



Annual Budget
Fiscal Year Ending December 31, 2012

Board of Trustees
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BUDGET MESSAGE

The adoption of the 2012 Budget comes after many months of hard work from the Board of Trustees and Town staff. Two budget workshops and a public hearing were conducted in October and November to arrive at a balanced budget. The efforts extended will assist the Town of Bayfield in preparing for a bright future.

One of the primary objectives that guides the Board of Trustees during the annual budget process and remains consistent over the years is compliance with statutory requirements as outlined in the “Local Government Budget Law of Colorado”. Colorado Revised Statutes 29-1-101 et. seq. and 29-1-118, require the Town, after allowing for public input, to adopt an appropriation resolution establishing legal authority to expend monies. This legal authority is complemented by a detailed budget, which explains how funds will be utilized. “Budget Law” requires the Town to adopt a balanced budget and charges the Board of Trustees with the duty of enforcing limits established by the adopted appropriation and budget policies. Further the law requires that the budgetary basis of accounting be clearly stated. The Town of Bayfield utilizes a modified accrual method for its budgetary basis of accounting.

Budget Highlights

The 2012 Budget includes eleven (11) separate funds: General, Capital, Sewer Operating, Sewer Capital, Water Operating, Water Capital, Garbage, Transportation, Conservation Trusts, SID Debt Service, and Equipment Replacement Funds.

A summary of each fund’s budgeted expenditures follows:

General Fund	\$2,220,537
Capital Improvement Fund	\$2,625,415
Sewer - Operating	\$1,238,587
Sewer - Capital	<u>\$500,000</u>
Sewer Fund	\$1,738,587
Water - Operating	\$441,292
Water - Capital	<u>\$20,000</u>
Water Fund	\$461,292
Garbage Fund	\$123,793
Transportation Fund	\$4,040,000
Conservation Trust Fund	\$72,000
SID Debt Service Fund	\$147,425
Equipment Replacement Fund	\$145,000
Total	<u>\$11,574,049</u>



BUDGET MESSAGE

The General Fund budget includes the creation of a new grant funded position with the Bayfield Marshal's Office and the removal of funding for two (2) positions: the Municipal Intern position and a portion of a Public Works position. Outside of labor costs, significant proposed expenditures include \$61,000 for dispatch services, \$41,400 for General Liability/Property Insurance, \$20,000 for aerial photography, \$19,893 for salary adjustments, \$17,000 for snow and ice removal, and \$5,000 for park improvements. \$50,000 is budget for contingency.

The 2012 Capital Improvement Fund budget includes \$1,500,000 expenditure for recreational river enhancements, which are contingent on approval of a Great Outdoors Colorado (GOCO) River Initiative grant. In addition, the Capital Improvement Fund budget includes \$407,855 for the design and installation of fiber optic in the Town of Bayfield. That effort is primarily funded through the Southwestern Colorado Council of Governments (SWCCOG), Southwest Colorado Area Network (SCAN) project, through a \$3,000,000 Colorado Department of Local Affairs (DOLA) grant. In addition to the Town Hall debt service and transfers to the equipment replacement fund for purchase of vehicles and equipment, the 2012 Capital Improvement Fund includes \$60,000 for improvements to Gosney Park, upon successful application of a GOCO mini grant. The Capital Improvement Fund also includes \$100,000 for Sunrise drainage improvements.

The Sewer Fund budget includes a 5% rate increase to assist in funding engineering studies for survey, modeling, valuation, planning, and rate study for the wastewater treatment and collection system. The Sewer Fund also includes \$1,000,000 in loan proceeds to assist in addressing the infiltration problems in the collection system (\$500,000), and to decommission the wastewater treatment lagoons (\$500,000). The other significant expenditure is \$365,958 in debt service for the wastewater treatment plant loan. The budget also moves the debt service expenditures to the operating budget from the capital budget, to minimize the long term financial impact.

The Water Fund budget includes an anticipated expenditure for the funds portion of the aerial photography, water system modeling and system planning, and rate study. The budget also includes setting aside money for future projects including the north side pressure upgrade, water line replacements, meters and radio reads, reservoir expansion, plant expansion, water tank expansion, ditch piping, and water filters. The budget also moves the debt service expenditures to the operating budget from the capital budget, to minimize the long term financial impact.

The Garbage Fund budget includes \$113,174 in annual revenues and \$123,793 in expenditures. The Town has a recycling program, which is not generating revenue at this point. While the Town likely needs to increase the monthly rate for garbage to cover those costs, the 2012 budget proposes to utilize a portion of the Garbage Fund's fund balance to cover the overage in the short term. The Town will need to address this discrepancy in the near future.

The Transportation Fund was established upon receipt of \$6,800,000 from the Colorado Department of Transportation (CDOT) through the Maintenance Incentive Pilot Program for the transfer of US Highway 160 B to the Town of Bayfield. Monies are to be utilized for transportation related expenses and are to be accounted for separately. The Town of Bayfield will receive \$707,000 in Off System Bridge Funds from CDOT and anticipates moving forward with the replacement of the twin bridges at an estimated cost of \$4,000,000.



BUDGET MESSAGE

The Conservation Trust Fund was established to accurately account for the Colorado Lottery proceeds received through the State of Colorado Conservation Trust Fund program. The monies received are earmarked for the establishment and continued upkeep of new conservation and park areas. The 2012 budget for the Conservation Trust Fund includes \$72,000 in expenditures for a Park, Open Space, and Trails Master Plan. The budget is predicated on the successful application for a GOCO Planning Grant. The \$18,000 in lottery fund revenues will be used as the match for the grant.

The Special Improvement District (SID) Debt Service Fund was established to account for the receipt of revenues from a special assessment on properties in the Business Center for improvements to the Business Center traffic flow and aesthetics. The Fund also accounts for the annual debt service payments on bonds issued for the improvements.

Finally, the Equipment Replacement Fund includes expenditures for vehicles and equipment. For 2012 the budget includes the replacement of a patrol vehicle, tractor/boom and mower, and a line painter. Revenues are derived from other funds through transfers.

Outlook

The nation's economic condition is often unsettling and developing a budget for 2012 based on the current economic climate is challenging; however, the Town is in a relatively stable financial position, which affords the Town the opportunity to continue to provide service near current levels. Although the 2012 Budget calls for the spend down of fund balance to complete necessary studies, the Town still holds reserves in all funds to offset a dramatic decline in revenues should that occur. The fund balance reserves allow the Town time to prepare and plan for a dramatic decline in revenues.

While there has been a tremendous decline in the commercial development market, single family home construction continues to take place, albeit at a reduced pace. As evident in the 2012 Budget, the Town is spending significant resources and effort to address infrastructure needs. In 2011 the Town completed a \$1.3 million mill an overlay on the recently acquired Bayfield Parkway and addressed groundwater infiltration in the sanitary sewer collection system. The Town, in concert with the Southwest Colorado Council of Governments (SWCCOG) continues to work to bring fiber optic infrastructure to the community for quality telecommunication services. While these improvements may not directly generate new sales tax for the Town, it will ensure that infrastructure is in good condition to assist in attracting new development to the area.

The 2012 Budget is prepared to assist the Town in providing the necessary services required of a municipality and is presented for your adoption.

Sincerely,

Chris S. La May
Town Manager



OVERVIEW OF FUNDS

Each individual fund is a separate accounting entity having its own assets, liabilities, revenues, and expenditures. Town financial resources are allocated to and accounted for in individual funds based on legal or administrative restrictions or requirements.

- **General Fund**

The General Fund (010) is the Town's operating fund - the general purpose fund. It is used to account for all financial resources except those that are required to be accounted for in other funds. It contains expenditures such as support services, Town Manager, Town Clerk & Finance, Public Works, Public Safety, Parks and Recreation, and Police Pension.

- **Capital Improvement Fund**

The Capital Improvement Fund (040) is for the revenues and expenditures associated with the acquisition of construction of major capital expenditures, except those paid for by enterprise funds.

- **Enterprise Funds**

Enterprise funds are created to deliver specific service that is usually funded by user fees or charges.

The Sewer Fund (030) is for the operations of the Wastewater Treatment Plant.

The Water Fund (050) is for the operations of the Water Treatment Plant.

The Garbage Fund (060) is for trash collection and recycling services.

- **Transportation Fund**

The Transportation Fund (070) is used to account for financial resources relating to transportation. This fund was started with the transfer of monies from the Colorado Department of Transportation for the take over of US Highway 160 B now renamed Bayfield Parkway.

- **The Conservation Trust Fund**

The Conservation Trust (020) fund contains all the lottery proceeds that are distributed to the Town on a per capita basis. These funds are restricted in their use to new projects as well as maintenance of new projects.

- **Special Improvement District (SID) Debt Service Fund (011)**

The Town is a pass-thru for the assessments that are paid by property owners of the SID business district. Assessments are collected by the County Treasurer and administered to the Town of Bayfield who pays the interest and principal of a bond for infrastructure for the SID.

- **Equipment Replacement Fund**

The Equipment Replacement Fund (090) was created in 2009 to set aside funds on an annual basis for the acquisition of high dollar equipment. The amount set aside is based on the life of the asset plus the estimated replacement cost.



SUMMARY OF DEBT BY FUND

Capital Improvement Fund

Description: Town Hall Capital Lease
Date of Origin: 10/22/2007
Amount: \$2,200,000
Date of Retirement: 10/22/2017
Annual Payment: \$267,782

Sewer Operating & Capital Fund

Description: Colorado Water Resources & Power Development Authority
Water Pollution Recovery Fund Loan (WPRF)
Date of Origin: 8/1/2007
Amount: \$4,780,000
Date of Retirement: 8/1/2028
Annual Payment: \$365,958

Water Operating & Capital Fund

Description: Energy Mineral Impact Assistance Loan (DOLA)
Date of Origin: 9/1/2003
Amount: \$233,000
Date of Retirement: 9/1/2022
Annual Payment: \$18,697

Description: Colorado Water Resources & Power Development Authority
Drinking Water Revolving Loan (DWARF)
Date of Origin: 6/1/2007
Amount: \$350,000
Date of Retirement: 9/1/2016
Annual Payment: \$27,276

Description: Loan from Capital Improvement Fund for Water Salesman
Date of Origin: 2009
Amount: \$110,000
Date of Retirement: 2014
Annual Payment: \$20,000

Special Improvement District (SID)

Description: Special Revenue Bonds
Date of Origin: 7/1/2003
Amount: \$1,700,000
Date of Retirement: 7/1/2020
Annual Payment: \$145,825



GENERAL FUND

General Fund

The General Fund is the Town's operating fund or general purpose fund. It is used to account for all of the financial resources of the Town except those that are required to be accounted for in other funds. It contains expenditures such as support services, Town Manager, Town Clerk & Finance, Public Works, Public Safety, and Parks & Recreation.

Budget Summary

Total General Fund Revenues & Transfers In — \$1,632,787

Total General Fund Expenses & Transfers Out — \$2,220,537



BUDGET NARRATIVE

General Fund

The 2012 General Fund Budget is presented with revenues and expenditures balanced. That is, the amount of anticipated revenues plus other financing sources is equivalent to the amount of proposed expenditures. The 2012 budget includes \$1,632,787 in revenues and \$2,220,537 in expenditures, which includes a proposed spend down of fund balance for a one time loan to the Sewer fund of \$500,000 for the decommissioning of the wastewater treatment plant, lagoons, \$18,800 for contribution to the sewer fund, \$20,000 for a portion of aerial photography and survey work, \$46,450 for contingency, and the utilization of \$2,500 donated by BP for the Senior Center. Additional significant expenditures include \$61,000 for dispatch services, \$41,400 for General Liability/Property Insurance, \$17,000 for street lighting, and \$17,000 for snow and ice removal. Please note that it is generally an accepted practice to spend down fund balance only for a one-time expenditure and not annual operating costs.

A. Revenues

1. Taxes and Fees

The 2012 Budget includes an anticipated 3% increase in revenues and other financing sources. Based on the December 1, 2011 Certified Valuation information provided by the County Assessor, the Town will experience a 6% decrease in property tax revenues due to declining property values. The proposed budget also includes a forecast of a 1% increase in sales tax from the 2011 estimated collections. Lewis Mercantile and The Grocery Store remain the Town's top sales tax revenue producing businesses and the Family Dollar Store has been a welcome addition to the Town's sales tax base. We continue to pursue options for new businesses to be added to the Town. At this point there is no pending construction for new businesses. The economic impact of new construction on countywide level remains uncertain as no formal plans for commercial development have been announced.

2. Intergovernmental Revenue

The 2012 Budget includes \$78,524 in High Intensity Drug Trafficking Area (HIDTA) funds for reimbursement of a portion of the costs for an investigator position assigned to the Southwest Colorado Drug Task Force.

3. Licenses and Permits

The 2012 Preliminary Budget includes an 11% decrease in License and Permit fees collected from building permits, business licenses and other fees. Economic conditions have slowed new construction and other building activities; however, the Town anticipates the current level of activity will remain into 2012. In addition, there is an expectation of a 2% increase in revenues collected on charges for services. The largest increase in charges for services will be the increased fees for VIN Inspections from \$10 to \$20.



BUDGET NARRATIVE

4. Charges for Services

The budget includes an increase in the amount of court fines in the 2012 budget as compared to the previous year's figures. The amount of court fines collected in 2011 was greater than 2010 and it is anticipated that with the addition of a new Marshal, those figures will continue to grow in 2012.

5. Senior Center

The budget includes a decrease in the amount of revenues for the Senior Center in the 2012 budget as no monies from grants have been forecasted. The other forms of revenue such as program fees and rental fees are predicted to remain steady in 2012.

6. Fines

The 2012 budget shows that fines will increase minimally, as has been reflected in the actual dollars collected in recent years.

7. Grants

The budget for 2012 shows a minimum in revenues related to grants. The Town serves as a facilitator of "pass thru" grants and during the last year, the Bayfield Early Education Program (BEEP) CDBG grant was paid in full. There is still a portion of one pass thru CDBG grant for Regional Housing that remains on the *books for 2012 for \$20,000*.

8. Miscellaneous

The 2012 miscellaneous section of the general fund budget has changed and now contains multiple interest income line items as well as the revenue line for the food bank. The budget for 2012 shows decreases in interest revenues, as reflected in the investment market and a conservative estimate for the food bank.

9. Transfers

The transfers in from the Water, Sewer, and Garbage Funds for payroll have ceased in the 2012 budget. This is primarily due to the personnel costs of the Public Works Department and Administrative Department being directly budgeted in each fund in proportion to the time usage by each fund. Previously, transfers were made quarterly to cover cost of payroll from each Enterprise Fund. However, this practice will be discontinued in 2012 and each fund will have a budget reflecting the appropriate proportion of payroll expense due to the fund.

B. Expenditures

1. General Government

The 2012 budget proposes a decrease in expenses for the general government accounts primarily due to the change in accounting for salaries for the town manager and general administrative staff. Payroll expenses will now be accounted for proportionately between the enterprise funds and the general government expenses. In addition, expenses have decreased with the ending of the Town Intern position in 2011 and the cut back of spending on community funding for the Road Runner Transit system. Significant increases in general government expenses are reflected in the addition of a salary adjustments line item intended for use in staff raises and bonuses, \$25,000 in



BUDGET NARRATIVE

engineering costs (\$20,000 of this is related to aerial photography), \$8,000 in economic development programs, and \$15,000 in computer support and maintenance to fund the addition of a part time IT position. Also of note are a pass thru grant for the Regional Housing Alliance of \$20,000, and significant contingency funds of \$48,340.

2. Public Safety

Public Safety expenditures in the 2012 budget reflect one significant change with the addition of an investigator position to the staff. As previously mentioned, this position is reimbursed by HIDTA (High Intensity Drug Trafficking Area) funds for the Investigator assigned to the Southwest Colorado Drug Task Force. The budget includes the salary, benefits, and related costs associated with this position under the Public Safety section of the budget. Other increased expenses for Public Safety include Workman's Compensation Insurance and FPPA insurance. The largest expenses of note are Dispatch Service for \$61,000 and fuel for \$21,000. Overall, the Public Safety portion of the budget increased a total of \$44,303; however, the increase has been offset by intergovernmental revenue in the form of grant funds.

3. Public Works

The 2012 budget for Public Works again reflects a significant change in the expenses for salaries as the payroll has now been divided on a percentage basis to each fund involved in the cost of staffing. The cost of staff in the Public Works portion of the General Fund has been cut by more than half due to this change. On the reverse side, increases in line items related to the public streets have increased due to the addition of Bayfield Parkway to the number of road miles maintained by the Town. This is included in items such as striping at \$5,100, snow and ice removal at \$17,000, fuel at \$9,000, and training, travel and meetings at \$2,000. In addition, street lighting is budgeted for \$17,000 and equipment maintenance and repairs at \$12,000 for 2012.

4. Parks and Recreation

Another significant change to the 2012 budget is the movement of Parks and Recreation from the Conservation Trust Fund to the General Fund. Within Parks and Recreation, increased expenses are seen in the seasonal employee wages line item of \$8,300. This line item now includes summer seasonal help as well as scorekeepers, referees and umpires wages. Overall, expenses in the Parks and Rec department have remained steady in the 2012 budget.

5. Senior Center

The Senior Center expenses for the 2012 budget have increased due to the addition of the salary and benefits of the senior center coordinator position. In order to more correctly account for expenses, the division of time spent at the senior center by Town staff has been added to the Senior Center expenses. Increase in electricity and building maintenances costs have also been reflected in the budget as these items increase with age of the building.

6. Police Pension

Another significant change to the 2012 budget is the dissolution of the Police Pension Fund and its absorption into the General Fund. Again, this decision was made in order to simplify accounting for the Town of Bayfield. The expense of the police pension fund will remain the same as the 2011 budget at \$109.02 per month.



GENERAL GOVERNMENT & ADMINISTRATION

General Fund

General Government

The Town of Bayfield is a statutory town and operates under the council-manager form of government. This form of government operates with a town board of trustees as a policy body and a town manager as the chief executive-administrative officer of the town government. In the council-manager form of government, the board provides legislative direction while the manager is responsible for the day-to-day administrative operations of the Town base on the board's recommendations. The Town of Bayfield's board consists of six members and an elected Mayor.

Town Manager

The Town Manager is the Chief Executive Officer of the Town and is directly responsible to the Town Board of Trustees for planning, organizing, and directing the activities of all Town departments and agencies under his jurisdiction. The Town Manager is responsible for appointing and supervising Town employees, preparing and submitting the proposed annual budget, recommending approval of municipal ordinances and regulations, and implementing policies established by the Board of Trustees.

Town Clerk & Finance

The Town Clerk's office maintains and certifies records of all Town business, including resolutions, meeting minutes, official deeds, leases, contracts and agreements. In addition, it is the duty of the Town Clerk to administer all municipal elections and to provide and manage all petition forms for any purpose under the provisions of the State statutory requirements. The Town Clerk's Office handles the posting of all public notices, the administration and maintenance of liquor licenses and business licenses. The Town Clerk also oversees all accounts payable, utility billing, cash receipting, payroll and all human resource related duties. The Administrative Assistant and Office Assistant report to the Town Clerk.

The Finance Director provides general fiscal services including preparing and monitoring the budget, overseeing the annual audit, general ledger oversight, sales tax analysis, and investment management. The primary focus of the Finance Director is to provide accurate, timely, and useful information to support effective decision making.

Mission Statement:

The Town Government of Bayfield is dedicated to serving our citizens with integrity and professionalism by providing quality services and infrastructure that protect and enhance the quality of life through planning and progressive leadership.

Budget Summary

Total General Government Administrative Expenses — \$404,070



PUBLIC SAFETY
General Fund

Public Safety Department

The Bayfield Marshal's Office (the Public Safety Department) is responsible for maintaining general public safety in and around the Bayfield area. The Marshals services include patrol, law enforcement, criminal investigation, safety monitoring during special events, animal control, code enforcement and emergency response.

During 2011, the Public Safety Department employed one Chief Marshal, five Deputy Marshals, and one part-time office assistant.

Mission Statement:

To embrace our community and enhance their quality of life through partnerships, problem solving, protecting life, liberty, and property, preventing crime and reducing the fear of crime on a daily basis. We accomplish this mission by living our core values, providing exceptional customer service, maintaining technical excellence, and respecting individual liberties and personal dignity.

Budget Summary

Total Public Safety Expenditures — \$620,346



PUBLIC WORKS
General Fund

Public Works Department

The Public Works Department is responsible for maintenance and improvements to the Town's infrastructure. It is the department that is responsible for snow plowing and removal, road and street repairs and improvements, sidewalks, street cleaning, and landscaping. Public Works also oversees the water and sewer systems for residents and businesses located within the Town. Additionally, this department oversees the garbage and recycling operations. Most capital improvement projects are managed through this program.

In 2011, the Public Works Department employed the Public Work's Director and 6 full-time employees.

The water, sewer and garbage revenues and expenses are maintained in separate enterprise funds. These funds contain line items to account for their portion of the administrative services that are done of behalf of these funds as well as the portion of each employee's time that is spent working in these areas.

Mission Statement:

To construct and maintain critical infrastructure needs including water, sewer and roads that exceed the expectations of Bayfield residents.

Budget Summary

Total Public Works Expenditures — \$251,930



PARKS & RECREATION

General Fund

Parks and Recreation

The Parks & Recreation Department is responsible for numerous recreational activities including youth and adult sports, special events and senior citizen activities. It is responsible for the building and maintaining of the infrastructure of all municipal parks. The department also oversees the operations of the Senior Citizen Center.

During 2011, the Parks & Recreation department employed a Director, Assistant Director, Parks Maintenance worker, a part time Senior Center Coordinator, and a seasonal worker.

Mission Statement:

To provide all citizens of Bayfield the opportunity to participate in a full range of quality recreational programs and enjoy well-maintained park facilities.

Budget Summary

Total Parks and Recreation Expenditures—\$288,745



CAPITAL IMPROVEMENT FUND

The Capital Improvement Fund is used to account for financial resources to be used for the acquisition or construction of major capital expenditures (other than those financed by the Enterprise funds). These expenditures include buildings and construction projects. The Capital Fund's primary source of revenue is a percentage of sales tax collections and grant revenues. In 2012, 50% of city sales tax revenue is committed to this fund. A transfer from the Capital Improvement Fund to another fund is made when capital expenditures occur so that the department budget reflects total costs.

Budget Summary

Total Revenues — \$1,834,832

Total Expenditures — \$2,625,415



BUDGET NARRATIVE

II. Capital Improvement Fund

The 2012 Capital Improvement Fund Budget is presented with revenues and expenditures balanced. That is the amount of anticipated revenues plus other financing sources is equivalent to the amount of proposed expenditures. The 2012 budget includes \$1,834,832 in revenues and \$2,625,415 in expenditures, which includes a spend down of fund balance of \$790,583 for grant matches.

A. Revenues

1. Sales Tax

The 2012 Budget reflects revenues in the Capital Improvement Fund from a 50% share of the City Sales Tax monies. This total is projected to be \$239,188 in 2012.

2. Charges for Services

Charges for Services in the 2012 Budget remain steady with the continued collection of a county lease payment for use of building space in the Bayfield Town Hall location.

3. Grants

The 2012 Budget shows significant funds in the grants portion of the Capital Improvement Fund due to multiple planned grants including a \$1,125,000 GO CO River Initiative Grant for the building of a regional white water park and walking trails, \$305,415 for a DOLA SCAN Grant for installation of a fiber optic loop in the Town of Bayfield, and a \$45,000 GO CO Mini Grant for improvements to Gosney Park. Also of note are revenues budgeted for the CR 501 trail extension and partner match for the trail extension totaling \$60,000. This project plans to extend the 501 walking/biking trail a quarter of a mile to connect at the Pine Valley Church.

4. Miscellaneous

The 2012 Budget accounts for \$1,900 in revenues for interest income in the Capital Improvements Budget.

5. Transfers

A transfer of \$20,000 continues with the 2012 budget to repay a loan made to the water fund. This repayment will continue until 2014 with the final payment of \$10,000.

6. Parks and Recreation Capital Improvement

The 2012 Budget contains an addition in the Capital Improvement funds of revenues and expenditures from Parks and Recreation Capital Improvement. It has been decided that this is a more appropriate location for these revenues and expenses. The most significant revenue is the Parks in Lieu Fees budgeted at \$3,000 for 2012.

B. Expenditures

1. Trails

The 2012 Budget shows expenditures of \$75,000 to complete the extension of the County Road 501



BUDGET NARRATIVE

Trail. As previously mentioned, this project will include partner matches to cover additional required funds.

2. Miscellaneous

The miscellaneous section of expenditures for the Capital Improvement fund for 2012 shows several large expenditures related to planned grants. In most instances, there is a matching requirement for a grant, which requires budgeting for a larger amount than the grant. The largest grant funded project that was budgeted for was the regional white water park and walking trail. The item reflects an expense of \$1,500,000. Second on this list is the SB232 Fiber Grant for \$407,855 to aid in the installation of fiber optic lines. This is the Town of Bayfield's portion of the regional project. Also reflected in expenses is \$60,000 for the GO CO Grant improvements to Gosney Park and \$100,000 for repairs to Sunrise Estates storm water system.

3. Debt Service

The largest expenditure in the Capital Improvement Fund for 2012 related to debt service is the annual payment of \$267,782 to repay the loaning of funds for the construction of the Town Hall.

4. Transfer

The only transfer in 2012 from the Capital Improvement Fund will be \$214,778 to the Equipment Replacement Fund for replacement of several pieces of equipment.



SEWER
Operating & Capital Funds

The Sewer fund was created when the Town took over the Bayfield Sanitation District at the beginning of 2007. The Town built a fully mechanical Wastewater Treatment Plant in 2009. This plant treats approximately 600,000 gallons of sewage per day. Gem Village sewage is pumped to the Bayfield Wastewater Treatment Plant. The Public Works Department is responsible for the operations of the plant.

The Sewer Operating Fund contains all of the revenues and expenses associated with managing the wastewater collection and treatment systems. As an enterprise fund, the costs of providing these services to the public are recovered primarily through user charges.

The Sewer Capital Fund is for future capital improvements to the plant. It is funded primarily with tap fees, which are assessed for any sewer connection made to any of the sewer lines or mains owned by the Town. Tap fees are paid at the time of building permit for all new construction.

Budget Summary

Total Operating Revenues—\$1,238,587

Total Operating Expenses—\$1,238,587

Total Capital Revenues—\$530,000

Total Capital Expenses—\$500,000



BUDGET NARRATIVE

III. Sewer Fund

The 2012 Sewer Fund Budget is presented in two parts. The first part is the sewer operating budget. The annual revenues are equal to annual expenses in this section. The second part is the sewer capital operating budget and it is presented with a proposed spend down of fund balance of \$30,000. The operating fund contains the revenues from monthly fees as well as proposed transfers and loan proceeds. In addition, the operating fund contains expenditures related to staffing and general operation of the waste water treatment plant. The sewer capital portion of the fund contains revenues based on budgeting for tap fees and a transfer from the general fund. Expenditures in this portion of the budget are related to the capital improvements including the decommissioning of the lagoons from the previous plant.

A. Revenues

1. *Charges for Services*

The 2012 Budget reflects its greatest revenues in the Sewer Fund in the Charges for Services portion of the budget. Monthly sewer charges are anticipated to bring in revenues around \$719,137. These fees reflect a change from 2010 with a 5% increase in the sanitary sewer fee rate.

2. *Transfer*

The 2012 Budget includes a transfer in from the General Fund of \$18,800 to be used toward a rate study in the Town of Bayfield.

3. *Loan Proceed*

The 2012 Budget includes a proposed \$500,000 loan proceed from the Colorado Water Resource and Power Development Authority that will be used to cover infiltration repairs of the waste water system in the Town of Bayfield.

4. *Capital Revenues*

The capital revenues for the Capital portion of the Sewer Fund are an estimate of the sewer tap (plant investment) fees. This estimate is a conservative figure based on past developments and is reserved for future major capital improvements.

5. *Transfer*

The sewer capital revenues include a transfer from the general fund of \$500,000. These revenues are intended for use in the Decommissioning of the Bayfield Sewer Treatment Plant and will be in the form of a loan from the General Fund

B. Expenditures

1. *Salary and Benefits*

As previously discussed, the 2012 budget includes a break down of salaries and benefits based on percentages to each of the funds utilizing the services of various staff members. The Sewer Operating Fund includes a budgeted total of \$151,286 for salaries and benefits.



BUDGET NARRATIVE

2. Collection and Transmission

The 2012 budget for Collection and Transmission items in the Sewer Fund remains primarily unchanged from 2011 with the exception of a decrease in Repair and Maintenance of \$5,500.

3. Sewer Treatment

The 2012 budget reflects some changes in the Sewer Treatment section with expenses declining by a total of \$26,878. These decreased expenses are found in a variety of line items including the utilities such as electricity, water and sewer, as well as supplies and a significant decline in Repairs and Maintenance.

4. General Operations

General Operations in the 2012 Sewer Fund budget shows a large change as the infiltration line item has increased to a \$500,000 budgeted expense. It is the plan of the Town to review the waste water system and conduct needed repairs to infiltration issues in 2012.

5. Administrative

The 2012 Sewer Fund budget for Administrative items reflects its largest change in expenditures in the engineering line item. This line item was increased in 2012 to help fund a portion of the aerial photography study of the town. In addition, the Town intends to complete a wastewater systems model, system plan, and rate study. These studies intent is to obtain a better picture of the sanitary sewer infrastructure of the town.

6. Transfers

Transfers in the 2012 Sewer Fund budget are limited to a single transaction. The transfer of funds from the Sewer Fund to the Equipment Replacement fund allows for purchase of needed equipment as well as replacement of worn out items both in 2012 and in future years.

7. Other

Funds have been allotted to the Sewer Capital Fund budget for the decommissioning of the previous Bayfield Sewer Plant. The \$500,000 expense has been an ongoing project that needs to be wrapped up in 2012.



WATER

Operating & Capital Funds

The Water Fund is an enterprise fund that is funded with revenues from user fees paid for the operations of the Water Treatment Facility. The Town's drinking water comes from the Pine River and is treated and maintained by the Town's Public Works Department.

There are approximately 15.5 miles of water distribution lines that service the Town & its residents. Current treatment capacity is 1.3 million gallons per day and water storage capacity is 1.7 million gallons. The Town Board adopted a policy to maintain 1,000 gallons of water storage per household per day in order to ensure adequate water availability for fire fighting, drought reserve, & minor river contamination due to forest fires or soil run-offs.

The Water Capital Fund is for future capital improvements in the facility. It is funded primarily with water tap fees, which are assessed for any water connection made to any of the water lines or mains owned by the Town. Tap fees are paid at the time of building permit for all new construction.

The Water Operating and Capital Fund budgets contain line items for non-cash expenditures. These amounts are annually invested sums intended to carryover for future purchases. The future purchases include:

Northside Pressure Upgrade & Plant Upgrade — \$60,000 is being set aside each year to address the lack of water pressure on the north side of town. This project will include replacing two old pumps at the water plant with higher head and capacity pumps and placing an altitude valve at the middle tank site. These improvements will increase the pressure in the system and the pump capacity will increase by two times. The cost estimate for the is project is \$150,000.

New Meters & Radio Reads — \$10,000 is being set aside each year to replace the meters, which have expected lives of 20 years.

Water Storage Tank & Recoating — \$10,000 is being set aside each year for an additional tank to increase storage capacity as well as recoating of the tank to prevent rust. The first tank recoating project was completed in 2011.

Additional Water Filter — \$10,000 is being set aside each year for an additional water filter for the new storage tank.

Reservoir Enhancement — \$10,000 is being set aside each year to increase the storage capacity of raw water.

Ditch Piping—\$10,000 is being set aside per year to pipe sections of the ditch to alleviate water loss issues.

Budget Summary

Total Operating Revenues — \$476,292
Total Operating Expenses — \$441,292
Total Capital Revenues — \$33,650



BUDGET NARRATIVE

IV. Water Fund

The 2012 Water Fund is presented in two parts. The first part is the water operating budget in which annual revenues are greater than expenditures by \$35,000. The second portion of the budget is the water capital and it also reflects annual revenues outweighing expenditures by \$13,650. Please note that portions of the fund balances have been reserved for future capital improvements. The operating fund contains revenues from the monthly water fees as well as the water salesman and meter purchases. In addition, the operating budget contains expenses for staffing and other general operating costs related to the running of the water plant. The capital portion of the water budget contains revenues related to tap fees (plant investment fees) and expenditures related to capital projects.

A. Revenues

1. Charges for Services

The 2012 budget for the Water Fund reflects its largest revenues in the Charges for Services section. Water fees collected on a monthly basis as well as penalties and interest on these services look to remain steady for the 2012 budget year. The Town is predicting a collection of \$430,042 in water sales for the Town. The water salesman continues to be utilized by many and interest on this account is predicted to remain low due to the slow economy.

2. Charges for Services (Water Capital)

Charges for Services in the Water Capital section of the budget is also the largest revenue bearing section for this portion of the budget in 2012. The plant investment fees (tap fees) are predicted to be \$33,000 for 2012.

B. Expenditures

1. Salary and Benefits

As previously discussed, the 2012 budget includes a break down of salaries and benefits based on percentages to each of the funds utilizing the services of various staff members. The Water Operating Fund includes a budgeted total of \$114,229 for salaries and benefits.

2. Water Storage

The 2012 budget remains the same in the Water Storage section of the water fund with the largest expenditure being virtually unchanged at \$15,368 for the cost of water storage shares.

3. Pumping Costs

In the 2012 budget, pumping costs remain the same as 2011 at a budgeted amount of \$40,500.

4. Water Treatment

The 2012 budget section for Water Treatment shows one large change in expense in the Engineering line item. The total of \$77,500 has been allotted with the intent of using a portion of the



BUDGET NARRATIVE

funds to aid in the purchase of the aerial photography mapping of the Town, water modeling, planning and a rate study.

5. Transmission and Distribution

The section of the Water Fund budget with the header Transmission and Distribution for 2012 shows a significant cost decrease from 2011. This is primarily due to the fact that no money has been expended for recoating of the Water Tanks as this project was completed in 2011. However, funds have been assigned to repeat this process in future years as the need arises again. Also of note in this section, are increased expenditures in hydrant purchases of \$9,375 in order to replace some aging water hydrants within the Town of Bayfield.

6. Administrative Costs

Administrative costs in the 2012 Water Fund budget remain steady from the 2011 budget.

7. Debt Service

The 2012 budget for the Water Fund includes three payments of debt service from the water fund. The DWARF bond principal and interest payment of \$27,276, the DOLA loan interest and principal payment of \$18,697, and a repayment to the capital fund of \$20,000.

8. Transfers

The 2012 budget reflects only one transfer from the Water Fund. \$11,085 will be transferred to the Equipment Replacement Fund for use toward purchase of new equipment or replacement of worn out items in 2012 as well as future years.

9. Capital Outlay

The 2012 Water Capital budget reflects a single expense in the heading Capital Outlay. This expenditure is \$20,000 assigned to be put towards the LAPLAWD water study.



GARBAGE

The Garbage fund is an enterprise fund and is designed to be funded with user charges for the costs of providing services to the general public. The Town of Bayfield has a contract with a trash collection provider who provides trash collection from all residents that request service. The fees collected from residents pays for the trash collection service and additional services such as recycling, annual clean-up, and Christmas tree clean-up.

Budget Summary

Total Revenues—\$113,174

Total Expenses—\$123,793



BUDGET NARRATIVE

V. Garbage Fund

The 2012 Garbage Fund Budget is presented with revenues and expenditures balanced. That is, the amount of anticipated revenues plus other financing sources is equivalent to the amount of proposed expenditures. The 2012 budget includes \$113,174 in revenues and \$123,793 in expenditures, which includes a proposed spend down of fund balance of \$10,619.

A. Revenues

1. Charges for Services

The 2012 Garbage Fund budget shows the majority of its revenues being collected in garbage fees. The proposed amount to revenue in 2012 for this line item is \$112,274. The remainders of the revenues are collected thru clean up fees and interest earned.

B. Expenditures

1. Salary and Benefits

As previously discussed, the 2012 budget includes a break down of salaries and benefits based on percentages to each of the funds utilizing the services of various staff members. The Garbage Fund includes a budgeted total of \$9,003 for salaries and benefits.

2. Operations

The 2012 budget for the Garbage Fund includes its largest expense in the Operations section of the budget. The Waste Control Contract for removal of trash in the Town of Bayfield is predicted to cost \$101,640 for 2012. In addition, an expenditure of \$6,500 is realized for the hauling of the Town's recycling items.

3. Administrative

The largest expense in the administrative portion of the Garbage Fund budget for 2012 is recognized in the payroll of the recycling attendant fee of \$5,850.



TRANSPORTATION FUND

The Transportation Fund was created in 2011 when the Town took over Highway 160B now renamed Bayfield Parkway from the State of Colorado. This fund is used to account for financial resources to be used for transportation related expenses. The Transportation Fund monies were transferred to the Town and required to be accounted for separate from other funds. In 2012, \$4,000,000 has been set aside in expenses to replace the bridges located on Bayfield Parkway.

Budget Summary

Total Revenues — \$707,000

Total Expenditures — \$4,040,000



BUDGET NARRATIVE

VI. Transportation

The 2012 Transportation Fund is a new addition to the budget of the Town of Bayfield. The fund was created primarily to manage the revenues and expenditures of the streets of the town and was begun with funds obtained in the transfer of U.S. Highway 160 B through the Maintenance Incentive Pilot Program (MIPP), now renamed Bayfield Parkway, from the Colorado State Highway Department to the Town of Bayfield. The fund is presented with revenues and expenditures balanced. The anticipated amount of revenues plus other financing sources is equivalent to the amount of proposed expenditures. The 2012 budget includes:

A. Revenues

1. Grant

The only budgeted revenue for the 2012 Transportation Fund budget is planned in the form of a grant for \$707,000. This grant will be used to replace the existing bridges on Bayfield Parkway after assessment of need is made.

B. Expenditures

1. Street Repairs

The 2012 Transportation Fund contains a budgeted expense for Miscellaneous Highway 160 B (Bayfield Parkway) improvements under the heading of Street Repairs. This item is expensed at \$40,000. The Town has an evaluation of the twin bridges underway and anticipates some costs associated with the engineering study. Additionally, the potential for unanticipated costs is included.

2. Bridge Repairs

The major expenditure in the 2012 budget for the Transportation Fund lies in the Bridge Repairs heading. The two current bridges on Highway 160 B (Bayfield Parkway) are in need of repair/replacement and monies from the transfer of the highway from the Colorado Department of Transportation have been set aside to use for this purpose. The item is being expensed in the 2012 budget under the Bridge Replacement line item for \$4,000,000.



CONSERVATION TRUST FUND

The Conservation Trust Fund was established to accurately account for the Colorado Lottery proceeds that are received thru the State of Colorado Conservation Trust Fund Program. The revenues in this fund are earmarked for the establishment and continued up-keep of new conservation and park areas. The 2012 budget shows a change in the Conservation Trust Fund due to the transfer of all Parks and Recreation Related Expenses out of the fund. The Town will seek grant funding to be used toward a park plan for the Town with the Lottery Funds being used as match toward this grant

Budget Summary

Total Revenues — \$72,000

Total Expenditures — \$72,000



BUDGET NARRATIVE

VII. Conservation Trust Fund

The 2012 budget for the Conservation Trust Fund has been adjusted from previous years with Parks and Recreation related items being moved to the General Fund. The Conservation Trust Fund now contains items that are related to the spending of Conservation Trust funds dollars specifically which are designated for specific purposes. The Conservation Trust Fund budget is presented with revenues and expenditures balanced.

A. Revenues

1. Capital Revenue

The 2012 budget for the Conservation Trust Fund shows the total of revenues for the year being contained in the Capital Revenue section. The revolving revenue occurs in the form of Lottery Funds and this line item is budgeted at \$18,000. The remainder of the revenues budgeted are listed in the GO CO Planning Grant line item. The planned \$54,000 in revenues will be used toward a park plan for the Town.

B. Expenditures

1. Capital Expense

The single expense item in the 2012 budget for the Conservation Trust Fund lies in the Capital Expense line item. This \$72,000 is the off setting expense to the previously mentioned grant for park planning for the Town of Bayfield.



MISCELLANEOUS FUND

SID Fund

SPECIAL IMPROVEMENT DISTRICT (SID) FUND

The Special Improvement District (SID) Fund is a debt-service fund that was created in 2001 when the Town issued \$1,700,000 in special revenue bonds, which are payable from the assessments levied on the SID business district property owners. Assessments paid by the property owners are collected by the La Plata County Treasurer and then given to the Town to pay the interest and principal of a bond for infrastructure at the SID. The bond will be retired by July 1, 2020.

Budget Summary

Total Revenues — \$153,200

Total Expenditures — \$147,425



BUDGET NARRATIVE

VIII. Special Improvement District

The 2012 budget for the Special Improvement District (SID) Fund contains revenues and expenditures related to the 2001 issuing of special revenue bonds by the Town. The bonds are payable from assessments levied on the SID business district property owners. The Special Improvement District budget is presented with revenues exceeding proposed expenditures. The excess of revenues over expenditures proposed to be collected in 2012 will be moved to the fund balance for future use. The bond will be retired by 2020.

A. Revenues

1. Debt Service Revenues

The 2012 budget for the Special Improvement District Fund contains all of its revenues within the header of Debt Service Revenues. All of the proposed \$153,000 in assessments are contained in the line item of Special Assessment and are paid by the business district property owners in the SID. The remainders of the revenues for this fund come from interest income.

B. Expenditures

1. Debt Service Fund Expenditures

The Special Improvement District Fund (SID) shows budgeted expenditures for 2012 that are only slightly varied from 2011. The principal payment for the bonds has increased to \$90,000 with the interest payment decreasing to \$55,825 in 2012.



EQUIPMENT REPLACEMENT FUND

The Equipment Replacement Fund (090) was created in 2009 to set aside funds on an annual basis for the acquisition of high dollar equipment and vehicles. The amount set aside is based on the life of the asset plus the estimated replacement cost. Funds are transferred annually from the Capital Improvement Fund, the Water Fund, and the Sewer Fund. The amount of the transfer from each fund is based on a detailed replacement schedule. Revenues not expensed in a given fiscal year are held in reserve for future vehicle and equipment replacement.

Budget Summary

Total Revenues — \$242,049

Total Expenditures — \$145,000



BUDGET NARRATIVE

IX. Equipment Replacement Fund

The 2012 budget for the Equipment Replacement Fund has been adjusted for shortages in previous years. The fund is designed as a “savings” fund in order to plan for purchase of future equipment and vehicles both new and replacement. The 2012 budget is presented with revenues exceeding expenditures by \$97,049.

A. Revenues

1. Transfers

The 2012 budget for revenues in the Equipment Replacement Fund is typical of revenues in other budget years. Revenues are transferred from multiple other funds in order to save for future and current equipment and vehicle replacement and purchases. In 2012 the transfers from the Capital Fund, the Water Fund, and the Sewer Fund make up the majority of the revenues at \$241,699.

B. Expenditures

1. Vehicles

The 2012 budget for expenditures in the Equipment Replacement fund contains one line item in the vehicles section for the purchase of a new patrol vehicle for Public Safety. This item is budgeted to cost \$40,000.

2. Equipment

The 2012 budget for expenditures in the Equipment Replacement Fund also contains two line items in the equipment section that are budgeted to be purchased for Public Works. A line painter for \$15,000 and a boom tractor/mower for \$90,000 have been added to the budget. These items are needed in direct relation to the taking over of Highway 160B (Bayfield Parkway) and its maintenance.



GLOSSARY OF TERMS

Community Development Block Grant (CDBG) - Federal grant funds that are received from the U.S. Department of Housing and Urban Development. The Town acts as a pass-thru entity and disburses these funds to Regional Housing who administers the program.

Conservation Trust Revenue - Revenue that is a portion of Colorado Lottery proceeds which are constitutionally mandated to be distributed directly to local governments based on population. Revenues are restricted to be used for acquiring and maintaining parks, recreation facilities and open space.

Contingency - A budgetary reserve that is not designated for a specific purpose. The contingency amount is set aside in case of emergencies or unforeseen expenditures.

Debt Service - Principal and interest payments on outstanding bonds and borrowed funds.

Department - The basic organizational unit of government that is functionally unique in its delivery of services. The Town of Bayfield has 6 major departments: Town Manager, Town Clerk & Administration, Public Safety, Public Works, Finance, and Parks & Recreation.

Employee Benefits - Contributions made by the Town to meet commitments or obligations for employee benefits. Examples are the Town's share of costs for PERA (retirement), medical, dental, and vision insurance plans.

Encumbrance - The commitment of appropriated funds to purchase an item or service. To encumber funds means to set aside or commit funds for a specified future expenditure. They cease to be encumbrances when paid, canceled or when the actual liability is created.

Enterprise Fund - These funds are proprietary fund types which are operated like a private business, where the results indicated income or loss from operations. The intent of the government is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Town has three enterprise funds: Sewer, Water, and Garbage.

Expense - Charges incurred (whether paid immediately or unpaid) for operations, maintenance, interest or other charges.

Federal Mineral Lease Revenue - Revenues from the leases of federal lands for mineral production. They are distributed to local governments based on the number of employee residences, permits, energy production, population and highway user miles in the energy impacted communities.

Fiscal Year - A 12 month period designated as the operating year for accounting and budgetary purposes in an organization. The Town's fiscal year is January 1 to December 31.



GLOSSARY OF TERMS

Full Time Equivalent Positions (FTE) - A part time position converted to the decimal equivalent of a full time position based on 2,080 hours per year. For example, a part time clerk working 20 hours per week would be an equivalent to .5 of a full-time position.

Fund - A fiscal entity with revenues and expenses that are segregated for the purpose of carrying out a specific purpose or activity based on legal or administrative restrictions.

Fund Balance - The accumulated balance or carryover that occurs when actual revenues exceed actual expenditures at the end of the fiscal year.

General Fund - This fund is the Town's primary operating fund and is used to account for services typically associated with local governments. It is used to account for activities that are not accounted for in the other funds such as support services, Town Manager, Town Clerk & Finance, Public Work's, and Public Safety.

Goal - A statement of broad direction, purpose or intent based on the needs of the community. Departmental goals are articulated in their section of the budget document.

Grants - Contributions and cash from another government, private, or non-profit entity. They are generally restricted to be used for a specific purpose or activity.

Highway Users Tax (HUTF) - A Colorado state tax collected mostly from gasoline sales and vehicle registration and disbursed to local governments. Funds are dedicated to provide support for street improvements and maintenance.

Infrastructure - The physical assets of the Town including streets, water, wastewater, public buildings and parks.

Intergovernmental Agreement (IGA) - A contract between governmental entities as authorized by State law.

Intergovernmental Revenue - Funds received from federal, state and other local governmental sources in the form of grants, shared revenues, and payments in lieu of taxes.

Interest Income - The amount of revenue earned on cash deposits and investments.

Liquor License - A fee imposed for serving alcohol within the Town.

Long Term Debt - Debt with a maturity of more than one year after the date of issuance.

Net Assets - Assets minus liabilities; term used for the enterprise funds.

Objective - Something to be accomplished in specific, well defined, and measurable terms and that is achievable within a specific time frame. Each department has objectives for the next fiscal year.



GLOSSARY OF TERMS

Obligations - Amounts that a government may be legally required to meet from its resources. They include not only actual liabilities, but also encumbrances not yet paid.

Operating Expenses - The cost for personnel, materials, and equipment required for a department to function.

Operating Revenue - Funds that the government receives as income to pay for ongoing operations. It includes such items as taxes, fees from specific services, and grant revenues. Operating revenues are used to pay for day-to-day services.

PERA - Stands for Public Employees Retirement Association, a retirement fund that replaces Social Security for Town employees.

Reserve - An account used either to set aside budget revenues that are not required for expenditure in the current budget year or to earmark revenues for a specific future purpose.

Revenue - Sources of income financing the operations of government.

Special Improvement District (SID) Debt Service Fund - The Town is a pass-thru for the assessments that are paid by property owners of the SID business district. Assessments are collected by the County Treasurer and administered to the Town of Bayfield which pays the interest and principal of a bond for infrastructure at the SID.

Specific Ownership Tax - Taxes collected from motor vehicle registrations which are allocated to the Town based on a proportion of property tax levied within La Plata County for the preceding year.

Severance Tax - A Colorado state tax imposed on the removal of nonrenewable resources such as crude oil, condensate and natural gas, coal bed methane and carbon dioxide. Revenues are distributed to local governments based on the number of employee residences, permits, productions, population and highway user miles in the energy impacted communities.

Tax Levy - Tax rate per one hundred dollars multiplied by the tax base imposed for the support of government activities, such as in the case of property taxes assessed by the county assessor.

TABOR - The Taxpayer's Bill of Rights established in 1992 which restricts revenues for all levels of government (state, local, and schools). Under TABOR, state and local governments cannot raise tax rates without voter approval and cannot spend revenues collected under existing tax rates if revenues grow faster than the rate of inflation and population growth, without voter approval.

Transfers - The movements of monies between funds of the same governmental entity to reimburse costs or provide financial support.