

FINANCIAL TREND MONITORING SYSTEM

CITY OF GOLDEN



AN EVALUATION OF FINANCIAL TRENDS 2018 – 2022

Prepared by

The Finance Department

CITY OF GOLDEN
AN EVALUATION OF FINANCIAL TRENDS
2018 - 2022

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SUMMARY

As part of the annual budget review and process, the City of Golden has prepared an historic evaluation of the financial condition of the City. This evaluation organizes the numerous factors that affect the City's financial condition into identifiable trends that can be monitored. Analysis of positive and negative trends allows the City to make informed plans and recommendations.

Methodology:

Financial condition is defined as the ability of the City to fund the services required both now and in the future. Services are costs essential to maintaining the quality desired and required for the health, safety and general welfare of the citizens. The City uses the Financial Trend Monitoring System developed specifically for local governments by the International City/County Management Association (ICMA) as the foundation for this analysis.

This analysis is developed around seven major factors, each having measurable financial condition indicators:

Factors

- Revenues
- Expenditures
- Operating Position
- Debt Indicators
- Unfunded Liabilities
- Capital Plant
- Local Economic and Demographic Characteristics

For each factor, the quantifiable indicators of the level of solvency are identified, graphed and the trend analyzed. To assist in understanding the detailed information, the definitions included in the introductory section should be reviewed.

Analysis:

After a very strong 2021, the national economy had a year of turmoil in 2022. The stock markets dropped 10-20% in 2022 after reaching all-time highs in 2021. Inflation reached levels not seen since the early 1980's. Interest rates rose to their highest levels since 2007. Increases in minimum wage and salaries across the board occurred to help workers keep up with inflation, impacting the bottom line for many businesses. Talks of a potential recession permeated through the national media throughout the year. Many brick & mortar retail stores continued to see a slow recovery from the pandemic due to supply chain issues and the move to on-line shopping which continues to be preferred by many shoppers. In general, Colorado continued to fair better than the country as a whole, having one of the stronger economies in the nation, although some regions and local governments struggled more than others.

The City had some mixed results financially in 2022. For the year, sales tax revenues remained high, up 11.6% on top of the all-time high of 24.4% in 2021. Use tax was up 10.8% for the year due to facility improvements by several manufacturers and improved automotive use tax. For the second straight year, Fossil Trace Golf Club had its best year ever. However, revenues remained down for most of the year at the Community Center as customers were slow to return after the pandemic. Most construction related revenues were down compared to 2021. The City increased its net position organization wide by \$13.6 million in 2022 and increased reserves in the General Fund by \$3.65 million.

In looking at the 5-year trends, it is important to keep in mind the significant happenings in one year can have the opposite impact the following year as things return to "normal". It's important to not overreact to the changes in the trends from year to year. The more important part of the analysis is to determine if a trend continues in the same direction year after year, either positive or negative, or if it remains relatively stable with minor fluctuations.

Due to the pandemic, several trends took a negative hit for 2020, with the recovery in 2021 resulting in more favorable result. Events in 2022 were mixed compared to 2021 (mostly favorable). In 2019, the only unusual factor that occurred was larger than normal audit revenue, which impacted certain trends.

Setting the impacts of the pandemic and recovery aside, trends of ongoing concern continue to be Community Center Operations, Splash Operations, and Museums Operations. The General Fund provides operating subsidies to the Community Center Fund, Splash Aquatic Park Fund, and the Museums Fund on an annual basis. The Community Center Fund and the Museums Fund have required larger subsidies, especially during and after the pandemic. Operating losses continue to be higher than pre-pandemic levels for these two funds. These funds continue to warrant monitoring going forward. One other trend that bears watching is the number of employees per 1000 citizens as the City added a significant number of new positions in the General Fund 2022 and again in 2023.

Over the years, the City's revenues have been buffered by its diverse sales and use tax base. The 4% decline in 2020 due to the pandemic notwithstanding, sales tax revenues increased 35.8% over the five years ending in 2022. Property tax revenues have increased significantly with each of the last three reassessment years, along with periodic residential and commercial construction. On the expenditure side, increasing operating costs, increasing Fire Department staffing levels, new staffing to address social services issues (affordable housing and homelessness), upward pressures on wages and benefits, and capital infrastructure maintenance continue to have significant impacts to the City's budget. Golden Vision 2030, Council's Strategic Action Plan, neighborhood plans, and various master plans have identified numerous capital wants and needs – finding sufficient revenues to pay for these projects is an on-going challenge.

Inflation increased over 8% in 2022 on top of a 3.5% increase in 2021 after being under 2% for both 2019 and 2020. Construction inflation continues to be a factor in determining the amount of capital maintenance and new capital projects that the City can afford to do. Along with fluctuating fuel costs, these factors continue to put added pressure on the City as well as consumers and businesses. Interest rates increased slightly in 2018 and 2019, dropped and flattened again in 2020 and 2021, then rose significantly in 2022. The stock market was down some in 2018, had banner years in 2019-2021, then dropped significantly in 2022. The start of 2023 has seen a drop in inflation, a small rise in interest rates and some rebounding in the stock market. There are still some pundits continuing to predict another recession in the near future.

The following provides additional analysis and summary of some of the specific trend areas for the City:

■ Revenues

Based primarily on the recovery from the impacts of the Covid-19 pandemic, the revenue trends were stable and positive for 2022. Sales taxes increased 11.6% compared to 2021, with use tax up 10.8%. \$797,000 in audit revenue was collected in 2022, down slightly from the \$808,000 collected in 2021. The impact of the collection from one large audit in 2019 is reflected in the trends for One-Time Revenues and Revenue Surplus.

For the future, the City still has space available for some residential and commercial growth. Proactive marketing efforts continue to highlight the City and generate interest in Golden businesses, particularly in the downtown area.

The construction industry has remained vibrant in the City with several new multi-family and mixed-use complexes completed in recent years, along with various new and refurbished commercial properties. Property tax revenues increased over 12% in 2018, 11% in 2020, and 10.5% in 2022 from the property value reassessments by the County.

Beginning in 2022, operating transfers into the General Fund from a newly enacted lodging tax will help cover increased costs related to thriving community impacts.

■ Expenditures

Expenditures have been increasing over the past several years as growth occurs on the perimeters of the City's boundaries, service needs increase, and outside pressures on costs climb. In addition, the City has increased its scope of services to include social services historically provided by the County. Salaries and benefits continue to experience upward pressure in order for the City to recruit and retain quality employees. Increases in minimum

wage has had a significant impact on costs in several operations within parks and recreation. Health care and the related cost of insurance continue to increase annually. But again in 2022, the City was able to keep those increases to a minimum.

Given the increasing demand on the various City operations and the General Fund subsidies to some operations, the City must continue to address expenditures to keep them in line with the anticipated revenues, find other revenue sources, and/or utilize sustainable adjustments to expenditures going forward.

■ Operating Position

The health of the City's operating position in the General Fund is reflected in the indicators. The Fund consistently shows an operating surplus, with 2018 – 2022 all showing a surplus compared to a budget deficit. Fund balances and liquidity ratios continue to be at acceptable levels. The operating position of several of the managerial enterprise funds (Community Center, Splash, and Museums) of the City bear watching as to the amount of subsidies (typically from the General Fund) needed to keep the funds solvent.

■ Debt Indicators

In October 2019, the City issued \$15 million of COPs to finance the purchase and initial improvements of 7.2 acres from MillerCoors. The increased debt service from these COPs began in 2020. Sales and use tax revenues dedicated to capital improvements (accounted for in the Sales and Use Tax Capital Improvement Fund) are budgeted to make the annual debt service payments. The City does not have any debt that is to be repaid from property tax or other general funds of the City.

■ Unfunded Liabilities

The Volunteer Firefighters' Pension Fund actuarial study as of January 1, 2021 indicated that the current level of contributions is adequate to support the plan. The plan was closed to new volunteers as of January 1, 2011 and the City increased its contribution in 2013, 2016, and again in 2018 to address the adequacy of the plan. The amount of benefits paid as a percentage of plan assets has remained fairly stable over the last several years, including in 2022 despite the decline in the markets that caused a decrease in plan assets.

■ Capital Equipment

Expenditures in infrastructure, vehicles and equipment in 2022 and over the past several years continue to demonstrate the City's dedication to maintaining, replacing and upgrading its capital assets. Fleet, Information Technologies, Streets, and Utilities all have standard maintenance and replacement schedules, although it is currently a challenge to acquire replacement vehicles and heavy equipment in a timely manner due to lack of available inventory at the dealerships. Larger projects are laid out in the 10-Year Capital Improvement Plan. Street paving and concrete replacement were scaled back in 2020 and 2021 in recognition of reduced sales tax revenues in 2020 due to the pandemic.

■ Local Economic and Demographic Characteristics

The cost of housing in Golden is generally higher than the average for the metro area. Residentially, the City is close to full build out, with some single family and multi-family properties still available for construction. Scrape-offs and reconstruction is occurring both residentially and commercially. Downtown Golden continues to be vibrant and a tourism destination, signs of a healthy local economy. Updated demographic information for Jefferson County shows that the median age has been fairly stable (although there was an increase in 2021 based on the 2020 census). Per capita income remains above national averages. While school enrollment in the County has held fairly steady over the last 5 years, the schools in Golden are near capacity and have stopped open enrollment. Unemployment increased from 2.1% at the end of 2019 to 6.9% in 2020 due to the pandemic, dropped to 3.3% as part of the recovery in 2021, then increased to 4.2% in 2022 as some businesses tried to return to pre-pandemic capacities and hours of operation.

INTRODUCTION

This report provides analytical information on the City of Golden. It is prepared in accordance with the Financial Trend Monitoring System (FTMS) developed by the International City/County Management Association (ICMA). Generally accepted government accounting standards were followed for the data presented in this report.

The FTMS was developed by the ICMA with assistance from representatives of more than 30 state and local jurisdictions. The FTMS identifies and organizes factors that affect financial condition so they can be evaluated. Data is collected from the City's annual financial reports, budgets, local population and other demographic information. The FTMS provides for consistent reporting and display of the information to permit the analysis of historical trends.

The system incorporates the major financial indicators used by national bond-rating organizations to evaluate the City's credit-worthiness. The FTMS for the City utilizes 33 measures or indicators of financial condition. Tracking the indicators over a number of years offers a way to quantify and evaluate a government's financial condition and identify strengths and potential problem areas. The indicators can be used as early warning signs when certain trends are apparent.

FINANCIAL CONDITION

Sound financial condition encompasses four measures of solvency: cash, budgetary, long-term and service-level.

- Cash solvency is the ability of a government to generate sufficient cash over a 30 to 90-day period to pay its bills.
- Budgetary solvency is the ability to generate enough revenues during the budget year to meet expenditures and not incur deficits.
- Long-term solvency is the ability to pay not only the costs of doing business in the current year, but also those that will come due in future years (i.e., accrued employee leave, pension costs).
- Service-level solvency is the ability to provide service at the level and quality desired by citizens and required for the health, safety and welfare of the community.

The solvency or sound financial condition of the government depends on the organization's ability to balance the demands for service with its available financial resources.

Monitoring financial condition allows managers to identify existing and emerging financial problems and develop solutions in a timely manner. Effective monitoring can also provide additional information for the annual budget process, give City Council a wider context for decision-making and establish a starting point for setting financial policies. The FTMS is just one tool to accomplish financial monitoring.

HOW TO USE THIS REPORT

The report is divided into seven sections, one for each major financial condition factor:

- Revenues
- Expenditures
- Operating Position
- Debt Indicators
- Unfunded Liabilities
- Capital Plant
- Local Economic and Demographic Characteristics

Each section contains quantifiable indicators that are used to analyze the factor. The format of the analysis of each indicator is as follows:

- Formula for computing the indicator

- Yearly graphic and chart representations of the indicator's trend
- Indicator warning trends
- General description of how the indicator is used to measure financial condition
- Commentary on the City of Golden indicators
- Analysis of the indicator trends for the City of Golden

METHODOLOGY

The objective of the review is to evaluate the financial condition of the City of Golden for the past five years. The analysis is based on the City's Annual Comprehensive Financial Report (Annual Report), revenue and expenditure reporting, statistical/demographic data, payroll records and other subsidiary records. The Public Works Department provided capital plant measurements, and the Planning and Development Department provided input on demographic and socio-economic data.

When required for analysis, indicators were expressed in constant dollars based upon the Denver-Aurora-Lakewood Consumer Price Index for All Urban Consumers.

The FTMS excludes Enterprise and Internal Service Funds from its definition of operating revenues and expenditures, as well as revenues dedicated to specific types of capital improvements. The following funds are excluded, except when otherwise stated: Water, Wastewater, Drainage, Community Center, Cemetery, The Splash Aquatic Park, Fossil Trace Golf Club, Rooney Road Sports Complex, Museums, Fleet, Information Technology, Insurance Fund, Medical Benefits Fund, Worker's Compensation Fund and Capital Projects Funds.

DEFINITIONS

The terminology defined below is used consistently throughout this document. Reviewing definitions prior to analysis will make the report easier to understand.

REVENUES

■ General Fund Revenues

The General Fund is used to account for most of the government's activities, including Police, Fire, Administration, Public Works, Streets, Municipal Court and Parks. General Fund revenues are those which are collected for unspecified uses including, but not limited to, two cents of the three cent sales/use tax, property taxes, and building use tax and permit fees.

■ Net Operating Revenues

Included are general fund revenues from property and sales/use taxes, franchise fees, administrative service fees, campground fees and other user fees (not including recreational and utility enterprise fund fees which are looked at individually by fund). Also included are various intergovernmental revenues.

■ Intergovernmental Revenue

Subset of net operating revenues. Includes County and State collected shared revenues as well as grant monies received from other governmental agencies.

■ Restricted Operating Revenues

Includes general fund grant monies and funds set aside for specific capital projects.

■ Elastic Tax Revenues

Includes general fund sales and non-building use tax revenues.

■ One-Time Revenues

Includes all grants, and certain General Fund revenues over a base amount (sales/use tax, building permits/fees, building use tax, audit assessments).

EXPENDITURES

■ Net Operating Expenditures

Includes salaries and wages, fringe benefits, operating costs, and machinery and equipment purchased by the General Fund.

■ Fringe Benefit Expenditures

Includes General Fund vacation/sick accruals, insurance, disability and education expenditures.

■ Capital Equipment Outlay

Includes machinery and equipment purchased for the general government operations, primarily with General Fund dollars.

OPERATING POSITION

■ General Fund Operating Surplus (Deficit)

General Fund gross revenues less expenditures including transfers to/from other funds.

■ Enterprise Operations Income and Loss

Enterprise funds for the City include Water, Wastewater, Storm Drainage, Community Center, Cemetery Operations, The Splash Aquatic Park, Fossil Trace Golf Club, and Museums. Income includes charges for services and user fees. Depreciation is included as an expense since costs of replacement should be accounted for in user charges and fees.

DEBT LEVELS

■ Current Liabilities

Includes General Fund accounts payable and accrued liabilities for amounts to be paid within the current calendar year.

■ Net Direct Debt Service

Includes principal and interest payments on the sales and use tax revenue bonds.

UNFUNDED LIABILITIES

■ Unfunded Pension Plan Liability

Calculated as the net of the amount available in the plan for benefit distribution and the total obligation to be paid as determined by actuarial calculations.

TREND EVALUATION: REVENUES

SUMMARY

Revenues determine the capacity of the City to provide services. Important issues to consider in revenue analysis are growth, flexibility, elasticity, dependability, diversity and administration. Under ideal conditions, revenues would be growing at a rate equal to or greater than the combined effects of inflation and expenditures. Revenues would be sufficiently flexible (free from spending restrictions) to allow adjustments to changing conditions. Revenues would be balanced between elastic and inelastic in relation to inflation and the economic base; that is, some would grow with inflation and the economic base and others would remain relatively constant. Revenue sources would be diversified--not overly dependent on residential, commercial, industrial land uses, or on external funding sources such as federal grants or discretionary State aid. User fees would be regularly evaluated to cover cost increases.

Analyzing revenue structure will help to identify the following types of problems:

- Deterioration of the revenue base
- Practices or policies that may adversely affect revenue yields
- Lack of cost controls, or poor revenue-estimating practices
- Inefficiency in the collection and administration of revenues
- Over dependence on obsolete or intergovernmental revenue sources
- User fees that are not covering the cost of services
- Changes in the tax burden on various segments of the population

INDICATORS

- Revenues Per Capita
- Property Tax Revenues
- Intergovernmental Revenues
- Elastic Tax Revenues
- One-Time Revenues
- Restricted Operating Revenues
- Revenue Surplus (Shortfalls)

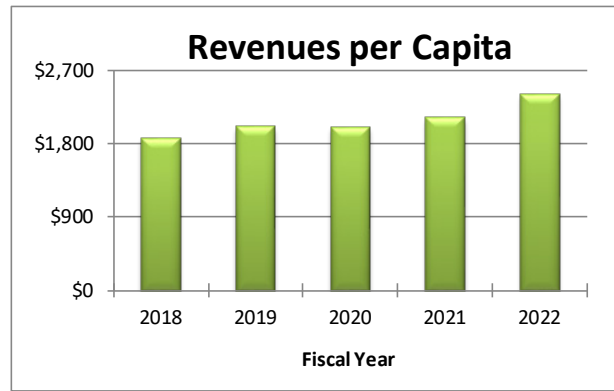
Revenues per Capita

Warning Trend:

Decreasing Net Operating Revenues per Capita
(constant dollars)

Formula:

$$\frac{\text{Net Operating Revenues (constant dollars)}}{\text{Population}}$$



Fiscal year:	2018	2019	2020	2021	2022
Net Operating Revenues *	38,709,000	42,576,000	43,478,000	50,081,000	57,991,000
Consumer Price Index	262.0	267.0	272.2	281.8	304.4
Net Operating Revenues (constant dollars)	38,709,000	41,779,000	41,849,000	46,562,000	49,913,000
Population	20,800	20,842	20,967	22,015	20,768
Net Operating Revenues per Capita (constant dollars)	1,861	2,005	1,996	2,115	2,403

* Operating revenues : general fund revenues, including carryover cash, plus operating transfers from other funds.

Description:

Examining per capita revenues shows changes in revenues relative to changes in population size and rate of inflation. As population increases, it might be expected that revenues and the need for services would increase proportionately and therefore that the level of per capita revenues would remain at least constant in real terms. If per capita revenues are decreasing, the government may be unable to maintain existing service levels unless it finds new revenue sources or increases productivity. This reasoning assumes that the cost of services is directly related to population size.

Commentary:

Operating revenues consist of amounts received in the General Fund from property taxes, sales and use taxes, fire contract fees, recreation fees, fines & forfeitures, license & permit fees, utility administration fee, state-shared revenue, county-shared revenue, interest and unexpended cash (carryover cash) brought forward from the prior year. They are used for on-going City services such as fire, police, public works, streets, parks, planning and central administration. The City also transfers a significant amount of General Fund Revenues to the Community Center, Museums, and Capital Improvements Funds. Revenues from enterprise operations such as water and sewer services are excluded. Decreasing operating revenues per capita may reduce a government's ability to maintain existing service levels. Therefore, decreases are a warning trend for this indicator.

Analysis:

Net Operating Revenues increased in 2021 and 2022 primarily due to the increase in sales tax revenue, indicative of the recovery from the impacts of the Covid-19 pandemic in 2020. The 2020 increase in Net Operating Revenues was due to the CARES Act funding received by the City. General sales tax had continually strong increases except for 2020, while general use and building use taxes showed fluctuations over the five-year period. The carryover cash balance remains more than sufficient to cover unexpected needs.

The population numbers are derived from the results of the Census and then estimated annually by the City's Planning Department. New multi-family residential construction and increased housing at the School of Mines have resulted in increased population estimates over the 5-year period. The decline in the population estimate for 2022 is based on the timing of the receipt of the 2020 Census information.

The continued increase in the CPI over the 5-year period confirms a growing local economy and includes higher than normal inflation in 2022.

The trend is positive overall for the 5-year period. The decrease in 2020 was minimal and corrected in the following year.

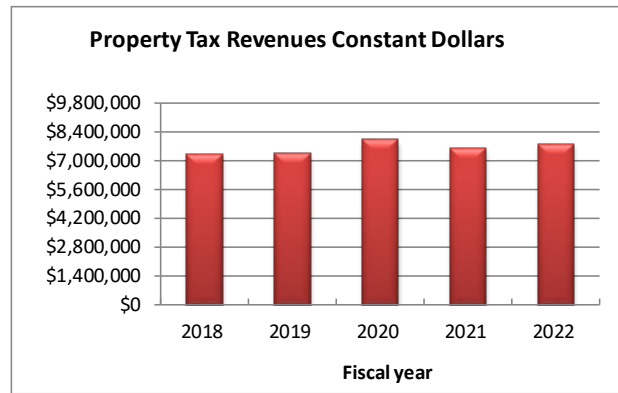
Property Tax Revenues

Warning Trend:

Decline in Property Tax Revenues
(constant dollars)

Formula:

$$\frac{\text{Property Tax Revenues}}{\text{(constant dollars)}}$$



Fiscal year:	2018	2019	2020	2021	2022
Property Tax Revenues	7,326,000	7,488,000	8,314,000	8,199,000	9,062,000
Consumer Price Index	262.0	267.0	272.2	281.8	304.4
Property Tax Revenues (constant dollars)	7,326,000	7,348,000	8,002,000	7,623,000	7,800,000

Description:

Property Tax Revenues should be considered separately from other revenues, because most local governments rely heavily on them. A decline or a diminished growth rate in property taxes can have a number of causes. First, it may reflect an overall decline in property values resulting from the aging of buildings; a decline in local economic health; or a decline in total number of households, which can depress the housing market. Second, it may result from unwilling default on property taxes by property owners. Third, it may result from inefficient assessment or appraisal. Finally, a decline can be caused by deliberate default by property owners, who realize that delinquency penalties are less than short-run interest rates and that nonpayment is therefore an economical way to borrow money.

Commentary:

Property taxes are paid on the assessed values of real, personal and utility property. City property taxes are generated by a mill levy which supports on-going General Fund services and transfers to recreation and museum operations. The mill levy has remained constant since 1992. Taxes levied for the Golden Downtown General Improvement District (GDGID) and the Downtown Development Authority (DDA) are excluded from this analysis.

The Colorado Constitution via the Taxpayer Bill of Rights amendment (TABOR) does not allow a mill levy increase without an affirmative vote of the electorate in Golden. Golden taxpayers have paid \$12.34 per \$1,000 of assessed value each year since 1992.

Decreasing Property Tax Revenues (when expressed in constant dollars) constitute a warning trend.

Analysis:

The health of the local housing market is indicated by the increasing assessed valuations and related property tax revenues over the last few years. Golden's growth limit continues to keep demand for residential property in excess of supply.

The slight decline in constant dollar revenues in some odd numbered years is due to the biennial reassessment of property by Jefferson County. As the County reassesses properties, the revenues show large gains in even numbered years,

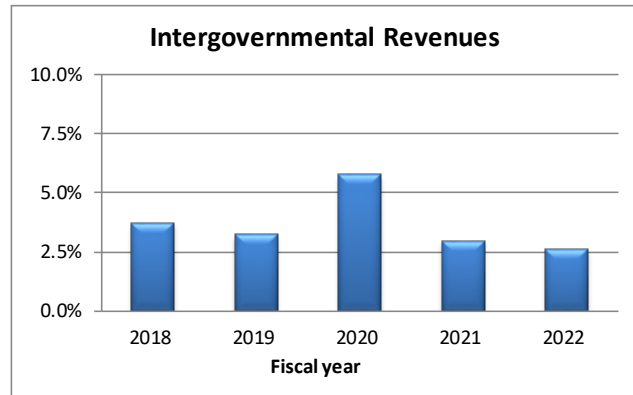
The increase in 2019 reflect new construction in the City. The increases in 2020 and 2022 are a result of the biennial reassessments. The decrease in 2021 is the result of large properties being acquired by the City and Colorado School of Mines and becoming tax-exempt, along with the increase in the CPI.

Intergovernmental Revenues

Warning Trend:

Increasing amount of Intergovernmental Operating Revenues as a percentage of Net Operating Revenues

Formula:

$$\frac{\text{Intergovernmental Operating Revenues}}{\text{Net Operating Revenues}}$$


Fiscal year:	2018	2019	2020	2021	2022
Intergovernmental Operating Revenues	1,437,000	1,364,000	2,496,000	1,483,000	1,512,000
Net Operating Revenues	38,709,000	42,576,000	43,478,000	50,081,000	57,991,000
Intergovernmental Operating Revenues as a percentage of Net Operating Revenues	3.7%	3.2%	5.7%	3.0%	2.6%

Description:

Intergovernmental Revenues (revenues received from another governmental entity) are important, but an overdependence on such revenues can be harmful. As Federal and state governments struggle with their own budgetary problems, frequent withdrawal or reduction of payments to local governments serve as one of their cutback measures. Local governments with budgets largely supported by intergovernmental revenues have been particularly harmed by this, but almost all local governments have been impacted. The reduction of intergovernmental funds leaves the municipal government with the dilemma of cutting programs or funding them from general fund revenues.

Nevertheless, a municipality might want to maximize its use of Intergovernmental Revenues, consistent with its service priorities and financial condition. For example, a local government might want to rely on Intergovernmental Revenues to finance a federal or state mandated service or a one-time capital project. The primary concern in analyzing intergovernmental revenues is to know and monitor the local government's vulnerability to reductions of such revenues, and determine whether the local government is controlling its use of the external revenue, or whether these revenues are controlling local policies.

Commentary:

Increasing Intergovernmental Revenue to support general City services signals an overdependence on such revenue. If there is a risk that these revenues could be withdrawn, the City would be forced to find additional revenue or to cut services to reduce costs. Therefore, an increasing percentage can be viewed as a warning.

Analysis:

Revenues come from County shared taxes as well as State and Federal grants. The tax revenues received from the Cigarette Tax are projected to decline annually. The County Road & Bridge Tax has increased annually with assessed valuation increases. Automobile Taxes have remained fairly consistent except for 2020. Annual revenues from the State Gaming Impact Grant help offset related public safety expenditures. The large increase in 2020 is from Federal CARES Act funds. 2021 returned to a more normal amount.

The small fluctuations from year to year are not material and within a reasonable percentage. The trend remains positive as the City is not overly reliant on Intergovernmental revenues to subsidize operations.

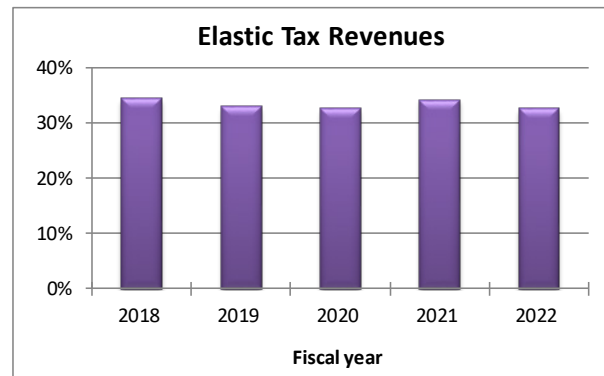
Elastic Tax Revenues

Warning Trend:

Decreasing amount of Elastic Tax Revenues
as a percentage of Net Operating Revenues

Formula:

$$\frac{\text{Elastic Tax Revenues}}{\text{Net Operating Revenues}}$$



Fiscal year:	2018	2019	2020	2021	2022
Elastic Tax Revenues	13,287,000	14,030,000	14,122,000	17,154,000	18,878,000
Net Operating Revenues	38,709,000	42,576,000	43,478,000	50,081,000	57,991,000
Elastic Operating Revenues as a percentage of Net Operating Revenues	34.3%	33.0%	32.5%	34.3%	32.6%

Description:

The yields of Elastic Tax Revenues are highly responsive to changes in economic base and inflation. As the economic base expands or inflation goes up, elastic revenues will generally rise proportionally, and vice versa. A good example is sales tax revenue, which increases during good economic periods through increased retail business and declines during poor times, even though the tax rate remains the same. Yields from inelastic revenue sources, such as license fees or user charges, are relatively unresponsive to changes in economic conditions and require that government officials change fees or charges to create a change in revenue. The yields from these revenues usually lag behind economic growth and inflation because local legislative bodies are reluctant to increase them each year. If properties are not frequently reassessed, property tax revenues can also be inelastic, especially during periods of economic growth.

A balance between elastic and inelastic revenues mitigates the effects of economic growth or decline. During inflation, it is desirable to have a high percentage of elastic revenues because inflation pushes up revenue yield, keeping pace with the higher prices the government must pay. If the percentage of elastic revenues declines during inflation, the government becomes more vulnerable because inflation pushes up the price of services but not the yields of new revenues. The reverse is also true (i.e., a low percentage of elastic revenues is desirable in times of deflation), but significant deflation has seldom occurred in recent years.

During a recession, a high percentage of inelastic revenues is an advantage. This insulates the tax base to some degree from the reduced yield it can receive during a recession.

Commentary:

Elastic Tax Revenues are highly responsive to economic changes. The City's only major General Fund revenue that is classified as elastic is sales/use tax. A balance between elastic and inelastic revenues mitigates the effects of economic growth and decline.

Declining elastic revenues are considered a warning trend because they may place a government in jeopardy during periods of high inflation or rapid economic growth. However, overdependence on Elastic Sales Tax Revenues can reduce resources during economic downturns.

Analysis:

Historically, the City has enjoyed increasing sales and use tax revenues as a result of a strong local economy. The growing economy has resulted in increases in elastic tax revenues over the last few years. Some fluctuations are expected from year-to-year. Overall, the fluctuations are not material, and the trend is stable.

Golden's sales tax base has a large component of inelastic remitters included in the utilities (including telecommunications) and grocery sectors. The percentage of sales tax paid for electricity, gas, phone service and food purchases are considered necessities and a stable tax component. Historically, over 25% of the City's sales tax revenues come from utilities, grocery, and telecommunications.

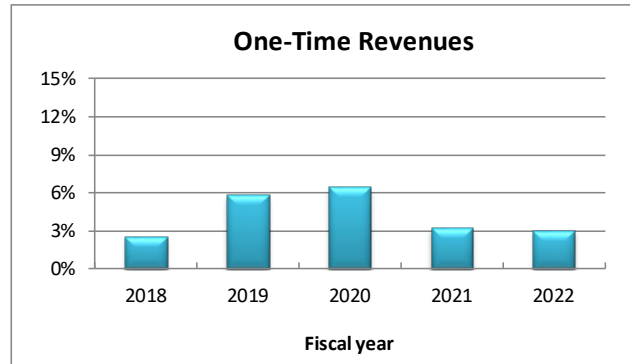
One-Time Revenues

Warning Trend:

Increasing use of One-Time Operating Revenues
as a percentage of Net Operating Revenues

Formula:

$$\frac{\text{One-Time Operating Revenues}}{\text{Net Operating Revenues}}$$



Fiscal year:	2018	2019	2020	2021	2022
One-Time Operating Revenues	972,000	2,475,000	2,786,000	1,592,000	1,745,000
Net Operating Revenues	38,709,000	42,576,000	43,478,000	50,081,000	57,991,000
One-Time Operating Revenues as a percentage of Net Operating Revenues	2.5%	5.8%	6.4%	3.2%	3.0%

Description:

A One-Time Revenue is one that cannot reasonably be expected to continue, such as a single-purpose federal grant, an interfund transfer, or use of a reserve. Also included as One-Time Revenues are use taxes derived from unusual new construction projects or upgrades of existing facilities. Continual use of One-Time Revenues to balance the annual budget can indicate that the revenue base is not strong enough to support current service levels. It can also mean that the government is incurring operating deficits and would have little room to maneuver if there were a downturn in revenues (such as occurs during a regional or national recession or because of the sudden expenditures occasioned by a natural disaster). Use of One-Time Revenues increases the probability that the government will have to make large cutbacks if such revenues cease to be available, which may occur when the Federal Government reduces a major grant program or when reserves are depleted.

Commentary:

One-Time Revenues are resources that cannot reasonably be expected to continue beyond a single year. These revenues include sales/use tax audits, interfund transfers and loans, grants, use of reserves and surpluses, and sales of property.

Continued use of one-time revenues to balance the budget indicates current service level costs exceed ordinary revenue. Therefore, increases constitute a warning trend.

Analysis:

Changes in the dollar amount of one time revenues is driven by the timing of grants, new commercial construction, and audit revenues.

The significant changes from year to year are a couple large sales tax refunds in 2018 that reduced net audit revenue, the collection of a large audit in 2019, and the CARES Act grant in 2020. These changes are also reflected in the total Net Operating Revenues and carryover cash. Nothing out of the ordinary occurred in 2021 or 2022.

Overall though, the City's reliance on one-time revenues continues to be minimal and generally used with one-time purchases or transfers from the General Fund.

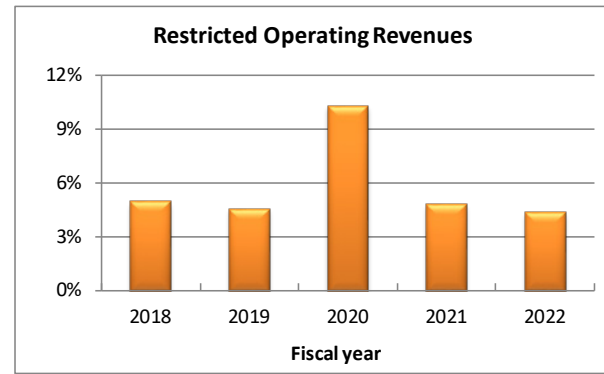
Restricted Operating Revenues

Warning Trend:

Increasing amount of Restricted Operating Revenues
as a percentage of Net Operating Revenues

Formula:

$$\frac{\text{Restricted Operating Revenues}}{\text{Net Operating Revenues}}$$



Fiscal year:	2018	2019	2020	2021	2022
Restricted Operating Revenues	1,895,000	1,932,000	4,452,000	2,391,000	2,498,000
Net Operating Revenues	38,709,000	42,576,000	43,478,000	50,081,000	57,991,000
Restricted Operating Revenues as a percentage of Net Operating Revenues	4.9%	4.5%	10.2%	4.8%	4.3%

Description:

A Restricted Operating Revenue is legally earmarked for a specific use, as may be required by state law, bond covenants, or grant requirements. For example, many states require that gas tax revenues be used only for street maintenance or construction. Also included in Restricted Operating Revenues are General Fund transfers to other funds, including the Community Center Fund and the Museums Fund. While these General Fund transfers are discretionary, the dollars are earmarked for specific projects and are not budgeted as available for general expenditures.

From one perspective, it would seem that many of these restrictions, especially those relating to outside funding, should not affect a local government's financial health. The government has the option of not accepting the revenue and of not providing the service. This option, however, is not always easy to exercise; governments develop economic and political dependencies on these revenues and on the programs they support. Moreover, many governments finance their own essential services with intergovernmental revenues, making it harder to cut them out.

Commentary:

These revenues are reserved for specific purposes including certain grants, donations, lease proceeds, capital and operating transfers.

As the percentage of Restricted Operating Revenues increases, the City loses its ability to respond to changing conditions and citizen needs and demands. Increases in the use of restricted revenues may indicate an overdependence on external revenues and signal a future inability to maintain service levels. The warning trend for this indicator is an increasing percentage.

Analysis:

Fluctuations in Restricted Operating Revenue will depend primarily on amounts transferred to other funds and on grant revenues received. Restricted Operating Revenues include Police, Fire, Gaming, Historical Society and other grant revenues; the sales tax vendor fee, specifically earmarked for economic development; transfers to the Community Center Fund, Museums Fund; and transfers to the Splash Aquatic Park Fund if needed. One-time transfers to the SUT Fund also occur periodically for specific projects if General Fund reserves are sufficient to support the transfer.

During this 5-year period, \$1.2 million was transferred from the General Fund to the SUT Fund in 2018-2020 for RV park improvements. In 2020, additional transfers were made to the Community Center, Splash, and Museum Funds to offset lost revenues due to the pandemic. Those transfers remained higher than historically normal in 2021 and 2022 as those operations continued to recover from the impacts of the pandemic.

The amounts and percentages for this trend are reasonable given the nature and circumstances for each transfer.

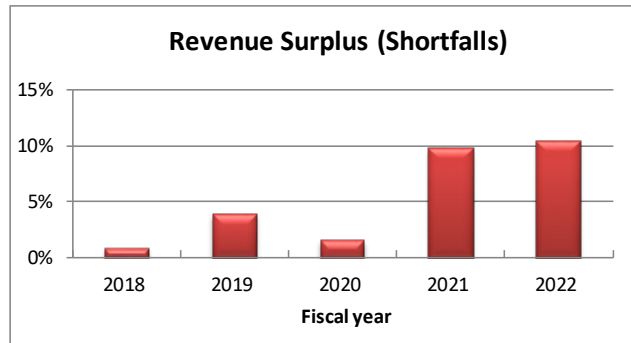
Revenue Surplus (Shortfalls)

Warning Trend:

Increase in revenue shortfalls as a percentage of actual Net Operating Revenues

Formula:

$$\frac{\text{Revenue Surplus (Shortfall)}}{\text{Net Operating Revenues}}$$



Fiscal year:	2018	2019	2020	2021	2022
Revenue Surplus (Shortfall)	295,000	1,627,000	666,000	4,870,000	6,063,500
Net Operating Revenues	38,709,000	42,576,000	43,478,000	50,081,000	57,991,000
Revenue Surplus (Shortfall) as a percentage of Net Operating Revenues	0.8%	3.8%	1.5%	9.7%	10.5%

Description:

This indicator examines the differences between revenue estimates and revenues actually received during the fiscal year. Major discrepancies that continue year after year can indicate a declining economy, inefficient collection procedures, or inaccurate estimating techniques. Discrepancies may also indicate that high revenue estimates are being made to accommodate political pressures. If revenue shortfalls are increasing in frequency or size, a detailed analysis should be made to pinpoint the source.

Commentary:

This indicator reflects the difference between revenues estimated in the Final Adopted Budget and revenues actually received. Major shortfalls can indicate inaccurate estimating techniques, sharp fluctuations in the economy or inefficient revenue collection.

Revenue shortfalls may result in mid-year cuts of services, spending of reserve funds, or increased use of short-term borrowing. Large or frequent shortfalls constitute a warning trend and indicate a need to be more conservative in revenue projections during the budget process.

Analysis:

The City's budgeting process combines historical revenue trends with current and anticipated economic conditions. Budget amounts are compared to actual throughout the year and adjustments made through supplemental appropriations. Surplus or shortfalls within +/- 4% are considered reasonable.

The City has shown a surplus each of the last five years. The amount of the each surplus indicates conservative, yet reasonable budgeting.

2018: The surplus is minimal and the net result of variances in the various revenue sources.

2019: The surplus is a result of the collection from a large tax audit.

2020: The surplus is a result of receiving CARES Act grant funds.

2021: The surplus is a result of increased sales and use tax revenues and construction related fees and taxes.

2022: The surplus is a result of increased sales, use, and property tax revenues.

TREND EVALUATION: EXPENDITURES

SUMMARY

Expenditures are a rough measure of the City's service output. Generally, the more the City spends in constant dollars, the more services it is providing. However, this formula does not take into account how effective the services are or how efficiently they are delivered. To determine whether the City of Golden is living within its revenues, the first issue to consider is expenditure growth rate.

Because the City is *required* to have a balanced budget, it would seem unlikely that expenditure growth would exceed revenue growth. Nevertheless, the annual budget can be balanced in a number of subtle ways that could create a long-run imbalance in which expenditure outlays and commitments grow faster than revenues. Some of the more common ways are to borrow, use reserves, use bond proceeds for operations, or siphon small amounts from intergovernmental grants. Other ways are to defer capital maintenance or to defer funding of a future liability such as a pension plan. In each of these cases, the annual budget remains balanced, but the long-term budget develops a deficit. Although long-term deficits can be funded through windfalls such as state grants or revenue surges created by inflation, allowing such deficits to develop is risky.

A second issue to consider is expenditure flexibility. Expenditure flexibility is a measure of the freedom to adjust service levels to changing conditions and considers the level of mandatory or fixed costs. An increase in mandatory costs such as debt service, matching requirements and pension benefits renders the City less able to adjust to change.

Analyzing the City's expenditure profile will help to identify the following types of problems:

- Excessive growth of expenditures as compared to revenue growth or community wealth
- An undesirable increase in fixed costs
- Ineffective budgetary controls
- A decline in personnel productivity
- Excessive growth in programs that create future expenditure liabilities

INDICATORS

- Expenditures Per Capita
- Employees Per 1,000 Citizens
- Employee Benefits

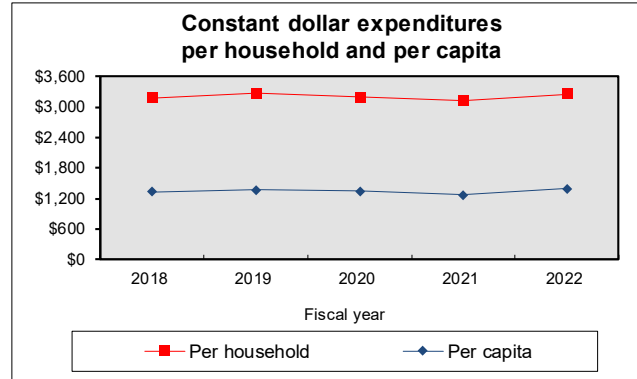
Expenditures per Capita

Warning Trend:

Increasing Net Operating Expenditures per Capita
(constant dollars)

Formula:

$$\frac{\text{Net Operating Expenditures (constant dollars)}}{\text{Population}}$$



Fiscal year:	2018	2019	2020	2021	2022
Net Operating Expenditures	27,704,000	29,133,000	29,364,000	29,982,000	33,582,000
Consumer Price Index	262.0	267.0	272.2	281.8	304.4
Constant dollar expenditures	27,704,000	28,587,000	28,264,000	27,875,000	28,904,000
Estimated population	20,800	20,842	20,967	22,015	20,768
Estimated households	8,683	8,739	8,839	8,875	8,886
Per capita expenditures (constant dollars)	1,332	1,372	1,348	1,266	1,392
Per household expenditures (constant dollars)	3,191	3,271	3,198	3,141	3,253

Description:

Changes in per capita expenditures reflect changes in expenditures relative to changes in population. Increasing per capita expenditures can indicate that the cost of providing services is outstripping the community's ability to pay, especially if spending is increasing faster than the residents' collective personal income. From a different perspective, if the increase in spending is greater than can be accounted for by inflation or the addition of new services, it may indicate declining productivity--that is, that the government is spending more real dollars to support the same level of services.

Commentary:

Operating expenditures include personnel cost, materials and services and capital equipment costs in the General Fund. Operating expenditures do not include transfers to other funds. Increasing expenditures per capita can indicate that service costs are exceeding the community's ability to pay. Also, increases not caused by new services many indicate declining productivity.

Analysis:

The City continues its moderate growth with residential and commercial development, with improvements and occasional expansion to parks and open space. With these additions have come increased service needs, including additional staff in Police, Fire, Parks, and Public Works. Salaries generally increase an average of 2-4% per year. Utilities and other operating expenditures have also seen increases.

The increase in 2019 is primarily attributable to increases in public safety expenditures. The increase in 2022 is primarily due to increased staffing for public safety.

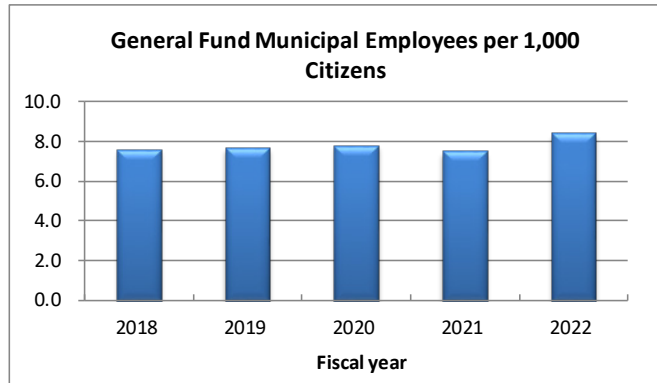
With the City's efforts to keep expenditures in check along with modest increases in population and number of households, the fluctuations are minimal and the trends are stable over the 5-year period.

Employees per 1,000 Citizens

Warning Trend:

Increasing number of municipal employees per capita

Formula:

$$\frac{\text{Number of municipal employees}}{\text{Population}}$$


Fiscal year:	2018	2019	2020	2021	2022
Number of general fund full-time municipal employees *	158	159	163	165	174
Population	20,800	20,842	20,967	22,015	20,768
Number of City employees per 1,000 citizens	7.6	7.6	7.8	7.5	8.4

* Budgeted employees

Description:

Because personnel costs are a major portion of a local government's operating budget, plotting changes in the number of employees per capita is a good way to measure changes in expenditures. An increase in employees per capita might indicate that expenditures are rising faster than revenues, the government is becoming more labor intensive or personnel productivity is declining.

Commentary:

This measure is based on the number of full-time employees in the General Fund. It excludes employees of enterprise operations like water, sewer and internal service functions like fleet management and information systems.

An increasing number of employees is a warning trend, which may indicate more labor intensive work or declining productivity. An increasing number of employees could also indicate a new service or a higher level of existing service.

Analysis:

Employees Per Capita has remained relatively stable historically and increased more than normal in 2022. The City has experienced moderate growth over the past five years in terms of population, commercial/residential construction, and recreation areas.

Staff increases are typically to address workloads internal to the organization or service oriented to address changing needs and expectations within the community.

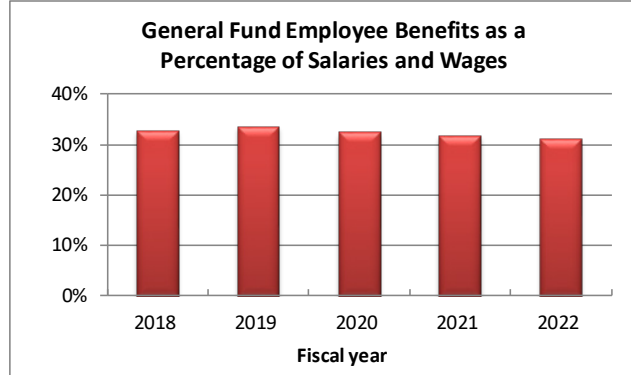
Personnel additions include: a management assistant in the City Manager's Office in 2019; four firefighters in the Fire Department in 2020; an affordable housing coordinator and a homeless navigator in the City Manager's Office in 2021; a digital content and marketing specialist in Communications, a sustainability technician, a right-of-way inspector in Public Works, a RV Park supervisor, four code enforcement officers and a mental health co-responder in the Police Department and four firefighters in the Fire Department in 2022. No personnel increases occurred in 2018.

Employee Benefits

Warning Trend:

Increasing fringe benefit expenditures as a percentage of salaries and wages

Formula:

$$\frac{\text{Fringe benefit expenditures}}{\text{Salaries and wages}}$$


Fiscal year:	2018	2019	2020	2021	2022
General Fund employee benefit expenditures	3,918,000	4,122,000	4,141,000	4,296,000	4,534,000
Total salaries and wages *	11,977,000	12,325,000	12,832,000	13,585,000	14,670,000
Employee benefits as a percentage of total salaries and wages	32.7%	33.4%	32.3%	31.6%	30.9%

* Includes part-time wages

Description:

The most common forms of fringe benefits are pension plans, health and life insurance, vacation, sick and holiday leave, deferred compensation, automobile allowances, disability insurance, educational and incentive pay. Benefits represent a significant share of operating costs, amounting to more than 30% of employee compensation (not including leave time taken). Some benefits, such as health and life insurance, require immediate cash outlays; some, such as pension benefits or accumulated vacation pay, can be deferred for ten to twenty years; others, such as accumulated holiday and sick leave, may require either payment for the opportunity cost of not having the work done or payment to additional employees to handle the work. Because the funding and recording of fringe benefits is a complex process, these costs can escalate unnoticed, straining the government's finances.

Commentary:

Employee benefits include the cost of health insurance, worker's compensation, retirement, unemployment insurance, long-term disability, life insurance and the employer portion of social security. Paid holidays, vacation and sick pay, and certain benefits such as annual passes to the Community Center are not included. This analysis includes employees in the General Fund. It does not include employees from enterprise operations such as water and sewer or internal service functions such as fleet management or information systems.

Increasing employee benefits as a percent of salaries is a warning trend.

Analysis:

Expenditure dollars for Employee Benefits generally increase each year as a result of additional staffing and higher costs. The cost of retirement benefits increases with the cost of salaries. One of the provisions of the Affordable Care Act has required the City to open enrollment for health insurance (previously, employees could only change health coverage due to a qualifying event).

Salary increases have averaged 3-4% in 2018 – 2022, with appropriate step increases for sworn police officers.

Benefit costs and plan options are carefully monitored by Human Resources. Health insurance costs are split between employees and the City. The Front Range average for governmental entities for benefits is approximately 25-30%.

TREND EVALUATION: OPERATING POSITION

SUMMARY

The term ***operating position*** refers to the City's ability to (1) balance its budget on a current basis, (2) maintain reserves for emergencies and (3) have sufficient liquidity to pay its bills on time.

Operating position in the General Fund includes interest earnings and expenditures, and transfers to/from other funds. For enterprise funds, interest and transfers are not included in operating revenues and expenses. Debt service payments and the cost of capital projects/equipment are also not included in operating expenses in enterprise funds.

BALANCING THE CURRENT BUDGET

During a typical year, the City generates either an operating surplus or an operating deficit. An operating surplus develops when current revenues exceed current expenditures, and an operating deficit happens when the reverse occurs. Only in rare instances do revenues and expenditures balance exactly. An operating surplus or deficit may be created intentionally by a policy decision, or unintentionally because of the difficulty of precisely predicting revenues and expenditures, or trends in the underlying local and national economies. Usually, unreserved fund balances pay for deficits while surpluses are used to increase the fund balance. By Colorado statute, the City must always ensure that its total expenditures and reserves equal its total resources.

RESERVES

The accumulation of operating surpluses builds reserves, which provide a financial cushion against events such as the loss of a revenue source, an economic downturn, unanticipated expenditures required by natural disasters, insurance loss and the like; unexpected large-scale capital expenditures, or other nonrecurring expenses; or an uneven cash flow.

Reserves are budgeted in a contingency account at the City to ensure they are always fully discussed as part of the annual budget process.

Per City Budget Policy, the City's objective is to establish the proper level for the fund balance in the General Fund, provide a budget target, maintain year-to-year consistency, avoid wide fluctuations in budget strategy and provide resources for maximum service levels, while keeping the City in a strong financial position.

The City's budget policy allows for some flexibility in its fund balance target to allow for changing economic times. The goal, as outlined in the policy, is to maintain a fund balance in the General Fund of 10-20% of annual operating expenditures. The target during each budget process and at the end of each fiscal year is to keep the fund balance within those parameters. This amount covers approximately two months' expenditures, plus the 3% emergency reserve required under Colorado's TABOR Amendment.

LIQUIDITY

Liquidity refers to the flow of cash in and out of the treasury. The City receives some revenues such as property taxes, in large installments at infrequent intervals during the first half of the year. If revenues are received before they need to be spent, the result is a positive liquidity/cash flow position. Excess liquidity or "cash reserves" are a valuable cushion against unexpected financial pressures.

An analysis of operating position can help to identify the following situations:

- A pattern of continuing operating deficits
- A decline in reserves
- Ineffective revenue forecasting techniques
- Ineffective budgetary controls

INDICATORS

- Operating Revenues Over/(Under) Expenditures
- Fund Balances
- Liquidity
- Utility Operations Income and Losses
- Community Center Operations Income and Losses
- Cemetery Operations Income and Losses
- Splash Operations Income and Losses
- Golf Course Operations Income and Losses
- Museums Operations Income and Losses

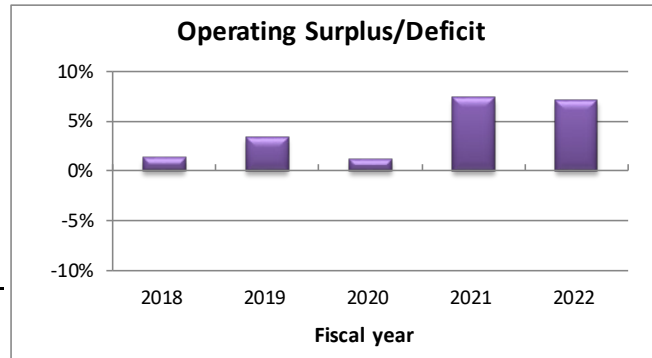
Operating Revenues Over (Under) Expenditures

Warning Trend:

Increasing General Fund Operating Deficits as a percentage of Net Operating Revenues

Formula:

$$\frac{\text{General Fund Operating Surplus/Deficit}}{\text{Net Operating Revenues}}$$



Fiscal year:	2018	2019	2020	2021	2022
General Fund Operating (Deficit)/Surplus*	500,000	1,438,000	506,000	3,652,000	4,106,000
Net Operating Revenues	38,709,000	42,576,000	43,478,000	50,081,000	57,991,000
General Fund Operating (Deficit)/Surplus as a percentage of Net Operating Revenues	1.3%	3.4%	1.2%	7.3%	7.1%

*Encumbrances not included

Description:

An operating deficit occurs when current expenditures exceed current revenues. This may not mean that the budget will be out of balance ("budget deficit"), because reserves ("fund balances") from prior years can be used to cover the difference. It does mean, however, that during the current year, the government is spending more than it is receiving. This may be caused by an emergency (such as a natural catastrophe) requiring a large immediate expenditure or the spending pattern may be part of a policy to use accumulated surplus fund balances. An operating deficit in any one year may not be cause for concern, but frequent and increasing deficits can indicate that current revenues are not supporting current expenditures and that serious problems may lie ahead. Budgetary analysis does not always reveal operating deficits because they can be temporarily financed by short-term loans or by accounting transactions that, for example, inappropriately accrue future revenues or transfer surplus fund balances from other funds. An analyst looking for operating deficits should consider each fund separately, so that a surplus in one fund cannot hide a deficit in another. Analyzing funds separately also helps to pinpoint emerging problems. Although such transactions can provide necessary opportunities to meet current needs and can serve as a positive source of financing, they should be scrutinized and used on a short term/temporary basis only.

Commentary:

This indicator shows the difference between the revenues and expenditures of the General Fund. Unlike the Federal government, Colorado municipalities are prohibited by Local Budget Law from spending more money than they have. However, when a city spends more than it collects in a year, the deficit can be covered by cash reserves, transfers from other funds or from other sources. An operating deficit may occur as a result of lower revenues or higher costs than were budgeted. An operating deficit may also result when City Council intentionally spends accumulated surplus funds.

Frequent and increasing operating deficits may indicate that revenues are not supporting current expenditures. The following occurrences are warning trends:

- Two consecutive years of operating deficits;
- A current operating fund deficit greater than that of the previous year;
- An operating deficit in two or more of the last five years;
- An abnormally large deficit - more than 5 to 10 percent of net operating revenues in any one year.

Analysis:

Overall this trend remains positive with no significant surpluses or deficits. The increase for 2018 is the result of overall operations. The 2019 increase is from audit revenue. The CARES Act grant accounted for the surplus in 2020. The surplus in 2021 and 2022 is from increased sales and use taxes.

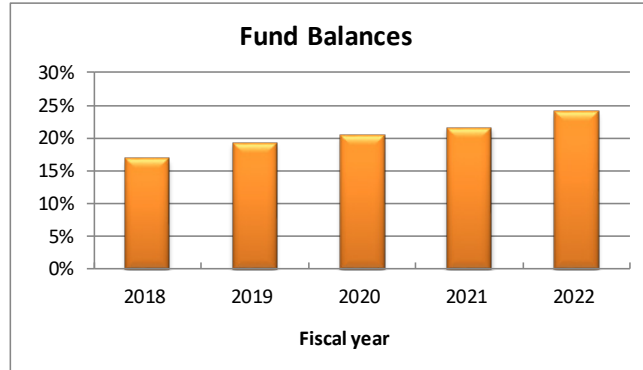
Fund Balances

(General Fund)

Warning Trend:

Declining unrestricted Fund Balances as a percentage of Net Operating Revenues

Formula:

$$\frac{\text{Unrestricted Fund Balances}}{\text{Net Operating Revenues}}$$


Fiscal year:	2018	2019	2020	2021	2022
Unrestricted Fund Balances	6,515,000	8,196,000	8,856,000	10,810,000	13,923,000
Net Operating Revenues	38,709,000	42,576,000	43,478,000	50,081,000	57,991,000
Unrestricted Fund Balances as a percentage of Net Operating Revenues	16.8%	19.3%	20.4%	21.6%	24.0%

Description:

Positive fund balances can also be thought of as reserves, although the "fund balance" entry on a local government's annual report is not always synonymous with "available for appropriation." The report may show allocations on the fund balances, such as "Nonspendable" or "Restricted" for the TABOR required "Emergency Reserve".

The size of a local government's fund balances can affect its ability to withstand financial emergencies. It can also affect its ability to accumulate funds for capital purchases without having to borrow. In states that allow it, jurisdictions usually try to operate each year at a small surplus to maintain positive fund balances and thus maintain adequate reserves.

Nonspecific or general reserves are usually carried on the books as unrestricted fund balance in the general operating fund. Sometimes special reserves are maintained in a separate fund. For example, reserves for replacing equipment such as computers or vehicles may be kept in the fund balance of an internal service fund (i.e., a fund used to charge operating departments for the use of equipment). Reserves can also be appropriated as a budget item in some form of contingency account. Regardless of the way in which reserves are recorded, an unplanned decline in fund balances may mean that the government will be unable to meet a future need.

Commentary:

The City's Budget Policy regarding Fund Balance is to maintain a level for the Fund Balance in the General Fund which provides a budget target, maintains year to year consistency, avoids wide fluctuations in budget strategy, and provides resources for maximum service levels to keep the City in a strong financial position.

Analysis:

Strong tax revenues and overall results from operations in 2018-19 and 2021-22 helped increase the fund balance. The CARES Act grant was the main cause of the increase in fund balance in 2020.

The trend is a gradual increase annually and the percentage of Unreserved Fund Balance remains at a very healthy level.

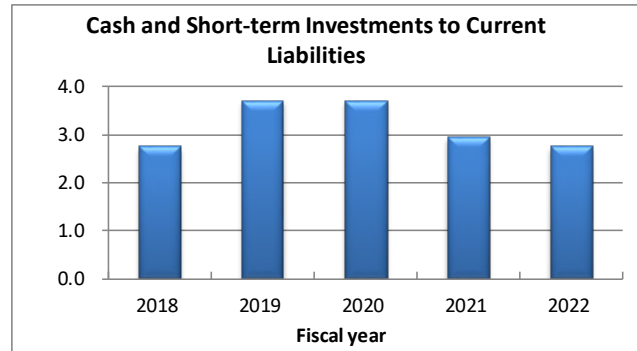
Liquidity

Warning Trend:

Decreasing amount of Cash and Short-term Investments as a percentage of Current Liabilities

Formula:

$$\frac{\text{Cash and Short-term Investments}}{\text{Current Liabilities}}$$



Fiscal year:	2018	2019	2020	2021	2022
Cash and Short-term Investments	7,465,000	9,556,000	9,504,000	14,924,000	22,283,000
Current Liabilities *	2,708,000	2,576,000	2,563,000	5,052,000	8,100,000
Cash and short-term investments ratio to current liabilities	2.8	3.7	3.7	3.0	2.8

*Includes amounts in escrow for development fees.

Description:

A good measure of a local government's short-run financial condition is its cash position. Cash position, which includes cash on hand and in the bank, as well as other assets that can be easily converted to cash, determines a government's ability to pay its short-term obligations. This is also known as liquidity, and the immediate effect of insufficient liquidity is insolvency--the inability to pay bills. Low or declining liquidity can indicate that a government has overextended itself in the long run. A cash shortage may be the first sign.

Commercial entities use a standard ratio of liquidity called the "quick ratio"; cash, short-term investments and accounts receivable divided by current liabilities (short-term debt, current portion of long-term debt, accounts payable, accrued and other current liabilities). If this ratio is less than one to one (or less than 100%), the commercial entity is considered to be facing liquidity problems. However, most of a commercial entity's accounts receivable is collected within thirty days; a municipality's receivables are usually not collected that quickly. Accordingly, the ratio of cash and short-term investments to current liabilities is a better measure of a municipality's liquidity.

Comparing cash and short-term investments to current liabilities is also referred to as *current account analysis*. In this terminology, an excess of liabilities over cash and short-term investments (a ratio of less than one to one) would be referred to as a *current account deficit* and the reverse (a ratio of greater than one to one) would be a *current account surplus*.

Commentary:

Liquidity is an indicator of the City's ability to pay its short-term obligations. Liquidity is the ratio of cash and short-term investments to current liabilities. A low ratio may result in cash-flow problems for the City and require greater use of short-term borrowing to cover expenses. The credit rating industry considers a liquidity ratio of less than 1:1 cash to current liabilities to be a negative factor, although a single year at this level is not considered serious.

Decreasing liquidity is a warning trend.

Analysis:

General Fund cash typically increases each year due to conservative budgeting practices (where revenues typically exceed the budget). The decrease in cash in 2020 is minimal, especially given the impacts of the pandemic. The decreases in 2021 and 2022 are due to recording the ARPA funds as a liability until used. The trend continues to be positive as the ratio remains well over 1:1.

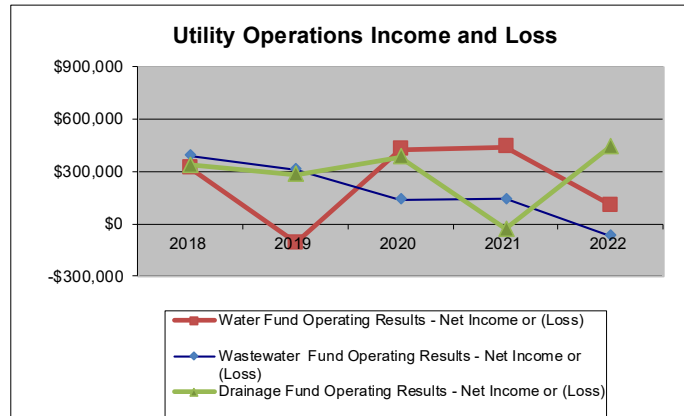
Utility Operations Income and Losses

Warning Trend:

Recurring enterprise losses (deficits)

Formula:

Enterprise operating income or losses



Fiscal year:	2018	2019	2020	2021	2022
Water Fund Operating Results - Net Income or (Loss)	319,000	(109,000)	424,000	438,000	107,000
Wastewater Fund Operating Results - Net Income or (Loss)	389,000	310,000	139,000	143,000	(70,000)
Drainage Fund Operating Results - Net Income or (Loss)	336,000	282,000	382,000	(29,000)	443,000

Description:

Enterprise losses are a special and highly visible type of operating deficit because enterprise fund programs are expected to function as if they were commercially operated private entities, rather than governmental "not for profit" entities. This means that the costs (expenses, including depreciation) of providing goods and services to the public are to be recovered through user charges. In addition, enterprise operations usually need to issue revenue bonds to finance capital improvement projects, and the interest rates and covenants associated with the issuance of such bonds can be significantly affected by the operating position of the enterprise. However, the cost of annual debt payments, along with costs associated with capital projects, are not included in the calculations of net income/loss.

Enterprise fund programs common to local government are water, gas, electric utilities, swimming pools, golf courses, airports, parking garages and transit systems. In times of financial strain, a local government can raise taxes to increase support for a general fund program. However, enterprises are typically subject to the laws of supply and demand. Managers of such programs who raise user fees or rates may find that revenues actually decrease because customers limit their use of the service.

Commentary:

The City operates three utility enterprises that provide water and wastewater services as well as a storm drainage utility. Like private businesses, these entities charge customers for services to cover costs of operations. Net income or loss is the difference between the revenues and costs of providing these services. Income is used to retire debt, fund capital construction, and to maintain an adequate level of working capital.

Recurrent enterprise losses represent a warning trend.

Analysis:

Over the five-year period, the Water, Wastewater, and Drainage Funds have all shown a net profit from operations each year, except for the Water Fund in 2019, the Drainage Fund in 2021 (both of which were budgeted), and the Wastewater Fund in 2022 (due to lower than anticipated user fees). Periodic fee increases help ensure positive operating results. In 2019, the City completed a comprehensive rate study and implemented a new fee schedule beginning in 2020.

Fluctuations in the profits in the Water Fund can be weather related as summer rains mean less water consumption for irrigation purposes, and are also impacted by conservation efforts. These efforts can also impact wastewater charges which are based on winter water consumption.

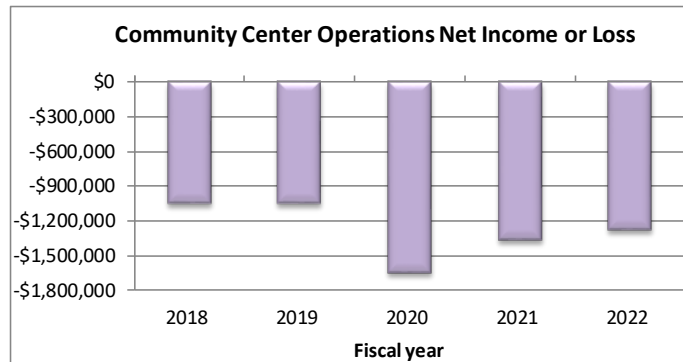
Community Center Operations - Income and Losses

Warning Trend:

Recurring/increasing enterprise losses (deficits)

Formula:

Enterprise operating income or losses



Fiscal year:	2018	2019	2020	2021	2022
Community Center Operating Results - Net Income or (Loss)	(673,000)	(710,000)	(1,295,000)	(1,008,000)	(918,000)
excluding depreciation					
Net income or (loss)*	(1,050,000)	(1,058,000)	(1,650,000)	(1,370,000)	(1,280,000)

**Net income or loss is after depreciation expense and before interest or transfers*

Description:

Enterprise losses are a special and highly visible type of operating deficit because enterprise fund programs are expected to function as if they were commercially operated private entities, rather than governmental "not for profit" entities. This means that the costs (expenses, including depreciation) of providing goods and services to the public are to be recovered through user charges. In addition, enterprise operations usually need to issue revenue bonds to finance capital improvement projects, and the interest rates and covenants associated with the issuance of such bonds can be significantly affected by the operating position of the enterprise.

Enterprise fund programs common to local government are water, gas, electric utilities, swimming pools, golf courses, airports, parking garages and transit systems. In times of financial strain, a local government can raise taxes to increase support for a general fund program. Enterprises, however, are typically subject to the laws of supply and demand, and managers of such programs who raise user fees or rates may find that revenues actually decrease because customers limit their use of the service.

Commentary:

The City operates a community recreation center as a managerial enterprise fund. In many cases, the community center entity charges customers amounts sufficient to cover costs of operations. However, many of the services and programs established are not designed to cover operating costs and an annual subsidy from the General Fund is required. Overall, the Community Center's policy is to cover between 60-80% of operating costs through charges for service. Net income or loss is the difference between the revenues, not including subsidies, and costs of providing these services. Depreciation is included as an expense in the calculation of income/loss. Recurrent enterprise losses represent a warning trend.

Analysis:

The Golden Community Center operations are subsidized by an annual transfer from the General Fund. The City Council has adopted policies regarding subsidies and percentages of cost recovery for various programs and overall operations. The operating loss, excluding depreciation, reflects the amount of subsidy needed on a cash basis. The net operating losses are at acceptable levels per the policies.

Higher wages needed to retain part-time and summer help, and higher operating costs to support youth programs with increasing attendance have impacted the operating losses since 2018. Increases to minimum wage have further impacted the operating losses. The loss in 2020 was exacerbated due to the temporary closure of the facility and subsequent capacity restrictions due to the pandemic. Reduced, though improving, attendance continued into 2021 and 2022.

While operating losses are expected, the amount of losses bears watching.

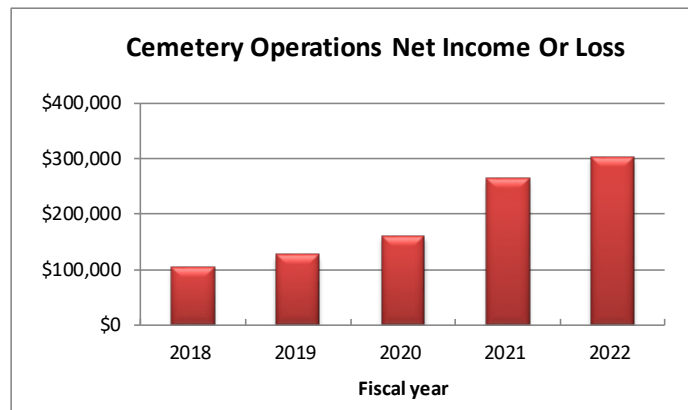
Cemetery Operations - Income and Losses

Warning Trend:

Recurring/increasing enterprise losses (deficits)

Formula:

Enterprise operating income or losses



Fiscal year:	2018	2019	2020	2021	2022
Cemetery Operating Results - Net Income or (Loss)	137,000	158,000	190,000	295,000	338,000
excluding depreciation					
Net income or (loss)*	105,000	126,000	160,000	264,000	303,000

**Net income or loss is after depreciation expense and before interest or transfers*

Description:

Enterprise losses are a special and highly visible type of operating deficit because enterprise fund programs are expected to function as if they were commercially operated private entities, rather than governmental "not for profit" entities. This means that the costs (expenses, including depreciation) of providing goods and services to the public are to be recovered through user charges. In addition, enterprise operations usually need to issue revenue bonds to finance capital improvement projects and the interest rates and covenants associated with the issuance of such bonds can be significantly affected by the operating position of the enterprise.

Enterprise fund programs common to local government are water, gas, electric utilities, swimming pools, golf courses, airports, parking garages and transit systems. In times of financial strain, a local government can raise taxes to increase support for a general fund program. However, enterprises are typically subject to the laws of supply and demand, and managers of such programs who raise user fees or rates may find that revenues actually decrease because customers limit their use of the service.

Commentary:

The City operates a community cemetery. Like private businesses, this entity charges customers for services to cover costs of operations. Net income or loss is the difference between the revenues and costs of providing these services. Depreciation is included as an expense in the calculation of profit/loss.

Recurrent enterprise losses represent a warning trend.

Analysis:

The Cemetery was set up as a Managerial Enterprise Fund in 1994 to better track revenues and expenses, with the anticipation that the Cemetery would not cover its costs. The Fund was subsidized as necessary with appropriations from the General Fund. Investment earnings from the Cemetery Perpetual Care Fund was also used to subsidize cemetery operations.

Most operating expenses at the Cemetery are on-going and necessary while revenues fluctuate from year to year based on need and service requests. The trend also changes as operating costs increase and with periodic fee increases. Fees are evaluated and adjusted as necessary to remain competitive yet less than private cemeteries.

Due to fee increases and growing requests for services, the Cemetery has experienced a significant increase in revenue and corresponding net income for the five-year period.

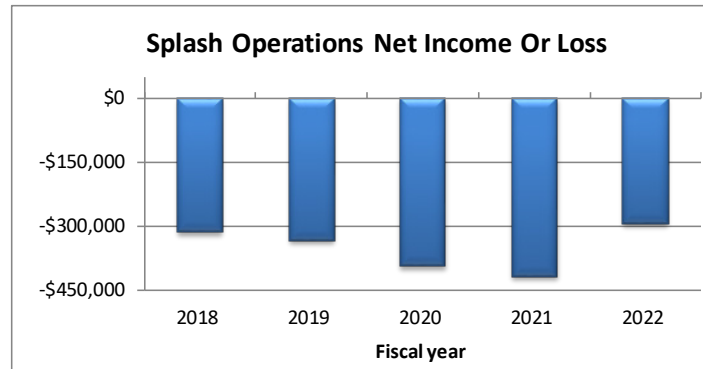
Splash Operations - Income and Losses

Warning Trend:

Recurring/increasing enterprise losses (deficits)

Formula:

Enterprise operating income or losses



Fiscal year:	2018	2019	2020	2021	2022
Splash Operating Results - Net Income or (Loss)	(94,000)	(113,000)	(172,000)	(197,000)	(107,000)
excluding depreciation					
Net income or (loss)*	(313,000)	(332,000)	(392,000)	(417,000)	(293,000)

**Net income or loss is after depreciation expense and before interest or transfers*

Description:

Enterprise losses are a special and highly visible type of operating deficit because enterprise fund programs are expected to function as if they were commercially operated private entities, rather than governmental "not for profit" entities. This means that the costs (expenses, including depreciation) of providing goods and services to the public are to be recovered through user charges. In addition, enterprise operations usually need to issue revenue bonds to finance capital improvement projects and the interest rates and covenants associated with the issuance of such bonds can be significantly affected by the operating position of the enterprise.

Enterprise fund programs common to local government are water, gas, electric utilities, swimming pools, golf courses, airports, parking garages and transit systems. In times of financial strain, a local government can raise taxes to increase support for a general fund program. However, enterprises are typically subject to the laws of supply and demand, and managers of such programs who raise user fees or rates may find that revenues actually decrease because customers limit their use of the service.

Commentary:

The City operates a community outdoor aquatic park. Like private businesses, this entity charges customers for services to cover costs of operations. Net income or loss is the difference between the revenues and costs of providing these services. Depreciation is included as an expense in the calculation of income/loss.

Recurrent enterprise losses represent a warning trend.

Analysis:

When the Splash Aquatic Park opened in 2002, the goal was for revenues to cover operating costs. It was never anticipated that the Fund would cover its capital costs, including depreciation. Capital maintenance and equipment replacements are funded through the SUT Capital Fund or the Conservation Trust Fund. Originally, the Park stayed open through Labor Day weekend. In recent years, the Park has seen reduced hours or closure in mid-August as kids go back to school and the availability of lifeguards declines.

Fluctuations in temperatures have the greatest impact on financial performance. Favorable weather conditions generally result in minimal net operating loss before depreciation.

The fund receives subsidies from the General Fund as necessary. Increases in minimum wage have resulted in more significant losses and warrants monitoring going forward. The losses in 2020 and 2021 were exacerbated due to capacity restrictions due to the pandemic and availability of lifeguards. Attendance and overall operations improved in 2022.

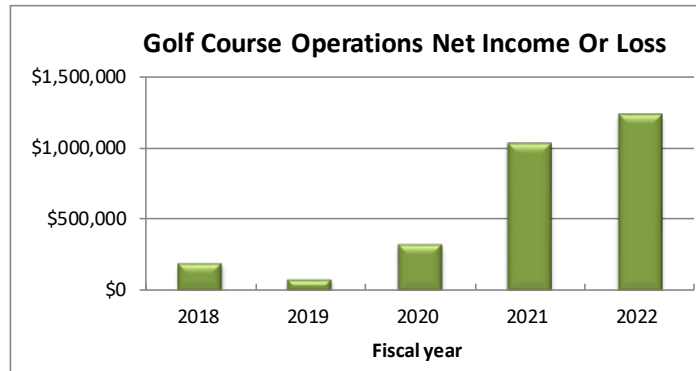
Golf Course Operations - Income and Losses

Warning Trend:

Recurring/increasing enterprise losses (deficits)

Formula:

Enterprise income or losses



Fiscal year:	2018	2019	2020	2021	2022
Golf Course Operating Results - Net Income or (Loss)	922,000	813,000	1,121,000	1,859,000	2,022,000
excluding depreciation					
Net income or (loss)*	195,000	86,000	333,000	1,034,000	1,238,000

**Net income or loss is after depreciation expense and before interest or transfers*

Description:

Enterprise losses are a special and highly visible type of operating deficit because enterprise fund programs are expected to function as if they were commercially operated private entities, rather than governmental "not for profit" entities. This means that the costs (expenses, including depreciation) of providing goods and services to the public are to be recovered through user charges. In addition, enterprise operations usually need to issue revenue bonds to finance capital improvement projects and the interest rates and covenants associated with the issuance of such bonds can be significantly affected by the operating position of the enterprise.

Enterprise fund programs common to local government are water, gas, electric utilities, swimming pools, golf courses, airports, parking garages and transit systems. In times of financial strain, a local government can raise taxes to increase support for a general fund program. However, enterprises are typically subject to the laws of supply and demand, and managers of such programs who raise user fees or rates may find that revenues actually decrease because customers limit their use of the service.

Commentary:

The City operates Fossil Trace Golf Club, a municipal golf course. Like private businesses, this entity charges customers for services to cover costs of operations. Net income or loss is the difference between the revenues and costs of providing these services. Depreciation is included as an expense in the calculation of income/loss.

Recurrent enterprise losses represent a warning trend.

Analysis:

Fossil Trace Golf Club continues to outperform all other municipal courses in the Denver metro area. It is expected that the course will cover all costs of operations, including equipment replacement and capital improvements, as well as pay its share of the debt issued to build the course.

Net profits excluding depreciation continue to be strong for the operation. Continued aggressive marketing efforts, excellent merchandising, and great weather all contribute to strong income for the course. The increase in 2018 was due to excellent weather and improved returns from food & beverage. Increased operating costs caused a drop in net income in 2019. Unlike other City operations, Fossil Trace flourished during the pandemic. Cancelled tournaments opened up more tee times that were quickly filled as the course had the most rounds of play in its history each of the last three years.

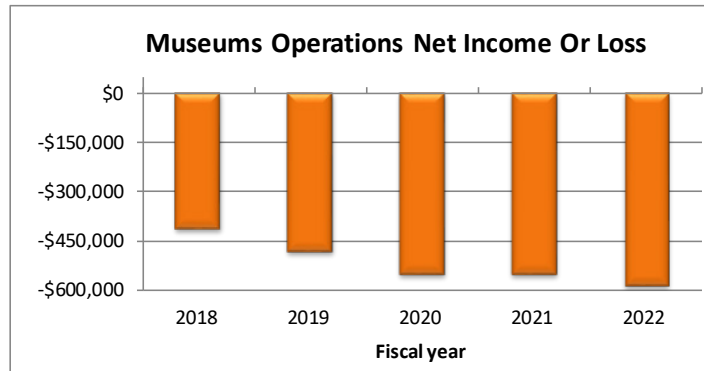
Museums Operations - Income and Losses

Warning Trend:

Recurring/increasing enterprise losses (deficits)

Formula:

Enterprise income or losses



Fiscal year:	2018	2019	2020	2021	2022
Museums Operating Results - Net Income or (Loss)	(377,000)	(443,000)	(529,000)	(524,000)	(556,000)
excluding depreciation					
Net income or (loss)*	(412,000)	(479,000)	(548,000)	(547,000)	(582,000)

**Net income or loss is after depreciation expense and before interest or transfers*

Description:

Enterprise losses are a special and highly visible type of operating deficit because enterprise fund programs are expected to function as if they were commercially operated private entities, rather than governmental "not for profit" entities. This means that the costs (expenses, including depreciation) of providing goods and services to the public are to be recovered through user charges. In addition, enterprise operations usually need to issue revenue bonds to finance capital improvement projects and the interest rates and covenants associated with the issuance of such bonds can be significantly affected by the operating position of the enterprise.

Enterprise fund programs common to local government are water, gas, electric utilities, swimming pools, golf courses, airports, parking garages and transit systems. In times of financial strain, a local government can raise taxes to increase support for a general fund program. However, enterprises are typically subject to the laws of supply and demand, and managers of such programs who raise user fees or rates may find that revenues actually decrease because customers limit their use of the service.

Commentary:

The City operates two museum related properties, the Golden History Center and the Clear Creek History Park. Operating revenues come in the form of memberships, admission fees, facility rentals, gift shop sales, food and beverage sales, advertising, grants and donations. Net income or loss is the difference between the revenues and costs of operating the facilities. Depreciation is included as an expense in the calculation of income/loss.

Recurrent enterprise losses represent a warning trend.

Analysis:

The Museums became City operated facilities July 1, 2010, and was set up as a Managerial Enterprise Fund to track revenues and expenses, with the anticipation that they would not cover their costs. The General Fund subsidizes the operations of the Museums.

The net loss was originally expected to stabilize and then show improvement over time as revenues were anticipated to increase through additional admissions, memberships, grants, and donations. The increased losses are an ongoing concern. The loss in 2020 was exacerbated due to the cancellation of revenue generating programs due to the pandemic. Given that this same level of loss has continued in 2021 and 2022 is a concern that warrants monitoring.

TREND EVALUATION: DEBT INDICATORS

SUMMARY

Debt is an effective way to finance capital improvements and to balance out short-term revenue flows, but its misuse can cause serious financial problems. Even a temporary inability to repay debt can damage the City's credit rating, possibly increasing its rate for future borrowing.

The most common forms of long-term debt are general obligation, special assessment and revenue bonds. Even when these types of debt are used exclusively for capital projects, the City needs to ensure that its outstanding debt does not exceed its ability to repay as measured by the wealth of the community. Another way to evaluate ability to repay is to consider the amount of principal and interest, or debt service that the City is obligated to repay each year. Also to be considered are overlapping debt and other jurisdiction debts against which the City has pledged its full faith and credit. Under the most favorable circumstances, the City's debt is proportional in size and rate of growth to its tax base, does not extend past the useful life of the facilities that it finances, is not used to balance the operating budget, does not require repayment schedules that put excessive burdens on operating expenditures; and is not too high as to jeopardize its credit rating.

An examination of the City's debt structure can reveal the following:

- Inadequacies in cash management procedures or expenditure controls
- Increasing reliance on long-term debt
- Decreasing expenditure flexibility (due to increased fixed costs in the form of debt service)
- Use of short-term debt to finance current operations
- Existence of sudden large increases or decreases in future debt service
- Amount of additional debt that the community can absorb

INDICATORS

- Current Liabilities
- Combined Long-Term (Overlapping) Debt
- Debt Service

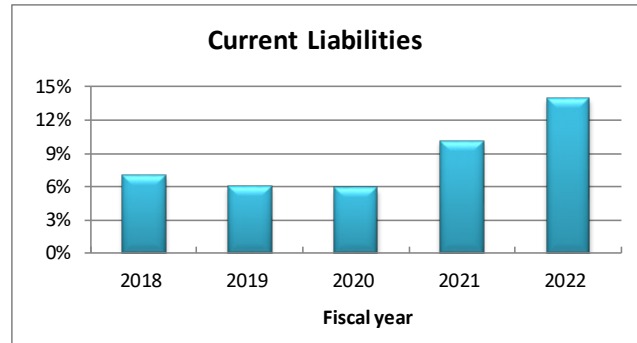
Current Liabilities

Warning Trend:

Increasing Current Liabilities at the end of the year as a percentage of Net Operating Revenues

Formula:

$$\frac{\text{Current Liabilities}}{\text{Net Operating Revenues}}$$



Fiscal year:	2018	2019	2020	2021	2022
Current Liabilities *	2,708,000	2,576,000	2,563,000	5,052,000	8,100,000
Net Operating Revenues	38,709,000	42,576,000	43,478,000	50,081,000	57,991,000
Current Liabilities as a percentage of Net Operating Revenues	7.0%	6.1%	5.9%	10.1%	14.0%

* Includes amounts in escrow for development fees.

Description:

Current liabilities are defined as the sum of all liabilities due at the end of the fiscal year, including short-term debt, current portion of long-term debt, all accounts payable, accrued liabilities and other current liabilities.

A major component of current liabilities may be short-term debt in the form of tax or bond anticipation notes. Although short-term borrowing is an accepted way to deal with uneven cash flow, an increasing amount of short-term debt outstanding at the end of successive years can indicate liquidity problems, deficit spending or both. Current Liabilities do not include interfund loans between funds.

Commentary:

Current liabilities are those amounts which the General Fund owes and expects to pay within one year. This indicator shows City payments due at year end as a percentage of operating revenues. These liabilities are comprised of accounts payable, payroll taxes, employee benefits payable and obligations to perform a service in the near future.

Increasing current liabilities may indicate cash shortages and, therefore, is a warning trend.

Analysis:

Current Liabilities include accounts payable, deferred revenue and various escrow accounts that fluctuate with normal operations.

The increases in 2021 and 2022 are due to the recognition of ARPA funds as a liability until used.

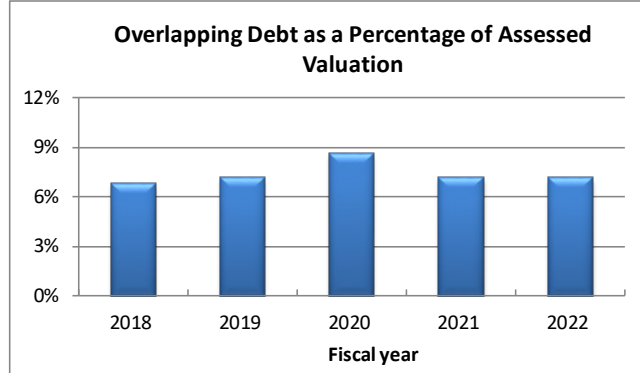
The impact of the ARPA funds aside, the trend is stable and favorable over the five-year period, as the fluctuations in the percentage are generally minimal.

Combined Long-term (Overlapping) Debt

Warning Trend:

Increasing Long-term Overlapping Bonded Debt
as a percentage of Assessed Valuation

Formula:

$$\frac{\text{Long-term Direct and Overlapping G.O. Debt}}{\text{Assessed Valuation}}$$


Fiscal year:	2018	2019	2020	2021	2022
Long-term Direct and Overlapping G.O. Debt	41,975,000	50,695,000	59,385,000	54,631,000	47,364,000
Assessed Valuation	620,658,000	709,110,000	691,031,000	761,065,000	664,434,000
Long-term Overlapping G.O. Debt as a percentage of Assessed Valuation	6.8%	7.1%	8.6%	7.2%	7.1%

Description:

Overlapping general obligation (G.O.) debt is the net direct bonded debt of another jurisdiction that is issued against a tax base within part or all of the boundaries of the community. Examples of other jurisdictions are the county, school district, and special districts. The level of overlapping debt is only that debt applicable to the property shared by the two jurisdictions.

The overlapping debt indicator measures the ability of the community's tax base to repay the debt obligations issued by all of its governmental and quasi-governmental jurisdictions. Like long-term debt of the government itself, overlapping debt can be measured in terms of assessed valuation or another tax base or repayment source.

Both special-purpose and overlapping debt need to be considered in assessing total indebtedness. First, although the probability that your community would have to repay the overlapping debt may be slim, the potential is real. Second, during depressed economic times, your government may be affected by the same adverse conditions that might cause an overlapping agency to default, which would render the burden of assuming additional debt even more severe.

Commentary:

Combined long-term debt represents the portion of debt which is dependent on property taxes for payment. It is a measure of the community's ability to pay the combination of the City's long-term debt with the bonded debt of jurisdictions overlapping the City.

The warning signals are as follows:

- Combined debt exceeding 10 percent of assessed valuation;
- An increase of 20 percent over the previous year in combined debt as a percentage of market valuation;
- Combined debt as a percentage of market valuation increasing 50 percent over four years;
- Combined debt exceeding 90 percent of the amount authorized by state law.

Analysis:

The overlapping G.O. debt is from the Jefferson County School District and the Fairmount Fire Protection District (FFPD). From 2018-2020, the School District issued more G.O. debt each year. A very small percentage of properties within the City are also within the FFPD, and they are in the process of excluding from the FFPD.

The City does not have any G.O. debt.

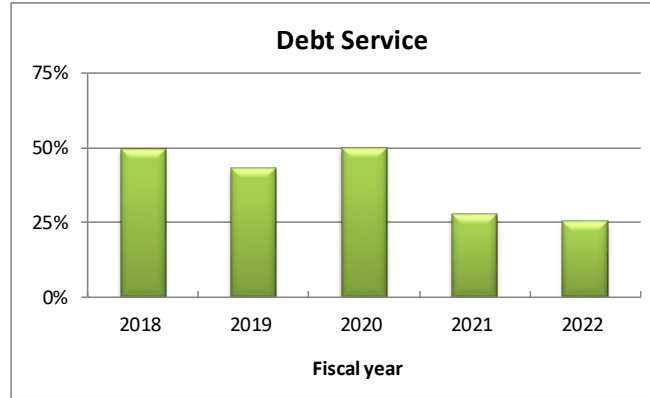
Debt Service

Warning Trend:

Increasing Net Direct Debt Service as a Percentage of Sales/Use Tax One Cent Capital Revenue

Formula:

$$\frac{\text{Net Direct Debt Service}}{\text{Sales/Use Tax One Cent Capital Revenue}}$$



Fiscal year:	2018	2019	2020	2021	2022
Net Direct Debt Service	3,416,000	3,464,000	3,765,000	2,544,000	2,499,000
Sales/Use Tax One Cent Capital Revenue	6,901,000	8,053,000	7,533,000	9,156,000	9,960,000
Net Direct Debt Service as a percentage of Pledged Revenue	49.5%	43.0%	50.0%	27.8%	25.1%

Description:

Debt service is defined here as the amount of principal and interest that a local government must pay each year on net direct bonded long-term debt plus the interest it must pay on direct short-term debt. Increasing debt service reduces expenditure flexibility by adding to the government's obligations. Debt service can be a major part of a government's fixed costs, and its increase may indicate excessive debt and fiscal strain.

Commentary:

Debt service represents the annual payment of principal and interest on long-term debt. The only non-enterprise debt of the City is paid from a portion of sales and use tax revenue through the Sales and Use Tax Capital Fund. In November 2000, voters approved Sales and Use Tax Revenue Bonds Series A, B, and C to fund construction of Fossil Trace Golf Club, Splash Aquatic Park at Fossil Trace, and improvements to the Golden Community Center, with the debt issued in 2001. In 2010, the City took advantage of the low interest rate environment and issued bonds to refund the outstanding sales and use tax revenue bonds, resulting in reduced annual debt service payments. In February 2006, Certificates of Participation (COPs) were issued to finance the construction of the new Shops Facility and to assist in the construction of the new Fire Station #1. In 2016, the City issued COPs to refund the balance of the 2006 issue. In 2019, COP's were issued to finance the purchase of the MillerCoors property.

This indicator measures debt service on the bonds to the sales & use tax revenue stream which supports it.

Analysis:

As the local economy continues to grow, sales and use tax revenues have increased. The increased revenue in 2019 is from additional audit revenue. The increased revenue in 2021 is from growing sales and use tax revenues. The revenue bonds were paid off in 2020, resulting in reduced debt service beginning in 2021.

As the Sales and Use Tax Capital Fund is specifically for capital needs of the City and is strictly discretionary funds, the use of debt to finance capital needs is certainly acceptable. The fund still has sufficient and available resources to address other capital needs of the City.

TREND EVALUATION: UNFUNDED LIABILITIES

SUMMARY

An unfunded liability is one that has been incurred during past/current year(s), but does not have to be paid until a future year and for which reserves have not been set aside. It is similar to long-term debt in that it represents a legal commitment to pay at some time in the future. If such obligations are permitted to grow over a long period of time they can have a substantial effect on the City's financial condition.

Two types of unfunded liability have been considered in this report. They are pension liability and employee leave (compensated absences) liability. Both have significant potential to affect the City's financial condition because (1) they do not show up in the primary financial statements in a way that makes their impact easy to assess and (2) they accumulate gradually over time. Pension and employee leave liabilities may go unnoticed until they have created severe problems.

An analysis of the City's unfunded liabilities can answer the following questions:

- Is the pension increasing? How fast is it growing? How much is unfunded?
- Are pension contributions, pension system assets and investment earnings keeping pace with the growth in benefits?
- Is the amount of unused vacation, sick and compensatory leave time per employee increasing?
- Are policies for the payment of unused leave realistic compared to the City's ability to pay?

INDICATORS

- Unfunded Pension Liability and Pension Assets (Volunteer Firefighters' Pension)
- Accumulated Employee Leave
- Pension Plan Assets (Volunteer Firefighters' Pension)

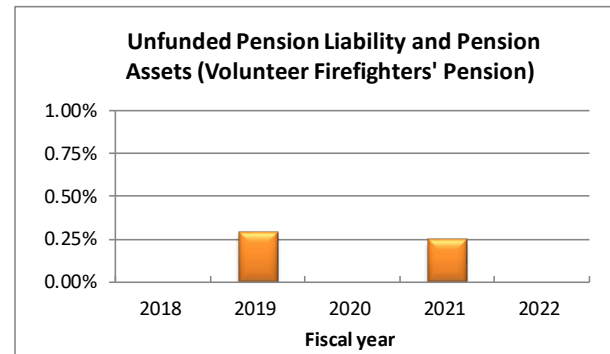
Unfunded Pension Liability And Pension Assets (Volunteer Firefighters' Pension)

Warning Trend:

Increasing unfunded pension liability as a percentage of assessed valuation

Formula:

$$\frac{\text{Unfunded pension liability}}{\text{Assessed Valuation}}$$



Fiscal year:	2018	2019	2020	2021	2022
Unfunded pension plan liability (vested benefits)	na*	2,058,000	na*	1,872,000	na*
Assessed Valuation	620,658,000	709,110,000	691,031,000	761,065,000	664,434,000
Unfunded pension plan liability (vested benefits) as a percentage of Assessed Valuation	na*	0.29%	na*	0.25%	na*

*The actuarial study is performed every 2 years.

Description:

Pension plans can represent a significant expenditure obligation for local governments. Basically, there are two ways to fund pension plans: "pay as you go," when benefits need to be paid, or "full funding" in which benefits are paid as accrued; money is invested in a reserve against the time when benefits will have to be paid. Under the pressure of balancing the annual budget, some governments choose the pay-as-you-go approach or a partial funding approach. Either approach can work on a short-term basis, however, deferral can create a problem in a future year that is more serious than the problem being avoided in the current year--if the dollars are not available in the future year to meet the pension obligations.

Growth in unfunded liability for vested benefits places an increasing burden on the tax base. The significance of this burden in relation to the community's ability to pay can be measured by comparing the unfunded liability to changes in assessed valuation. This comparison assumes that the ability to pay is directly related to assessed valuation, as would be the case if property taxes were the primary source of revenue for the payment of vested benefits.

If another revenue source will be the primary source for the payment of pension liabilities, that source can be substituted for assessed valuation. In cases where assessed valuation or other categories of the revenue base do not seem appropriate, the per capita measure can be used to show the growth of pension liability in relation to population growth; this measure assumes that the community's ability to generate revenues is directly related to population size.

Commentary:

The unfunded pension liability is an estimate of the cost of the future retirement payments of present and retired volunteer firefighters for which the City does not have funds already set aside. Pension assets are funds reserved for retirement payments.

Inadequate funding of retirement programs can cause large, long-term liabilities. An increasing unfunded pension liability or diminishing pension assets are both warning indicators.

Analysis:

The actuarial studies are completed every two years dated January 1 of odd numbered years, but not available until later in the year.

The 2019 and 2021 studies showed the plan to be sound at the current contribution amounts. In 2022, the City increased the pension benefit. Along with the decline in the market in 2022, the 2023 study will likely result in an increase in the Unfunded Pension Plan Liability and may require an increase to the City's contribution to the plan.

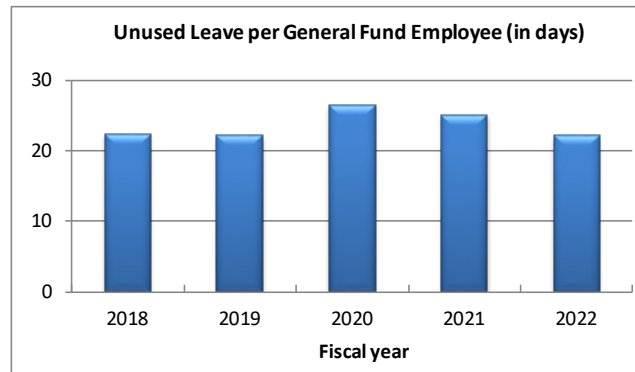
Accumulated Employee Leave

Warning Trend:

Increasing number of unused vacation and sick leave days per employee

Formula:

$$\frac{\text{Total days of unused vacation and sick leave}}{\text{Number of employees}}$$



Fiscal year:	2018	2019	2020	2021	2022
Total days of unused vacation and sick leave	3,526	3,525	4,303	4,127	3,836
Number of general fund employees*	158	159	163	165	174
Days of unused leave per general fund municipal employee	22.3	22.2	26.4	25.0	22.0

* Budgeted full-time employees

Description:

Local governments usually allow their employees to accumulate some portion of unused vacation and sick leave to be paid at termination or retirement. Although leave benefits initially represent only the opportunity cost of not having work performed, these benefits become a real cost when employees are actually paid for their accumulated leave, either during their employment or at termination or retirement.

Commentary:

Accumulated employee leave is the value of unused vacation, sick and compensatory time leave accrued by General Fund City employees. For employees who retire or leave the employment of the City, the unused leave represents an actual cost. For employees who remain on the payroll and use their leave, it poses no additional costs to the City, except in loss of services while they are absent.

Increasing accumulated leave indicates growing unfunded liabilities and is considered a warning trend.

Analysis:

Minimal employee turnover over the years accounts for the increase in leave time. Additional employees also contribute to the increases. The decreases are generally due to retirements and other long-term employees separating employment with the City.

Vacation time accrues anywhere from 8 to 14 hours per month depending on years of service. Sick leave accrues at 8 hours per month.

The City has caps at which point vacation and sick time stop accumulating. This limits the liability the City incurs and provides an incentive for employees to use leave time as needed.

As a result of travel restrictions in 2020 due to the pandemic, employees were reluctant to use their vacation time. The City allowed for a one-time additional carryover of up to 40 hours of unused vacation leave.

Pension Plan Assets (Volunteer Firefighters' Pension)

Warning Trend:

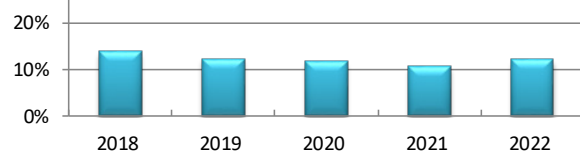
Increasing benefits paid
as a percentage of Pension Plan Assets

Formula:

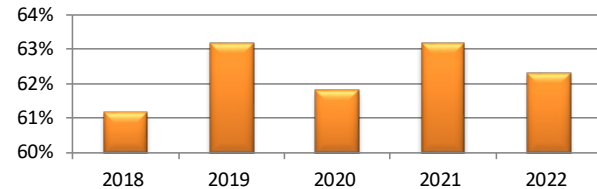
$$\frac{\text{Pension benefits paid}}{\text{Pension Plan Assets}}$$

$$\frac{\text{Pension plan contributions}}{\text{Pension benefits paid}}$$

**Volunteer Firefighters' Pension Benefits Paid
as a Percentage of Plan Assets**



**Annual Pension Plan Contributions as a
Percentage of Annual Benefits**



Fiscal year:	2018	2019	2020	2021	2022
Pension benefits paid	381,000	369,000	377,000	369,000	374,000
Volunteer's firefighters' pension assets	2,786,000	3,013,000	3,226,000	3,530,000	3,089,000
Annual pension plan benefits paid as a percentage of plan assets	13.7%	12.2%	11.7%	10.5%	12.1%
Pension plan contributions	233,000	233,000	233,000	233,000	233,000
Pension benefits paid	381,000	369,000	377,000	369,000	374,000
Annual pension plan contributions as a percentage of annual benefits	61.2%	63.1%	61.8%	63.1%	62.3%

Description:

The Volunteer Firefighters' Pension Plan's assets are held primarily as cash or investments. A decline in the ratio of plan assets to benefits can indicate serious problems in the management of the pension plan. An additional ratio to consider is the annual amount of pension receipts as a percentage of annual benefits paid, which focuses more specifically on a pension plan's ability to meet its current cash requirements.

Commentary:

Pension assets are funds reserved for retirement payments. Inadequate funding of retirement programs can cause large, long-term liabilities. An increasing unfunded pension liability or diminishing pension assets are both warning indicators. The Plan receives contributions from the City in an amount not to exceed one-half mill of property tax revenue. The State contributes up to 90% of the City's Contribution, but not to exceed one-half mill of property tax revenues.

Analysis:

The City's Volunteer Fire Fighters' Pension Fund is administered by the Fire and Police Pension Association (FPPA) and is overseen by the City of Golden Fire Pension Board. The Board is comprised of representatives from City Administration, City Council, the Fire Department and Citizen Representatives.

Benefits paid can fluctuate as additional firefighters begin receiving benefits, or as firefighters and surviving spouses pass away. Plan Assets can fluctuate from year to year as a result of contributions, investment earnings, benefits paid, and market volatility.

Due to fewer volunteers staying with the department long enough to vest in the plan, it was closed to new volunteers as of January 1, 2011. The City's required contribution has remained steady at \$155,000 annually since 2017. The State matching contribution has stayed constant at \$77,940 annually.

TREND EVALUATION: CAPITAL PLANT

SUMMARY

Most of the City's wealth is invested in its physical assets or capital plant (i.e. streets, buildings, utility networks and equipment). If these assets are not properly maintained or are allowed to become obsolete, the following often results: (1) decreased usefulness of the assets, (2) increased cost of maintenance and replacement, and (3) decreased attractiveness of the community as a place to live or do business.

The City is committed to both the maintenance and upkeep of its capital assets. Over the past five years, the City has made extreme efforts to avoid the deferral of needed capital plant expenditures. As part of its budget process, the City commits a significant amount of capital program budget dollars to both maintaining its various infrastructure (including streets; curbs, gutters and sidewalks; parks and open space; and utilities) and to catch-up on improvements deferred in prior periods. Some of the problems associated with continued deferred maintenance are the following:

- Reduction in residential and business property values.
- Loss of efficiency that, for example, can result from an obsolete truck that spends more time in the garage than on the street.
- Increased costs of bringing a facility up to acceptable standards (retrofitting); i.e., if resurfacing a street has been delayed for too long so that the street now has to be completely reconstructed.
- Potential for a large future financial obligation to complete a backlog of maintenance work and necessary equipment purchase replacement.
- Transference of the true cost of receiving current services to future taxpayers.

INDICATORS

- Capital Equipment Outlay
- Depreciation – General Government and Business Type Activities
- Infrastructure Replacement

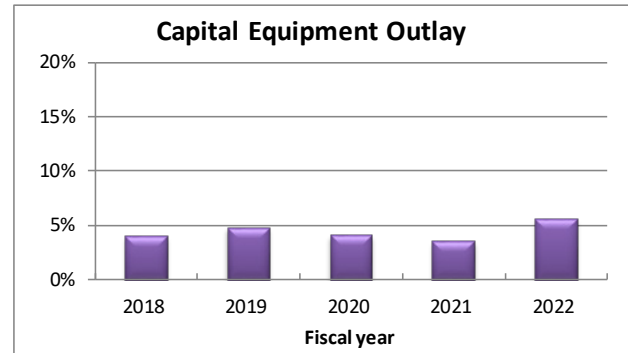
Capital Equipment Outlay

Warning Trend:

Three or more years decline in capital outlay from operating and internal service funds as a percentage of net operating expenditures.

Formula:

$$\frac{\text{Capital outlay from operating and internal service funds}}{\text{Net Operating Expenditures}}$$



Fiscal year:	2018	2019	2020	2021	2022
Total Capital Equipment Outlay	1,089,000	1,382,000	1,198,000	1,051,000	1,874,000
Net Operating Expenditures	27,704,000	29,133,000	29,364,000	29,982,000	33,582,000
Capital Outlay as a percentage of Operating Expenditures	3.9%	4.7%	4.1%	3.5%	5.6%

Description:

Expenditures for operating equipment--such as vehicles and large equipment--drawn from the operating budget are usually referred to as "capital outlay." Capital outlay items normally include equipment that will last longer than one year and have an initial cost above a significant minimum amount, such as \$5000. Capital outlay does not include capital budget expenditures for construction of infrastructure such as streets, buildings or water/wastewater lines. The purpose of capital outlay in the operating budget is to replace worn equipment or add new equipment. The ratio of capital outlay to net operating expenditures is a rough indicator of whether the stock of equipment is being adequately replaced. Over a number of years, the relationship between capital outlay and operating expenditures is likely to remain about the same. If this ratio declines in the short run (one to three years), it may mean that the local government's needs are temporarily satisfied, since most equipment lasts more than one year. A decline persisting over three or more years can indicate that capital outlay needs are being deferred, which can result in the use of inefficient or obsolete equipment.

Commentary:

This category does not measure expenditures for major capital projects funded by the one cent sales and use tax or in the enterprise capital programs funds such as drainage, water, and wastewater.

The warning trend is declining capital expenditures, which may indicate the use of inefficient or obsolete equipment.

Analysis:

With the City's capital expenditure threshold at \$5,000, a large portion of office and computer equipment is not considered capital. The majority of the capital equipment for this analysis is vehicles and heavy equipment maintained through the City's Fleet Department. A percentage of capital outlay between 3.5 - 5% appears to be appropriate in a normal year.

Over the five-year period, the average capital outlay is within the appropriate range. The increase in 2019 was due to the purchase of a new street sweeper. The 2022 increase was from the purchase of a new fire truck.

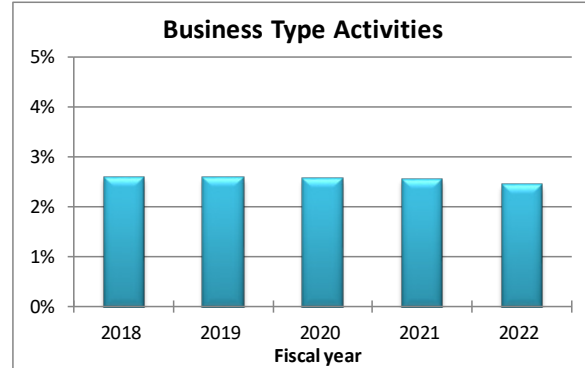
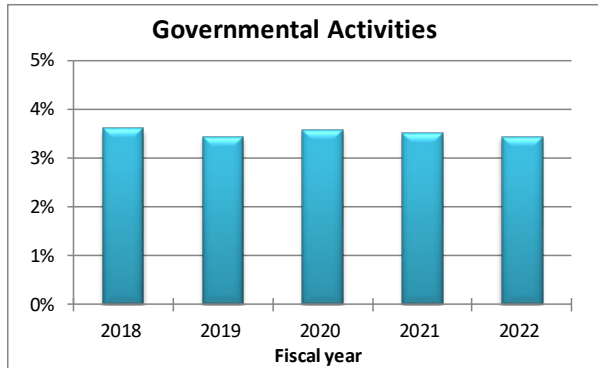
Depreciation - Governmental and Business Type Activities

Formula:

$$\frac{\text{Depreciation Expense}}{\text{Cost of Capital Assets}}$$

Warning Trend:

Decreasing Depreciation Expense as a Percentage of Depreciable Capital Assets (at cost) for Governmental and Business Type Activities



Fiscal year:	2018	2019	2020	2021	2022
Depreciation Expense for Governmental Activities	4,752,000	4,807,000	5,042,000	5,031,000	5,100,000
Cost of Depreciable Capital Assets Governmental Activities	132,338,000	139,977,000	140,946,000	144,208,000	148,553,000
Depreciation Expense as a Percentage of total Fixed Assets	3.6%	3.4%	3.6%	3.5%	3.4%
Depreciation Expense for Business Type Activities	4,136,000	4,194,000	4,257,000	4,302,000	4,204,000
Cost of Depreciable Capital Assets Business Type Activities	159,515,000	162,463,000	166,079,000	168,914,000	172,707,000
Depreciation Expense as a percentage of total Fixed Assets	2.6%	2.6%	2.6%	2.5%	2.4%

Description:

Depreciation is the mechanism by which the cost of a fixed asset is amortized over its estimated useful life. Depreciation is usually recorded only in enterprise and internal service funds. Total depreciation cost is generally a stable proportion of the cost of fixed assets, because older assets that have been fully depreciated are often removed from service and replaced by newer assets.

If depreciation costs are declining as a proportion of fixed asset costs, the assets on hand are probably being used beyond their estimated useful life. This can result in the inefficiencies and higher costs discussed under Capital Equipment Outlay and Infrastructure Replacement. If the ratio is declining because obsolete assets are not being replaced, it can indicate that the enterprise or internal service funds lack the resources to remain solvent. However, it could be that the estimated useful life of an asset or assets was initially underestimated or that the scale of operations has been reduced; either instance could also produce a decline in the ratio of expenses to cost of assets.

Commentary:

This indicator primarily provides information about assets in the City's enterprise funds (water, wastewater, community center, golf course, etc.), and internal service funds (fleet management and I.T. operations). Depreciation allocates the cost of a fixed asset over its useful life. Total depreciation cost is generally a stable proportion of the cost of fixed assets, because older assets that have been fully depreciated are removed from service and replaced with newer assets.

Analysis:

The City has an ongoing commitment to purchase and replace machinery and equipment as needed. The capitalization threshold is currently \$5,000. Large investments in capital assets in any given year can cause the percentage to decline.

Overall, the percentages over the five-year period have remained very stable.

Infrastructure Replacement

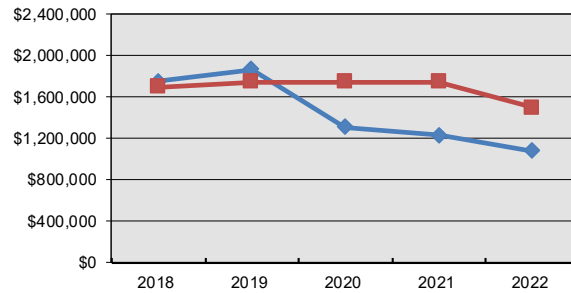
Warning Trend:

Recurring capital funded less than capital required

Formula:

$$\frac{\text{Capital funded}}{\text{Capital required}}$$

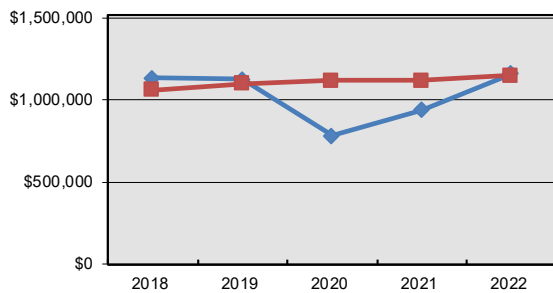
Street Paving



Street paving funded

Funding needed to keep streets in current condition

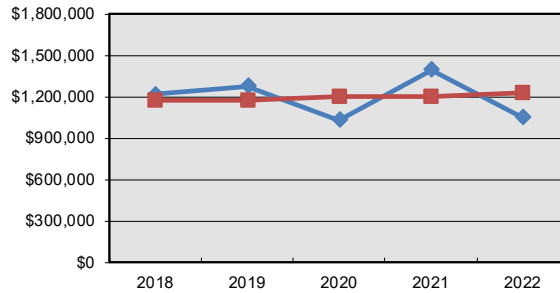
Concrete Replacement



Concrete replacement funded

Funding needed to keep concrete in current condition

Utility Line Replacement



Utility line replacement funded

Funding needed to keep utility lines in current condition

Fiscal year:	2018	2019	2020	2021	2022
Street paving funded	1,755,000	1,868,000	1,309,000	1,232,000	1,078,000
Funding needed to keep streets in current condition	1,700,000	1,750,000	1,750,000	1,750,000	1,500,000
Paving funded as a percentage of capital required	103.2%	106.7%	74.8%	70.4%	71.9%
Concrete replacement funded	1,133,000	1,126,000	783,000	939,000	1,160,000
Funding needed to keep concrete in current condition	1,060,000	1,100,000	1,120,000	1,120,000	1,150,000
Concrete replacement funded as a percentage of capital required	106.9%	102.4%	69.9%	83.8%	100.9%
Utility line replacement funded	1,219,000	1,275,000	1,030,000	1,394,000	1,050,000
Funding needed to keep utility lines in current condition	1,170,000	1,170,000	1,200,000	1,200,000	1,225,000
Utility line replacement funded as a percentage of capital required	104.2%	109.0%	85.8%	116.2%	85.7%

Description:

Enduring assets, such as streets, municipal buildings and bridges, are built at tremendous cost, and their decline can have far-reaching effects on business activity, property value and operating expenditures. Deferring maintenance of such assets can also create significant unfunded liability.

In general, maintenance expenditures should remain relatively stable (in constant dollars), relative to the amount and nature of the assets. A declining ratio between maintenance expenditures and size of asset stock may be a sign that the government's assets are deteriorating. If the trend persists, deterioration will push up maintenance expenditures.

Commentary:

Infrastructure includes streets, fire hydrants, storm sewers, manholes, traffic lights, curb, gutter and sidewalk (concrete), water and wastewater pipelines (utility lines), etc. The City of Golden's Public Works Department has an excellent infrastructure management program. Public Works assesses the condition of the City's largest infrastructure investments (streets, concrete and utility lines) on an annual basis. By projecting the total life of these assets with their replacement cost in today's dollars, the City derives the annual dollar amount needed to invest in the City's infrastructure to maintain its current condition.

Any year in which actual funding of infrastructure replacement was less than the funding needed produces a negative indicator.

Analysis:

The average funding for Infrastructure Replacement for the past five years is 91.9%. Street paving is funded through Highway Users Tax revenues and transfers from the Sales & Use Tax Capital Fund, with additional transfers from the General Fund as funds are available and needed. Concrete replacement is funded through the Sales & Use Tax Capital Fund and balanced against other capital requirements. Utility lines are funded through the Water, Wastewater, and Storm Drainage Funds.

Annual replacement percentages can vary based on the availability of contractors and materials, and is weather dependent. Unspent budgets are carried over to the following year to help ensure the infrastructure replacement program continues to be adequately funded.

The City is committed to maintaining its infrastructure and replacing old, worn out, and outdated plant and equipment as needed.

Since 2011, the City has allocated additional funds to street paving in an effort to improve the overall street quality index. Beginning in 2022, the funding needed is decreasing as fewer streets require a total reconstruction.

The overall decline in funding in 2020 is a result of the pandemic as projects were delayed due to limited availability of materials and contractors. This continued in 2021 for concrete and asphalt, and again in 2022 for asphalt.

TREND EVALUATION: LOCAL ECONOMIC AND DEMOGRAPHIC CHARACTERISTICS

SUMMARY

Community needs and resource indicators encompass economic and demographic characteristics, such as population, income, property value, employment and business activity. Local Economic and Demographic Characteristics is a category in which tax base and economic and demographic characteristics are treated as different sides of the same coin. On one side, tax base determines a community's wealth and its ability to generate revenue (that is, level of personal, commercial and industrial income). On the other side are economic and demographic characteristics that affect community demands, like public safety, capital improvements and social services.

Changes in community needs and resources are interrelated in a continuous, cumulative cycle of cause and effect. For example, a decrease in population lowers the demand for housing and causes a corresponding decline in the market value of homes. This in turn reduces property tax revenue. Initial population decline also has a negative effect on retail sales and income, causing City revenues to drop even further. Expenditures for fixed costs that are impervious to declines in population and business activity cannot always be balanced to the revenue loss with a proportionate reduction in expenditures. In fact, the City may be forced to raise taxes to make up for lost revenue, placing a greater burden on the remaining population. As economic conditions decline and taxes rise, the community becomes a less attractive place to live and the population may further decline.

An examination of local economic and demographic characteristics can identify the following situations:

- A decline in the tax base as measured by population, property value, employment or business activity;
- A need to shift public service priorities due to a change in the age or income of residents, or the type of density of physical development; and/or
- A need to reassess public policies if, for example, the jurisdiction has lost business to surrounding communities, and/or national/regional economic conditions have changed.

INDICATORS

- Median Age
- Property Value
- Employment Base
- Business Activity
- Population

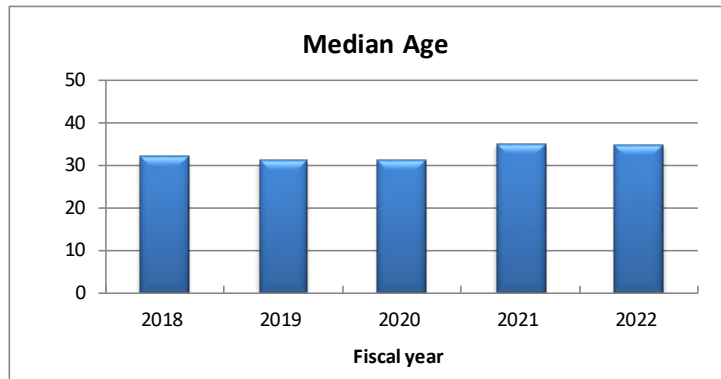
Median Age

Warning Trend:

Increasing median age of population

Formula:

Median age of population



Fiscal year:	2018	2019	2020	2021	2022
Median Age	32.00	31.00	31.00	35.00	34.70

Description:

As is the case with changes in population size, the relationship between the population's median age and other economic and demographic factors is not clear. However, evidence does indicate that an aging population and an increase in the number of senior citizens can hurt both the revenue and expenditure profiles of a local government.

Revenues can be affected for two reasons: first, the income of senior citizens is often in the form of social security and pension payments, which might not change at the same rate as the general economy, and senior citizens often have full or partial exemption from property taxes and user charges; second, older persons may spend less money than younger persons and generally spend less money on items subject to sales tax.

Meanwhile, as the proportion of senior citizens increases, expenditure rates for government services may increase because senior citizens often require specialized programs, especially in the areas of health, welfare and transportation.

As younger age groups leave a community or decrease as a percentage of population, business activity can decrease in greater proportion, especially if most of the people leaving are between the age of twenty-five and forty; people in this age group usually spend more of their income than any other age group. In addition, if this age group leaves, the community loses a significant portion of its labor force, which can further damage the local economy. However, if the increase in median age is caused by a drop in the number of families with young children, this can have a favorable effect on expenditures because it reduces needs for schools, recreation, and related programs.

Commentary:

An aging population can affect the type of services the City provides and the amount of resources with which the City has to address the service need.

An increasing trend is a warning signal.

Analysis:

Nationally the trend has been and continues to be an aging population. The trend is not unexpected as the baby boomers advance with no offsetting increase in births. Along with this trend is the fact that many retiring baby boomers have the greatest share of disposable income.

The median age information is for Jefferson County as a whole. This information is not available for Golden, although it is estimated by the City's Planning Department that the median age of Golden residents is 2-3 years younger. Golden continues to have a healthy population mix with students from the Colorado School of Mines, young adults and families. Recent construction of apartments and mixed-use development in Golden has been a draw for young adults and young families. The increase in 2021 is based on the results of the 2020 census.

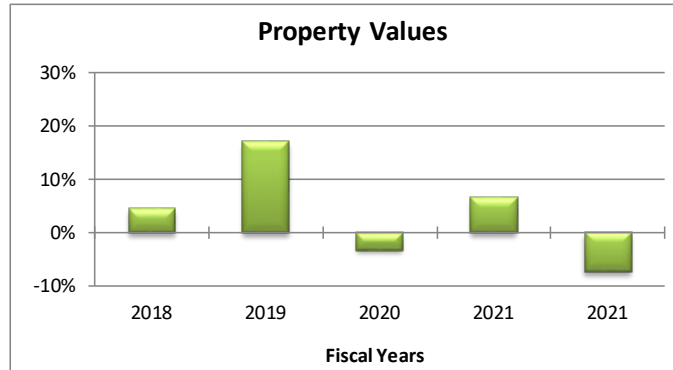
Property Value

Warning Trend:

Declining growth or drop in the market value of residential, commercial, or industrial property (constant dollars)

Formula:

$$\frac{\text{Change in property value (constant dollars)}}{\text{Property value in prior year (constant dollars)}}$$



Fiscal year:	2018	2019	2020	2021	2021
Market value of real property	3,940,259,000	4,570,747,000	4,512,256,000	4,973,735,000	4,980,178,000
Consumer Price Index	262.0	267.0	272.2	281.8	304.4
Property value (constant dollars)	3,834,985,000	4,485,152,000	4,343,171,000	4,624,267,000	4,286,487,000
Property value in prior year (constant dollars)	3,674,148,000	3,834,985,000	4,485,152,000	4,343,171,000	4,624,267,000
Percent change in property value (constant dollars)	4.4%	17.0%	-3.2%	6.5%	-7.3%

Description:

Changes in property value are important because most local governments depend on property taxes for a substantial portion of their revenues. This is especially true in a community with a stable or fixed tax rate; the higher the aggregate property value, the higher the revenues. Communities in the midst of population and economic growth are likely to experience short-run, per unit increases in property value. This is because in the short-run, the housing supply is fixed and the increase in demand created by growth forces prices up. Declining areas are more likely to see a decrease in the market value of properties. The effect of declining property value on governmental revenues depends on the government's reliance on property taxes; the extent to which the decline will ripple through the community's economy affecting other revenues such as sales tax, is more difficult to determine. All economic and demographic factors are closely related; a decline in property value will most likely not be a cause, but a symptom of other underlying problems.

Commentary:

Assessor's market value of taxable real, personal and utility property in the City of Golden is expressed in constant dollars to determine if it is changing in an overall positive or negative direction.

A decreasing trend is seen as a warning signal.

Analysis:

Property values are reassessed every other year (odd year) resulting in spikes in the indicator as assessments catch up with the market.

Increases in property values are due to a combination of rising residential housing prices, commercial and residential development, and annexations.

The 2019 and 2021 increases in property values are a reflection of the reassessment and recent new construction. The decline in 2020 is the result of the County reducing the market value of MillerCoors property and the increased CPI. The large decline in 2022 is a result of a higher than normal increase in the CPI.

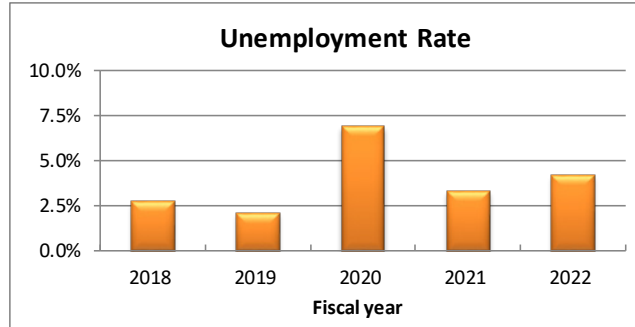
Employment Base

Warning Trend:

Increasing rate of local unemployment or a decline in the number of jobs within the community

Formula:

Local unemployment rate and/or the number of jobs within the community



Fiscal year:	2018	2019	2020	2021	2022
Unemployment rate	2.7%	2.1%	6.9%	3.3%	4.2%

Description:

The unemployment rate and the number of jobs within the community are considered together because they are closely related; for the purpose of this discussion, they will be referred to as the employment base. Employment base is related directly to business activity and personal income. Changes in the unemployment rate are related to changes in personal income; and thus a measure of, and an influence on, the community's ability to support its business sector.¹

If the employment base is growing, is sufficiently diverse to provide a cushion against short-run economic fluctuations or a downturn in one sector, and it provides sufficient income to support the local business community, then it will have a positive influence on the local government's financial condition. A decline in the employment base--as measured by unemployment rate or number of available jobs--can be an early sign that overall economic activity is declining and that government revenues may be declining as well.

Commentary:

The unemployment rate is the number of unemployed persons as a percent of all persons working or seeking work. A decline in unemployment may signal a strong employment base. An increase would signal a warning.

Analysis:

Unemployment figures are for Jefferson County as a whole.

After the recession, Colorado and Jefferson County recovered faster than most of the nation and continued to experience declining unemployment rates through 2019. The pandemic and resulting business closures and restrictions caused unemployment to increase significantly in 2020. 2021 started to see a recovery from 2020. The increase in 2022 could be a result of more people reentering the work force and looking for work.

¹ The unemployment rate reflects the employment status of citizens who live within a community's geographic boundaries, regardless of whether their jobs are within or outside the community.

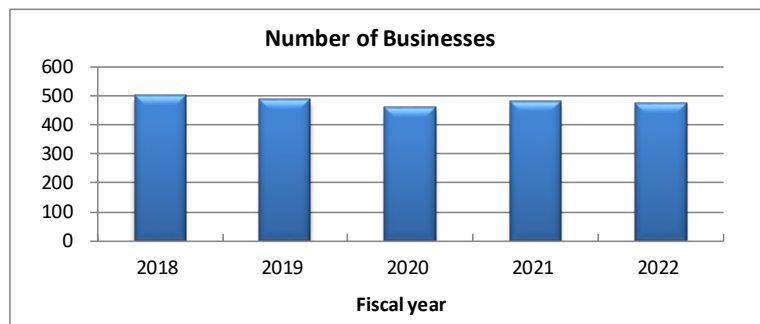
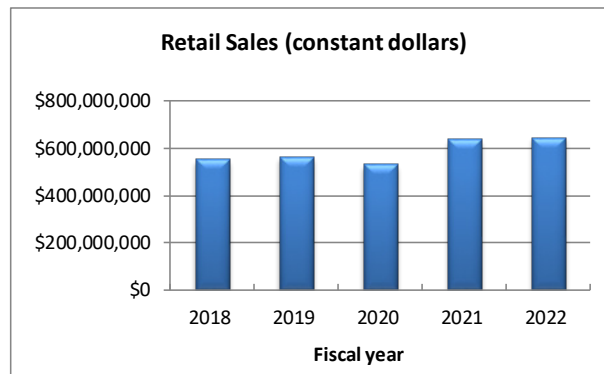
Business Activity

Warning Trend:

Decline in business activity as measured by retail sales, number of business units, gross business receipts, number of acres devoted to business and market or assessed value of business property (constant dollars where appropriate)

Formula:

Retail Sales constant dollars



Fiscal year:	2018	2019	2020	2021	2022
Retail Sales	550,838,000	572,502,000	549,463,000	683,734,000	748,345,000
Consumer Price Index	262.0	267.0	272.2	281.8	304.4
Retail Sales (constant dollars)	550,838,000	561,781,000	528,873,000	635,693,000	644,108,000
Number of Retail Businesses (within City limits)	499	486	460	478	475

Description:

The level of business activity affects a local government's financial condition in two ways. First, it directly affects any revenue yields that are a product of business activity, such as those from sales taxes. Second, it has indirect influences; a change in business activity affects demographic and economic areas such as personal income, property value and the employment base. Changes in business activity also tend to have cumulative effects. For example, a decline in business activity can harm a community's employment base, income and property value, which can in turn create further decline in business activity.

Commentary:

For both indicators, an increasing trend is a positive indicator. A decrease signals a downward trend in the economy which will adversely affect City revenues.

Analysis:

In general, retail sales fluctuate with the economy and changes in the CPI. In 2018-19, both retail sales in constant dollars and gross retail sales improved each year, clearly an indication of the strong economy in Golden. Sales dropped in 2020 as a result of the pandemic but rebounded significantly in 2021 and 2022.

The number of businesses can fluctuate as businesses close and new businesses open (including home based businesses). Commercial development in recent years has provided additional opportunities for new businesses to locate in the City. The declines in 2018 - 2020 reflects closures or a change to inactive status of primarily home-based businesses within the city limits, with some additional closures in 2020 due to the pandemic. The increase in 2021 reflects improvements to the local economy and recovery from the pandemic.

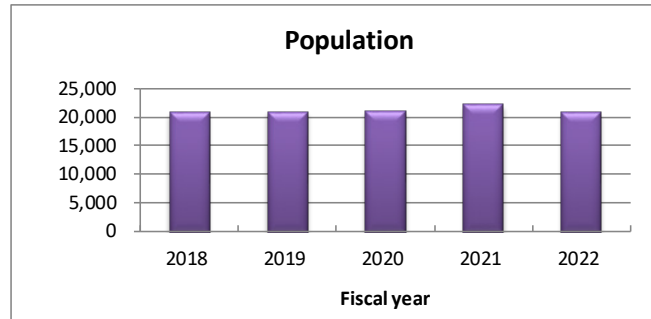
Population

Warning Trend:

Rapid change in population size

Formula:

Population



Fiscal year:	2018	2019	2020	2021	2022
Population	20,800	20,842	20,967	22,015	20,768

Description:

The exact relationship between population change and other economic and demographic factors is uncertain. However, population change can directly affect governmental revenues. For example, some taxes are collected on a per capita basis, and many intergovernmental revenues and grants are distributed according to population; a sudden increase in population can create immediate pressures for new capital outlay and higher levels of service. In the case of annexations, where the capital infrastructure is already in place, there may still be a need to expand operating programs.

A decline in population would at first glance, appear to relieve the pressure for expenditures, because the population requiring services is smaller, but in practice, a local government faced with population decline is rarely able to make reductions in expenditures that are proportional to population loss. First, many costs, such as debt service, pensions and governmental mandates, are fixed and cannot be reduced in the short-run. Second, if the out-migration is composed of middle and upper-income households, then those remaining in the community are likely to be the poor and aged who depend the most on government services. In addition, the interrelationship of population levels, and other economic and demographic factors tends to give population decline a negative cumulative effect on revenues; the greater the decline, the more adverse the effects on employment, income, housing and business activity.

Commentary:

The population of the City of Golden is determined by the U. S. Census count made every 10 years and estimates during non-Census years prepared by the City of Golden planning department.

Rapid change is the warning trend for this indicator, because abrupt increases or decreases in population can increase service costs or reduce City revenue bases.

Analysis:

The Denver Metro Area continues to see a net population influx.

The City's annual population changes continue to be minimal and fairly stable due the one percent growth cap for residential construction approved in 1995. The economic downturn impacted the housing market for a few years as housing starts were well below the City's growth cap. Increased housing at the School of Mines and multi-family developments since 2017 have resulted in increased population numbers that should continue over the next few years. The increase in 2021 is from the completion of new multi-family housing. The decline in 2022 is based on the timing of the receipt of the results of the 2020 census, indicating that prior estimates were a little too aggressive.

Planning for future needs and the continued growth of the population are addressed annually in the Budget and in the 10-Year Capital Improvement Plan.