



TOWN OF ERIE MEMORANDUM

TO: Town Council
Malcolm Fleming, Town Manager

Copy: Town Clerk's Office

FROM: Sara Hancock – Director of Finance
Cassie Bethune – Budget & Fiscal Manager

DATE: April 23rd, 2024

SUBJECT: 1st Supplemental Appropriation – 2024

We are pleased to present the Town Council with the 1st Supplemental Appropriation Request to amend the 2024 Town Budget.

The Town of Erie adopted the 2024 Budget on November 14, 2023. At least twice-yearly, staff reviews the Adopted Budget and year-to-date actual revenues and expenditures to determine if changes to the Adopted Budget are required. Based on these reviews, staff proposes supplemental appropriations to update the budget to reflect actual revenues and expenditures of the prior and current year, year-to-date Town Council actions, and projected revenues and expenditures for the remaining fiscal year.

The first Supplemental Appropriation, typically presented in the spring, primarily consists of rollover appropriations that were approved for the prior year budget and new expenditures arising since approval of the original budget. The second, usually presented around October, includes various adjustments that could not be anticipated when the original budget was prepared.

Accompanying this memo are various schedules, described below. This memorandum and the attached schedules provide information on all significant changes. Changes are split out by new requests, rollover requests, and transfers of existing appropriations between budget line items. Although some data is presented as the total of all funds, each fund is independent of the other funds.

The following schedules are included in this packet:

- Fund Summary
- General Fund – Fund Balance and Reserve Ratio Calculation
- Summary of requested changes
- Detail listing of requested changes
- 2024 1st Supp. Capital Project summary

In addition, at the end of this memorandum you will find a brief explanation of why the Town uses fund accounting and the purposes of the various funds of the Town.

Revenues Changes:

At this time, staff projects 2024 total General Fund revenues will be approximately \$57.4 million, resulting in an increase compared to the projection in the adopted budget due to grant revenue.

Significant revenue changes are as follows:

- In the General Fund, grant revenue is expected in the amount of \$3.3M to offset grant-related expenses, specifically relating to the Erie Flex Ride project, WCR3 Bridge, Signal Communication project, and DOLA and ARPA-funded Affordable Housing projects. Additionally, there is a negative revenue adjustment for \$500,000 to reflect the legislative changes to property tax that took place after the budget was adopted.
- In the Grants fund, \$3.7M in new grants revenue is expected to offset grant expenses, specifically relating to CDOT, DOLA, FEMA, and FAA Grants.
- In the Transportation Impact Fund, \$2.1M is expected in grant revenue to offset grant-related expenses relating to the CLR – Telleen to Cheesman project.
- In the Water Fund, \$1.2M is expected in grant revenue to offset grant-related expenses relating to the Well Project, the Turf Replacement Program, and Coal Creek Reach 2 and 4.

Expenditures Requests:

As a result of the 1st supplemental requests, staff projects the total expenditures for 2024 across all funds to increase by \$146.6 million compared to the Adopted Budget, \$130.0 million of which increase from rollovers. The General Fund total expenditures increased by \$15.9 million compared to the Adopted Budget, \$7.0 million of which is from rollovers.

Significant new expenditure requests are as follows:

Personnel Expenditures:

The total 1st supplemental requests for personnel expenditures across all funds is \$743K. Significant requests include the following:

- The 1st supplemental request includes 4 additional position requests, as follows:
 - **Planning & Development**– Planning & Development asked for an additional Building Inspector. The fully burdened cost for this position is approximately \$94,800 to the General Fund. This role is necessary due to the current and anticipated inspection workload. The Town’s Building division is understaffed in comparison to our inspection workload and that of local municipalities. The Town issued an average of approximately 80 attached, detached, and townhomes dwelling unit permits per month in 2023 while comparable local municipalities averaged substantially less than that. The Building division staffing is currently 4 full-time inspectors, with one currently on medical leave for an undetermined amount of

time. The additional inspector position is necessary to support the increased workload and maintain the quality of life safety inspections on all permitted projects.

- **Town Administration** – Leading, strategizing, and overseeing 11 departments, providing effective support for the Council, and keeping up with and implementing public management best practices is a monumental task. We also have phenomenally talented Directors and Managers who are actively recruited and we need to take active steps to retain them. With this in mind, and following best practices from other municipalities, the Town Manager asked and Council supported adding an additional Deputy Manager position to the Leadership Team. This new structure would enable the Manager to devote more attention to the Council's top priority policy issues. It would also help with retention, provide a stronger Town Manager succession structure, and growth and development opportunities for Directors. The fully burdened ongoing cost for this position is approximately \$256,001 to the General Fund. The additional Deputy position will help support the Town Manager and existing Deputy Town Manager with the following: attending growing number of afterhours meetings & community events, participate in regional partnerships, support senior leadership team with strategic leadership & development, support project management & process development for land purchase, budget development, 5-year CIP accountability, work plan completion. Will lead in Town Manager and Deputy Town Manager's absence.
- **Environmental Services** – Environmental Services asked, and Council supported adding an Environmental Analyst position. The fully burdened ongoing cost for this position is approximately \$120,100 to the General Fund. The primary purpose of adding a net new FTE to the Environmental Services Department is to address some responsibilities currently vacated by the promotion of the Energy & Environmental Program Specialist to Director of Environmental Services and to initiate an oil and gas inspection program. The new position will be responsible for providing better communication with residents regarding oil and gas activities and air quality issues, more thorough review of environmental documents submitted to the Town (such as reports from Front-range Regional Landfill, Environmental Assessments/Geotechnical Reports/etc. for proposed developments, and other information it is necessary for the Town to review), and the initiation of an oil and gas inspection program. Currently formal inspections of oil and gas location is the purview of the State/ECMC, which is not adequate to ensure the safety of residents, as evidenced by the many spills/releases which occur annually or are only discovered well after the incident had occurred and the continued detection of significant plumes of air toxics. Finally, implementation of a registration system for oil and gas wells/locations coupled with regular inspection fees could be a potential revenue source to ease the long-term costs associated with regulating oil and gas activities within the Town.
- **Utilities** – Utilities asked and Council supported adding a Director of Utilities. The fully burdened ongoing cost for this position is approximately \$249,700 and will be allocated equally between the Utility Funds (Water, Wastewater, and Storm Drainage Operating). The position is needed due to the reorganization of the Public Works Department.

Operating Expenditures:

The total 1st supplemental changes in operating expenditures is approximately \$6.7 million across all funds, \$3.7 million of which is in the General Fund.

Significant operating requests are as follows:

- Planning and Development - \$4.1M in new operating requests, with \$3.5M for Affordable Housing Projects utilizing DOLA and ARPA Grant funds and \$510,000 for Flex Ride Transit Services.
- Public Works - \$2.2M including \$455K in funds for the Airport and \$1.0M for LAWSC repairs due to the 2023 hailstorm.
- Parks and Recreation - \$316K including \$300K for PROST updates and Future Feasibility Studies.
- Town Administration - \$56K for Municipal Court Projects, Salary Adjustments, and Software.
- Environmental Services - \$25K, including \$20K to support business compost and recycling (utilizing 2023 bag fee revenue to support the program), as well as additional funds for staff training and conference expenses.
- Police - \$20,000 for two cadet positions to fill open positions.
- Information Technology - \$10,962 for Server Warranty associated with emergency server replacement.
- Human Resources - \$3,500 for LinkedIn Recruiter Memberships

Capital Expenditures:

The total changes in the 1st supplemental for capital expenditures across all funds is \$137.04 million, of which \$130.0 million is from rollovers. The total 1st supplemental new requests for capital expenditures across all funds is \$7.8 million, \$3.9 million of which is in the General Fund.

Significant changes are as follows:

- General Fund - \$2.5 million is earmarked in the budget to offset Certificate of Participation (COP) cost for the Police facility expansion. This will be reimbursed when the COP is issued.
- Police Facilities Impact Fund - \$3.0 million is requested for the PD building Architectural Design. If approved, the Town will proceed with a RFP process for design in FY24 to minimize budget escalation year over year.
- Wastewater Fund –
 - \$2.3 million requested for the sanitary sewer from NWRP to WCR7/WCR12 due to anticipated increased density at I-25 Gateway.

- \$4.4 million removed from the budget due to the identification of duplicate projects (Project 100413 and 100414 as duplicates of 247015).

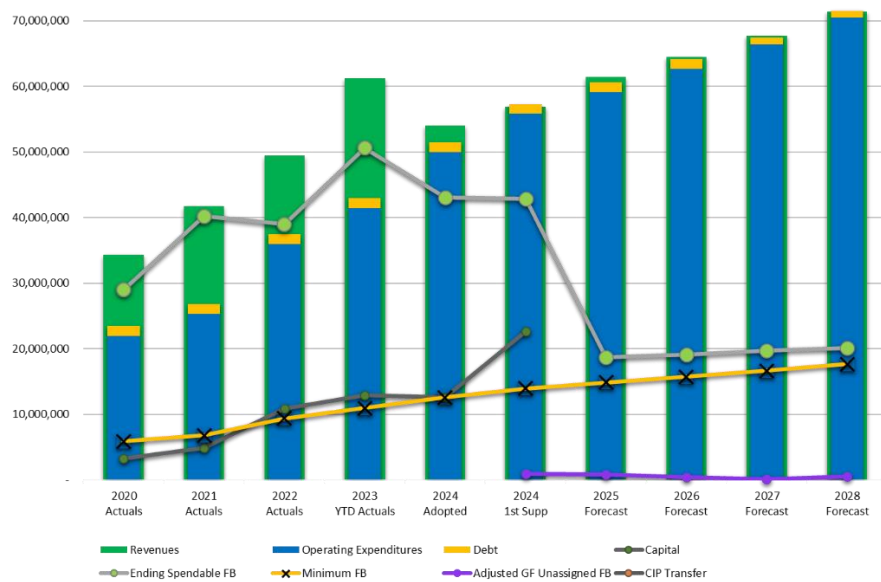
Significant capital rollovers are listed below:

- General Fund
 - \$3.9 million for Town Hall expansion
 - \$1.2 million for bridge maintenance
- Transportation Impact Fund
 - \$3.5 million for Town Center North Roundabout
 - \$3.1 million for SH7 & 119th intersection
- Public Facilities Impact Fund
 - \$10.2 million for Town Hall expansion
- Water Fund
 - \$28.3 million for Zone 2 storage tank
 - \$13.0 million for Zone 2 transmission main
 - \$11.8 million for Zone 3 water tank at WTF
 - \$9.5 million for Zone 3 waterline improvements
 - \$7.5 million for a Well Project
- Wastewater Fund
 - \$1.2 million for Town Hall expansion
- Storm Drainage Fund
 - \$2.5 million for Old Town Reach 1

Forecast

As a result of the foregoing, the 1st supplemental forecast reflects a \$20.3 million use of fund balance in the General Fund, primarily due to new capital and rollovers. However, this use of fund balance would only occur if we spend the total new budget for capital. Over the past 3 years, we have spent about 57% of capital appropriations. Reflecting this trend and projecting how much we will actually spend in 2024 for capital (and how much will be rolled over at the end of the year) we project the actual use of fund balance will be about \$7.7 million. The graph & table below shows the General Fund forecast including the rollover projection for 2024 and the new requirement to transfer to the Capital Improvement Fund (CIP) fund the Year-End Fund Balance exceeding 25%.

	2020 Actuals	2021 Actuals	2022 Actuals	2023 YTD Actuals	2024 Adopted	2024 1st Supp	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast
Beginning FB	30,136,806	37,740,318	47,712,594	48,754,892	54,192,739	54,192,739	18,500,115	19,273,854	19,719,023	20,355,360
Revenues	34,350,504	41,766,384	49,445,152	61,306,117	54,085,806	56,850,784	61,453,529	64,484,346	67,787,937	71,388,852
Debt	1,494,563	1,488,705	1,518,305	1,479,209	1,490,013	1,490,013	1,488,813	1,492,813	1,015,613	1,014,613
Operating Expenditures	22,002,899	25,353,650	36,000,558	41,486,933	49,990,149	55,845,679	59,148,397	62,680,384	66,458,933	70,502,690
Personnel			23,064,146	27,680,128	32,247,983	32,546,947	35,150,703	37,962,759	40,999,780	44,279,762
Operating			12,936,412	13,806,805	17,742,166	23,298,732	23,997,694	24,717,625	25,459,154	26,222,928
5% Operating Turnback	0	0	0	-	(2,499,507)	(2,792,284)	(2,957,420)	(3,134,019)	(3,322,947)	(3,525,135)
Capital	3,249,530	4,951,753	10,883,991	12,902,127	12,622,200	22,651,623				
Rollover Projection						(12,651,623)				
Total Expenditures	26,746,992	31,794,107	48,402,854	55,868,270	61,602,855	64,543,408	57,679,790	61,039,178	64,151,600	67,992,169
Ending FB	37,740,318	47,712,594	48,754,892	54,192,739	46,675,691	46,500,115	22,273,854	22,719,023	23,355,360	23,752,043
Nonspendable	8,727,260	7,521,733	9,735,574	3,588,270	3,588,270	3,588,270	3,588,270	3,588,270	3,588,270	3,588,270
Ending Spendable FB	29,013,058	40,190,861	39,019,318	50,604,469	43,087,421	42,911,845	18,685,584	19,130,753	19,767,090	20,163,773
FB as % of Op Expenditures	132%	159%	108%	122%	86%	77%	32%	31%	30%	29%
TABOR	1,030,515	1,252,992	1,483,355	1,839,184	1,622,574	1,705,524	1,843,606	1,934,530	2,033,638	2,141,666
Emergency Reserve	2,640,348	3,042,438	4,320,067	4,978,432	5,998,818	6,701,481	7,097,808	7,521,646	7,975,072	8,460,323
Stabilization Reserve	2,200,290	2,535,365	3,600,056	4,148,693	4,999,015	5,584,568	5,914,840	6,268,038	6,645,893	7,050,269
Minimum FB	5,871,153	6,830,794	9,403,477	10,966,309	12,620,407	13,991,573	14,856,253	15,724,215	16,654,603	17,652,257
Unassigned FB	23,141,905	33,360,067	29,615,841	39,638,161	30,467,014	28,920,272	3,829,331	3,406,538	3,112,487	2,511,516
CIP Transfer						(28,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(2,000,000)
Adjusted GF Unassigned FB						920,272	829,331	406,538	112,487	511,516



Capital Improvement Fund

The Board of Trustees, now Town Council, adopted Resolution No. 23-143 designating portions of General Fund reserves for specific purposes and providing that after making appropriations for all other General Fund purposes, the Year-End Fund Balance exceeding 25% shall be transferred to the Capital Improvement Fund (CIP). In keeping with this policy, the 1st Supplemental Appropriation proposes to transfer \$28 million to the CIP. As part of the 2025 Budget process staff will prepare a balanced 5-year Capital Improvement Plan that shows capital expenditures from the CIP and CIP fund balance through 2029.

Fund Accounting:

A key requirement of governmental accounting is to determine and demonstrate compliance with finance-related legal and contractual provisions. To accomplish these goals, governments use fund

accounting. A fund is a self-balancing set of accounts, segregated for specific purposes in accordance with laws and regulations or special restrictions and limitations.

For example, the Town has established the Trails and Natural Areas Fund to record receipts of dedicated property taxes for trails and natural areas, open space fees-in-lieu received from developers and investment earnings on unspent funds, among other revenue sources. Expenditures by this fund are for approved purposes such as the purchase of open space, construction of trails, and maintenance of trails and natural areas.

The Town has the following funds, grouped by type of fund:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in one of the following funds.

The **Capital Improvement Fund** is the Town's new fund established to account for general government capital expenditures and funded by transfers from the General Fund.

Special Revenue Funds - Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Trails and Natural Areas Fund: Accounts for property tax revenues and other restricted revenues used to acquire and construct trails; to acquire and develop natural areas for public use; and for maintenance of trails and natural areas.

Conservation Trust Fund: Accounts for revenues received from the Colorado State Lottery proceeds through the State's Conservation Trust Fund. It is used to acquire, develop, and maintain new conservation sites; and for capital improvements or maintenance for recreational purposes on any public site.

Cemetery Fund: Accounts for revenues received from plot purchases at the municipal cemetery. Money is used for perpetual care expenditures at the cemetery.

Impact Fee Funds – Impact fee funds (more accurately referred to as "capital project funds" from a formal accounting standpoint) are primarily used to account for the acquisition and construction of major capital facilities other than those paid for by the general fund, or the enterprise funds (see below).

Parks Improvement Impact Fund: Accounts for impact fee revenues, fees-in-lieu and reimbursements from developers and grants used to construct and acquire parks and related improvements.

Public Facilities Impact Fund: Accounts for impact fee revenues and grants used to construct and acquire public facilities.

Storm Drainage Impact Fund: Accounts for impact fee revenues used to acquire and construct the storm drainage system. See also "Storm Drainage Operating Fund" below.

Transportation Impact Fund: Accounts for impact fee revenues, fees-in-lieu and reimbursements from developers and grants used to construct and acquire transportation system enhancements.

Tree Impact Fund: Accounts for impact fee revenues used to acquire and plant trees in public locations, and to issue certificates for tree purchases to homeowners of newly constructed homes.

Enterprise Funds - Enterprise funds are used for the Town's ongoing activities which are similar to those found in the private sector. These funds are generally expected to be self-supporting. Among other restrictions, no more than 10% of their revenues can come from state or local governments (including the Town) to support their activities.

Water Fund: Accounts for the acquisition, treatment, and distribution of the Town's water supply. Includes all water-related revenues (tap fees, water resource fees and user fees), along with associated personnel, operating, capital and debt service expenditures.

Wastewater Fund: Accounts for the collection and treatment of wastewater in the Town's wastewater system. Includes all wastewater-related revenues (tap fees and user fees), along with associated personnel, operating, capital and debt service expenditures.

Storm Drainage Operating Fund: Accounts for charges received from system users, used to construct and maintain the storm drainage system. Includes all storm drainage-related revenues (user fees), along with associated personnel, operating, capital and debt service expenditures. Also includes transfers of impact fees from the Storm Drainage Impact Fund to help construct growth-related capital projects.

Airport Fund: Accounts for airport fees received from the airport management company and airport users, as well as proceeds from federal and state aviation grants (the primary source of revenues for this fund). These revenues are used primarily for airport capital projects.

Internal Service Funds – In 2019 the Town created its first internal service fund – the Fleet and Equipment Acquisition Fund ("Fleet Fund"). Internal service funds are funds that primarily provide services to other parts of the government. The Fleet Fund will be used for the purchase of new and replacement vehicles and heavy equipment, along with an ongoing funding plan to provide for future acquisitions as needed.

Fund Balance/Working Capital – Two other key terms to understand are *fund balance* and *working capital* (in the case of proprietary funds). You will see these terms throughout budget reports (and the monthly board report). These amounts represent the accumulated revenues in excess of expenditures in each fund that are available for appropriation. (Note: Different terms and definitions are used in the audited financial statements, which in some cases will result in different amounts being reported in the audited financial statements from those presented in budget reports.)

Non-spendable components – are the portion of the fund balance that cannot be spent because of their form. This includes all but not limited to the following: Advance to the Urban Renewal Authority,

TABOR Emergency Reserve as required by State statutes, Open Purchase orders, prepaid expenses, etc...

Available Fund Balance – is calculated by subtracting various non-spendable components from the Fund Balance.