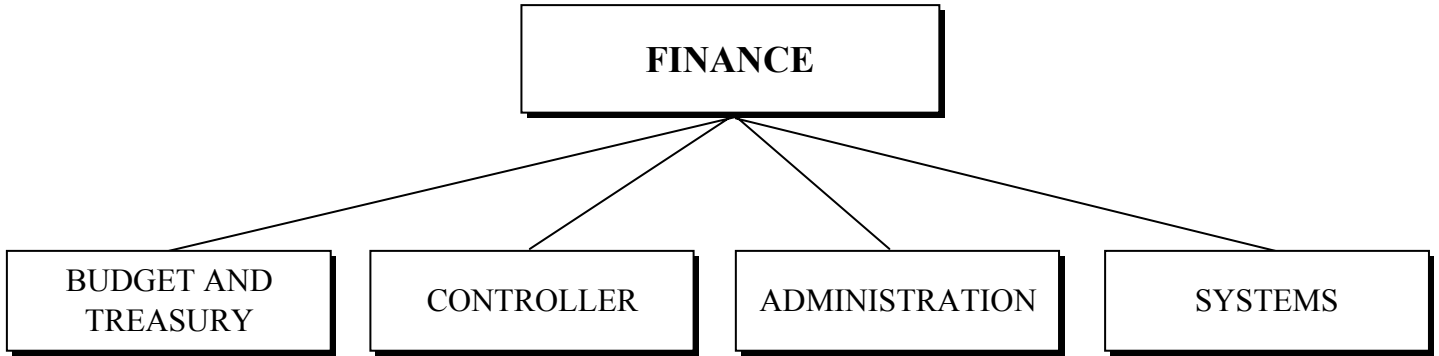
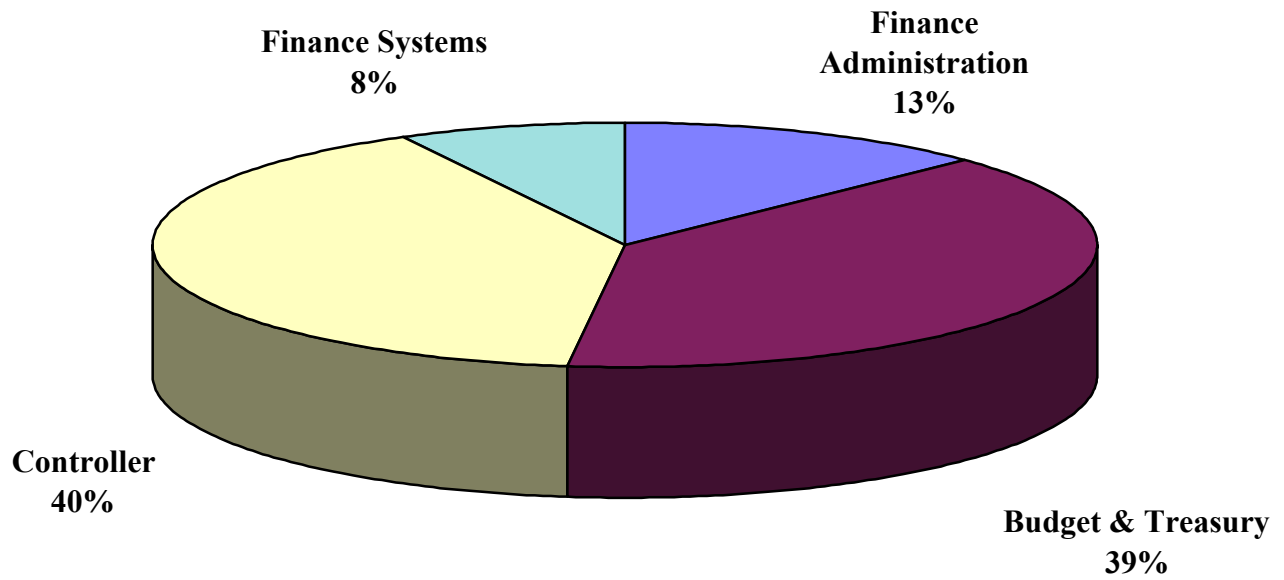


# FINANCE



**2006 BUDGET**  
**\$2,356,084**



**2006-07 APPROVED BUDGET  
FINANCE**

	<b>2004 ACTUAL</b>	<b>2005 APPROVED</b>	<b>2006 APPROVED</b>	<b>2007 PROPOSED</b>
<b><u>BUDGET BY PROGRAM</u></b>				
FINANCE ADMINISTRATION				
Finance Administration	\$ 239,237	\$ 298,269	\$ 298,589	\$ 303,777
	239,237	298,269	298,589	303,777
BUDGET & TREASURY				
Budget	191,458	184,017	195,697	198,739
Treasury	231,540	225,506	239,564	243,343
Sales Tax	450,175	442,822	492,063	499,533
Support Services	104,019	0	0	0
	<u>977,193</u>	<u>852,345</u>	<u>927,324</u>	<u>941,615</u>
CONTROLLER				
Financial Operations	273,931	337,744	323,931	328,830
Payroll/Mail	355,327	365,823	385,853	391,763
Financial Reporting	208,185	232,532	236,846	240,668
	<u>837,444</u>	<u>936,099</u>	<u>946,630</u>	<u>961,261</u>
FINANCE SYSTEM ADMINISTRATION				
Finance System Administration	172,093	177,759	183,542	186,305
	<u>172,093</u>	<u>177,759</u>	<u>183,542</u>	<u>186,305</u>
<b>TOTAL</b>	<b>\$ <u><u>2,225,968</u></u></b>	<b>\$ <u><u>2,264,472</u></u></b>	<b>\$ <u><u>2,356,084</u></u></b>	<b>\$ <u><u>2,392,958</u></u></b>
<b><u>BUDGET BY CATEGORY</u></b>				
Personnel Expenses	\$ 1,910,533	\$ 1,960,946	\$ 2,049,523	\$ 2,080,266
Operating Expenses	276,864	258,526	260,361	265,568
Interdepartmental Charges	36,401	35,000	36,200	36,924
Capital	2,170	10,000	10,000	10,200
<b>TOTAL</b>	<b>\$ <u><u>2,225,968</u></u></b>	<b>\$ <u><u>2,264,472</u></u></b>	<b>\$ <u><u>2,356,084</u></u></b>	<b>\$ <u><u>2,392,958</u></u></b>
<b><u>BUDGET BY FUND</u></b>				
General	\$ 2,225,968	\$ 2,264,472	\$ 2,356,084	\$ 2,392,958
<b>TOTAL</b>	<b>\$ <u><u>2,225,968</u></u></b>	<b>\$ <u><u>2,264,472</u></u></b>	<b>\$ <u><u>2,356,084</u></u></b>	<b>\$ <u><u>2,392,958</u></u></b>
<b><u>AUTHORIZED FTE's</u></b>				
Standard FTE's	<u>30.25</u>	<u>27.25</u>	<u>27.25</u>	<u>27.25</u>
<b>TOTAL</b>	<b><u><u>30.25</u></u></b>	<b><u><u>27.25</u></u></b>	<b><u><u>27.25</u></u></b>	<b><u><u>27.25</u></u></b>

## **2006-07 BUDGET FINANCE DEPARTMENT**

### **MISSION STATEMENT**

The mission of the Finance Department is to provide responsive, professional and ethical administrative and fiscal services to meet the needs of the public, the city council, and all departments of the city.

Specific services provided by the Finance Department include: long-range financial planning and budgeting, accounting/auditing; accounts payable; accounts receivable; investment and cash management; debt issuance/management; financial reporting; payroll; purchasing; assessments, revenue collection, and tax enforcement; financial analyses; and finance systems and reporting support.

### **BUSINESS PLAN NARRATIVE**

In private enterprise, the Finance Department is considered part of the overhead of operating a business since they support other revenue producing divisions of a company. In the City of Boulder, the Finance Department provides similar support services for all departments that provide direct services to residents while also carrying out specific responsibilities assigned in the City Charter, and state or federal laws. The Finance Department has a history of minimizing discretionary overhead costs while meeting legal requirements. Over the years, processes have been modified and new computer systems implemented to add efficiency both within the Finance Department and for users in the operating departments. As part of the ongoing process to increase efficiency, between 1995 and 2000, Finance Department staffing was reduced by 3 FTEs or 9%.

Over the past four years, as General Fund revenue declined significantly, further reductions were required. Between 2001 and 2005, staffing was reduced by another 4 FTEs or 12%. By using the business plan to prioritize services during 2005, services classified as essential or desirable have been met by reassigning duties and implementing methods to make processes less labor intensive. In other areas, the cumulative reduction of 21% in staff has diminished the Finance Department's ability to consistently provide the level of service desired by the customer. Under the reorganization being implemented in 2005, ongoing discretionary services have been eliminated and are provided on an as needed basis or provided by a combination of people instead of one specific person. Examples of these types of services are; training that does not pertain directly to the technical aspects of a position, organization-wide purchasing support to take advantage of economies of scale, imaging, and ongoing support for the old hire fire and police pension plans.

Based on the reorganization of the Finance Department, we will be able to supply acceptable levels of support for services in the desirable category that were inadequate before the reorganization. Vacant positions in Finance are being reallocated to long range financial planning, additional quantitative and qualitative analysis, and support for governmental accounting functions. After the reallocations, current funding levels are adequate to provide basic financial services that are classified as essential or desirable. In light of other significant funding needs throughout the city, the Finance Department is planning to operate at current funding levels for the foreseeable future.

## **GUIDING PRINCIPLES AND/OR INVESTMENT STRATEGY**

- 1). Essential Services** include those financial/budgetary functions that are legally mandated by federal or state law, City Charter or generally accepted accounting requirements for governmental agencies. Specifically, this service category reflects those processes which ensure the sound fiscal management of the municipal organization, such as strategic planning and budgeting, debt issuance and management, financial reporting, purchasing, assessments, treasury management, and collections. These programs represent 91% of the appropriation and 86% of the staffing in Finance.
- 2). Desirable Services** reflect services that provide positive interaction with the public, efficient and effective business practices, provide financial information so departments can make sound fiscal decisions, enhance internal customer service, increase citywide efficiency and effectiveness, or generate cost savings due to centralization. Services in this category include Property and Casualty Insurance Fund Management, financial inquiry and query reporting, the information center in the municipal building, and central mail services. This category currently represents 9% of the appropriations and 14% of the staff in Finance.
- 3). Discretionary Services** have been eliminated in Finance. During 2004 and 2005 a reduction of 12% was made in staffing levels. Resources were consolidated and transferred to meet acceptable service levels in the essential and desirable programs of the department.

## **CITY COUNCIL GOALS**

The Finance Department provides staff support to City Council on economic sustainability issues and when requested support to other departments working on Council goals.

## CHANGES TO BUDGET BETWEEN 2005 AND 2006 APPROVED BUDGETS

There were no changes to the Finance Department's base budget between the 2005 and 2006 approved budgets.

## PERFORMANCE MEASURES

	<b>Actuals 2004</b>	<b>Target 2005</b>	<b>Target 2006</b>	<b>Target 2007</b>
1. Annual attainment of Government Finance Officers Association award for excellence in financial reporting.	Award was received	Award is received	Award is received	Award is received
2. Annual attainment of Government Finance Officers Association award for excellence in budgeting.	Award was received	Award is received	Award is received	Award is received
3. Achievement of a rate earnings on city investments that exceeds (on an amortized basis) the six month trailing average US Govt. 2 yr. Treasury Note rate. *	Amortized Cost Return on Portfolio (net of fees): 2.27%  (6 month trailing rate on 2 year Treasury Note (also amortized cost basis): 2.69%)	Actual rate exceeds 2 year Treasury Note rate	Actual rate exceeds 2 year Treasury Note rate	Actual rate exceeds 2 year Treasury Note rate

\* *within the following constraints;*

- a) Preservation of capital and protection of investment principal;*
- b) Maintenance of sufficient liquidity to meet anticipated cash flows; and*
- c) Diversification to avoid incurring unreasonable market risks.*

	<b>Actuals 2004</b>	<b>Target 2005</b>	<b>Target 2006</b>	<b>Target 2007</b>
4. Achievement of reserves, which include <u>minimum</u> fund balance of 5% of operating expenses (excluding grants, internal service, and special revenue funds) in all city funds.	All funds met the reserve goal.	Target reserve balances are achieved.	Target reserve balances are achieved.	Target reserve balances are achieved.

*\* Depending upon perceived risk, certain funds may be required to maintain fund balances higher than 5%.*

Performance measure number three indicates the target was missed for 2004. Further explanation is required to put the performance measure in perspective. During 2004 the Federal Reserve Board raised overnight interest rates 1.25% to control inflation. Prior to the increase in rates the United States had experienced the lowest interest rates in over forty years. As interest rates rise the value of a bond decreases in market value.

If interest rates are rising investors will not pay the same price for bonds with lower interest rates as they will for bonds that have higher interest rates. This loss in value is called an unrealized loss and it only becomes a real loss if the bonds are sold before maturity. As a bond moves close to maturity the value of the bond moves back to its original value. The yield of the portfolio under the amortized cost method assumes the bonds would have to be sold at a loss. The city currently holds its bonds until maturity since the maturing bonds are normally needed to pay liabilities such as payroll costs or bond payments. When interest rates have been low for several years and then begin to rise the yield of a fixed income portfolio will trail the current market and this is what happened to the city's portfolio in 2004.