



TOWN OF ERIE MEMORANDUM

TO: Board of Trustees
Malcolm Fleming, Town Administrator

Copy: Town Clerk's Office

FROM: Candice Huot – Finance Manager

DATE: December 8, 2020

SUBJECT: 2nd Supplemental Appropriation – 2020

The Town of Erie adopted the 2020 Budget on October 22, 2019. Typically, 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 Board of Trustee actions, and projected revenues and expenditures for the remaining fiscal year. The first supplemental request was approved on July 2, 2020 and consists primarily of rollover appropriations that were approved for the prior year budget and adjustments made in response to the pandemic. We are pleased to present the 2nd Supplemental request which includes mostly positive adjustments of both revenues and expenditures.

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 for capital projects, requests previously approved by the Board, 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:

- Combined Funds statement of revenues and expenditures (for reference purposes only as each fund must stand on its own)
- Summary of requested changes
- Detail listing of requested changes
- 2020 Capital Project summary

An overview of the major proposed changes to the 2020 budget is discussed below. A roll-forward summarizing the proposed changes by fund follows. As can be seen from this schedule, no funds are projected to end 2020 with a negative fund balance.

Changes in Fund Balances/Working Capital - 2020 Budget - 2nd Supp.						
	Beginning Balance	Revenues	Expenditures	Net Increase/Decrease	Other Changes	Ending Balance
General Fund	\$ 21,842,176	\$ 31,758,652	\$ 30,819,952	\$ 938,700	\$ 2,422,231	\$ 25,203,107
Trails & Natural Areas Fund	(522,560)	2,463,900	1,091,200	1,372,700	-	850,140
Conservation Trust Fund	739,489	233,000	394,200	(161,200)	-	578,289
Cemetery Fund	236,823	18,000	-	18,000	-	254,823
Total special revenue funds	453,752	2,714,900	1,485,400	1,229,500	-	1,683,252
Transportation Impact Fund	8,037,761	5,188,200	4,052,500	1,135,700	-	9,173,461
Public Facilities Impact Fund	3,800,755	1,041,900	75,500	966,400	-	4,767,155
Parks Improvement Impact Fund	6,372,039	5,910,000	2,757,900	3,152,100	-	9,524,139
Tree Impact Fund	701,688	138,000	118,000	20,000	-	721,688
Storm Drainage Impact Fund	5,416,033	810,000	1,990,500	(1,180,500)	-	4,235,533
Fleet & Equipment Acquisition Fund	1,250,000	725,600	1,592,300	(866,700)	-	383,300
Total capital funds	25,578,276	13,813,700	10,586,700	3,227,000	-	28,805,276
Water Fund	58,640,231	26,774,900	46,023,200	(19,248,300)	-	39,391,931
Wastewater Fund	26,296,195	8,392,100	30,681,900	(22,289,800)	-	4,006,395
Storm Drainage Operating Fund	3,587,661	3,701,000	5,268,400	(1,567,400)	-	2,020,261
Airport Fund	135,381	286,200	296,600	(10,400)	-	124,981
Total enterprise funds	88,659,468	39,154,200	82,270,100	(43,115,900)	-	45,543,568
Totals (for memorandum purposes only)	\$ 136,533,672	\$ 87,441,452	\$ 125,162,152	\$ (37,720,700)	\$ 2,422,231	\$ 101,235,203

Revenue Changes:

In the 1st supplemental request, Town staff projected significant net decreases to revenues as a result of the pandemic, primarily in permit-related and other development-related revenues, recreation fees and sales tax. In light of better-than-anticipated revenue strength, the current total projected revenues for all funds (excluding debt proceeds and transfers) are \$84 million, an increase of approximately \$9.9 million compared to the current Amended budget. The current total projected revenues for General Fund (excluding debt proceeds and transfers) are \$31.1 million, an increase of approximately \$5.4 million compared to the current Amended budget. Significant revenue changes are as follows:

- Year-to-date non-vehicle sales tax revenue has more than exceeded the 2020 Amended budget of \$9.7 million presented during the Study Session. In light of the continued strength in grocery and internet sales, staff now projects retail sales tax will increase by approximately \$3.1 million to a total of \$10.8 million for 2020. We believe

the projection is realistic because we are still assuming a decline in sales tax generated from restaurants for the remainder of 2020 due to more public health restrictions and winter.

- Staff also projects sales tax arising from purchases of vehicles by Erie residents will increase by approximately \$700,000 based on actual data.
- The current Amended budget assumed that 330 single family permits and 38 multi-family permits would be issued in 2020. The year-to-date number of single family permits as of November is 403. The revised budget now assumes 430 single family permits and 38 multi-family permits based on the November permit data, resulting in an approximately \$745,000 increase in General Fund permit-related revenues (building permits, use tax, engineering fees, etc...) and \$5 million in other funds permit-related revenues (tap fees, impact fees, etc...) compared to the current Amended Budget.
- Staff projects Recreational Fees will decrease by approximately \$774,000 compared to the current Amended Budget primarily due to COVID. This assumes the Town continues the current level of operations (10% of normal capacity) for the Erie Community Center (ECC). If there is another closure of the ECC, these revenues would be reduced even further. Average weekly revenue generated in the Recreation Division right now is about \$8,000. If the ECC closes, we project the closure would last 2-4 weeks, and in that case the Town would lose \$16,000-\$32,000. The maximum potential revenue loss, if the ECC closes next week through the end of the year, would be about \$56,000. In addition to lost revenue, a closure would require refunds to members with monthly subscriptions to the ECC, and refunds to participants who have already registered for programs currently running or scheduled to start between now and the end of the year. Staff are working on an estimate of this potential amount. However, staff expects the total potential lost revenue and refunds would be less than \$100,000, and thus the General Fund would be able to absorb this amount and still end 2020 with a surplus of over \$800,000.
- Staff also moves approximately \$1.1 million in grants funds for Erie Community Park to the 2021 Proposed budget as this is for construction which will not start until next year.
- Other changes include an increase of \$540,000 in landfill fees, an increase of \$ 834,000 in anticipated CARES Act funding (fully offset with related expenditures) and an increase of \$200,000 highway use taxes. All increases other than the CARES Act funding represent reinstatements of some portion of previous reductions in response to the pandemic as these revenue sources have held up better than anticipated.

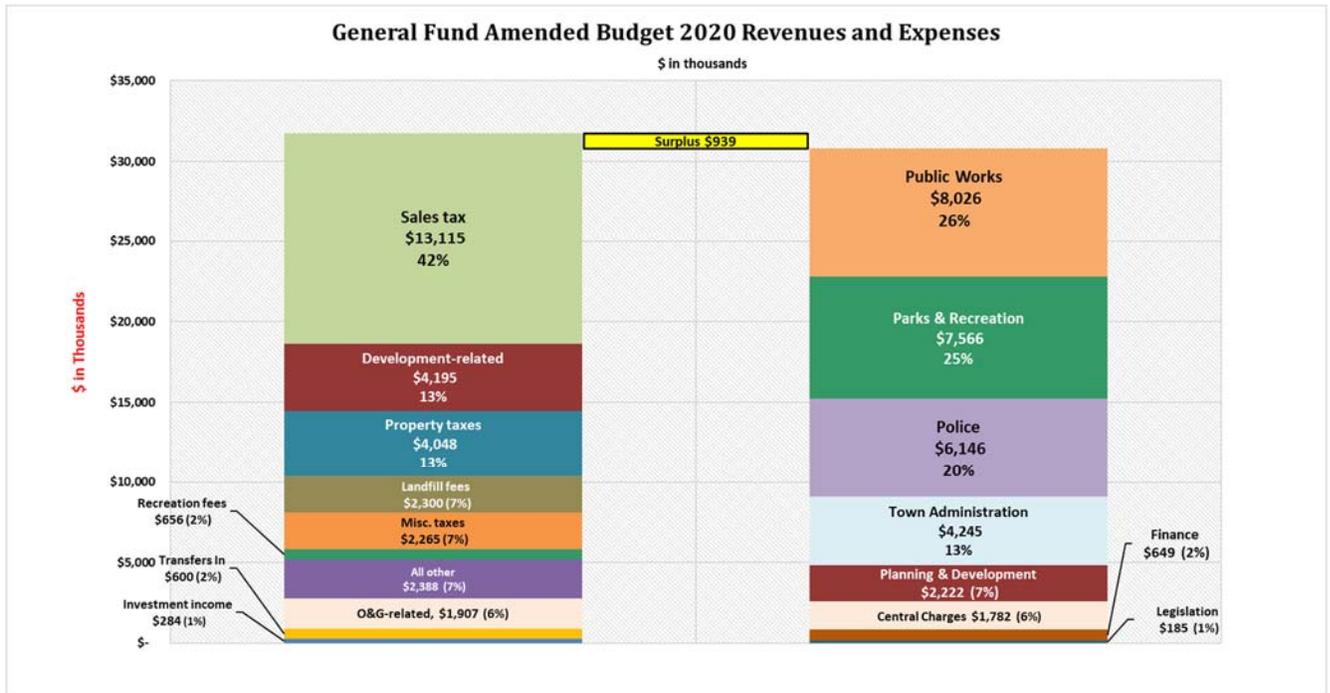
Expenditure Requests:

Total expenditures were reduced approximately \$4.2 million, primarily related to Capital and COVID related expenditure changes. Significant new expenditure and transfer requests/reductions reflected in the 2nd supplemental appropriation (excluding those already approved by the Board) are as follows:

- Staff shifted approximately \$5.4 million in previously approved appropriation for the Erie Community Park Phase II in the Parks Improvement Impact Fund from 2020 to 2021 when construction is anticipated.
- Staff includes additional requests for COVID-related expenditures of \$836,000 in the General Fund. Most of the funding is dedicated towards the Utility Grant program, Weld and Boulder County Business Recovery Program, and a 2nd round of Small Business Winter Grants. The remaining funds are allocated towards expanding telework capabilities, purchasing Personal Protective Equipment and improving air filtration in Town facilities to mitigate COVID risks. These expenditures are expected to be reimbursed through CARES Act funding.
- The ECC RTU 4 (Heating, Ventilation, Air Conditioning) replacement project was originally budgeted in 2020 for \$250,000. It was reduced to \$200,000 in the previous forecast as a COVID reduction. However, staff now plans for this project to take place during the ECC shutdown in August of next year. Staff has removed \$200,000 from the General Fund 2020 Budget and added \$250,000 in the 2021 Budget.
- Staff reflects an additional request of \$133,000 in the General Fund related to the purchase and related operating costs of the Wintertime Ice Rink which was approved by the Board on November 10th and for Holiday Lights.
- Water Fund – Legal Fees - \$96 thousand increase for work related to the water supply project
- Conservation Trust Fund – \$80 thousand for additional costs for the Allan Farm Hay Barn project.

Details of all changes are included in an attachment to this memorandum.

The 1st supplemental forecast reflected a \$3.5 million deficit in the General Fund. The Budget presented to the Board in October projected the General Fund would end 2020 with a deficit of \$655,000. Based on the latest actual revenue and expenditures and projections for the remainder of the year, staff's revised projection is that the General Fund will end 2020 with a surplus of approximately \$939,000, as shown in the following illustration.



The projected fund balance at the end of 2020 is approximately \$25.2 million which is 108% of total personnel & operating expenditures (excluding capital and debt service). This is a strong level of reserve, compared to 103% in 2019.

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.

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.)