000	-	0.0%	-	-
Certificates of Participation TABOR	-	-	2,160,000	2,200,000	40,000	-	0.0%	-	-
Sale of Fixed Assets	24,975	36,601	1,560,000	1,626,100	66,100	30,000	0.0%	30,000	-
Total Other Financing Sources	658,349	264,107	3,945,910	4,317,010	371,100	255,910	0.0%	255,910	-
TOTAL UNRESTRICTED REVENUES	6,851,858	7,493,972	10,952,426	12,100,015	1,147,589	7,581,617	-3.5%	7,844,732	263,115
Less: Impact from POST - 20% Parks Maintenance								NA	NA
Less: Impact, Lodging estimated - 50% decline								(36,250)	(36,250)
Less: Affordable Housing loss								(5,000)	(5,000)
TOTAL IMPACTS REVENUE - GENERAL FUND								7,803,482	221,865

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2020 - % Estimated reduction by sector

	<i>Actual</i>							<i>Projected</i>					<i>2008 vs. 2009</i>
	<i>January</i>	<i>February</i>	<i>March</i>	<i>April</i>	<i>May</i>	<i>June</i>	<i>July</i>	<i>August</i>	<i>September</i>	<i>October</i>	<i>November</i>	<i>December</i>	<i>Actual</i>
Automotive	N/A	N/A	N/A	7.3%	-26.1%	-1.8%	5.4%	-5.0%	-5.0%	-10.0%	-10.0%	-10.0%	-10.1%
Lodging				-53.3%	-79.2%	-52.9%	-40.0%	-40.0%	-40.0%	-40.0%	-40.0%	-40.0%	-38.9%
Restaurant Without Bar				-40.6%	-60.6%	-40.0%	-7.0%	-7.0%	-7.0%	-7.0%	-7.0%	-7.0%	-11.6%
Restaurant With Bar				-45.9%	-58.8%	-10.2%	-32.0%	-32.0%	-32.0%	-32.0%	-32.0%	-32.0%	-20.2%
Retail Sales				62.6%	4.2%	50.4%	26.9%	25.0%	10.0%	10.0%	10.0%	10.0%	-26.8%
Sporting Retail				-29.8%	-48.8%	51.3%	52.6%	30.0%	0.0%	-40.0%	-30.0%	-20.0%	-5.3%
Finance				22.8%	19.2%	-82.5%	-58.8%	0.0%	0.0%	0.0%	0.0%	0.0%	14.1%
In-Home Sales				32.4%	-5.0%	-50.9%	2.4%	-5.0%	-5.0%	-5.0%	0.0%	0.0%	11.1%
Retail Liquor				18.4%	33.1%	46.3%	38.6%	25.0%	25.0%	20.0%	20.0%	20.0%	0.7%
Telecommunications				-5.1%	39.4%	40.5%	40.6%	30.0%	30.0%	30.0%	0.0%	0.0%	42.7%
Utilities				-0.7%	-8.3%	-0.2%	-8.4%	-8.4%	-8.4%	-8.4%	-8.4%	-20.0%	-4.5%
Building				74.0%	10.7%	39.2%	49.5%	30.0%	10.0%	0.0%	0.0%	0.0%	-38.0%
Retail Food				23.6%	20.0%	20.6%	8.9%	8.0%	5.0%	0.0%	0.0%	0.0%	-5.1%
TOTAL, Broken out													-13.3%
Other Sales Tax				15.8%	-47.2%	-18.7%	316.4%	-20.0%	-20.0%	-20.0%	-20.0%	-20.0%	
Total, All Sales Tax													

Through March 8 - "Normal"

Mar 9 - 13 - Partial Shutdown

Mar 25 - Stay at home order

Sales tax is received 1 1/2 months in arrears from when the good is sold. For example, February tax is remitted by businesses to the State by March 20, and distributed to the Town in early April.

As an example, the month March above is from February sales.

Polis approved a one month delay by businesses of sales tax only for taxes due in the month of April. Therefore, some taxes that would have been received for April will be moved to May.

April - June - Continued Stay at Home Order. July - December - recovery.

EXHIBIT A

DRAFT

8/11/2020



BASALT

Town of Basalt Fund Balance Policy Effective: **To Be Determined**

I. Governing Authority & Purpose

1. *Purpose* - The purposes of this fund balance policy are as follows:
 - a. Maintain adequate levels of fund balance to mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures)
 - b. Meet emergency obligations
 - c. Maintain the Town's capital infrastructure
 - d. Supplement one-time funding needed for the Town's Strategic Work Plan
 - e. Avoid interruptions in cash flow
 - f. Generate interest income
 - g. Maintain a sound bond rating
 - i. NOTE: Fund balance levels are an important consideration in long-term financial planning and credit agencies carefully monitor levels of funds to evaluate a government's continued creditworthiness.
 - h. Establish appropriate levels of reserves, or fund balance, for appropriate funds within the Town's operations, recognizing the unique needs and differing situations for the various funds.
2. *Governing Authority* –
 - a. *Fund balance requirements* - Fund balance shall be operated in conformance with GASB regulations, governing legislation, and other legal requirements.
 - b. *Amendments to this policy* - Any changes must be submitted through the Finance Director to Town Council for approval. It is the policy of the Town Council to ensure the fiscal health of the community against unforeseen circumstances by maintaining reserves at sufficient levels for operations to continue.

II. Scope

This policy applies to the General Fund and Water Fund. The Restricted Fund, Bond Fund, and Conservation Trust Fund are excluded from this policy.

III. Definitions

Appropriation – The provision of authorized expenditures for each fund, authorized by approval of a budget ordinance of the Town Council for specified purposes.

Expenditure – The actual spending of financial resources set aside by appropriation.

Fiscal Year – A twelve-month time period designated as the budget year. The Town’s fiscal year is the calendar year January 1 through December 31.

Fund – A self-balancing set of accounts set up for a particular purpose as required by law, Town code, or sound accounting practice. The Town currently has the following funds: General Fund, Restricted Fund, Bond Fund, Water Fund, and Conservation Trust Fund.

Fund Balance – For the purposes of this policy, fund balance is defined as accumulated revenues over expenditures that are unassigned/unrestricted and/or may be appropriated for use by Town Council. Additionally, fund balance is calculated using current available resources (modified accrual), which is the same method used for budgetary compliance. Long-term assets and long-term liabilities (long-term – asset with a useful life of over 1 year or liability with a repayment that occurs in over 1 year) are excluded from the fund balance calculation in this policy.

GASB – Governmental Accounting Standards Board.

General Fund – The Town’s primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

Minimum Fund Balance – The minimum amount set aside as calculated in this policy for some future use and not available for appropriation or expenditure except when qualifying events occur in accordance with this policy.

Revenue – Funds received from the collection of taxes, fees, permits, licenses, interest, grants, and other miscellaneous income during the fiscal year.

Unassigned Fund Balance – The portion of general fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Unrestricted Fund Balance – For purposes of this policy, this is the fund balance in the Water Fund that is not invested in capital assets or restricted for any other purpose.

IV. Fund Balance Requirements

1. *General Fund* – Fund Balance Requirements:

- a. Minimum fund balance will be set aside as a committed fund balance contingency. If the fund balance falls below the minimum, then all unassigned/unrestricted fund balance in the applicable fund shall be set aside as committed fund balance contingency.
- b. The amount of minimum fund balance is calculated as 50% (DISCUSSION OF 40% - roughly \$2.9 mm currently vs. \$3.6 mm) of the average of the most current three years of the most current approved budgeted expenses for the fiscal year, excluding the following:
 1. Pass-through expenditures to another entity;
 2. Any capital or financing source/use project with a cost greater than \$1 million;
 3. One-time, non-operational transfers to other funds within the Town of Basalt;

2. *Water Fund* –
 - a. Minimum Fund Balance:
 - i. The amount of minimum fund balance is calculated as 33% of the average of the most current three years of the most current approved budgeted expenses for the fiscal year, excluding the following:
 1. Pass-through expenditures to another entity;
 2. Any capital or financing source/use project with a cost greater than \$1 million for an individual project;

V. Use and Replenishment of the minimum fund balance

1. If the fund balance is below or is anticipated to be below minimum fund balance due to an actual or estimated revenue shortfall or economic recession:
 - a. The Town Manager will present a plan to the Town Council when presenting the annual budget that would restore the fund balance level as soon as economically practical, using the guidelines in the payback plan below.
2. If the fund balance will fall below the minimum fund balance due to a planned and approved one-time expenditure:
 - a. The Town Manager will present the project/use of fund balance to Council for approval, either as a part of the annual budget, the final Strategic Work Plan, or as a separate Council presentation. The presentation should include, at a minimum:
 - i. Total project cost;
 - ii. Anticipated use of fund balance by fund;
 - iii. Discussion of the project and its alignment with the Strategic Work Plan;
 - iv. Resulting Community benefits/enhancements;
 - v. Payback plan (see below).
3. Payback Plan –
 - a. A payback plan should be presented to Council when fund balance has fallen below the minimum fund balance, or is anticipated to fall below the minimum fund balance as discussed earlier in this section.
 - b. The payback plan should include, at a minimum:
 - i. Projection of estimated revenues and expenses for the applicable fund for the next three years;
 - ii. Based upon those projections, an anticipated payback schedule should be provided to bring the fund balance back to minimum;
 - iii. Progress towards minimum fund balance requirements is to be included in the Town's annual budget.

VI. Reporting

1. *Budget* – The minimum fund balance requirements shall be stated in the Town's budget.