

**SOUTHEAST METRO STORMWATER AUTHORITY
BUDGET OVERVIEW
BUDGET YEAR ENDING DECEMBER 31, 2008**

Introduction

Budgetary procedures for units of local government in Colorado are statutorily defined in the "Local Government Budget Law", Colorado Revised Statutes, §29-1-101 et seq. The Budget Law requires all local governments which appropriate money to prepare and adopt an annual budget.

Budgeting is an essential element of the financial planning, control and evaluation process of every successful local governmental unit. Therefore, the budget is not merely viewed as a statutory document from which appropriations are made. Rather, it is an important analysis of the availability of resources in planning for future expenditures. The annual budget covers all resources and expenditures in sufficient detail to allow financial decisions to be made.

Budget Format

The attached draft budget is presented in four columns:

1. The actual revenues and expenditures for the current year through August 31.
2. The current adopted 2007 budget, as revised by the Board.
3. Projected results for 2007.
3. The proposed 2008 budget including anticipated revenues, expenditures and use of fund balance for the next year.

Changes to Draft Budget

Changes to the draft budget are expected, and such changes may be significant. Staff will be continually refining the budget as the budget process progresses. Input from program managers, consultants, and the Board will all be considered in developing a budget that is ready for adoption.

Budget Schedule

The budget must be adopted and funds appropriated prior to December 31. Based on the progress made so far, it is anticipated that the budget could be considered for adoption at the November board meeting.

Cash Flow Projection

Although not part of the budget, staff has prepared a projected cash flow summary for the 4th quarter of 2007 and the first two quarters of 2008 and attached it to the draft budget. As shown in the cash flow projection, staff projects that cash flow will be adequate to meet SEMSWA's obligations for the next nine months. However, if restricted revenues are not received as planned, projects may have to be delayed. Use of tax-exempt financing is being considered in order to smooth cash flow and leverage available funds.

Proposed Budget

Year Ending December 31, 2008

	YTD Through August 2007	2007 Budget	2007 Projected Results	2008 Proposed Budget	
Revenue					
Revenue - Restricted	931,000.00	1,261,000.00	2,934,571.66	655,750.00	(1)
Revenue - Unrestricted	7,587,336.22	7,436,083.00	7,656,500.00	8,154,681.25	(2)
Total Revenue	8,518,336.22	8,697,083.00	10,591,071.66	8,810,431.25	
Expenses/Expenditures					
Building & Space Costs	499,851.02	822,696.00	821,548.23	312,033.00	(3)
Capital Equipment Purchases	226,797.96	241,962.00	329,997.96	245,000.00	(4)
Capital Improvement Program	839,238.68	4,175,178.00	4,101,452.55	5,261,585.42	(5)
Contingency	0.00	100,000.00	0.00	100,000.00	(6)
Floodplain & Master PI Program	189,195.63	293,029.00	290,431.76	606,215.63	(7)
Loan Repayments	805,797.91	1,356,144.00	1,351,036.91	805,797.91	(8)
Maintenance Program	199,762.05	489,848.00	489,296.32	937,074.67	(9)
Services and Administration	1,320,617.48	2,545,501.00	2,261,097.58	1,560,986.95	(10)
Water Quality & Sp Proj Program	210,821.45	525,825.00	523,095.57	963,031.28	(11)
Total Expenses/Expenditures	4,292,082.18	10,550,183.00	10,167,956.88	10,791,724.86	
Increase (Decrease) in Fund Balance	4,226,254.04	-1,853,100.00	423,114.78	-1,981,293.61	
Fund Balance - Beginning	3,205,917.00	3,205,917.00	3,205,917.00	3,629,031.78	
Fund Balance - Ending	7,432,171.04	1,352,817.00	3,629,031.78	1,647,738.17	
Components of Ending Fund Balance					
Reserved	881,000.00	133,000.00	1,940,000.00	521,500.00	(12)
Unreserved	6,551,171.04	1,219,817.00	1,689,031.78	1,126,238.17	(13)
Total Fund Balance	7,432,171.04	1,352,817.00	3,629,031.78	1,647,738.17	
Notes:					
(1) Includes \$381,500 of project funds from the County and \$250,000 of SEMSWA system development fees.					
(2) Assumes a 1.75% increase in impervious area plus a 3% inflation increase and a 2% level of service increase.					
(3) Lower in 2008 due to no tenant finish or initial furniture, fixtures, and equipment costs.					
(4) Includes 5 new vehicles for new staff plus robotic unit for survey/topo/design work as well as track skid steer and mini excavator.					
(5) Details of CIP are being refined and will be shared at a later date.					
(6) \$100,000 contingency included for unforeseen expenditures.					
(7) Includes two new positions: floodplain management review engineer plus land development review engineer.					
(8) Includes bank loan payments but no payments to the City and County for short-term financial assistance.					
(9) Includes two full crews for the entire year along with related increased costs for maintenance.					
(10) Includes three new positions: GIS/Computer Manager, Finance Manager, and HR/Office Manager. Does not include many of the startup costs incurred in 2007.					
(11) Includes on-call spill cleanup and other increased water quality activities.					
(12) Reserved fund balance is only available for capital expenditures and varies with the amount of restricted revenue received.					
(13) Unreserved fund balance is available for general expenditures. The draft budget maintains it above the \$1.0 million level.					

**SOUTHEAST METRO STORMWATER AUTHORITY
SUMMARY OF SIGNIFICANT ASSUMPTIONS USED IN THE
DEVELOPMENT OF THE 2008 DRAFT BUDGET**

1. The draft budget is being submitted to the Board in order to meet the requirements of the Local Government Budget Law (Section 29-1-101 et seq., C.R.S.). The Budget Law requires that a draft budget be submitted to the governing board of a governmental entity on or before October 15.
2. The Budget Law requires that the budget be “balanced”; that is, that expenditures do not exceed available resources. The draft budget, as submitted, is balanced and a fund balance of \$1.6 million is projected as of December 31, 2008. The fund balance includes a restricted component of about \$500,000 and an unrestricted component of about \$1.1 million.
3. The draft budget assumes a 1.75% increase in impervious area within SEMSWA’s boundaries, a 3% fee increase for inflation, and a 2% fee increase to improve the level of service. This is consistent with SEMSWA’s Service Level Plan.
4. The draft budget assumes that \$600,000 of restricted revenue will be received from Arapahoe County in September of 2007, and an additional \$1.4 million before the end of 2007. Due to the nature of these revenues, they are restricted for capital projects. If for any reason, these revenues are not received as planned, the related expenditures will not be incurred. Actual restricted fund balance will vary depending on the availability of restricted revenues.
5. As the budget development progresses, details about proposed staffing levels, specifics of the 2008 capital improvement program, and other important issues will be shared with the Board. Board input regarding significant issues such as these is important and welcome.

Southeast Metro Stormwater Authority
Cash Flow Projection -
Including Restricted Revenues
Three Quarters Ending June 30, 2008

	4th Quarter	1st Quarter	2nd Quarter	Total
	2007	2008	2008	
Amounts in \$000,000s				
Beginning cash	\$ 5.30	\$ 3.33	\$ 1.84	\$ 5.30
Cash revenues				
Stormwater fees	0.05	1.30	3.60	4.95
Restricted revenues(1)	1.40	0.15	0.15	1.70
Interest income	0.02	0.01	0.01	0.04
Total cash revenues	1.47	1.46	3.76	6.69
Expenses/Expenditures				
Salaries and benefits	0.40	0.55	0.55	1.50
Building and space costs	0.10	0.10	0.10	0.30
Capital Equipment Purchases	0.09	0.25	0.00	0.34
Capital Improvement Program	1.10	1.00	1.00	3.10
Contingency/unexpected	0.25	0.25	0.25	0.75
Floodplain & Master PI Program	0.05	0.05	0.05	0.15
Loan Repayments	0.00	0.00	0.00	0.00
Maintenance Program	0.10	0.10	0.10	0.30
Services and Administration	1.10	0.40	0.40	1.90
Water Quality & Sp Proj Program	0.25	0.25	0.25	0.75
Total Expenses/Expenditures	3.44	2.95	2.70	9.09
Increase (Decrease) in Cash	-1.97	-1.49	1.06	-2.40
Ending cash	\$ 3.33	\$ 1.84	\$ 2.90	\$ 2.90
(1) 4th quarter amount Includes \$1.4 million of restricted revenues currently held by the County				

Southeast Metro Stormwater Authority
Cash Flow Projection -
Not Including Restricted Revenues(1)
Three Quarters Ending June 30, 2008

	4th Quarter	1st Quarter	2nd Quarter	Total
	2007	2008	2008	
Amounts in \$000,000s				
Beginning cash	\$ 5.30	\$ 2.23	\$ 1.09	\$ 5.30
Cash revenues				
Stormwater fees	0.05	1.30	3.60	4.95
Restricted revenues	0.00	0.00	0.00	0.00
Interest income	0.02	0.01	0.01	0.04
Total cash revenues	0.07	1.31	3.61	4.99
Expenses/Expenditures				
Salaries and benefits	0.40	0.55	0.55	1.50
Building and space costs	0.10	0.10	0.10	0.30
Capital Equipment Purchases	0.09	0.25	0.00	0.34
Capital Improvement Program	0.80	0.50	1.00	2.30
Contingency/unexpected	0.25	0.25	0.25	0.75
Floodplain & Master PI Program	0.05	0.05	0.05	0.15
Loan Repayments	0.00	0.00	0.00	0.00
Maintenance Program	0.10	0.10	0.10	0.30
Services and Administration	1.10	0.40	0.40	1.90
Water Quality & Sp Proj Program	0.25	0.25	0.25	0.75
Total Expenses/Expenditures	3.14	2.45	2.70	8.29
Increase (Decrease) in Cash	-3.07	-1.14	0.91	-3.30
Ending cash	\$ 2.23	\$ 1.09	\$ 2.00	\$ 2.00