



**TOWN OF ERIE
MEMORANDUM**

TO: Board of Trustees
Malcolm Fleming, Town Administrator

Copy: Town Clerk's Office

FROM: Candice Huot – Finance Manager

DATE: July 13, 2021

SUBJECT: 1st Supplemental Appropriation – 2021

We are pleased to present the Board of Trustees with the 1st Supplemental Appropriation Request to amend the 2021 Town Budget.

The Town of Erie adopted the 2021 Budget on December 8, 2020. 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, typically presented in May/June timeframe, 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 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:

- General Fund – Fund Balance and Reserve Ratio Calculation
- Summary of requested changes

- Detail listing of requested changes
- 2021 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.

An overview of the major proposed changes to the 2021 budget is discussed below. A roll-forward summarizing the proposed changes by fund follows.

Changes in Fund Balances/Working Capital - 2021 Budget - 1st Supp.						
	Beginning Balance	Revenues	Expenditures	Net Increase/Decrease	Other Changes	Ending Balance
General Fund	\$ 29,013,058	\$ 36,581,431	\$ 38,260,017	\$ (1,678,586)	\$ 1,557,432	\$ 28,891,904
Trails & Natural Areas Fund	2,419,511	2,074,000	1,036,400	1,037,600	-	3,457,111
Conservation Trust Fund	688,205	230,000	296,400	(66,400)	-	621,805
Cemetery Fund	259,622	28,000	-	28,000	-	287,622
Total special revenue funds	3,367,339	2,332,000	1,332,800	999,200	-	4,366,539
Transportation Impact Fund	12,776,889	6,358,200	12,693,900	(6,335,700)	-	6,441,189
Public Facilities Impact Fund	4,842,665	1,387,700	88,600	1,299,100	-	6,141,765
Parks Improvement Impact Fund	11,082,029	3,506,400	10,921,700	(7,415,300)	-	3,666,729
Tree Impact Fund	784,655	187,000	264,300	(77,300)	-	707,355
Storm Drainage Impact Fund	6,334,792	990,400	1,990,500	(1,000,100)	-	5,334,692
Fleet & Equipment Acquisition Fund	426,743	717,400	1,048,300	(330,900)	-	95,843
Total capital funds	36,247,772	13,147,100	27,007,300	(13,860,200)	-	22,387,572
Water Fund	65,267,184	26,035,400	57,810,150	(31,774,750)	-	33,492,434
Wastewater Fund	29,491,506	10,532,800	33,557,150	(23,024,350)	-	6,467,156
Storm Drainage Operating Fund	4,763,350	3,740,500	5,827,375	(2,086,875)	-	2,676,475
Airport Fund	164,576	264,700	464,000	(199,300)	-	(34,724)
Total enterprise funds	99,686,616	40,573,400	97,658,675	(57,085,275)	-	42,601,341
Totals (for memorandum purposes only)	\$ 168,314,785	\$ 92,633,931	\$ 164,258,792	\$ (71,624,861)	\$ 1,557,432	\$ 98,247,356

Staff cautiously assumed a modest recovery in the 2021 Adopted Budget. The April 2021 monthly financial report indicates the economy is improving more significantly and quickly than previously anticipated. Retail sales tax continues to outperform previous year, considering it has remained strong even during the pandemic. Building activities also continue to recover strongly from the pandemic year. We are seeing a V-shaped recovery in most of our revenue categories.

Revenues Changes:

- In the 2021 Adopted Budget, Town staff projected a conservative economic recovery. There was insufficient data at the time to determine whether the strength of our sales tax is an outlier due to the pandemic or a sustained growth. Our 5 months of sales tax data in 2021 points to a more sustained growth of approximately 15% higher than the same period last year. In light of this continuing strength, Staff now projects that retail sales tax will increase by approximately \$1.8 million to a total of \$12.4 million for 2021.
- The remaining changes in the General Fund revenue come from additional grants and reimbursements for a total of approximately \$275,000.
- Other significant changes in other funds include:
 - \$2.0 million transfer from the Storm Drainage Impact Fund to the Storm Drainage Operating fund to partially finance 3 growth-related storm drainage projects: Coal Creek Improvements, County Line to Kenosha and Coal Creek from Levee to RR tracks which were carried over from 2020.
 - \$140,000 reduction in anticipated grant revenues for CLR Telleen to Cheesman project to reflect 20% Town match (Transportation Impact Fund).

Expenditures Requests:

As a result of the 1st supplemental requests, the total expenditures for 2021 across all funds are projected to increase by \$66 million compared to the Adopted Budget, \$58.3 million of which come from capital rollovers. The General Fund total expenditures increase by \$5.1 million compared to the Adopted Budget, \$2.2 million of which is from capital rollovers.

Significant new expenditure and transfer requests (excluding those already approved by the Board) are as follows:

Personnel Expenditures:

The total 1st supplemental requests for personnel expenditures across all funds is \$575,000, which includes the following:

- The 1st supplemental request includes 3 additional position requests for 6 months, as follows:
 - Planning and Development – Two positions are requested. The first is a Building inspector. The inspector position is necessary due to current volumes and anticipated work load based on permitted work about to go

vertical. The fully-burdened cost for this position is approximately \$91,000 to the General Fund. The fiscal impact for 2021 is \$45,000.

The second position request is an additional Building Inspector/Plans Examiner position. The Building Division has experienced a significant increase in permit application and inspection volume extending out our established plan review turn-around time and reducing time allotment per inspection. The fully-burdened cost for this position is approximately \$99,000 to the General Fund. The fiscal impact for 2021 is \$49,000.

Below is the comparison between the estimated housing units per every plan reviewer and inspector in Erie and the surrounding municipalities which shows a staggering difference between our staffing level. Erie is markedly understaffed. Note that the estimated housing units for Erie do not reflect the volume anticipated from the Nine Mile Apartments. The additional positions are critical and necessary to maintain our outstanding customer service goals and objectives.

Jurisdiction	Population	Estimated units per month	# of Reviewers	# of Inspectors	Avg. Unit per Reviewer	Avg. Unit per Inspector
City of Longmont	100 K	15	3	5.5	5.00	2.73
City of Broomfield	68 K	36	3	4	12.00	9.00
City of Lafayette	29K	6	1	1	6.00	6.00
City of Arvada	121K	26	3	8	8.67	3.25
City of Louisville	21K	5	1.5	2	3.33	2.50
City of Westminster	113K	8	3	7	2.67	1.14
Town of Erie	30K	70	2	2	35.00	35.00

- Police – a new cadet position is requested. Staff is requesting one recruit cadet position in order to have a fully invested individual for our Police department starting at the academy level. This allows the department to train and mentor throughout the beginning of a law enforcement career with the goal in mind of having a long-term investment for a police officer. This also allows us to stay competitive in recruiting as other law enforcement agencies sponsor recruits. The fiscal impact for 6 months in 2021 is \$43,000 which includes tuition for the academy.
- General Fund Pay Equity Changes - \$100,000
It is relatively common for a municipality to have some salary misalignment in various areas of the organization. It is critical to maintain equity within the organization and to align with market to attract, retain and reward high-performing employees in Erie.

- 6-month market adjustment for non-civil service employees
The 2021 Adopted Budget includes a market adjustment for civil service employees only. With the economy recovering quickly, surrounding municipalities have added their market adjustments back to the toolbox. It is essential for Erie to keep up with market adjustments to remain competitive in the market. Staff is requesting a 2.0% market adjustment for non-civil service employees for 6 months in 2021. This will result in a \$100,000 fiscal impact to the General fund, and \$45,000 impact to the Utility funds.

- Paid-Time-Off (PTO) buyout program
The intent of the Town's Innovation Team is to attract, grow and retain the best and brightest staff in Erie. The committee is comprised of staff from all departments to ensure aggregate representation, and strives to boost staff morale through interpersonal relations as well as research, brainstorm, and vet ideas for staff growth and retention. Recently, the committee received feedback that many staff were unable to take vacations in the past year due to the COVID-19 pandemic and Town-imposed travel restrictions. Consequently, several staff accumulated PTO hours and have reached their maximum accrual rate. In an effort to mitigate this challenge and provide more options for staff to use their PTO going forward, the Innovation Team is proposing a PTO Sell Back policy. The Innovation Team worked closely with the Town's Finance and Human Resources Department to establish a conservative, well-balanced approach to the program.

This program would permit employees who have a minimum 160 accrued PTO leave hours to cash out up to 40 hours of PTO once per year, provided the employee has used 40 hours of PTO within the calendar year and will have at least 120 leave hours after the cash out. This program will be evaluated annually and its continuation is subject to annual appropriation. This will result in a maximum \$135,000 fiscal impact to the General Fund and \$15,000 to the Utility funds in 2021.

- Reallocating Part-time budget to fund 3 new Full-time positions in Parks Division

The Parks Division has been maintaining the park, open space and trails system at a 100% Level of Service relying on creative scheduling, supplementing with contract services, and utilizing over-time pay to compensate staff. While this approach has been successful, it is not sustainable. The parks, open space, and trail system in Town continues to see record number of users, and we have reached a threshold where staff is slowly falling behind on daily tasks. This is further compounded by the fact that the Parks Division continues to gain areas of responsibility, planned and unplanned, through residential development and park construction projects. The Boulder County Youth Corps program, which is used as supplemental staff in the summer, was also eliminated in 2021.

The approved 2021 Town Budget contains \$242,500 in the General Fund and \$94,500 in Conservation Trust Fund for Parks seasonal/part-time wages. Due to the unforeseen shortage of seasonal/part-time labor in 2021, Staff conservatively anticipates using \$120,000- \$150,000 of the total \$337,000 in the 2021 budget for seasonal/part-time wages. Staff has reallocated these funds to create three (3) full-time Parks Division positions to keep up with the increasing level of service driven by growth. Staff is hopeful full-time positions, with competitive wages and benefits will garner quality candidates that become longtime employees of the Town. The amount reallocated from part-time/seasonal wages budget to fund the 3 full-time positions (pro-rated by 5 months) is \$79,500 for 2021. In the 2022, approximately \$193,000 will be reduced in the PT wages budget to fund these 3 positions.

Operating Expenditures:

The 1st supplemental Budget includes \$694,388 of Board-approved Operating expenditures and \$1,011,866 of new requests across all funds, of which \$792,266 is in the General fund. Significant changes are as follows:

- Economic Development - \$210,690 new request for items related to Economic development and incentives, \$50,000 of which is related to the economic incentive program planned but unspent in 2020, and \$100,000 of which is reprogrammed funds reimbursed by the CoSolve settlement.
- Town Administration - \$190,000 new request for additional consultation needs related to Oil & Gas and Annexation issues.
- Parks and Recreation - \$124,000 new request for the installation and operation of the Ice Rink. This was not included in the Adopted Budget due to timing of directive to purchase and operate.
- Finance - \$71,000 new request for the purchase of a new budgeting software, a CAFR preparation software and use tax audit.
- Police - \$60,000 new request which includes \$43,200 for 20 ballistic shields and \$16,784 to retrofit 13 vehicles to safely and efficiently hold the rifle-rated ballistic shields and provide great accessibility when they are most needed.
- Public Works - \$50,000 new request for a Conceptual Design for the Arapahoe Bridge to the Airport.
- In the Water Fund, staff requests \$219,600 which is primarily for a Vulnerability Assessment Refresh. This is an EPA required Security Assessment at the water facilities that is due this year.

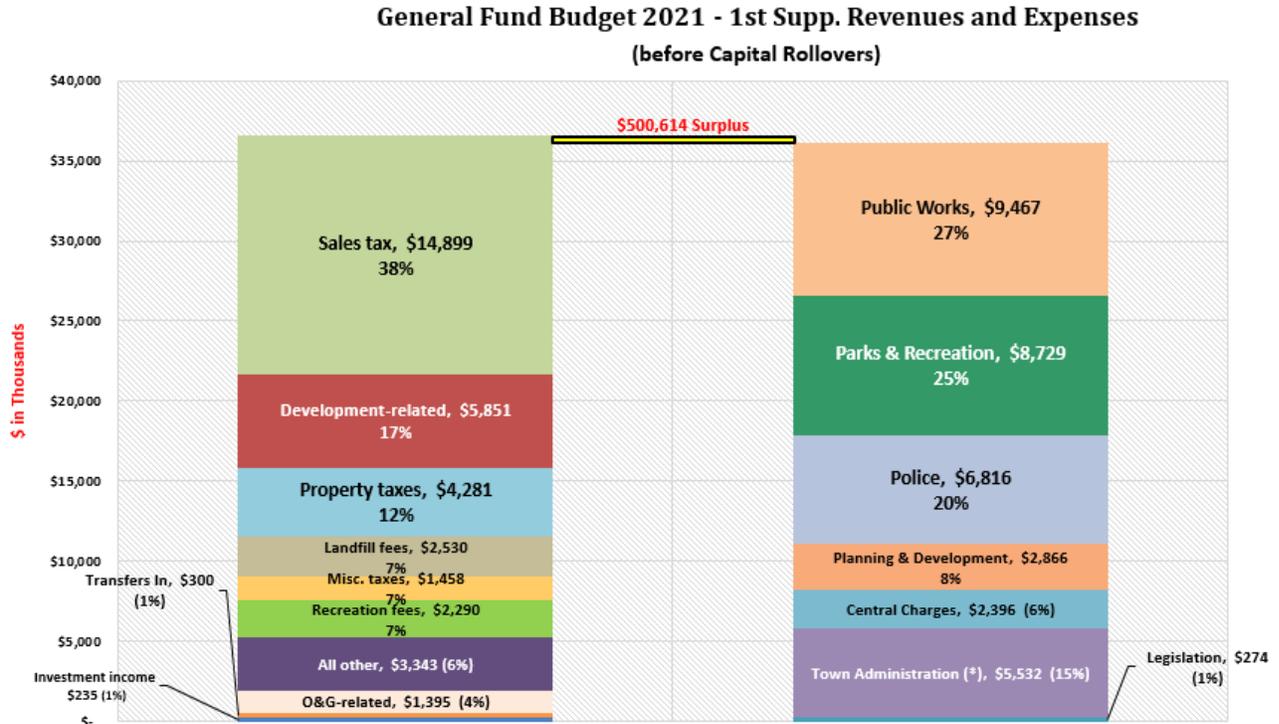
Capital Expenditures:

The total 1st supplemental new requests for capital expenditures across all funds is \$5.1 million, \$582,700 of which is in the General Fund. Significant changes are as follows:

- General Fund - \$150,000 new request for the Town Hall Office Remodeling project for back-to-work improvements to account for customer service staffing and hybrid (remote/in-office) work schedules.
- General Fund - \$150,000 new request to expand and improve the Coal Creek Disc Golf Course Parking lot. The course is being heavily used and adequate parking is needed to deter unsafe and damaging parking along the access road.
- General Fund - \$245,200 new request for the ECC Mechanical upgrades which includes both the ECC Pool Boiler Replacement project and RTU 4 Replacement project. The bids came back much higher than anticipated mainly because construction materials have increased by 25% in the last 6 months.
- Transportation Impact Fund – Staff requests an additional \$450,000 in funding for CLR – Telleen to Cheesman project due to the bid contract came in higher than previously estimated.
- Parks Improvement Impact Fund – at the request of the Board, staff requests \$3.3 million for Coal Creek Park Development project, which was previously anticipated to start in 2024.
- Parks Improvement Impact Fund – Staff requests an additional \$240,630 for additional dirt work and security cameras at the Erie Community Park.
- Water Fund – a new request of \$540,000. This is the net fiscal impact of adding a new project AC Line Replacement in Airpark for \$1 million, offset by the cost-savings from WCR5 reuse waterline extension to EP of \$500,000 (now being funded by the URA).
- General Fund – Camera System project
The Board had previously asked staff to look into adding security cameras to all Town facilities and parking lots due to the recent cases of vandalism and thefts. Staff has conducted the necessary research and analyzed that the potential damage from vandalism is much smaller than the one-time cost of purchasing the cameras (\$350,000), ongoing operating cost (\$30,000), and 1 additional FTE required to monitor (\$110,000), operate and maintain the cameras. Consequently, staff recommends not adding this in the 1st supplemental, and will explore creative and less costly alternatives to protect Town properties.

Conclusion

As a result of the foregoing, staff projects the General Fund will end the year 2021 with a surplus of \$500,614 before Capital rollovers as shown in the chart below.



(1) Includes Town Administrator's office, Legal, Communications & Community Engagement, Economic Development, Finance, Human Resources, Information Technology and Town Clerk.

The projected "available fund balance" for the General Fund is approximately \$28.9 million, compared to \$26.3 million projected in the Adopted Budget. This "available fund balance" represents 106% of total personnel & operating expenditures (excludes capital and debt service expenditures) at the end of 2021, compared to 105% in previous forecast. Detailed calculation of the General Fund Reserve Ratio is included in this packet.

The 2021 projected General fund balance exceeds both the minimum reserve of 25% of Operating expenditures required by the Municipal Code and the additional Stabilization Reserve Account of \$7.5 million which was passed via resolution 10-40 in 2010. This is also a very strong level of fund balance relative to the Town's peers. However, due to the volatility of some of the Town's revenue streams as discussed above, we should continue to give special care to decisions committing a significant portion of the Town's fund balance until a more stable revenue base is in place.

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.)

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.