

**TOWN OF MANCOS
BOARD of TRUSTEES WORKSHOP**

August 24, 2022 5:30 P.M.

Workshop – 2023 Operating Budget Version 1

Town Hall Board Room

Monthly Board Workshops are for Board discussion purposes only. Decisions cannot be made during these sessions. These workshops are open to the public, however public comment will not be accepted.

BOARD of TRUSTEES MEETING

August 24, 2022 7:00 p.m.

AGENDA

- A. Call to Order
- B. Pledge of Allegiance and Moment of Silence
- C. Roll Call
- D. Approval of the Agenda
- E. Approval of the Minutes of August 10, 2022
- F. Audience Business
- G. Announcements
- H. Committee Reports
 - Region 9
 - CDOT TPR
 - Montezuma County Planning Commission
 - Montezuma County Commissioner Update
- I. Discussion and Action Items
 - 1. Economic Development Incentives
 - 2. Fiscal Health Checkup and Utility Rate Study
- J. *Items for September 14, 2022 Agenda*
 - *2023 Budget Discussion (Workshop)*
 - *August Bills & Claims*
- K. Adjournment

TOWN OF MANCOS
BOARD of TRUSTEES MEETING
August 10, 2022
7:00 p.m.

- A. CALL TO ORDER:** Mayor Queenie Barz called the meeting to order at 7:05 p.m.
- B. PLEDGE OF ALLEGIANCE AND MOMENT OF SILENCE**
- C. ROLL CALL:** Present: Mayor Queenie Barz, Mayor Pro Tem Cindy Simpson, Trustee Janice Bryan, Trustee Betsy Harrison, and Trustee Ed Hallam.
- Absent:** Trustee Richard Tokar and Trustee Nick Manning
- Staff Present: Town Administrator Heather Alvarez, Public Works Director Terry Jennings, Mancos Marshal Justen Goodall, Attorney David Liberman, Economic Development Coordinator Jason Armstrong, and Town Clerk Treasurer Jamie Higgins
- D. APPROVAL OF THE AGENDA:** Trustee Ed Hallam made the motion to approve the agenda. Trustee Janice Bryan seconds the motion. Motion passed.
- E. APPROVAL OF THE MINUTES:** Trustee Janice Bryan made a motion to approve the minutes, as present, from July 27, 2022. Trustee Betsy Harrison seconds the motion. Mayor Pro Tem Cindy Simpson abstained. Motion Passed.
- F. Community Intervention Program Update – Jim Spratlen, Montezuma County Emergency Manager, updated the Board regarding the progress and success the Community Intervention Program has had.**
- G. AUDIENCE BUSINESS:**
- James Maestas spoke to the Board regarding the water and sewer rate increases. He feels the sewer should not be as much as water.
- H. ANNOUNCEMENTS:**
- Public Works Director, Terry Jennings, informed the Board that Mancos Clean-up is coming up, August 19th and 20th.
- I. COMMITTEE REPORTS**
- Region 9 – Trustee Janice Bryan informed the Board that nothing is new since her last Region 9 meeting. Jason will be an alternate.
 - Montezuma County Commissioner Update – Commissioner Gerald Koppenhafer advised the Board a possible solar farm will be coming to Montezuma County. If power ever goes out again like it did last week and anyone needs help to call Jim as the Montezuma County Emergency Manager.

J. TREASURER REPORT – JULY BILLS AND CLAIMS

Mayor Pro Tem Cindy Simpson made a motion to approve July's Bills and Claims. Trustee Betsy Harrison seconds the motion. Motion passed.

K. ACTION AND DISCUSSION ITEMS:

1. Residents informed the Board of Trustees that the sewer rates are still too high.

Trustee Ed Hallam made a motion to approve Resolution 15 Series 2022: A Resolution Pursuant to Sec. 13-1-40 Of The Mancos Municipal Code With Regard To An Increase In Water and Sewer Rates For The Town Of Mancos and will take effect August 1, 2022. Trustee Janice Bryan seconds the motion. Motion passed with a unanimous vote.

2. Higher Purpose Land Request. The Town Administrator, Heather Alvarez, requested feedback regarding a request to sell Town land. The Board of Trustees does not think selling Town land is a good option.
3. Mayor Pro Tem Cindy Simpson made a motion to authorize the Town of Mancos to pay Montezuma County \$20,000.00 to keep the Mancos Senior Center operating through June 30, 2023. Trustee Ed Hallam seconds the motion. Motion passed with a unanimous vote.
4. Trustee Betsy Harrison made a motion to approve the quote from Browns Hill for influent and chemical controls in an amount not to exceed \$30,000 for the water treatment plant. Trustee Janice Bryan seconds the motion. Motion passed with a unanimous vote.
5. Trustee Janice Bryan made a motion to approve WCA for Asbestos abatement and demolition of building at a cost not to exceed \$150,000. Trustee Betsy Harrison seconds the motion. Motion passed with a unanimous vote.
6. 2023 Proposed Salary Discussion – The Board of Trustee discussed salary increases for 2023 and think 5% will work for the 2023 budget.

L. Items for August 24, 2022 Agenda

- *2023 Operating Budget (Workshop at 5:30 p.m.)*
- *Economic Development Incentives*

M. ADJOURNMENT

Trustee Ed Hallam made the motion to adjourn the meeting at 9:23p.m.

Mayor Pro Tem Cindy Simpson

Town Clerk/Treasurer Jamie Higgins

DRAFT

STAFF REPORT

To: Town Administrator, Honorable Mayor and Board of Trustees
From: Jason Armstrong, Community and Economic Development Coordinator
Date: August 27, 2022
Re: Economic Development Business Incentives Policy and Application

Recommendation

Town staff recommends the Board approve the proposed Town of Mancos Economic Development Business Incentives Policy and Application.

Background/Discussion

Town Attorney David Liberman may have comments he will present at the meeting.

The Town of Mancos believes that a great town provides a strong and positive foundation for its business community. We've utilized the "green tape" approach to community development and strive to work collaboratively with our business community to ensure long-term positive outcomes for all parties.

State and local governments routinely offer companies billions of dollars in fiscal incentives, including cash grants, rebates, and tax credits, to entice them to relocate, expand, or stay in a specific locality.

The Town of Mancos will only consider offering incentives that significantly result in job creation and long-term capital investments in the community, and which honors the goals and objectives as set by the Town Board of Trustees for community and economic development.

Please review the attached and provide feedback to staff.

Attachments

- Town of Mancos Business Incentives Policy
- Town of Mancos Business Incentives Application

Town of Mancos Business Incentives Policy

The Town of Mancos believes that a great town provides a strong and positive foundation for its business community. We've utilized the "green tape" approach to community development and strive to work collaboratively with our business community to ensure long-term positive outcomes for all parties. For this reason, the Town of Mancos will only consider offering incentives that significantly result in job creation and long-term capital investments in the community, and which honors the goals and objectives as set by the Town Board of Trustees for community and economic development.

Procedural Requirements

To be considered for an incentive agreement, the requesting party shall submit to the Community and Economic Development Office with the Town of Mancos all available project specifications including:

- Business Incentive Application
- Narrative describing the proposed project,
- Well-developed conceptual site-plan, and
- Comprehensive pro-form

The Town Administrator reserves the right to determine whether the project and proposal will be submitted to the Board of Trustees for consideration. The Town of Mancos Board of Trustees is the legislative decision-making authority and considers all incentive requests on a case-by-case basis. The Board reserves the right to approve or reject an incentive agreement.

The Community and Economic Development Office, in conjunction with the Planning office, Town Administrator, and Board of Trustees, will consider all request on a case-by-case basis. Project approval or rejection by these authorities shall not be considered precedent for future recommendations of decisions.

Program Requirements

The Community and Economic Development Office will accept incentive applications only if:

- The business plans to make a significant capital investment in the Town Mancos that totals \$20,000.00 or more
- The business owns the real and personal property to be considered for incentives
- The business must be in good standing with Colorado Secretary of State, Montezuma County & Town of Mancos including outstanding utility charges, back taxes, development obligations, etc.
- Must present the incentive proposal application prior to the beginning of construction and/or renovation
- The proposal is approved by the Board of Trustees through a resolution

Project Types

The Town of Mancos shall consider negotiating an incentive agreement for commercial development that includes a primary employment that meets the following criteria:

- Must be located within Town limits or allow for annexation
- New businesses must add minimum number of local jobs:

Town of Mancos Business Incentives Policy

- 1-3 Full Time Equivalent (FTE) for a small business
- 4 or more for any other business
- Existing businesses must add 4 or more local jobs
- Employer must provide a livable wage as of Mancos or Montezuma County at the time of the incentive application. Current livable wage information can be located at: <https://region9edd.org/livable-wage>

INCENTIVE TYPES

Planning and Development Processing Commitments

The Community and Economic Development Office integrates the work of the Planning Office to provide streamline access to ensure a quality developmental process.

All projects are subject to a formal in-person Pre-submittal Meeting in which the reviewing parties provide comments, suggestions, and recommendations prior to formal submittal to ensure an efficient and transparent process that supports an expedited permitting process.

Property Tax Rebates and Abatement

Property tax rebates for a period of 1 – 3 years shall be offered through a tiered approach based on the number of primary jobs created by the business enterprise.

- 25% for up to 3 FTE
- 50% for 4 or more FTE

Additionally, all businesses will enjoy a property tax abatement of any tax increase due to improvements to the property or facilities for a period of 5 years.

Sales Tax Rebates

Sales tax rebates for a period of 1-3 years shall be offered through a tiered approach based on the number of primary jobs created by the business enterprise.

- 25% for up to 3 FTE
- 50% for 4 or more FTE

Sign Fee Waiver

With a completed Sign Permit Application approved by the Planning Office, the town will waive the standard fees for signs with and without the Mancos trademark.

Business License Fee Waiver

With a completed Business License Application approved by the Town Clerk, the town will waive the first year fee for all new businesses.

Grant Programs

The Façade Grant Program offers up to \$1000.00 to help local businesses with building exterior improvements including beautification and energy-efficiency upgrades to existing facilities.

Town of Mancos Business Incentives Policy

Alternative Incentives

The Town of Mancos embraces economic development and wants to ensure that all new or established businesses have access to the substantial eco-system of economic development resources available in our area, including state tax credits, local economic development support organizations and peer networks. The Community and Economic Development Office with the Town of Mancos is available to help you locate the resources you need to be successful.

Business Incentive Application

Company Information
Company name:
Address:
Address:
City/State/Zip:
Property Address/General Location (if different from above):
Website:
Contact Person:
Phone:
Cell:
Email:
Fax:

Parent Company Information
Company Name:
Address:
Address:
City/State/Zip:
Website:
Contact Person:
Phone:
Cell:
Email:
Fax:

Qualifying Incentive Information
Type of Industry:
Town of Mancos Business License:
Company's Primary NACIS:

Employment			
Current total number of employees?	FT:	PT:	Total FTE:
Number of planned new employees?	FT:	PT:	Total FTE:
How many current employees live Mancos?			
Number of current employees being paid the regional Living Wage? (https://www.region9edd.org/livable-wage)			

Non-Construction Capital Expenditures - Value of Personal Property (I.R.S. Section 38 property) to be purchased for Town of Mancos facility:

Facility Construction and Improvements - Value of new construction, expansion, remodeling, or installation of fixed equipment of company's Town of Mancos facility

General Eligibility Requirements

To maximize the positive economic and community impacts of the Town of Mancos Business Incentive Program, certain requirements and guidelines have been established as set forth in the Business Incentive Policy attached hereto. Businesses applying for incentives must comply with these requirements.

By checking each requirement, you are confirming the company agrees to comply with each one:

- **Be a licensed business in the Town of Mancos, Colorado, in compliance with all zoning, land use and licensing requirements.** For new businesses, a business license must be obtained prior to incentive rebate being paid.
- **Be current on all fees and taxes owed to the Town of Mancos**
- Agree to **maintain a business presence in the Town of Mancos for a minimum of three (3) years from receipt of the incentive.** If the business moves out of the Town of Mancos within that period, the applicant agrees to reimburse the Town of Mancos the amount of the incentive received.

Certification

By signing below, I hereby certify and agree as follows:

- I represent the organization identified and have authority to enter into agreements on behalf of the enterprise.
- All information submitted in this application is true and correct to the best of my knowledge.
- Town personnel may require, and the applicant will provide, additional information to complete the application process.
- I understand that the Town is subject to the Colorado Open Records Act, and I therefore waive any cause of action against the Town in the event the Town determines in good faith, that any applicant data provided to the Town must be disclosed pursuant to a request made under the Open Records Act.
- **I understand that all capital investment and job creation incentivized by the Town are subject to audit. If requested the Town, I agree to comply with requests for documentation.**
- Certain incentives will be subject to approval from the Town of Mancos Board of Trustees.
- The Town is granted permission to use the applicant's name and the amount of any rebate granted to illustrate the success of this incentive program.

Signature: _____

Title: _____

Printed: _____

Date: _____

STAFF REPORT

To: Honorable Mayor & Board of Trustees
From: Heather Alvarez, Town Administrator
Date: August 24, 2022
Re: Fiscal Health Checkup & Utility Rates

Recommendation

Authorize Town Staff to apply to DOLA for an administrative grant to update our fiscal health checkup and utility rate study in an amount not to exceed \$10,000

Background/Discussion

In 2015, the Town received a grant from DOLA to conduct a fiscal health checkup for Mancos. I have attached a copy of that report here for you.

We also conducted a rate study using RPI Consulting. A copy of that report is attached here for you.

We are proposing to update the fiscal health study as it is utilized regularly by Town Staff to assist with project planning, budget planning, capital improvements and staff recommendations to the Board of Trustees.

With regard to the water rate study, we contacted RPI to see if they are able to update the information regarding other municipal water rates and to add sewer rates to this research.

The total cost for both is anticipated to be approximately \$10,000. Staff is requesting permission to apply for a grant to DOLA in the amount of \$5,000 for this project. If we are not awarded the grant, this item will be brought back before the Board to discuss next steps.

Resource Impact

\$10,000 from General Fund, Water Fund and Sewer Fund with \$5,000 being reimbursed by DOLA

Attachments

2015 Fiscal Health Checkup
2014 Water Rate Study



CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

February 24, 2015

Board of Trustees
Town of Mancos, Colorado

Re: Town of Mancos, Colorado – Financial Checkup

This report summarizes our analysis (Financial Checkup) related to the Town of Mancos (Town) audited financials statements for the years ended December 31, 2009, 2010, 2011, 2012 and 2013. Specifically, we analyzed this audited financial information to evaluate the financial condition of the Town. Financial indicators have been used to analyze data over the five year period for the following purposes: (i) to determine financial trends of the Town, (ii) to assist the Town in identifying warning trends, and (iii) to recommend solutions to help offset negative trends and suggest further enhancements to positive trends.

Our Financial Checkup has been prepared by gathering data and calculating key indicators of financial condition to aid in the diagnosis of financial stress. This evaluation process can help identify underlying areas of previously unrecognized significant trends. Further, we have provided recommendations where we have determined additional analysis may be beneficial to the Town and where warning trends have been identified. Our recommendations are being made solely upon the information obtained from the noted years' audited financial statements and we are not responsible for results obtained from implemented recommendations.

Please find attached the results of our analysis and our recommendations to the Town. We would be happy to discuss and work with the Town to move forward with implementing any of the recommendations provided within the Financial Checkup.

We were not engaged to, and did not conduct, an examination in accordance with generally accepted auditing standards in the United States of America, the objective of which would be the expression of an opinion on the financial statements of the Town. Accordingly, we do not express such an opinion. We performed our engagement as a consulting service under the American Institute of Certified Public Accountants' ("AICPA") Statement of Standards for Consulting Services. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

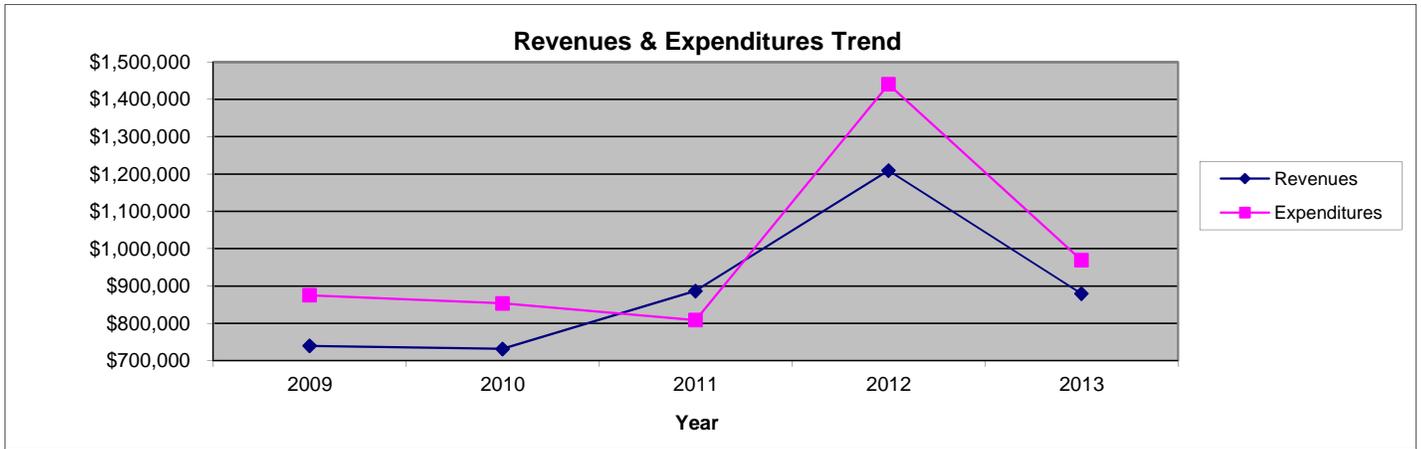
CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Certified Public Accountants & Consultants

Town of Mancos, Colorado Financial Checkup

INDICATOR #1: REVENUES & EXPENDITURES TREND ANALYSIS (R & E)

The R & E provides an overview analysis of total General Fund revenues and expenditures in order to determine if there are any trends that the Town may need to consider to ensure on-going fiscal sustainability.



	2009	2010	2011	2012	2013
General Fund Revenues	739,640	731,464	886,622	1,209,147	879,078
General Fund Expenditures	875,385	853,330	808,629	1,440,087	968,733
Rev. % Increase (Decrease) from Prior Year	13.0%	-1.1%	21.2%	36.4%	-27.3%
Exp. % Increase (Decrease) from Prior Year	-11.1%	-2.5%	-5.2%	78.1%	-32.7%

Findings:

The R&E indicates that, for the Town's General Fund, expenditures outpaced revenues in all years presented except 2011. It should be noted that the revenues do not include transfers from the enterprise funds that are for reimbursable costs. The transfer amounts for 2009 through 2013 are as follows: \$159,160, \$153,600, \$165,100, \$165,100, and \$192,435. With these transfers, revenues exceed expenditures in all years except 2012. Additionally, in 2012, there were significant increases from the prior year for both revenues and expenditures. This was attributable to the increase in grant revenue and corresponding expenditures related to the Mancos Early Childhood Center and Pedestrian Bridge.

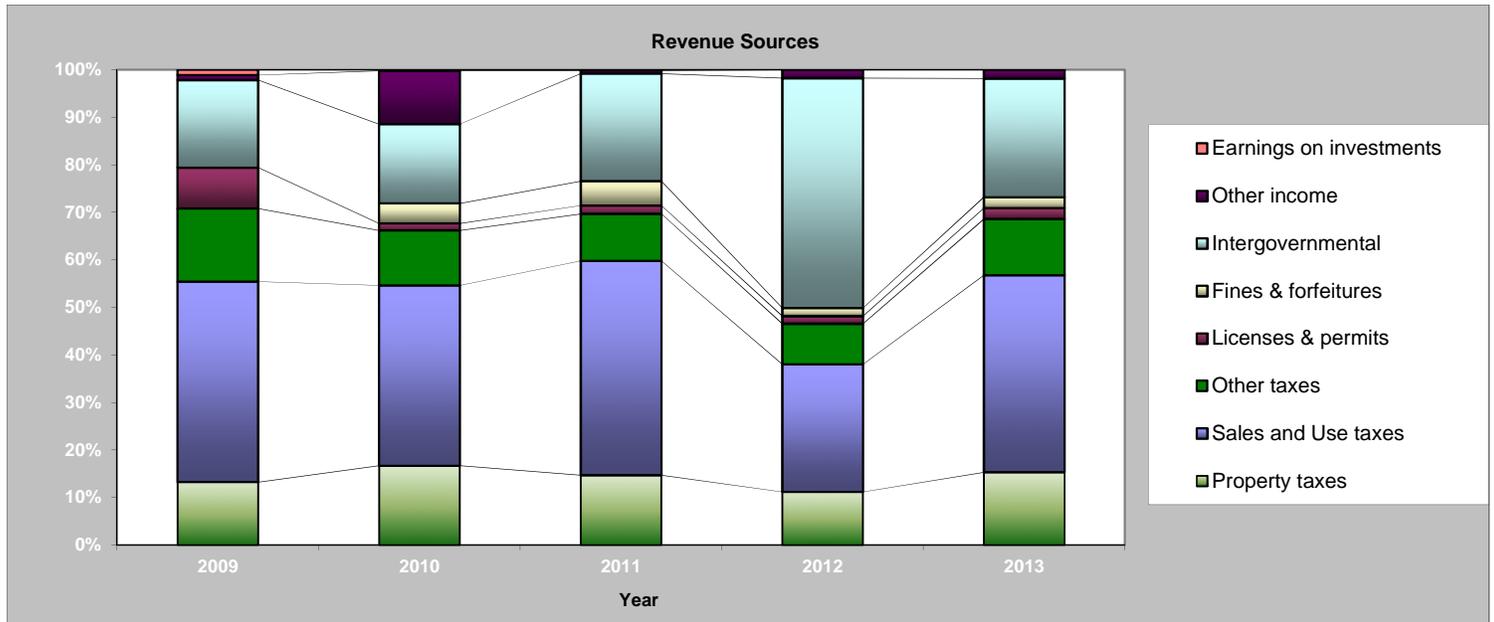
Recommendations:

As noted above, the Town has been able to cover its General Fund expenditures with the assistance of transfers from the enterprise funds. It may be beneficial for the Town to understand, if on a long-term basis, it is able to sustain making such transfers to the General Fund. We recommend that the Town consider compiling a long-term projection of cash inflows and outflows that reflect expected revenues and expenditures in the next 5, 10 or 20 years. These long-term projections would include all funds so that an analysis can be done to determine if the enterprise funds can continue to afford an annual transfer to the General Fund. A long-term financial projection is a tool used by most governments in making strategic decisions that tackles structural issues which the normal budgeting process may not reveal.

Town of Mancos, Colorado Financial Checkup

INDICATOR #2: REVENUE SOURCES ANALYSIS (RSA)

The RSA provides an analysis of General Fund revenue sources to determine if there are emerging trends and/or changes in revenue sources that the Town should consider.



General Fund Revenues:

	2009		2010		2011		2012		2013	
Property and Specific Ownership taxes	\$97,992	13.2%	\$122,185	16.7%	\$130,352	14.7%	\$135,350	11.2%	\$134,660	15.3%
Sales and Use taxes	312,012	42.2%	277,400	37.9%	399,747	45.1%	324,479	26.8%	364,528	41.5%
Other taxes (1)	113,708	15.4%	84,537	11.6%	87,689	9.9%	103,245	8.5%	103,776	11.8%
Licenses and permits	63,655	8.6%	10,790	1.5%	15,532	1.8%	19,429	1.6%	20,408	2.3%
Fines and forfeitures	0	0.0%	30,847	4.2%	45,561	5.1%	20,845	1.7%	20,123	2.3%
Intergovernmental	136,153	18.4%	122,011	16.7%	200,600	22.6%	584,478	48.3%	219,315	24.9%
Other income	7,810	1.1%	81,972	11.2%	5,964	0.7%	20,751	1.7%	16,004	1.8%
Earnings on investments	8,310	1.1%	1,722	0.2%	1,177	0.1%	570	0.0%	264	0.0%
Total	\$739,640	100%	\$731,464	100%	\$886,622	100%	\$1,209,147	100%	\$879,078	100%

(1) Other taxes include severance and franchise tax

Findings:

The Town's General Fund revenues primarily come from Sales and Use tax revenues (39% on average for the five years presented). Intergovernmental revenues are the second largest revenue to the Town and typically average about 20% with the exception of 2012 when the funds were received for the Mancos Early Childhood Center and Pedestrian Bridge. Property and specific ownership tax revenue averages about 14% and Other taxes average about 11%

Recommendations:

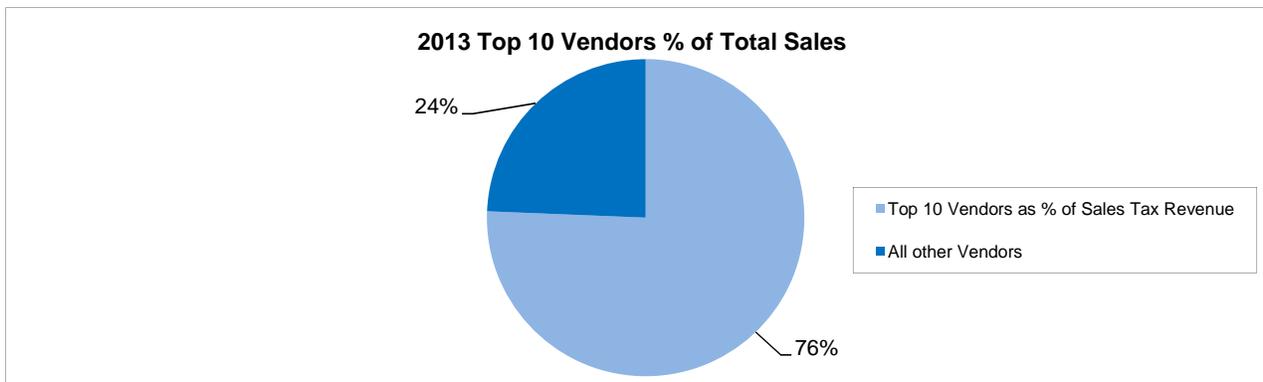
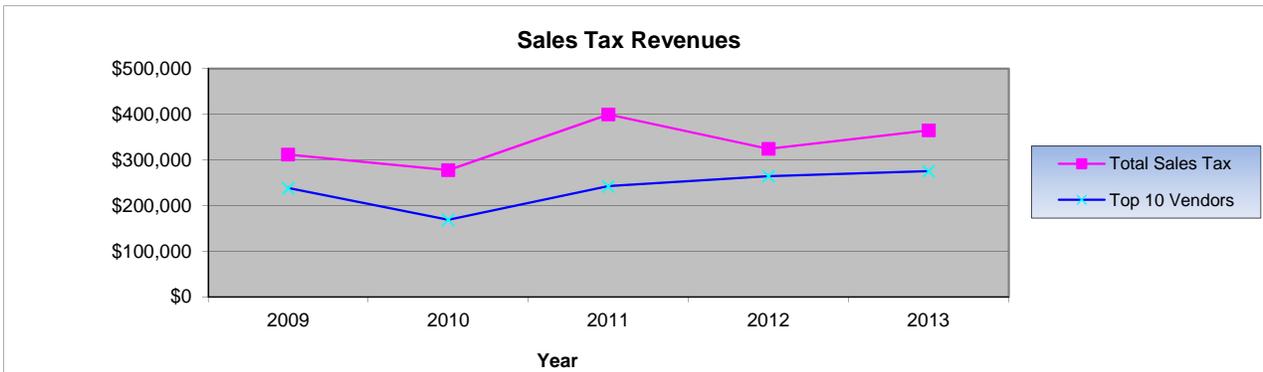
As sales taxes are a significant source of General Fund revenues, managing sales taxes and ensuring that collection is maximized should be the Town's priority. We recommend that the Town review monthly sales tax information (receipts, returns) to identify trends and anomalies to make sure it is collecting all sales taxes it is entitled to receive. Town employees are more familiar with vendors in the area and would be able to quickly identify issues. Irregularities in sale tax collection should be reported to the State on a timely basis. See additional comments in Indicator #3 - STRA.

The Town appears to have been successful in securing grants (e.g., \$415 thousand was received in 2012 for General Fund projects). Although not included in this analysis, grants have also been received for the Town's business-type activities (e.g., Water Fund, Sewer Fund). The Town should continuously explore grant opportunities, while also keeping in mind the fact that grants are contingent upon the financial condition and other factors affecting the governmental entity that offers them, factors that make grants unreliable for long-term sustainability.

Town of Mancos, Colorado Financial Checkup

INDICATOR #3: SALES TAX REVENUES ANALYSIS (STRA)

The STRA provides an overview of total sales tax revenues as well as sales tax revenues collected by the Town's top ten vendors to ascertain if there are trends and/or revenue dependency issues that the Town should consider.



Findings:

Sales tax revenue is the largest revenue source for the Town providing 27% to 42% of General Fund revenues from 2009 to 2013. Additionally, the top ten taxpayers in the Town remit approximately 71% of the sales taxes on average from 2009 to 2013 (76% in 2013). The STRA analysis above shows a significant level of dependency on sale tax revenues from the top ten vendors over the last 5 years.

Recommendations:

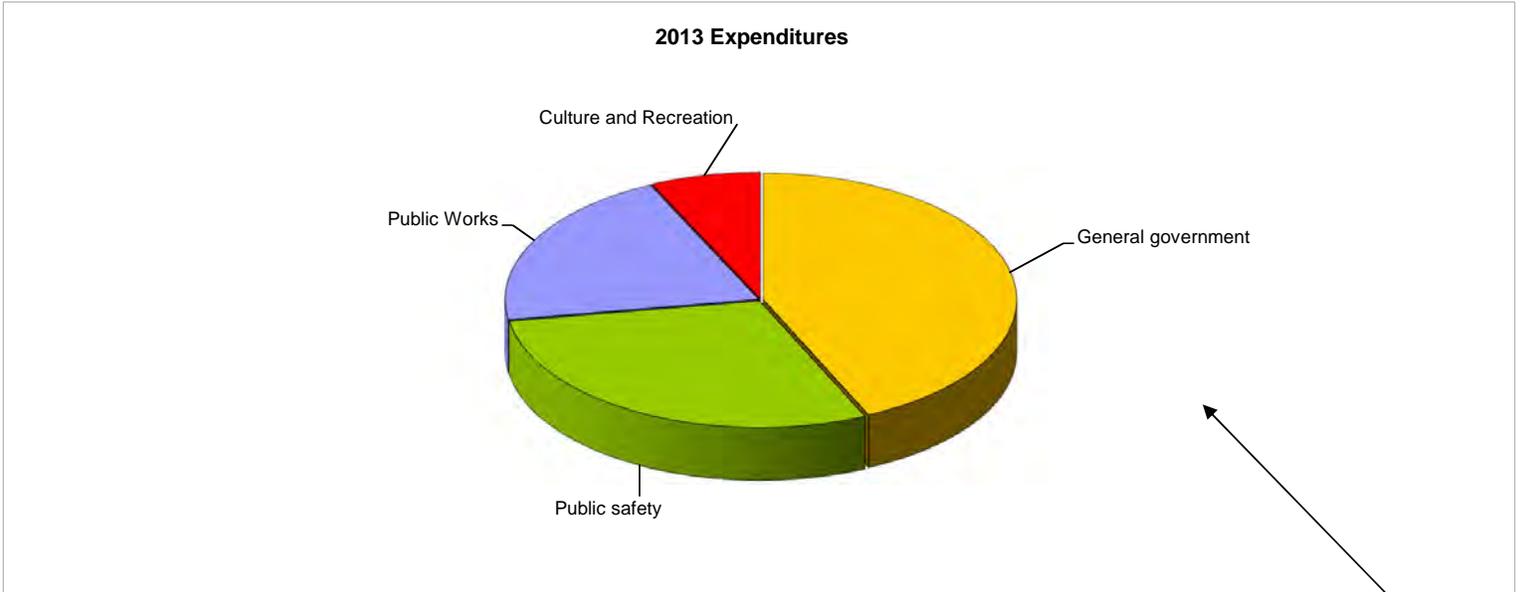
Given that an average of 71% of the Town's sales tax revenue come from top ten taxpayers, it is critical for the Town to assist these top ten taxpayers to become successful. For example, capital improvements in areas where the highest level of sales taxes are collected should be part of the Town's long-term capital improvement plan to ensure that businesses have infrastructure support for ongoing retail success. If not in place already, the Town may also want to consider offering incentives (i.e., sales tax share back or waiver of use tax) to attract more retailers and businesses. Moreover, we recommend that the Town regularly review/analyze trends that affect sales tax generation (i.e., what type of retailers generate more sales tax, etc.) as this analysis will provide the Town officials a tool to make decisions in ensuring that this important source of revenue is managed well for the Town's long-term sustainability.

Sales tax is a critical source of revenue for the Town and one of the most susceptible to changes in the economy. We recommend that the Town establish policies and procedures regarding vendor compliance such as (i) creating a process to regularly review returns from all vendors, new vendors, and delinquent vendors, if such a process has not been setup already, and (ii) establishing conditions as to when a follow-up with the State is necessary. With the younger generation's preference to use more and more technology and the internet, the Town should investigate potential lost revenue in online sales.

Town of Mancos, Colorado Financial Checkup

INDICATOR #4: EXPENDITURES ANALYSIS (EA)

The EA provides an analysis of total General Fund spending by function to determine if there are emerging trends and/or patterns that the Town should consider in order to focus on cost-control strategies.



General Fund Expenditures:

General government
Public safety
Public works
Culture and Recreation
Total

	2009		2010		2011		2012		2013	
General government	\$408,085	46.6%	\$314,375	36.8%	\$368,259	45.5%	\$863,109	59.9%	\$418,440	43.2%
Public safety	254,667	29.1%	\$242,723	28.4%	\$184,419	22.8%	\$294,120	20.4%	\$283,198	29.2%
Public works	158,442	18.0%	\$229,612	26.9%	\$198,381	24.6%	\$223,049	15.4%	\$199,015	20.6%
Culture and Recreation	54,191	6.2%	\$66,620	7.8%	\$57,570	7.1%	\$59,809	4.2%	\$68,080	7.0%
Total	\$875,385	100%	\$853,330	100%	\$808,629	100%	\$1,440,087	100%	\$968,733	100%

Findings:

The graph shows how the Town's funds were spent during 2013. The majority of expenditures are related to general government which make up almost half of the Town's General fund expenditures. Public safety is a approximately 26% of expenditures with 20% attributable to public works. Finally, culture and recreation, on average are slightly under 6.5%.

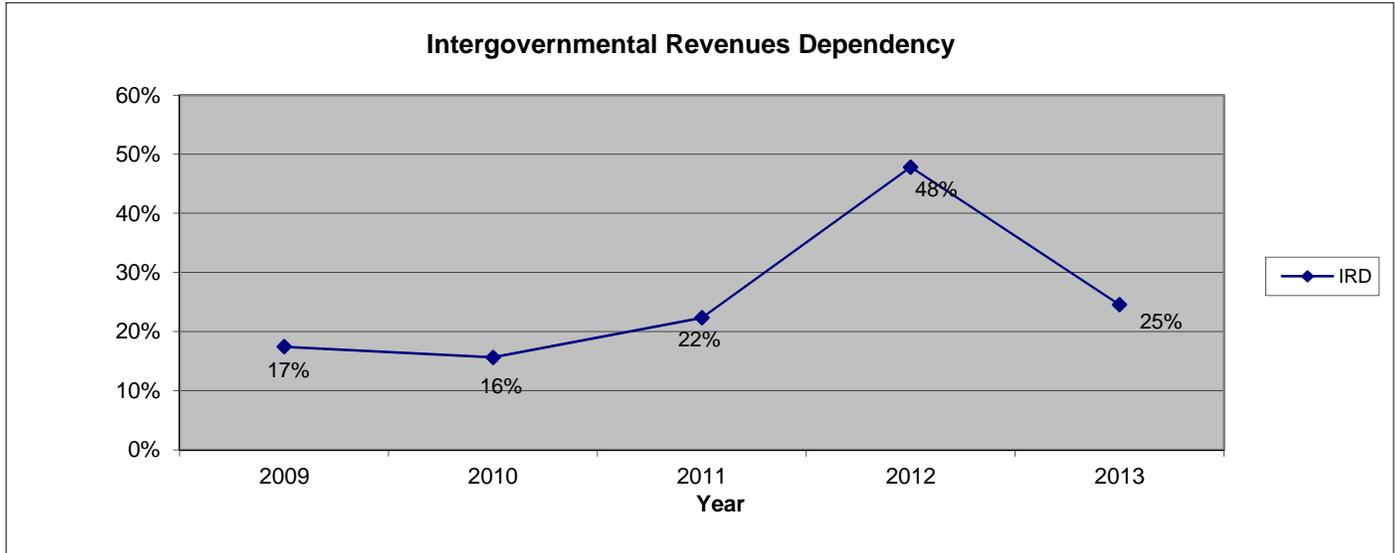
Recommendations:

The EA reflects the Town's spending priorities. General government utilizes the majority of resources with the next priorities being public safety and public works. Priorities of governments change. While the Town's spending trend, from year to year, in the various categories is somewhat consistent, we recommend that that Town re-examine its priorities, compare such priorities with current spending levels and practices, and adjust such spending levels and practices accordingly. We recommend that the Town consider a budgeting approach that is based first and foremost on prioritizing services that matters most to the public and programs that will provide long-term and tangible benefits to the Town as a whole, then allocating available resources to such priorities. Furthermore, we recommend that the Town establish or re-examine its spending policies related to the review and approval of expenditures not budgeted for and instances when reserves may be tapped into.

Town of Mancos, Colorado Financial Checkup

INDICATOR #5: INTERGOVERNMENTAL REVENUES DEPENDENCY (IRD) (Governmental Funds)

The IRD provides percentage trend information reflecting the Town's reliance on revenues received from other governmental entities (i.e., grants). Percentage increases over time may indicate a greater risk assumed by the Town due to increased dependence on external revenues.



Findings:

IRD analysis includes major grants and other intergovernmental revenues such as highway users tax, mineral leasing, and cigarette tax. In 2012, the Town's General Fund reported \$415 thousand in grants and donations causing the spike in IRD.

Recommendations:

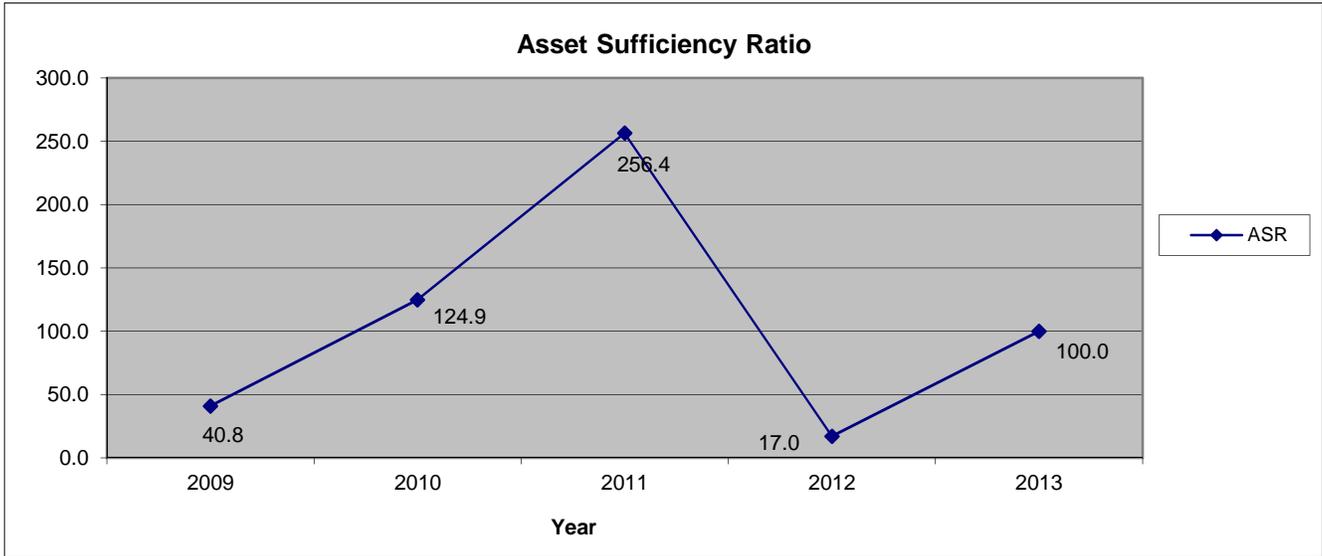
The Town's IRD shows that it has been successful in securing grants during the five years presented. The major grants received during 2011 and 2012 were used mainly for capital projects (e.g. pedestrian bridge, wastewater treatment facility, etc.) which is an excellent financial management practice. Most grants are provided on a discretionary basis depending on program guidelines, federal or state requirements, and financial position of the governmental entity offering them; therefore, the Town should not depend on grants in providing essential services to its residents. We recommend that the Town continuously explore and apply for any grants and assistance that may be available to them, while managing its dependency on such revenues.

It should also be noted for the years ending December 31, 2011 and 2012, a single audit was required as the funds received were federal and over the \$500 thousand threshold requirement. There were no findings as a result of the audit testing which means the necessary requirements and controls surrounding the grants were in place.

Town of Mancos, Colorado Financial Checkup

INDICATOR #6: ASSET SUFFICIENCY RATIO (ASR)

The ASR identifies whether the Town's total unrestricted cash and investments are adequate to cover its current obligations or amounts owed. Percentage decreases over time may indicate that the Town has overextended itself in the long run or may be having difficulty raising the cash needed to meet its current needs.



Findings:

ASR exhibits short-term liquidity of the Town's governmental funds (i.e., General Fund). For example, at year end in 2013, the Town had \$100 cash available for every \$1 liability. Though the ASR's are extremely high, it should be noted that on average, the cash held at year end will typically cover about 9 months worth of operations. Also, the amount of current liabilities at year end are typically minimal which results in such a high ASR.

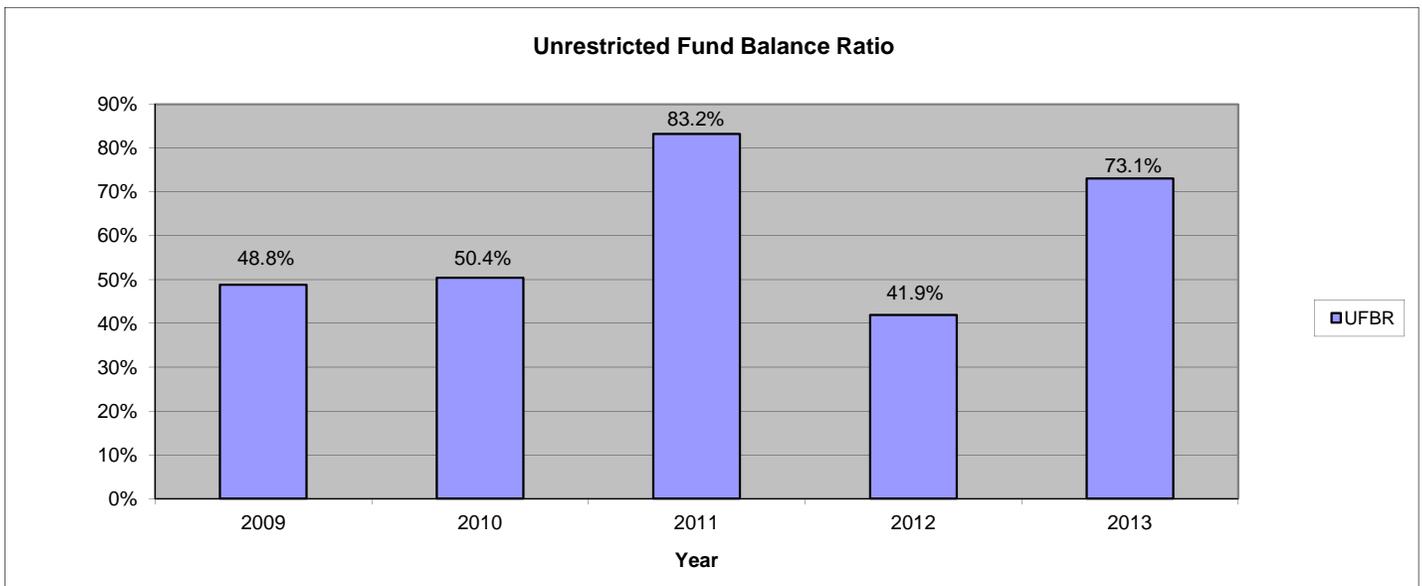
Recommendations:

ASR is a good measure of the Town's short-term financial stability. The credit industry views a ratio of less than one as a negative trend especially if it continues for a few years. Obviously, the Town is performing well against this metric. Preparing a basic cash forecast showing anticipated cash inflows and outflows for a certain period of time (next 3 months, next 6 months, etc.) will provide the Town with a tool to manage cash flow and ASR and will help determine how much is truly surplus cash. When ASR is more than one, it implies that the Town has cash not needed for immediate obligation and can therefore be invested. The Town should review its current investment strategies to ensure that surplus cash is continuously invested in a manner that provides maximum interest earnings. The current low interest rates market makes it challenging to have a good return on short-term investments but it remains a sound financial management practice for governments to invest surplus cash as allowed by State statutes.

Town of Mancos, Colorado Financial Checkup

INDICATOR #7: UNRESTRICTED FUND BALANCE RATIO (UFBR)

This UFBR demonstrates the Town's ability to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. The Government Finance Officers Association recommends, at a minimum, that general-purpose governments, regardless of size, maintain an unrestricted fund balance in their General Fund of no less than 2 months or 16.7% of regular General Fund operating revenues or General Fund operating expenditures. Percentage decreases over time may indicate the Town's inability to handle unforeseen risks (e.g., a downturn in the economy).



Findings:

The Town's UFBR ratios from 2009 to 2013 were above the recommended GFOA levels with the lowest year being 2012 at 41.9% and the highest year being 2011 at 83.2%

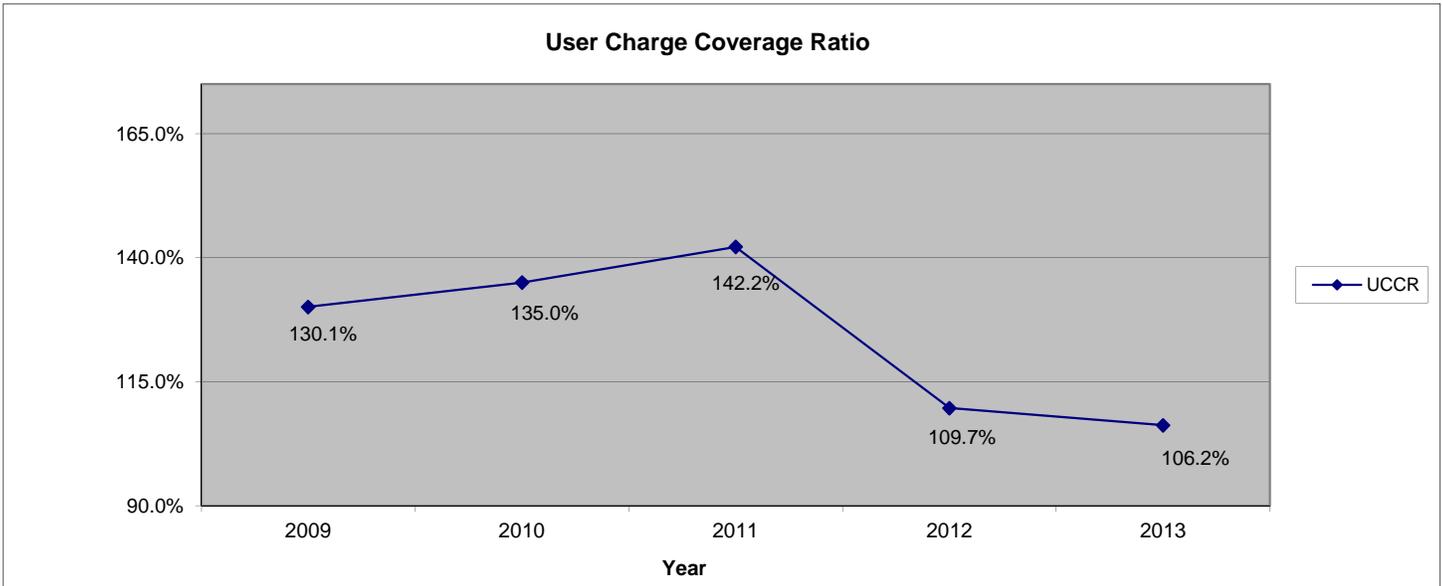
Recommendations:

Reserves are key to long-term financial sustainability. A healthy fund balance (reserves) is a reflection of a government's ability to meet current and future obligations, and ensures more stable tax rates for its residents. We recommend that the Town examine its UFBR to determine what level is appropriate to maintain for long-term success. A formal unrestricted fund balance policy may be useful to the Town as it can help set goals, minimum, and maximum amounts for these balances. Additionally, the policy could address benchmarks for establishing additional reserves (e.g. future capital replacement reserves) since the Town's public works department operates from these funds.

Town of Mancos, Colorado Financial Checkup

INDICATOR #8: USER CHARGE COVERAGE RATIO (UCCR) (Proprietary Funds)

The UCCR demonstrates the Town's abilities to cover business-type activities' expenses with related program revenues and its reliance on general revenues to subsidize certain function/program expenses. As user charge coverage declines, the burden on general revenues to support these services increases. Since many municipal accounting systems do not employ cost-accounting techniques, it is easy for inflation and/or other factors to erode user charge coverage without being readily detected.



Findings:

This UCCR is an analysis of Proprietary Funds (water and sewer) revenues excluding capital grants. During the five years presented, the Town has averaged 124% coverage in its business-type activities. From 2009 to 2011, the UCCR was increasing and subsequently declined in 2012 and 2013. These coverage ratios do not include the amounts transferred to the General Fund on an annual basis. A coverage of 100% or more indicates that fees and charges cover all costs to operate the services including depreciation. A coverage of less than 100% indicates that the Town is subsidizing the services with some other revenues other than fees.

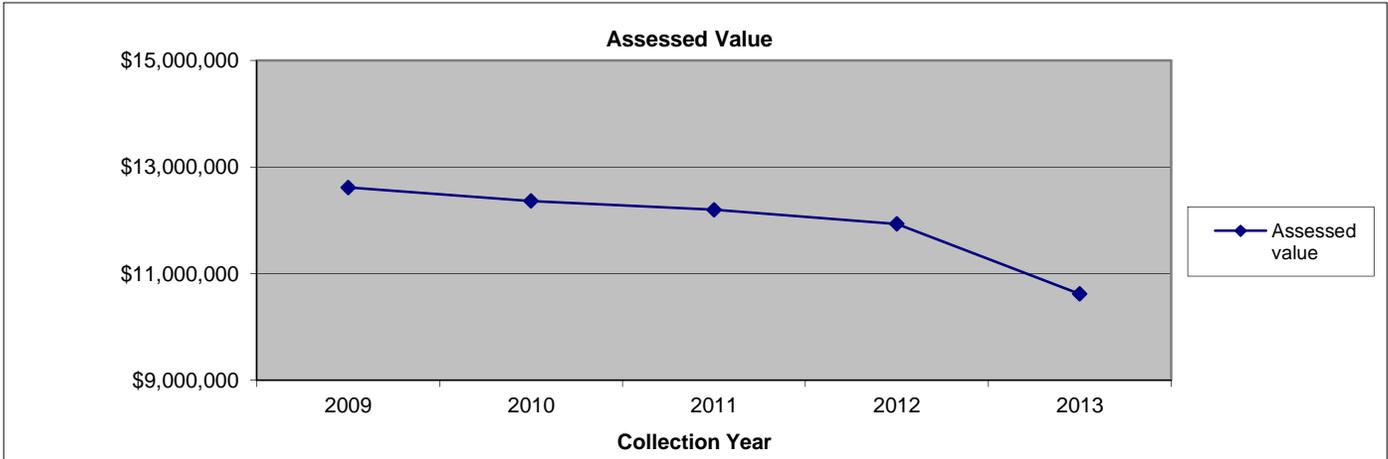
Recommendations:

We recommend that the Town review current charges for water and sewer to determine necessary adjustments resulting from inflation and increasing costs to provide these services. The Town constructed a new waste water treatment facility in 2011 and it was placed into service in 2012. The drop in UCCR occurred at the time the new facility came online so it may be beneficial to closely review the operating cost related to the new facility as it may require additional resources to operate than were previously required. These operational costs should be incorporated into long-term projections so that rates can be set in a manner that makes sense over time and the rates fully recoup the cost of services including depreciation, transfers to the General Fund, and take into account inflation and reserves for future capital replacement.

Town of Mancos, Colorado Financial Checkup

INDICATOR #9: ASSESSED VALUE ANALYSIS (AVA)

The AVA indicates trends in the Town's property values. A decline in property values will result in less revenues collected by the Town (i.e., both property taxes as well as other revenue sources that are computed as a percentage of assessed value). Whether or not a government relies heavily on property tax revenues, property value provides a useful sign of the health of the local economy.



	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Residential	6,515,570	6,547,880	6,429,250	6,382,400	5,283,120
Commercial	3,364,600	3,347,100	3,350,950	3,391,970	3,179,670
Vacant Land	900,540	817,250	771,710	797,920	638,640
State Assessed	515,990	533,310	522,300	254,780	486,500
Agricultural	1,120	1,120	920	950	890
Industrial	1,317,900	1,115,100	1,125,310	1,104,660	1,032,220
Total AV	12,615,720	12,361,760	12,200,440	11,932,680	10,621,040

Findings:

The Town's AVA decreased 15.8% over the five years presented and each category decreased over the five year period.

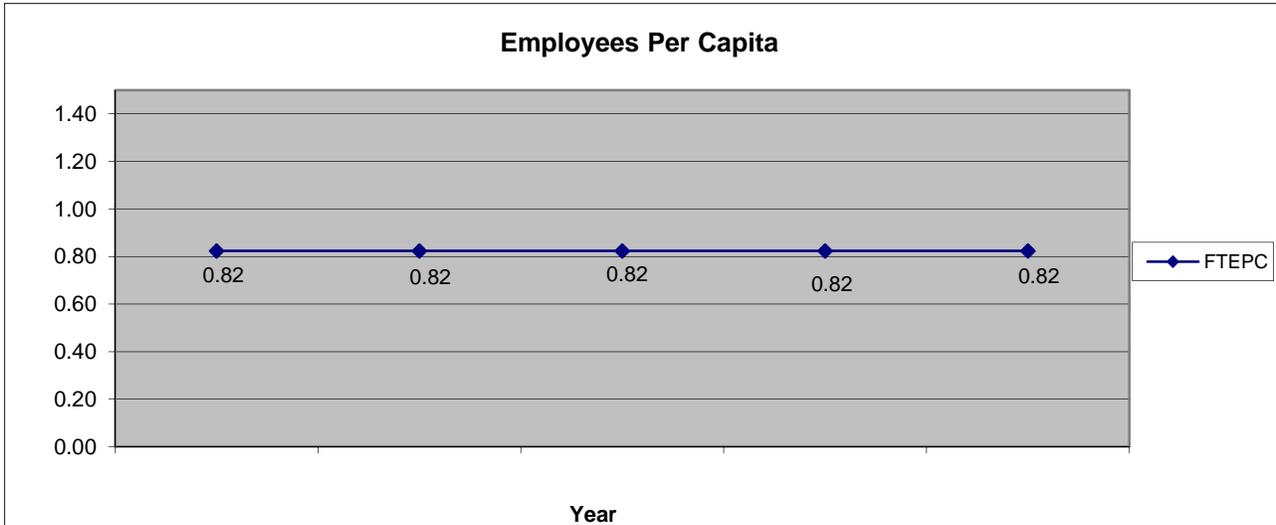
Recommendations:

The Town experienced declining property values as did many municipalities for several years after the economic downturn of 2008. Given that declining property values will translate into lesser revenues, it is important for the Town to monitor its collection rate of property taxes as property and specific ownership taxes are approximately 14% of the General Fund. Additionally, the Town may want to request a "lot by lot" from Montezuma County to ensure that all property included in the Town is correctly included in the assessed value so that revenues are maximized.

Town of Mancos, Colorado Financial Checkup

INDICATOR #10: FULL-TIME EQUIVALENT EMPLOYEES PER CAPITA (FTEPC) (PER 100 POPULATION)

The FTEPC illustrates the relationship between the Town's total number of employees compared to the Town's total population. Due to the fact that personnel costs are typically a major portion of a government's operating budget, analyzing changes in the number of employees per capita is a good way to measure changes in expenditures. Increases in employees per capita may indicate that expenditures are rising faster than revenues, that the government is becoming more labor intensive, or that personnel productivity is declining.



Findings:

The Town's FTEPC has remained consistent in the five years presented, with approximately 0.82% of a full-time equivalent employee available to provide services for every 100 residents. This FTEPC translates to 11 employees. There has been no change in the number of FTE's over the five years presented and population has been relatively constant at 1,336.

Recommendations:

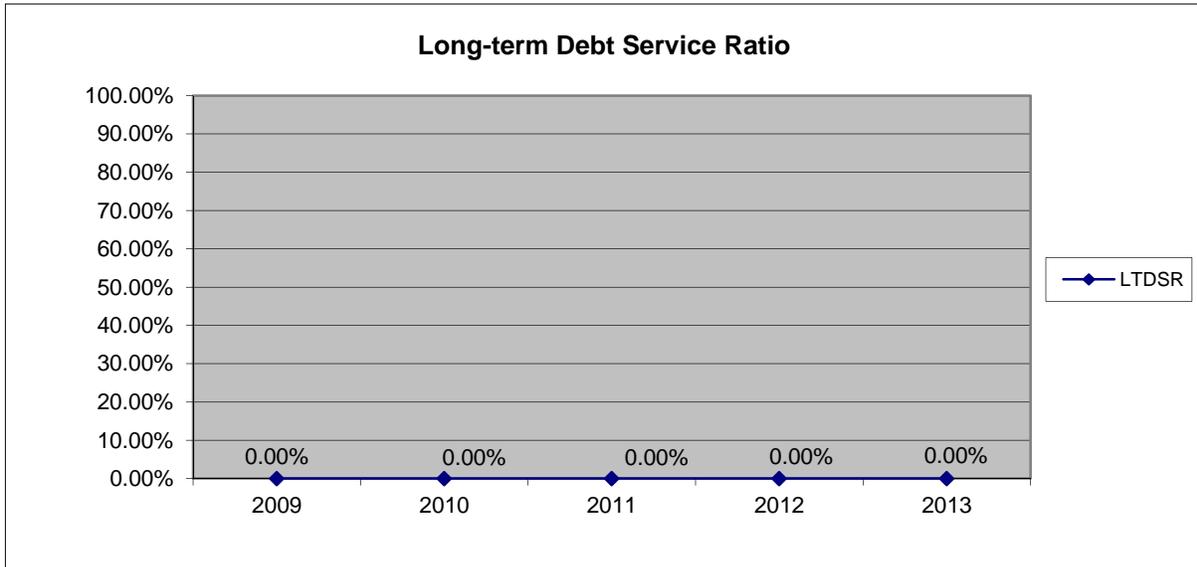
The FTEPC indicator is used to evaluate the personnel resources being utilized to service the Town's residents. With population and employment levels being constant, the Town's goal should be to optimize personnel productivity. That can include cross-training between departments as well as looking for efficiencies in processes so that resources can be maximized. Further, with a small group of people handling so many functions, a review of internal controls with a focus on separation of duties may be of interest to Town leadership.

Other areas that the Town may want to consider are periodic benefits assessments and succession plan development. With the new federal requirements relating to health care plans, it is critical for the Town to conduct a review of all benefits it provides currently and in the future as the new health care law may result in additional costs or penalties for the Town. Succession planning will provide long-term cost savings to the Town. Succession planning involves continual assessment of potential employee turnover and retirements and addressing it proactively. We recommend that the Town consistently provide feedback to employees through an evaluation process and provide training opportunities for continual development.

Town of Mancos, Colorado Financial Checkup

INDICATOR #11: LONG-TERM DEBT SERVICE RATIO (LTDSR)

The LTDSR measures the Town's flexibility to respond to economic changes by comparing debt service expenditures as a percentage of total expenditures. Percentages increasing over time may indicate declining flexibility the Town has to respond to economic downturns.



Findings:

LTDSR relates to governmental funds only. No debt is currently being serviced using governmental funds.

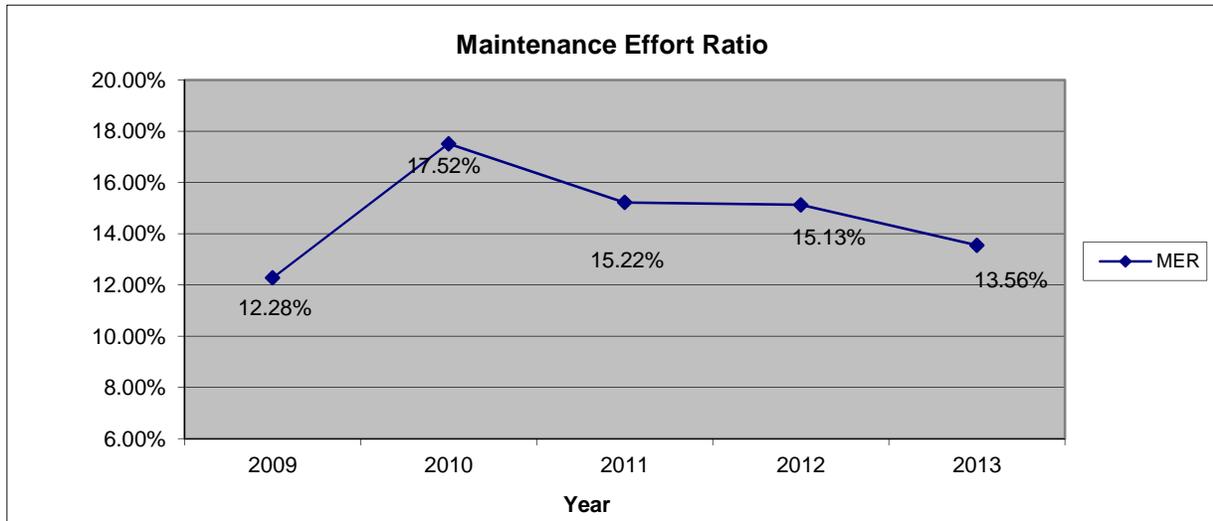
Recommendations:

As the Town starts looking into its bonding capacity to finance future projects, we recommend that the Town establish debt policies, if it has not already, that set the level of the Town's commitment to fund debt service on an annual basis (i.e., LTDSR).

Town of Mancos, Colorado Financial Checkup

INDICATOR #12: MAINTENANCE EFFORT RATIO (MER)

The MER indicates whether capital assets are being maintained at a sufficient level to ensure their useful life. Capital assets are constructed at significant cost and their decline can have far-reaching effects on business activity, property value, and future operating expenditures. Deferring maintenance of these assets can also create significant unfunded liability. Generally, maintenance expenditures should remain relatively consistent relative to the amount and nature of the assets. Declining ratios between maintenance expenditures and capital assets may be a sign that a government's assets are deteriorating. Trends persisting over time will cause deteriorated capital assets to increase future maintenance expenditures.



Findings:

The Town's MER from 2009 through 2013 fluctuated between 12.28% and 17.52% which means that the Town's total maintenance costs as a percentage of total depreciable capital assets averaged 14.7% during the five years presented. To calculate the MER, public works costs were divided by the total depreciable assets. Due to the inability to readily break out maintenance costs only, all of the Town's public works accounts were considered in the calculation so things such as fuel would be included in this calculation. Therefore, the Town's actual MER is lower than 14.7%.

Recommendations:

This indicator demonstrates (as a percentage) the amount of maintenance dollars the Town spends, on an annual basis, on its infrastructure assets. As expenditures are prioritized and decisions are made in regard to allocation of available resources, it is crucial for the Town to allocate funds for continued maintenance of its infrastructure assets. Deferring maintenance can be more costly on a long-term basis. Capital assets are significant investments - they need to be maintained properly as a decline in their values and useful lives will significantly impact the Town's future finances. Maintenance of waning and high-maintenance capital assets can be more costly versus replacing them. We recommend that the Town, as part of its budgeting process and/or long-term financial projection, evaluate both maintenance and replacement needs of all its assets and develop a plan that incorporates the timeline of maintenance and/or replacement work, and sources of funding to be used in this effort. Additionally, establishing reserves (previously discussed under #7 - UFBR) as part of the long-term replacement program, be incorporated into the long-term financial projection.

Recommended Water Rate Structure

Town of Mancos Board of Trustees

01-08-2014



Purpose of discussion

- What we heard at the December meeting:
 - water rate increases are necessary to fund capital replacement & upgrades
 - concern about ‘sticker-shock’ and hardship from a rate increase
 - gradual rate increase is the preferred strategy
 - hope for water conservation and need for monitoring
- Present recommended approach balancing this input with known replacement/upgrade needs.
- Board discussion and direction regarding 2014 water rate and policies for future rate increases.

Bottom Line:

Rate Increase = Needed CIP funding

our analysis shows:

Base Rate	Borrowing Power	% of CIP Funded
\$41	\$1,100,000	38%
\$31	\$720,000	25%

Base Rate Comparison

	Base Gallons (1,000s)	Base Rate
Mancos	10	\$25.72
Average of Comparison Communities	6.6	\$29.41
Local Comparison		
Bayfield	7	\$22.00
Ridgeway	9	\$27.75
Silverton	7.7	\$35.72
Other Small Municipal Systems		
Meeker	8	\$24.00
Poncha Springs	3	\$31.00
Nucla	5	\$36.00

Waterline Replacement

	Linear Ft.	Cost Per Linear Ft.	Total Cost
*Paved Street Main Replacement	1,420	\$251	\$834,900
Gravel Street and Off-Street Main Replacement	<u>7,590</u>	\$90	<u>\$683,100</u>
Total	9,010		\$1,518,000
* South Main Ave - Grande to RailRoad, 1st St - Mesa to South Main, Park St			

New Watertank and Main Avenue Water Main Crossing

	Bid Price
New Watertank and Main Avenue Water Main Crossing	\$ 1,000,000

Known Capital Improvements Needs =

Water Meter Replacement

Software and Set-Up	\$7,840
Handheld Mobile Meter Reading Devise	\$5,753
Pro-Read T-10 Meter 5/8 " - Quantity 559	\$62,888
9-900 Pit Transmitter - Quantity 634	<u>\$63,400</u>
Hydrant Replacement	\$60,000
PRV Stations	\$33,000
Water Meters (Large)	\$13,500
Water Meters pit replacement	\$75,000
Water Meters pit repairs	\$37,500
Grand Ave Service Lines	
Total	\$358,881

\$2.9 Million

Grand Total

Waterline Replacement	\$1,518,000
New Watertank and Main Avenue Water Main Crossing	\$1,000,000
Water Meter Replacement	<u>\$358,881</u>
Grand Total	\$2,876,881

Water Supply (Future Component)

Establish beneficial use from Jarrett Ditch water right	Cost Unknown
Pursue decreed augmentation plan and additional water rights	Cost Unknown
Pursue ground water supply	Cost Unknown

**Waterline Replacement Alone =
\$1.5 Million**

**Town of Mancos Water Distribution System - Proposed Water Main Replacement
Town of Mancos Water Rate Study
August 27, 2013**

- Proposed New 8" Water Main
- Existing Water Mains
- Abandon
- Town Limits

520 Feet

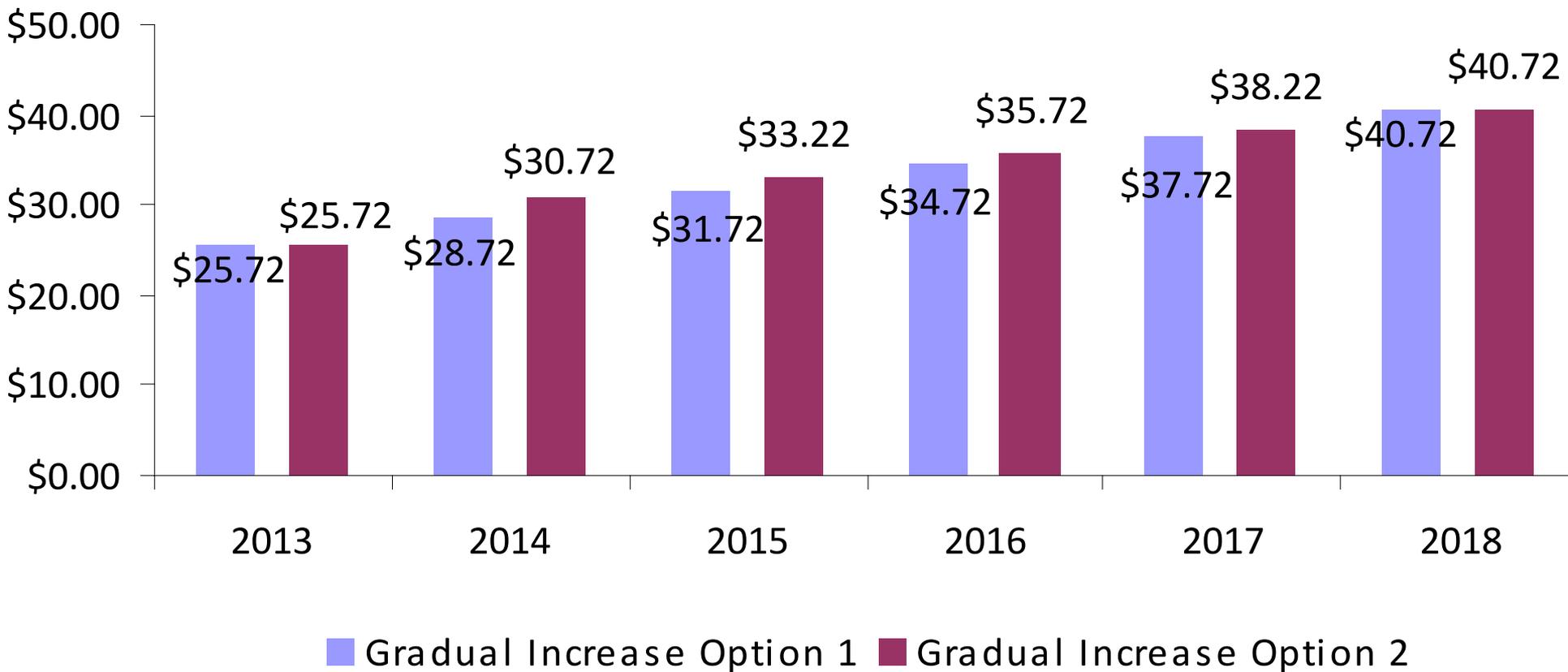


Recommended 2018 Target Rate Structure

Base Gallon Usage	66,864,759
Cost Per 1,000 Gallon	\$3.76
Total Operations Cost	\$251,238
Average Other Revenues	\$18,422
Average Water Dock Revenues	\$14,837
Average Overage Revenue	\$89,306
Base Rate Revenues	\$247,316
Total Revenues	\$369,881
Annual Surplus	\$118,643

- **\$40.72 Residential, \$42.22 Comm**, increase base rate by \$15/mo
- Increase overage rate to \$2.00 per 1,000 gallons
- Lower overage threshold to 7,000 Gallons

Gradual Base Rate Increase Options: Residential



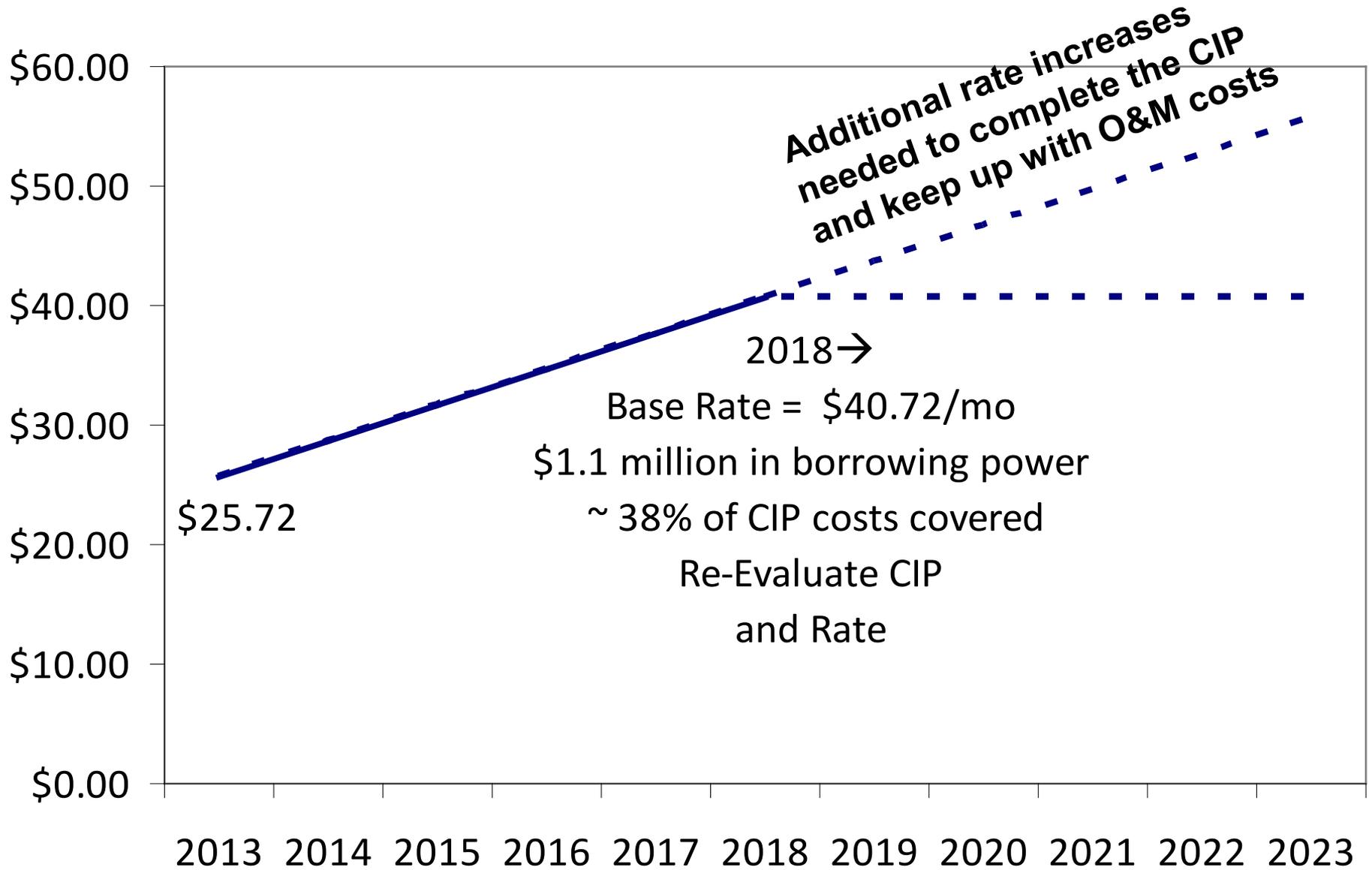
Option 1 = \$3/mo increase in base rate each year

Option 2 = Year 1 increase of \$5/mo & \$2.50/mo increase for following years

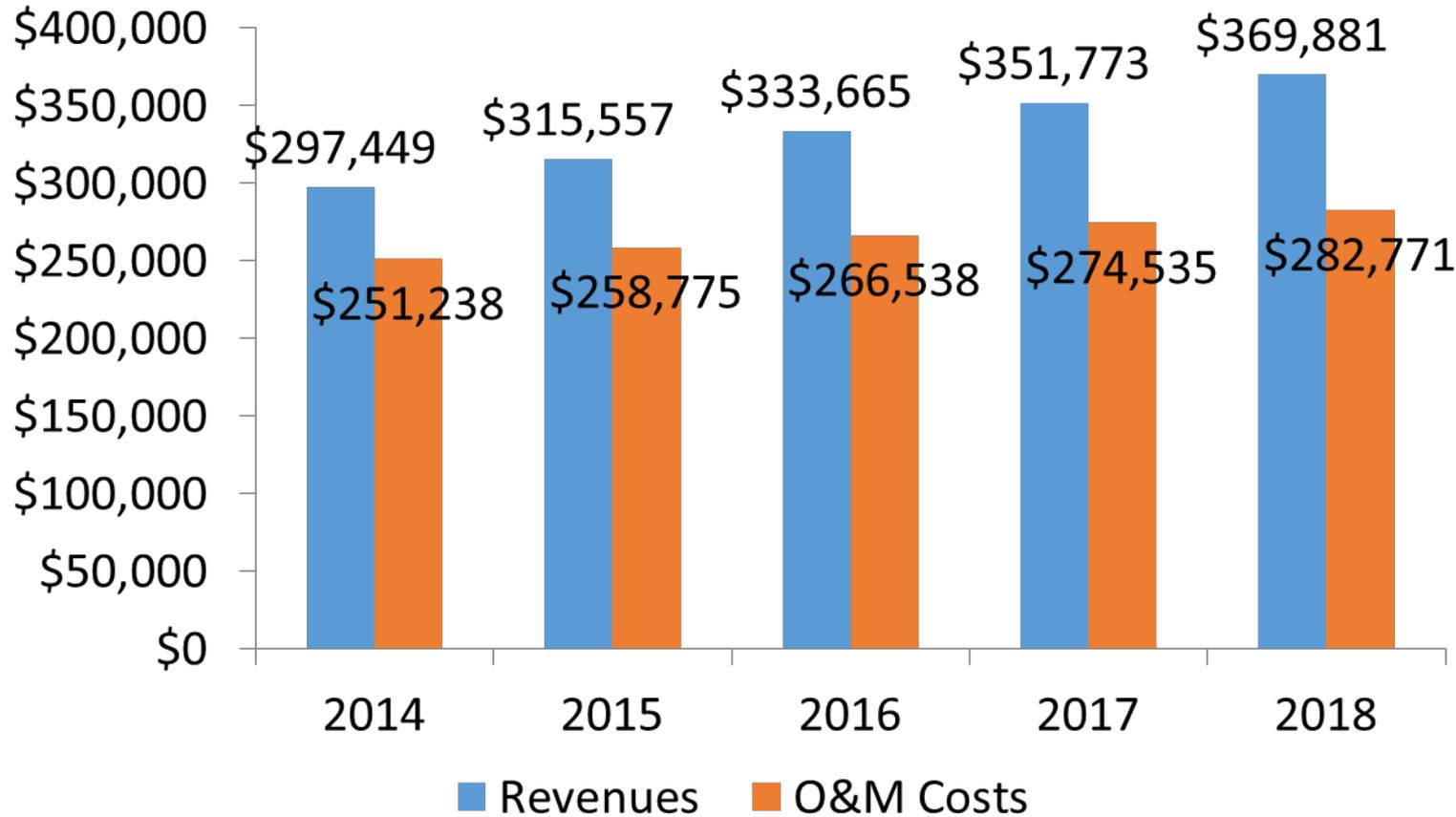
Option 2 results in 2% more revenue over the 5 year period than **Option 1**

Both Options - Overage Charge from \$1 to \$2 per 1,000 gallons in 2014

Completing CIP Means More Increases Beyond 2018

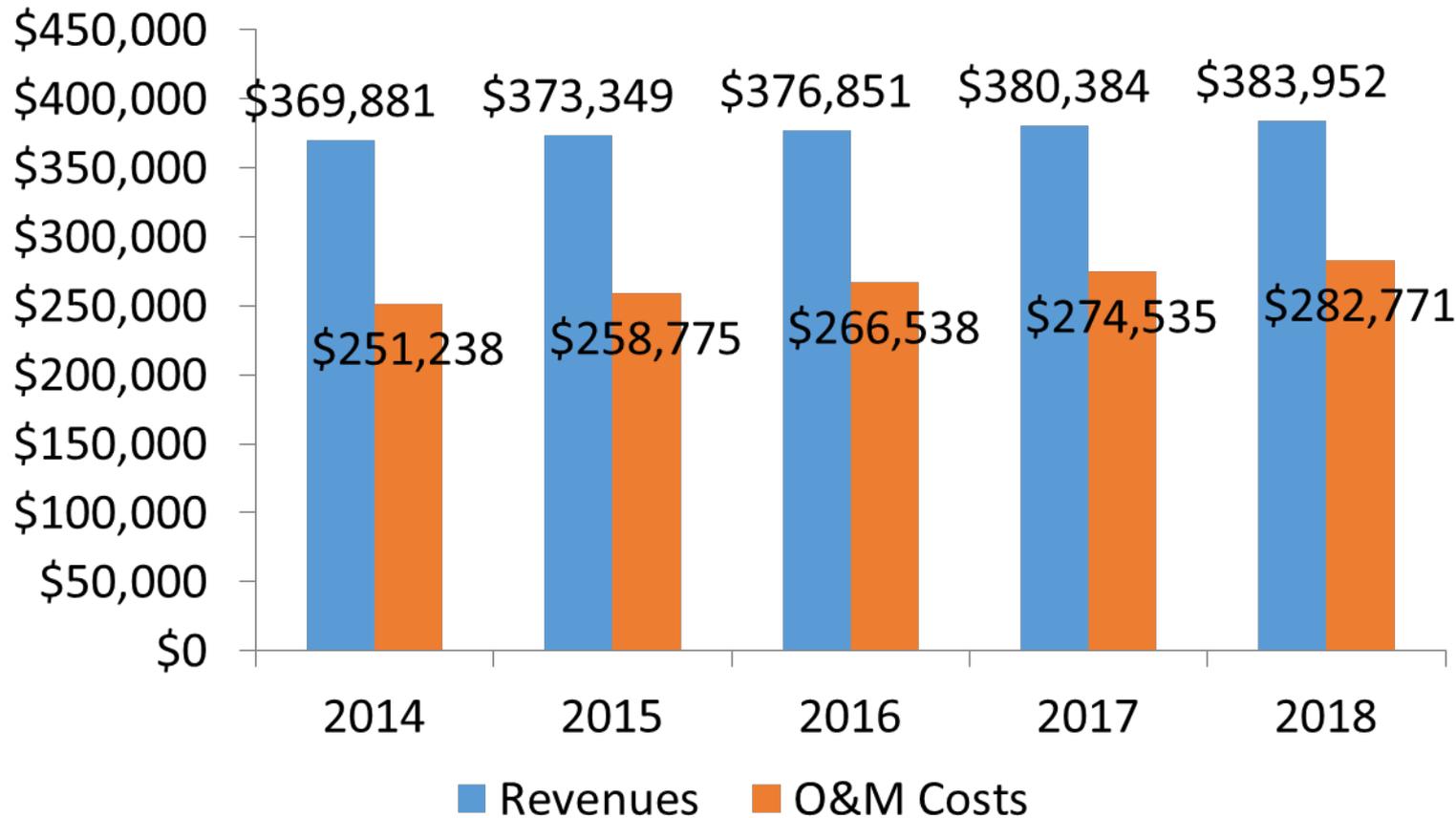


5-Year Gradual Increase Cash-Flow & Borrowing Power



- 5 year average annual surplus of \$67k
- Potential monthly debt payment = \$5,574
- 20 year financing = \$1.1 million, ~38% of total CIP cost
- 98% of operating costs covered by base rates in 2018

Raising the Base Rate All at Once = More Borrowing Power



- Raise base rate to \$40.72 Residential, \$42.22 Comm. Year 1
- 5 year average annual surplus of \$110,112
- Potential monthly debt payment = \$8,258
- 20 year financing = \$1.6 million, ~57% of total CIP

Recommendations

- Gradually increase the base rate to \$40.72 in 2018.
- Increase the overage charge from 1\$ to \$2 per 1,000 gallons in 2014
- Lower the base gallon threshold from 10,000 to 7,000 gallons in 2014
- **Update in 2018** - Re-evaluate and revise the CIP and update the rate structure accordingly