

2019 Budget – Council Work Session

October 29, 2018



Discussion Topics

- Council priorities and staff approach
- Cautionary approach to 2019 budget
- Macroeconomics and relationship to Crested Butte finances
- Significant assumptions
- 2019 Budget Summary
- 5 year capital plan
- Questions for Council

Council Vision Statement & Long Range Goals

Vision Statement

Crested Butte is a small mountain town with a big community that strives toward a balanced and sustainable lifestyle while enjoying and protecting the soul of the Valley.

Five Year Goals

- Increase percentage of residents living in Town by achieving a 75% housing full-time occupancy
- 30% of units in Town are deed restricted
- Permanent removal of mining claims by Mt. Emmons Mining Company on Red Lady
- Maintain at least one year of operating reserves in Town's funds
- Reduce greenhouse gas emissions footprint of Town's operations by 50% versus 2017 levels; and, reduce Town of Crested Butte community emissions footprint by 25%
- Ban new formula / franchise retail and restaurant businesses on Elk Ave
- Implement traffic and parking plan
- Complete modified recommended capital projects in Parks & Recreation master plan
- Upgrade Marshal Office facilities

Council 2019 Goals / Priorities

- Block 76 Paradise Park housing project under construction
- Long Lake conservation project funded and closed
- Greenhouse Gas Emissions Action Plan implemented toward five year greenhouse gas reduction goals
- Water Plant upgrade funded and under construction
- Implement ban on new formula / franchise retail and restaurant businesses on Elk Ave
- Town Park playground completed
- Architectural plans and cost estimates completed for Marshal's facility
- Capital planning begun for carbon neutral Big Mine / Warming House expansion and refrigerated ice arena

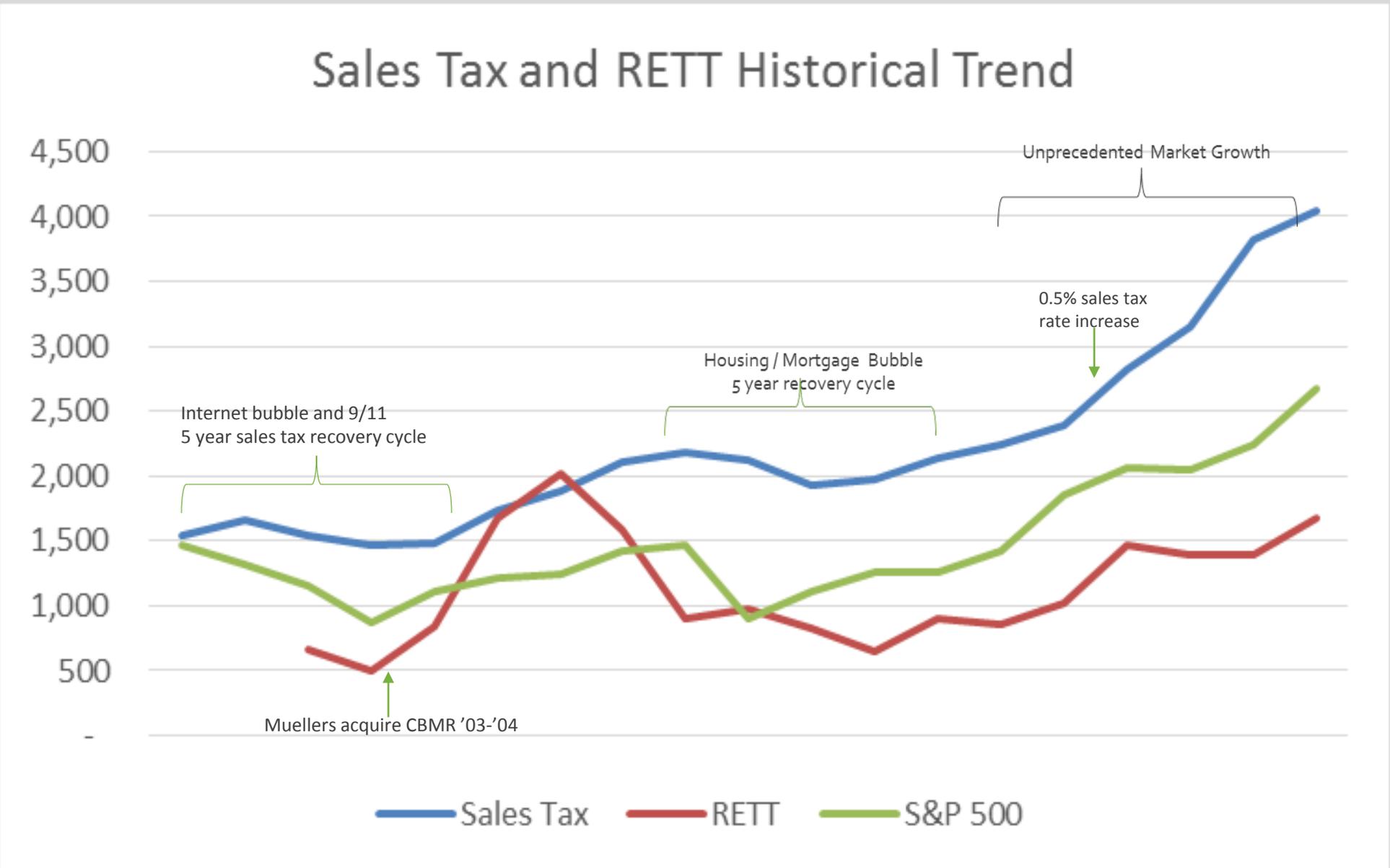
Senior Staff – Budget Guiding Principles

- 1. Council Vision, Five Year Goals and 2019 Priorities serve as guideposts**
- 2. Operating Budget should be balanced**
 - Overall, 2019 revenue and expenses should be roughly equal, without first needing to raise taxes, rates or fees
- 3. Significant replacement or new expenses must be justified / prioritized based on Council Vision and long term goals**

Cautionary approach to 2019 budget

1. **CB has a small and relatively fixed tax base, but supports a much much larger universe**
 - No property tax, RETT, etc from CB South, Mt CB, Brush Creek corridor, Washington Gulch, etc.
 - Moreover, significant (anecdotal) household shopping done in Gunnison and on-line
 - However, Town accommodates the North Valley
 - STR visitors “bring the party with them”, versus hotel visitors
 - Town is generally behind maintenance of our existing facilities, fleet, parks, etc
2. **Late summer and early fall have been at or below plan revenue**
 - September was -1% revenue growth, YTD 3% growth
3. **Overall macroeconomic and socio-political conditions have been erratic ytd**
4. **2018 budget cut into reserves by \$3,251,859**
5. **General fund reserves (Dec 19) will be 0.78 and below ratio level set by Council**
6. **General Capital reserves will be 1.16, slight better but on downward trend**
7. **Large current and proposed projects (such as Center for Arts, Big Mine, Avalanche Park, Bike Park, Affordable Housing, etc) place a significant, ongoing operating expense burden on Town.**

Macroeconomics and impact to Crested Butte



Primary Assumptions

- Overall sales tax revenue increases of 1.5%
- RETT consistent with 2018 budget
- RETT split evenly between Open Space Fund and Affordable Housing Fund
- No fee increases for Water or Sewer, but increase for recycling
- No Mill Levy increase for Streets Fund or General Fund
- Slight increases to Recreation / Parks fees
- Increases to Building / Bozar fees
- Mt Emmons (permanent mining claim removal) excluded
- No staffing increases
- Salary increases of 4%, based on CO trends / benchmarking
- Medical insurance increase of 7%
- P&C insurance increases due to WWTP and WTP expansion

2019 Summary Budget v2

	General Fund	Enterprise Fund			General Capital Fund			Conservation Trust Fund	Street & Alley Fund	Affordable Housing Fund	Total
		Water	Wastewater	Trash	Capital	Open Space	Parks				
Revenue											-
Taxes	4,007,406				255,000	600,000	432,615		851,274	805,000	6,951,294
Service Charges	173,720	650,940	851,785	271,347						44,555	1,992,347
Licenses & Permits	344,850										344,850
Housing Payments in Lieu										60,000	60,000
Fines & forfeitures	60,950										60,950
Grants / fundraising		800,000					349,241				1,149,241
Gap - to find											
Interest Income	100,000										
Misc	208,100	8,500	8,500		33,000		-	11,820	3,737	1,690,000	1,963,657
Total Operating Revenue	4,895,026	1,459,440	860,285	271,347	288,000	600,000	781,856	11,820	855,011	2,599,555	12,622,340
Tap Fees		250,000	350,000								600,000
Other		1,225,000									1,225,000
Total Capital Revenue	-	1,475,000	350,000	-	-	-	-	-	-	-	1,825,000
Total Revenue	4,895,026	2,934,440	1,210,285	271,347	288,000	600,000	781,856	11,820	855,011	2,599,555	14,447,340
Operating Expenses											
Enterprise Fund		503,065	856,753	268,869							1,628,687
Affordable Housing										2,308,500	2,308,500
Streets & Alley									785,178		785,178
Conservation Trust											
Parks							1,085,662				1,085,662
Open Space						22,000					22,000
Misc Capital					128,275						128,275
Mountain Express	826,036										826,036
General Government	323,721										323,721
Court	7,362										7,362
Council	72,018										72,018
Elections	11,600										11,600
Legal	147,100										147,100
Clerk	188,968										188,968
Manager	176,290										176,290
Finance / HR / IT	401,893										401,893
Marshals	909,176										909,176
Planning	381,726										381,726
Facilities	232,143										232,143
Shop	258,861										258,861
Public Works	270,522										270,522
Building	264,826										264,826
Recreation	351,396										351,396
Total Operating Expense	4,823,638	503,065	856,753	268,869	128,275	22,000	1,085,662	-	785,178	2,308,500	10,781,940
Capital Expenses		2,215,000	253,000		467,000	1,000,000					3,935,000
Total Expense	4,823,638	2,718,065	1,109,753	268,869	595,275	1,022,000	1,085,662	-	785,178	2,308,500	14,716,940
Net Surplus / (Deficit)	71,388	216,375	100,532	2,478	(307,275)	(422,000)	(303,806)	11,820	69,833	291,056	(269,600)
	General Fund	Enterprise Fund			General Capital Fund			Conservation Trust Fund	Street & Alley Fund	Affordable Housing Fund	
2017	4,067,322	4,847,438			3,867,206			41,450	1,414,934	244,284	15,995,082
Budget Fund Reserve 2018	3,708,660	3,892,013			2,566,434			53,270	1,111,305	25,504	12,379,934
Budget Fund Reserve 2019	3,780,048	4,211,398			1,955,353			65,090	1,181,138	316,560	12,110,334

5 Year Capital Plan – part 1

Capital Schedule	2017	2018	2019	2020	2021	2022	2023
Marshal							
Marshal Dept Patrol Car	\$56,800	\$62,030		\$67,233	\$72,965	\$76,613	\$80,443
Marshal Dept Zero Motorcycles		\$39,000					
Emergency Center	\$0					\$150,000	\$1,500,000
Total Marshal	\$56,800	\$101,030	\$0	\$67,233	\$72,965	\$226,613	\$1,580,443
Facilities							
Facilities Vehicle (Electric vehicle)	\$27,000						
Facilities Vehicle with boxes		\$42,000					
Depot Renovation	\$24,000						
4-way transit stop/bathrooms	\$422,000						
Old Rock Library Tuck Pointing	\$20,000						
Town Hall - Foundation Repair	\$20,000						
Town Hall Roof - Snow fencing	\$35,000						
Town Hall Windows	\$0	\$0		\$125,000			
Town Hall Security	\$26,000						
Bricks - 100 Block Elk		\$25,000					
Library Furnace Replacement		\$14,000					
ADA Lift OTH		\$6,000		\$194,000			
OTH Mtn Theatre Flooring		\$21,000					
Town Hall Community Room Floor		\$9,000					
Pita's Shed		\$15,000			\$40,000		
ADA LIFT AT TOWN HALL			\$5,000				
TOWN SHOPS BOILER REPLACE.			\$12,000				
YOGA RM WALL/FLOOR				\$15,000			
PAINT STEPPING STONES				\$33,000			
STAIN RAINBOW PAVILION			\$16,000				
R/M: BUILDING MAINTENANCE			\$40,000				
R/M: BRIDGE			\$15,000				
SNOW REMOVAL (ROOFS)			\$9,000				
Total Facilities:	\$574,000	\$132,000	\$97,000	\$367,000	\$40,000	\$0	\$0
Public Works and Town Shop							
Barricade Truck Replacement		\$40,000					
Dump Truck					\$160,000		
Fixed post speed alert signs	\$9,000	\$9,000		\$11,000			
Service Lift	\$6,500						
Air Compressor - shop	\$5,000						
Skid Steer				\$60,000			
Fencing PW yards		\$50,000					
Public Works Retaining Wall	\$10,000	\$125,000					
Pedestrian Bridges		\$5,000	\$100,000	\$50,000	\$50,000	\$50,000	
Public Works and Town Shop total:	\$30,500	\$229,000	\$100,000	\$121,000	\$210,000	\$50,000	\$0

5 Year Capital Plan – part 2

Capital Schedule	2017	2018	2019	2020	2021	2022	2023
Planning:							
Trail Kiosks	\$10,000	\$10,000					
Annexation-land purchase	\$0		\$350,000				
Green / Sustainability Projects			\$100,000				
Cemetery - Jokerville Mine Memorial	\$26,000						
Wayfinding Signage	\$7,000	\$77,500	\$0				
Total Planning	\$43,000	\$87,500	\$450,000	\$0	\$0	\$0	\$0
Parks Equipment:							
Z Turn Mower		\$23,000				\$25,000	\$27,500
Skid Steer			\$75,000				
1 Ton Dump Truck	\$52,000						
Electric Vehicle		\$25,000		\$58,000	\$29,000		
Irrigation Smart Clock		\$33,000					
Man Lift					\$40,000		
Bike Racks/Benches/Bleachers	\$5,000	\$5,000		\$5,000	\$5,000	\$5,000	
Pickup trucks	\$40,000	\$32,000		\$64,000			
8th Street Greenway							
Gothic Field Raw Water Irrigation			\$0				
Henderson Park Remodel - GoCo Grant				-\$40,000			
Henderson Park Remodel			\$0	\$60,000			
Big Mine Park Utilities							
Big Mine Revenue / fundraising / grants				-\$5,000,000			
Big Mine Hockey/Nordic Expansions	\$43,000			\$5,000,000			
Sled Hill Relocation			\$0				
Big Mine Skatepark - GoCo Grant					-\$250,000		
Big Mine Skatepark	\$4,701	\$5,000	\$5,000	\$5,000	\$350,000		
Dirt Jump/Bike Park	\$1,373	\$14,127					
Avalanche Park Campground							
CB to Carbondale Trail grant?							
CB to Carbondale Trail							
Pitsker Home Run Fence Replacement			\$0				
Rainbow Playground Resurfacing				\$45,000			
Baxter Gulch Trail Bridges		\$5,000					
Tommy V Restroom Solar Panels		\$24,000					
Total Parks/Trails Projects (net):	\$146,074	\$166,127	\$80,000	\$197,000	\$174,000	\$30,000	\$27,500
Grand Total	\$850,374	\$715,657	\$727,000	\$752,233	\$496,965	\$306,613	\$1,607,943

Revenue and expense actions taken to balance 2019

Suggested balancing		General	Capital
Capital items from this list	\$594,233		\$594,233
8th Marshal	\$100,000	\$100,000	
Legal (on staff attorney) No SGS	\$100,000	\$100,000	
Interest Revenue	\$100,000	\$100,000	
Reduce Community Grants	\$50,000	\$50,000	
Big Mine Park planning	\$35,000	\$35,000	
Special Projects - Planning	\$30,000	\$30,000	
CB to Carbondale	\$25,000	\$25,000	
Cut Weed	\$11,000	\$11,000	
Open skate fees	\$10,000	\$10,000	
Non-resident park fee increases	\$10,000	\$10,000	
Council Room a/v	\$10,000	\$10,000	
Increase Rec Fees	\$10,000	\$10,000	
Waste Management - solar pot bellies	\$10,000	\$10,000	
Dumpster fees	\$7,000	\$7,000	
Nordic grooming	\$6,000	\$6,000	
Clerk cabinets	\$5,000	\$5,000	
Digitize BOZAR Minutes	\$5,000	\$5,000	
Council T&E reduction	\$5,000	\$5,000	
Finance / HR Software	\$5,000	\$5,000	
Town Utilities / Phone Charges	\$5,000	\$5,000	
Historic Preservation line item	\$2,000	\$2,000	
Energy Conservation - Gen Gov't	\$2,000	\$2,000	
Legal - office supplies	\$1,000	\$1,000	
OVPP ? Cost/benefit		\$0	
Total	\$1,138,233	\$544,000	\$594,233

Marshal Dept Patrol Car	\$67,233
ADA Lift OTH	\$194,000
Pita's Shed	\$40,000
ADA LIFT AT TOWN HALL	\$55,000
YOGA RM WALL/FLOOR	\$15,000
PAINT STEPPING STONES	\$33,000
Fixed post speed alert signs	\$11,000
Wayfinding Signage	\$5,000
Bike Racks/Benches/Bleachers	\$5,000
Pickup trucks	\$64,000
Avalanche Park Campground	\$35,000
CB to Carbondale Trail	\$25,000
Rainbow Playground Resurfacing	\$45,000
Total Capital	\$594,233

Town Revenue Generation – 2019 Rates and Fees

Rates	2018	2019 v1	Purpose and/or notes
State Sales Tax	2.9%	2.9%	
Gunnison County Sales Tax	1.0%	1.0%	CB received 0.5% back from Gunnison
RTA Sales Tax	1.0%	1.0%	
Local Marketing District Sales Tax	4.0%	4.0%	
Town of Crested Butte Sales Tax	4.5%	4.5%	0.5% Parks, 1% Transportation Fund, 3% General Fund
Town of Crested Butte Excise Tax	5.0%	5.0%	Affordable Housing
Real Estate Transfer Tax	3.0%	3.0%	1.5% Open Space plus Affrd Housing and 1.5% Capital Fund
Use Tax - Auto and Building	4.5%	4.5%	2.7% to Capital Fund and 1.8% to General Fund
Mill Levy - General Fund	2.537	2.537	7.3 total mills
Mill Levy - Street Fund	8.000	8	6.000 Streets and 2.000 Transportation. 16 mills voter approved
Town Fees			
Water (1 EQR)	\$28.00	\$28.00	Enterprise fund revenue and expense to match
Sewer (1 EQR)	\$37.50	\$37.50	Enterprise fund revenue and expense to match
Trash / Recycling	\$21.19	\$21.68	Pass through from Wastemanagement, plus \$0.30
	\$86.69	\$87.18	
Other Sources of Revenue			
Highway Users Tax			State collects and distributes share to CB. ~\$52k annual
Cigarette Tax			State collects and distributes share to CB. ~\$11k annual
MMJ Tax			State collects and distributes share to CB. ~\$30k annual
State Lottery Proceeds			Conservation Trust Fund. ~\$8k annual

Questions for Council

- How would you like to see planning for the carbon-neutral **Big Mine Warming House** and ice rink refrigeration to proceed? What, if any, \$ amount would you like Town to contribute to this project? “In kind” contribution? The entire project will likely exceed \$5mm, with annually operating costs increasing proportionally. The “domino effects” of Center for the Arts project being an example.
- **Street** Fund 2019 revenues and expenses are balanced, with a year-end projected Fund balance of \$1.5mm. For 2019, potential projects associated with **School ROW and Red Lady Intersection** are unfunded. What, if any, \$ would you like to earmark for School / Red Lady streets projects? The 2019 budget does not include any Mill Levy increases to offset these potential future projects. Would you like to consider increasing Mill Levy? We are currently at 8, with a voter approval of up to 16.
- Should Town not be awarded an \$800k DOLA grant for the **WTP upgrade project**, should staff pay for this portion of the \$2.025mm project with Fund Reserves, or try for additional SRF lending? Should Town nominally increase Water and Sewer rates in 2019, as has been the recent practice? For 2018, Town increase monthly Water from \$27.50 to \$28.00 (a 2% increase) and increased Sewer from \$35.50 to \$37.50 (a 6% increase). These rate increases have been phased in gradually over time to help pay for Plant upgrade projects and increasing operating costs. The Fund balance is projected at \$4.3mm at the end of 2019. However, associated long term debt will be roughly \$3.3mm, leaving an unencumbered balance of \$900k. One year of annual operating expenses are roughly \$2mm. Council has established a goal to maintain at least one year of operating expense in the fund balance.
- The 2019 budget includes \$15k for green / sustainability planning and \$100k for associated projects. Given the reduction of Town’s **greenhouse gas footprint** is one of Council’s five year goals, should Town set aside more funds for associated projects / initiatives? This would require going into reserves, or reducing expenses elsewhere.

Questions for Council - continued

- Selling four **duplex units** for \$275k. Buying down cost up to \$75k total. Lot 5, 13 Block 79 and Lot 2 Block 80.
- For 2018, Council determined that the proper **General Fund mill levy** shall be 7.300 mills with a Temporary Tax Credit of 4.763 mills for a net mill levy of 2.537 mills. For 2019, should Staff look to increase the net mills, thus providing more operating budget to accommodate ever increasing demands on Town?
- Staff recommends removing **Avalanche Park** future development from our 5 year capital plan. The capital costs and ongoing costs are beyond the carrying capacity of our tax base.
- Staff recommends guiding the **Creative District** to becoming financially self sufficient in 2020.
- Should Staff begin planning for a new **Marshal facility**?
- Staff recommend bringing basic **legal services** in-house, thus saving \$100k - \$150k in associated costs.
- Staff recommends reducing **Community Grants** by \$50k and guiding long term recipients to become more self sufficient