



## TOWN OF ERIE MEMORANDUM

**TO:** Board of Trustees  
Malcolm Fleming, Town Administrator

**Copy:** Town Clerk's Office

**FROM:** Candice Huot – Finance Manager

**DATE:** November 9, 2021

**SUBJECT:** 2022 Proposed Town Budget

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We are pleased to present the Board of Trustees with the 2021 Proposed Budget for the Town. The 2021 Proposed Budget was delivered to the Board on October 15, 2021 and staff originally planned to discuss this matter with the Board during a study session on October 19 and tentatively scheduled additional discussion if needed for November 2. The Board cancelled the October 19 study session and rescheduled the initial discussion of the budget for November 2. During the November 2 study session, staff presented a detailed summary of the budget including presentations by the Budget Manager, Town Administrator and all Department Directors covering revenue and expenditure trends, proposed revenues and expenditures, proposed budget changes, justification for new positions and initiatives, capital projects, departmental accomplishments in 2021 and goals/objectives for 2022. This proposed budget complies with the Town's Financial Policies and provides funding to maintain or enhance service levels, address the Board's identified goals and priority issues, and satisfy the Town's operational standards.

Accompanying this memo are various schedules, described below. This memorandum and the attached schedules provide significant changes between 2021 Amended Budget and 2022 Proposed Budget as well as detail 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)
- 2021 and 2022 Budget Schedules
- 2022 Staffing requests
- 2022 Capital Projects
- 2022 Fleet Addition

## **Fund Recap**

The following table provides a summary of beginning and ending fund balance/working capital by fund and changes therein. Totals are for presentation purposes only as each fund must stand on its own. Comments on individual funds will be discussed in the subsequent section of this memo. No funds will end 2022 with a negative fund/working capital balance.

<b>Changes in Fund Balances/Working Capital - 2022 Budget</b>						
	<b>Beginning Balance</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Net Increase/Decrease</b>	<b>Other Changes</b>	<b>Ending Balance</b>
General Fund	\$ 22,777,007	42,614,136	42,604,137	\$ 10,000	\$ (756,719)	\$ 22,030,288
Grants Fund	-	581,000	581,000	-		-
Trails & Natural Areas Fund	2,954,991	2,124,671	1,569,030	555,641		3,510,632
Conservation Trust Fund	556,205	239,500	399,300	(159,800)		396,405
Cemetery Fund	287,622	21,000	-	21,000		308,622
<b>Total special revenue funds</b>	<b>3,798,818</b>	<b>2,966,171</b>	<b>2,549,330</b>	<b>416,841</b>	<b>-</b>	<b>4,215,659</b>
Capital Maint./Lifecycle Replacement Fund	-	5,357,700	5,357,700	-		-
Capital Improvements Fund	-	469,300	469,300	-		-
Transportation Impact Fund	6,441,189	4,473,565	10,914,754	(6,441,189)		(0)
Public Facilities Impact Fund	6,141,765	1,469,403	6,075,100	(4,605,697)		1,536,068
Parks Improvement Impact Fund	3,169,945	2,590,161	465,250	2,124,911		5,294,856
Tree Impact Fund	602,355	197,411	145,000	52,411		654,766
Storm Drainage Impact Fund	4,622,292	1,027,255	650,000	377,255		4,999,547
Fleet & Equipment Acquisition Fund	95,843	932,048	932,048	(0)		95,842
<b>Total capital funds</b>	<b>21,073,388</b>	<b>16,516,843</b>	<b>25,009,152</b>	<b>(8,492,310)</b>	<b>-</b>	<b>12,581,079</b>
Water Fund	33,059,634	29,030,013	56,040,773	(27,010,760)		6,048,874
Wastewater Fund	6,372,156	11,035,147	5,256,062	5,779,085		12,151,241
Storm Drainage Operating Fund	3,223,375	2,439,550	5,161,723	(2,722,173)		501,202
Airport Fund	158,976	50,500	63,125	(12,625)		146,351
<b>Total enterprise funds</b>	<b>42,814,141</b>	<b>42,555,209</b>	<b>66,521,683</b>	<b>(23,966,473)</b>	<b>-</b>	<b>18,847,668</b>
<b>Totals (for memorandum purposes only)</b>	<b>\$ 90,463,355</b>	<b>\$ 104,652,359</b>	<b>\$ 136,684,301</b>	<b>\$ (32,031,942)</b>	<b>\$ (756,719)</b>	<b>\$ 57,674,694</b>

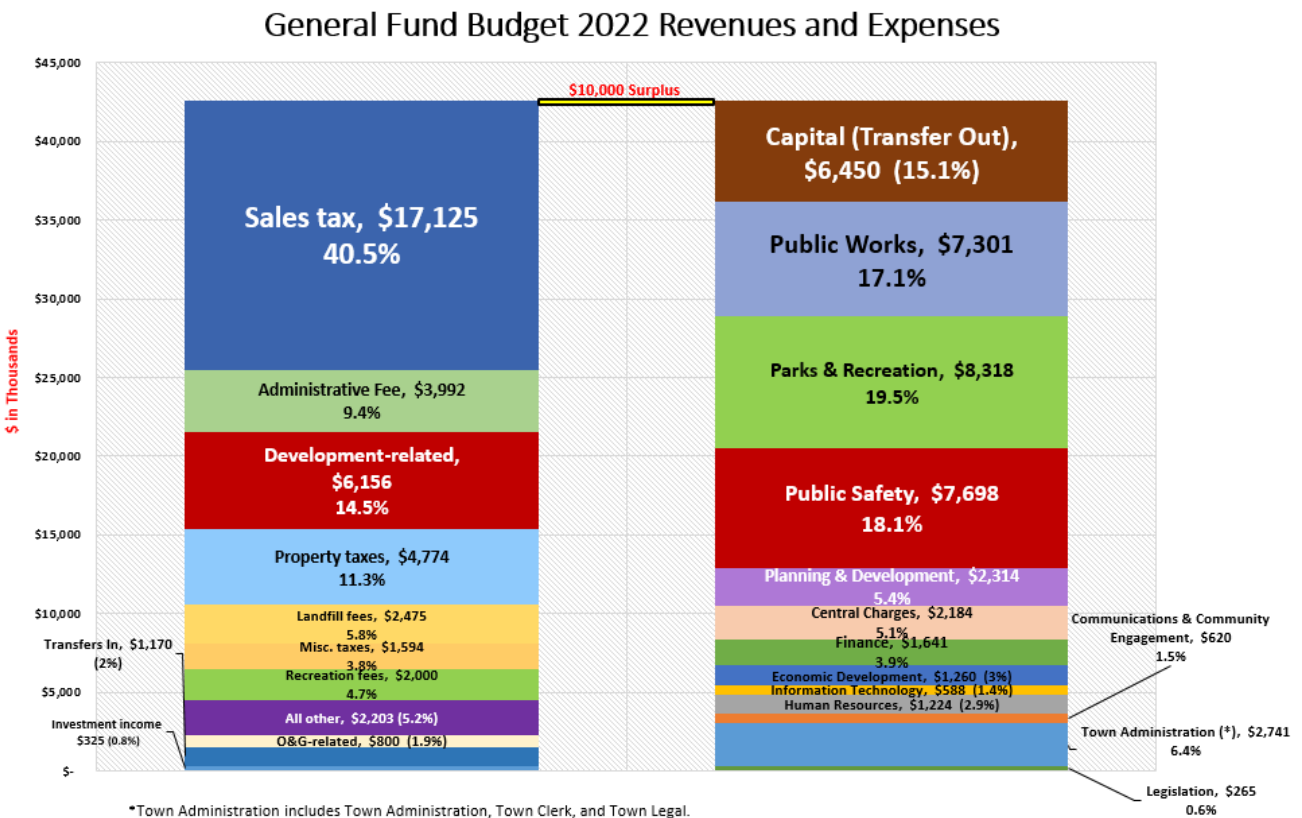
Staff is recommending 3 new funds below for the Budget year 2022 to provide for more accurate and efficient budgeting, accounting and reporting purposes.

- Grants Fund – accounts for all general governmental grants (excluding those for the enterprise funds).
- Capital Maintenance/Lifecycle Replacement Fund - accounts for major repairs and capital maintenance or planned replacement of assets that are not growth-related (not funded by impact funds) and require maintenance and/or replacement to maintain usefulness and value. Funding mainly comes from General Fund, with a small portion coming from the TNAF and Conservation Trust Fund. Examples of projects included in

this Fund are Street Overlay and Street Reconstruction project, Sidewalk Connections, Concrete Maintenance Program, etc...

## The General Fund

The General Fund 2022 Proposed Budget reflects a surplus of approximately ten thousand dollars, compared to a 2021 projected use of fund balance of \$7.7 million (which is discussed in more detail in the 2021 2<sup>nd</sup> Supplemental Budget Memorandum). The following illustration puts General Fund revenue sources and programs side by side.



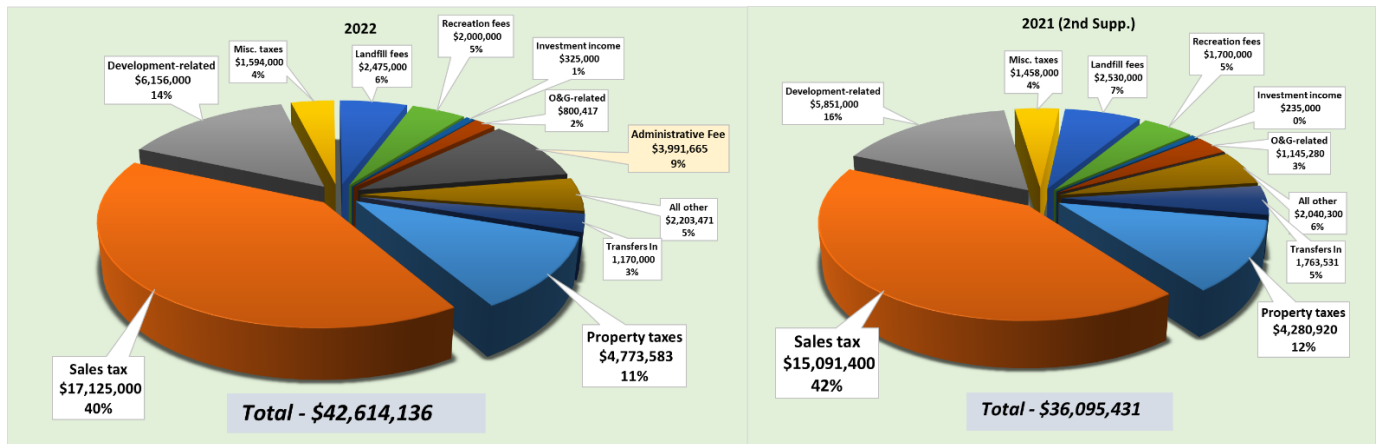
## Revenues & Transfers from Other Funds:

Total General Fund revenues including transfers in for 2022 total \$42.6 million, up \$6 million or 16% compared to 2021. This is primarily due to an accounting change in cost allocation model that more accurately captures the total costs of running Town departments in the General Fund and allocates these as indirect cost to other funds and at the same time recognizing this as a revenue source in the General Fund.

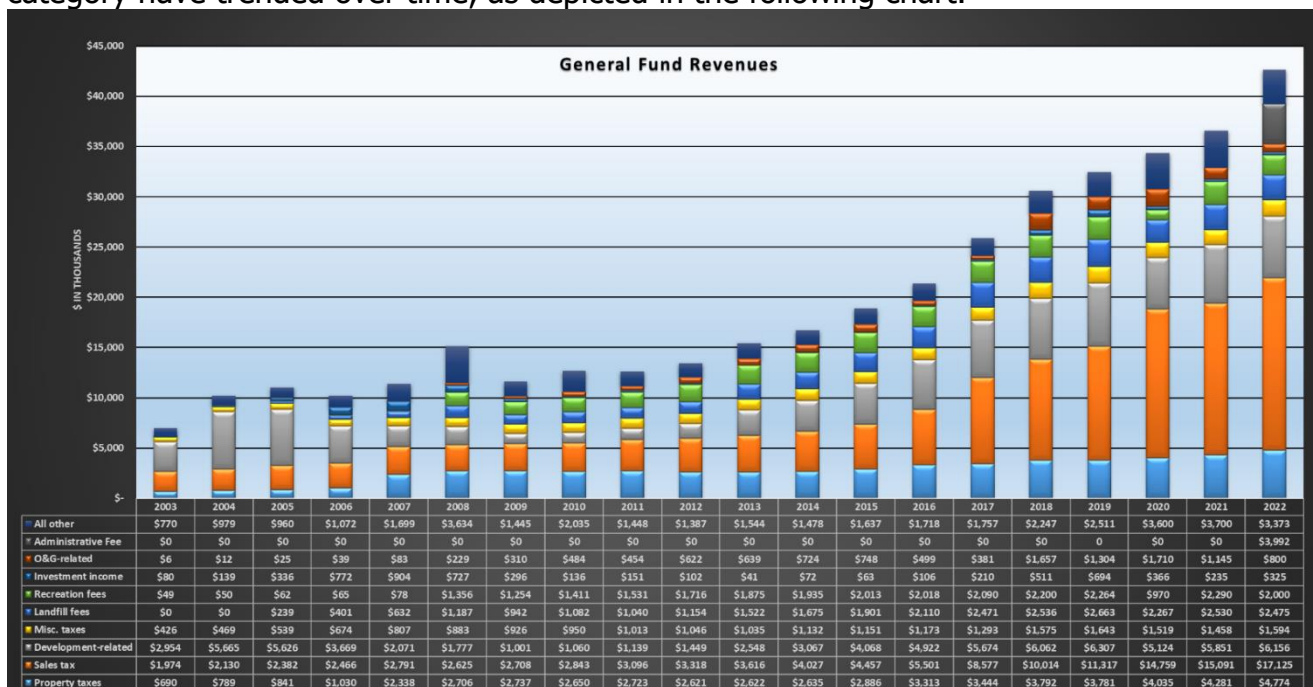
It is the best practice to have all departments and Funds pay for their appropriate overhead costs such as accounting, human resources, management, and other normal business costs. In the past, the practice has been to lower the budgetary representation of those costs. It is more appropriate to show the full costs in each department. The total Administrative fee the

General Fund collects from other funds (Enterprises and URA) is projected to be approximately \$4 million in 2022<sup>1</sup>.

The relative amounts by revenue source for 2021 and 2022 can be seen in the following graph:



As can be seen from the graph above, taxes - sales, property and miscellaneous taxes - account for 55% of General fund revenues in 2022. (Note: Property taxes as reflected in the various charts do not include property taxes related to oil and gas activities, which are reflected in "O&G-related" revenues and discussed below.) The next biggest category of revenues for 2022 is development-related revenues at 14% of revenues. Perhaps more helpful in gaining an understanding of revenues would be a look at how fund revenues by category have trended over time, as depicted in the following chart.

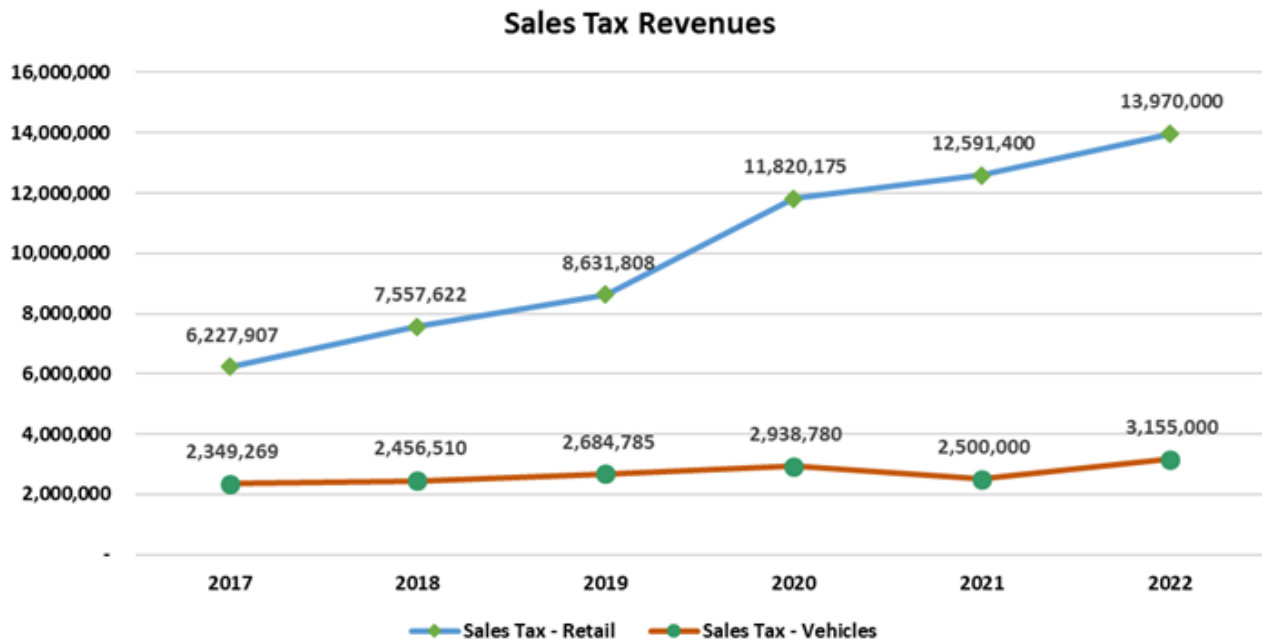


<sup>1</sup> The administrative cost for prior years is not calculated because that would require significant effort for minimal value; so this allocation is shown only for 2022.

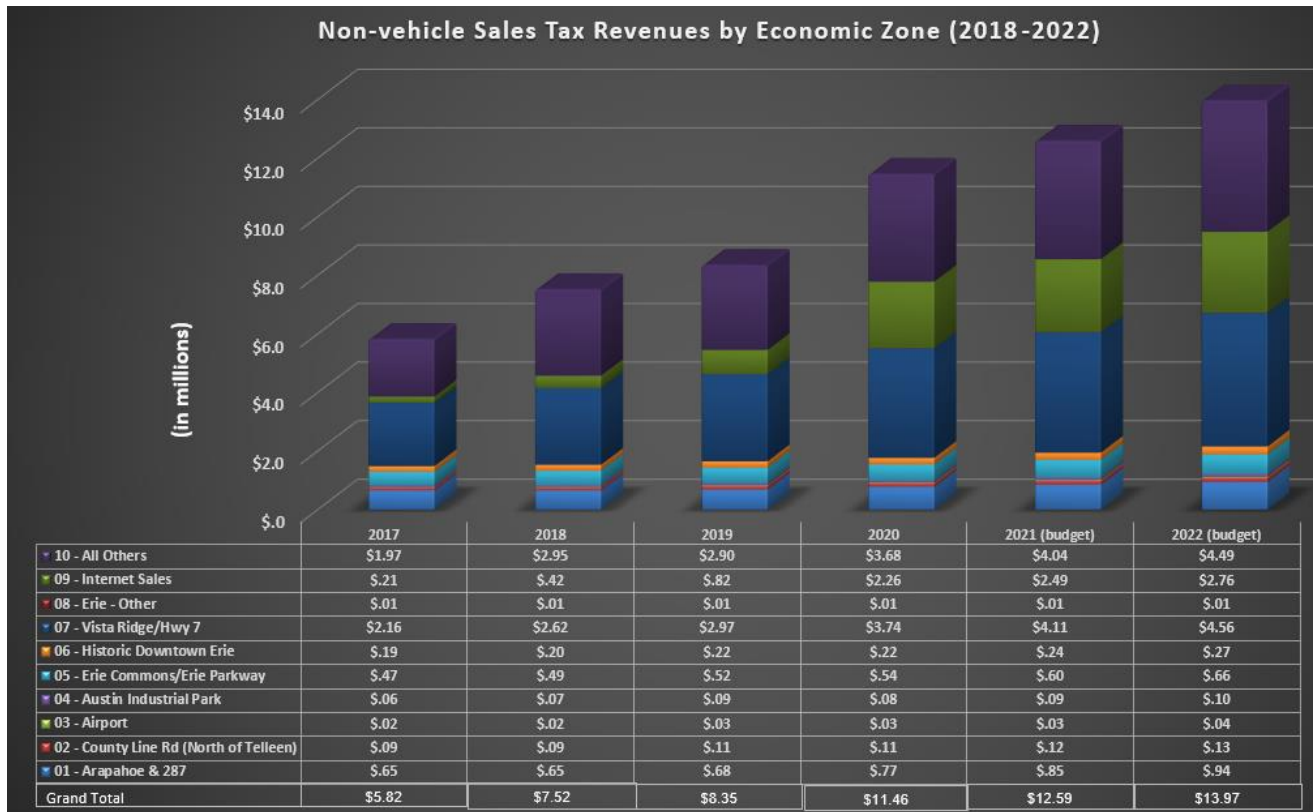
**Sales tax:**

Sales tax, which makes up approximately 40% of total General Fund Revenues in 2022 has shown consistent growth throughout the last 20+ years, with particularly strong growth since 2017 with the opening of King Soopers and other stores. Grocery and internet sales continue to provide strong support to the Town’s sales tax base. Most restaurants in Erie are also recovering from the pandemic.

Nevertheless, some of the growth we are seeing in 2021 also reflects temporary supply chain issues and inflation in the consumer goods, construction materials and the used automotive market. As a result, to be conservative, we are assuming a lower percentage increase in 2022 (13%), compared to 2021 estimated actuals (15%). Total Sales Tax revenues for 2022 are projected at \$17.1 million, which includes \$14.0 million of retail sales tax and \$3.1 million of sales tax arising from vehicles purchased by Erie residents. Trends in sales taxes are illustrated in the below graph.



The below chart breaks down non-vehicle sales tax revenues by Economic Zone.

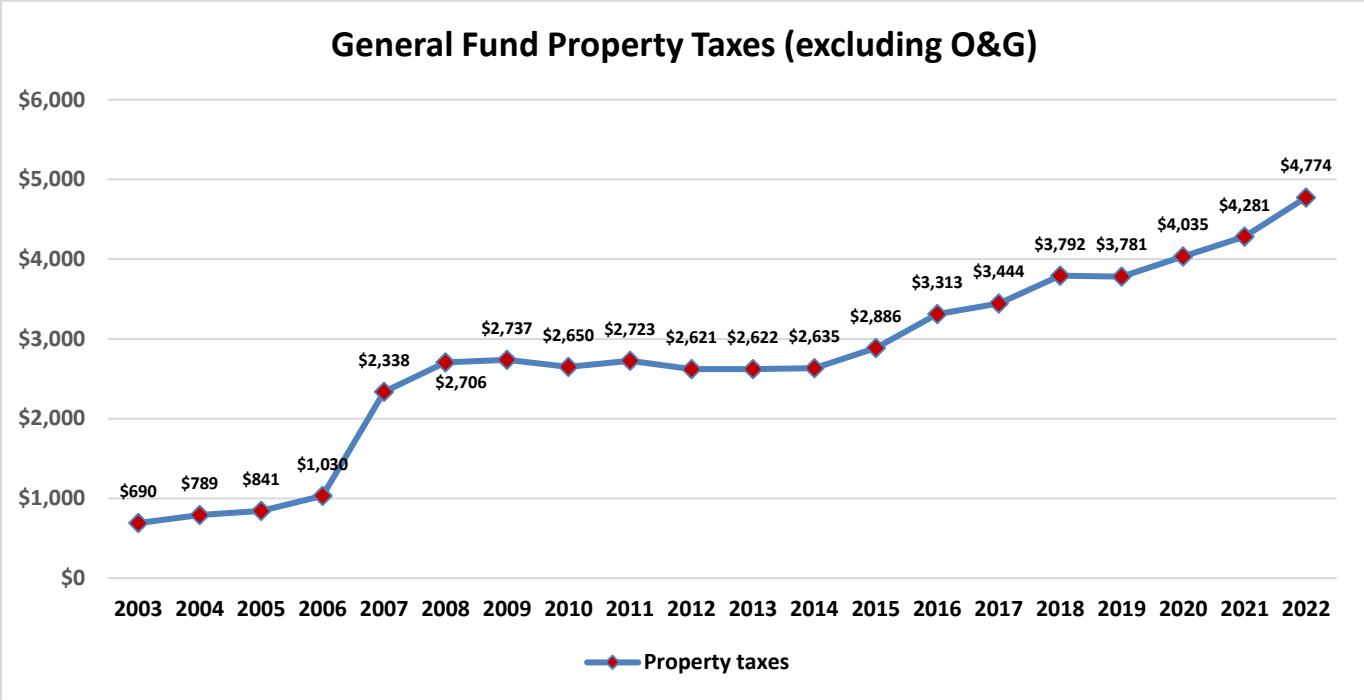


**Property Tax (excluding oil & gas related):**

Property tax revenue not including oil and gas related activities makes up approximately 11% of the total General Fund revenue in 2022. The key driver to this revenue stream is assessed valuations from Weld and Boulder County and assessment rates. As shown in the revenue graph above, property tax revenue has been growing steadily over the years, reflecting additional construction in the Town (excluding URA areas) and increased assessed valuation while assessment rates have stayed somewhat constant since 2018.

The assessment rates for 2022 continue to be at 7.15% for residential properties and 29% for commercial properties. Decreases to these rates are allowable through State law and increases to the mill levy would require voter approval due to TABOR. According to the preliminary property tax certifications from Weld and Boulder Counties, staff projects property tax revenue from this category will be approximately \$4.7 million in 2022, which represents an increase of \$493,000 or 12% compared to 2021. This is illustrated in the chart below.





**Development-related Revenues:**

Development-related revenues (use taxes, permits and related fees) make up approximately 15% of the total General Fund revenues in 2022. Historically, development-related revenues are the General Fund’s most volatile revenues as one would expect in a town growing as fast as Erie. This is illustrated in the below chart.



The key driver to this revenue stream is the number of residential permits issued and anticipated commercial development. In 2022, staff expects development to continue to increase as we come out of the pandemic and housing demand remain high. According to

USA Today, more than 5 million homes are needed for supply to catch up to demand nationwide, due to various reasons such as: high rate of household formation, low supply of homes for sale, supply chain disruptions and labor shortages. According to *BizWest* (Wells, October 2021, p. 39), “a lack of housing supply combined with a high velocity of home sales is keeping this Northern Colorado market resistant to any sort of slow down”.

As a result, staff projects 508 single-family/townhome permits and 140 multi-family permits for commercial, a moderate increase from the 450 single-family and 150 multi-family permits projected for 2021. Total development-related revenues are projected to increase 5% to \$6.1 million in 2022, compared to \$5.8 million in 2021.

Even at these relatively high levels of construction, they are well below the peak of 909 single-family permits issued in 2004. This contrasts to only 103 permits issued in 2009. Over the above timeframe, development-related revenues have ranged from a low of 8% of total General Fund revenues to a high of 64%, averaging 19% over the last 10 years. The 2022 budget reflects \$6.1 million in development-related revenue, \$151,000 or 2%, below the peak revenue year of 2019.

At \$6.1 million, development-related revenues still represent a significant portion of the General Fund revenues. The volatile nature of these revenues makes it challenging to forecast and any significant decline in building activity would have million-dollar impact to the General Fund. For these reasons, staff is budgeting prudently to account for volatile revenue sources as the Town develops more diversified and stable General Fund revenue sources such as property and sales tax at build-out. As the graph on page 10 shows, we are making good progress in this area.

### **Oil & Gas (O&G) Revenues:**

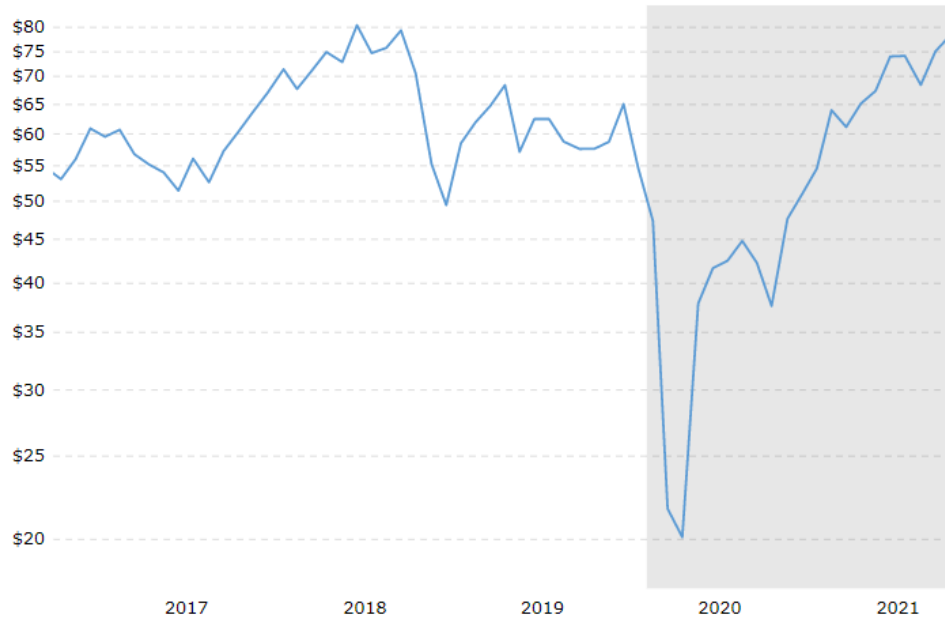
A second source of volatile revenue is related to oil and gas activities. These include property taxes from oil and gas activities, severance taxes, Federal Mineral Lease payments, crossing fees and royalties. For 2022, staff projects O&G related revenues will make up 2% of the General fund total revenues before transfers, compared to 3% in 2021. At 2%, it is a relatively small piece, but that represents a decrease of \$345,000 or 43%, to \$800,000 compared to \$1.1 million projected in 2021.

O&G property tax revenues which make up 46% of this revenue group is the primary cause of the decline in revenues in 2022. Of the projected \$800,000 O&G related revenues in 2022, approximately \$370,000 is from property tax. This represents a \$333,000 or 61% decrease compared to 2021.

This revenue source is driven by both oil prices and production volume. According to the Weld County Preliminary Certification of Valuation dated August 25, 2021, there will be significant decrease in property tax revenues from O&G activities primarily due to the delaying effect of tax being assessed on 2020 reported income from oil and gas.



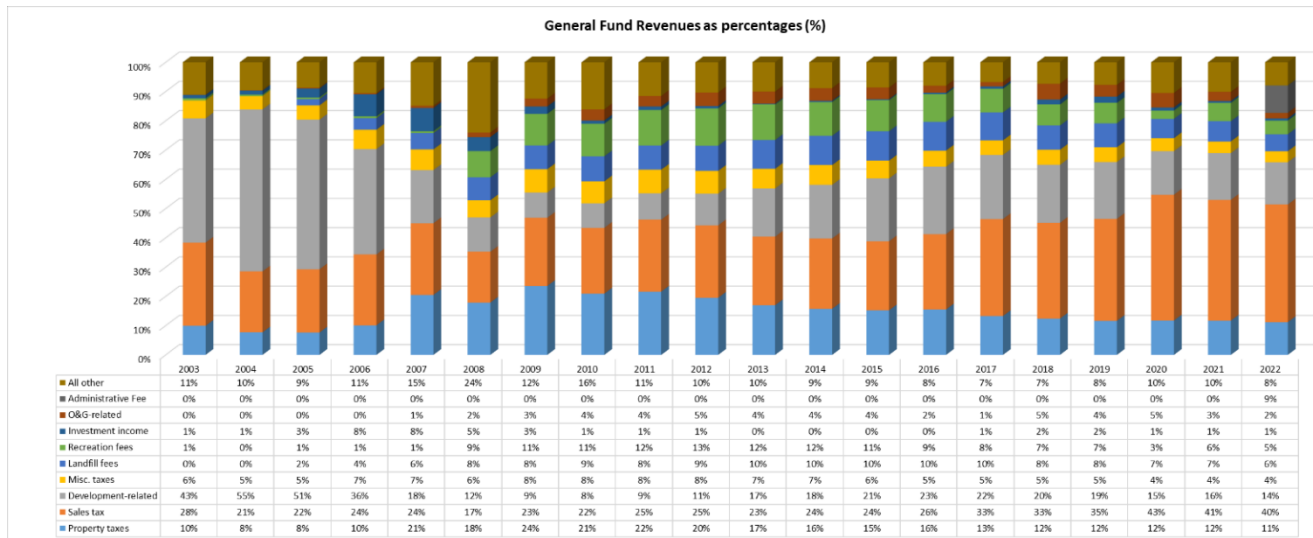
The below chart shows crude oil historical prices for the last 5 years, the lowest being in 2020 pandemic year.



The below chart provides more details on Oil & gas related revenues over the years.



The below chart puts into perspective the volatility of General Fund revenues sources as it expresses these revenues as a percentage of total revenues. The trend in the below chart shows that the Town is on its way to have a more diversified and stable mix of revenues.



A resurgence in the COVID infection rate that results in additional business shutdowns would require modifications to these revenue projections. Staff will closely monitor the national and local economy in coming months, making changes to revenue assumptions and expenditures as appropriate.

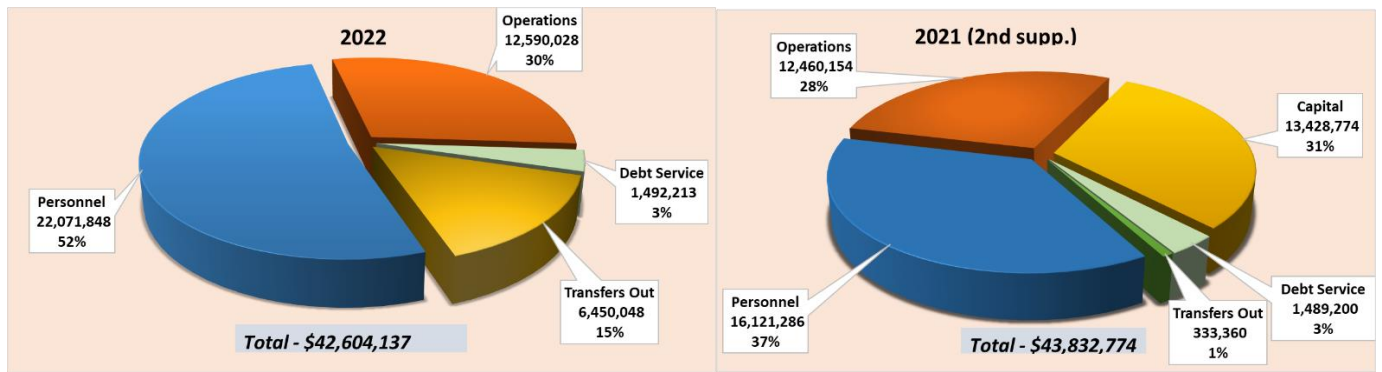
**Transfers from Other Funds:**

Staff projects approximately \$1.2 million transfer from other funds to the General Fund in 2022. This includes \$606,000 anticipated transfer from the new Grants fund, \$414,000 transfer from the Trails and Natural Areas Fund to the General Fund to support trail and open space maintenance and \$150,000 transfer from the Conservation Trust fund to support other maintenance efforts on recreation and public sites.

**Expenditures & Transfers to Other Funds:**

Total expenditures for 2022 are projected to increase by \$4 million to \$42.6 million. This again is primarily due to an accounting change of indirect cost allocation that is being recognized as a revenue source instead of previously being reflected as a reduction expenditure in the General Fund to more accurately reflect the costs of running Town departments.

The following chart indicates the relative components of General Fund expenditures and transfers to other funds for 2022 as compared to 2021:



The following table provides a comparison of these components over three years:

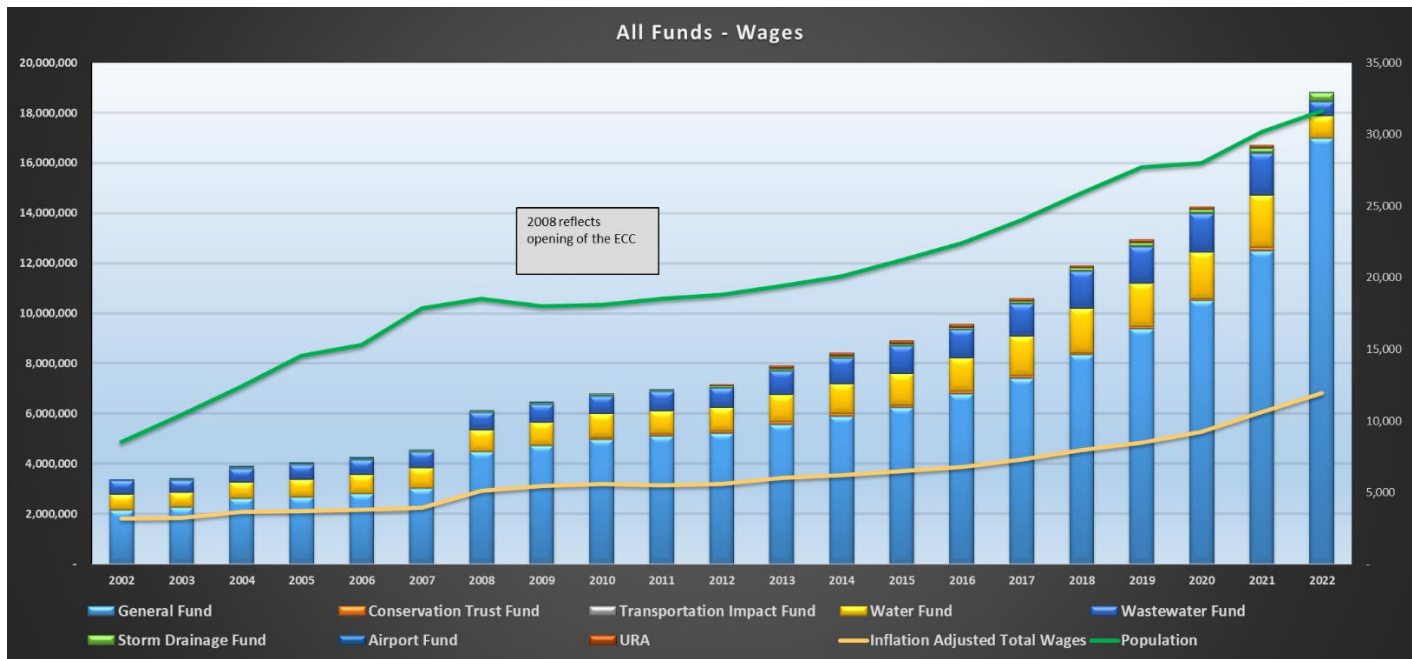
General Fund Expenditures & Transfers						With Indirect Accounting
	Actual	Budget	Realigned Indirect Budget	Budget	% Change	Change
	2020	2021 (2nd supp.)	2022	\$ Change	2021-2022	2022
Personnel	\$ 13,713,738	\$ 16,121,286	\$ 19,071,848	\$ 2,950,562	18%	\$ 22,071,848
Operations	\$ 8,259,267	\$ 12,460,154	\$ 12,590,028	\$ 129,874	1%	\$ 12,590,028
Debt service	\$ 1,494,563	\$ 1,489,200	\$ 1,492,213	\$ 3,013	0%	\$ 1,492,213
Total Operating expenditures	\$ 23,467,568	\$ 30,070,640	\$ 33,154,089	\$ 3,083,448	10%	\$ 36,154,089
Capital	\$ 2,960,050	\$ 13,428,774		\$ (13,428,774)	-100%	\$ -
Transfers to other funds	\$ -	\$ 333,360	\$ 6,450,048	\$ 6,116,688	1835%	\$ 6,450,048
<b>Total expenditures &amp; transfers to other funds</b>	<b>\$ 26,427,617</b>	<b>\$ 43,832,774</b>	<b>\$ 39,604,137</b>	<b>\$ (4,228,638)</b>	<b>-10%</b>	<b>\$ 42,604,137</b>

**Personnel Expenditures:**

Across all funds, personnel expense (salaries and benefits) is projected to be \$24.4 million, an increase of \$3 million, or 14%. Wages have grown from \$6.1 million in 2008 (when the community center opened) to \$18.8 million in 2022, a compounded rate of approximately 8.3%.

The Board has approved the addition of 31 positions between 2018-2020. The Board has also approved 13 new positions in 2021. Staff is recommending adding 14 positions in 2022. These additions are necessary to keep up with the explosive growth in both population and development activity in recent years at the same time maintain the expected level of service.

Adjusted for inflation, this increase is approximately in line with the growth in the Town’s population as shown in the below chart.



Personnel expense in 2022 represents 52% of General Fund expenditures, compared to 42% in 2021. As indicated in the table above, General Fund personnel expenditures are projected to be \$22.1 million for 2022, an increase of \$5.9 million, or 37% compared to 2021, primarily due to the change in the way we account for indirect cost allocation as discussed in the Revenue section above. Significant changes to the General Fund Personnel Expenditures are as follows:

- The update to the Indirect Cost allocation model will result in a \$3.6 million increase in the General Fund personnel expenditure, however this does not cause a negative fiscal impact at the bottom line as we also reflect a corresponding increase in revenue in the Administrative Fee.
- The 2022 Proposed Budget includes 14 new positions, 5 of which are to meet the Board’s Priorities while the remaining 9 are to meet the demands from growth and to ensure we maintain government best practices in Town operations. This will result in an increase of \$1 million in the General Fund and \$386,000 in other funds.
  - 5 positions listed below are recommended to address the Board’s specific priorities.
    - **Housing Manager (Planning & Development)**– This position will ensure completion of a Housing Strategic Plan that meets both Town and regional needs. The Housing position will also work with the Planning Division to ensure Housing is a major element of the Town’s Comprehensive Plan and will work with regional partners to develop regional solutions to this long-term challenge. The position will cost \$128,000 from the ARPA funds in 2022.

- **Senior Transportation Planner (Planning & Development)** - The Town staff attends a number of high level Transit and Transportation Planning meetings such as NATA, NWMCC, RTD, DRCOG, CDOT, State, regional and local level meetings. However, unlike most other communities Erie's size, we do not have a dedicated Transportation Planner attending on the Town's behalf. Instead, this duty is currently shared by the Public Works Director, Town Administrator, Town Engineer and Engineering staff. A Senior Transportation Planner will be an expert in this area and help make educated decisions and influence outcomes that are in Erie's best interest. The position will cost the General Fund \$138,000 in 2022.
- **Senior Planner (Planning & Development)** – this position will play a crucial role in the Comprehensive Plan Engagement, which staff expects to begin in 2022 and will require extensive internal and external stakeholder engagement. This position will also focus on other long-range planning efforts such as: neighborhood plans, coordination with other departments and outside referral agencies on master planning efforts, managing economic, social, and demographic data and projections needed for long-range forecasting. Currently, the three Senior Planners in the Planning division primarily focus on the current land use application review. The position will cost the General Fund \$119,000 in 2022.
- **Sustainability Specialist (Public Works)** – this position will primarily focus on the implementation of all waste diversion programs, activities, partnerships and Recycling Center operations along with coordination of the Green Business & HOA Certification Program and the majority of energy efficiency and renewable energy projects. This position will allow the Sustainability Manager to focus on project management to implement and achieve the Sustainability Master Plan, Energy Action Plan, Water Efficiency Plan, Drought & Water Supply Shortage Plan, and updates of the UDC and Comprehensive Plans. The position will cost the General Fund \$103,000 in 2022.
- **Police Public Information Officer (Public Safety)** - Erie's growing population and proximity to several major cities make it an eventful place. The need for a PIO has been expressed on multiple occasions over the past few years by the police department and the community. The role of a public information professional will help foster effective relationships with the media, maintain robust community relations and crime prevention programs, as well as keep internal and external audiences informed on items of interest. The Directive Task Force recommended the Town fund this position to maintain and improve communication. The Board has also identified this as a high priority. The position will cost the General Fund \$138,000 in 2022.

- 4 positions listed below are recommended to keep up with the Town's growing population and the programs and facilities required to serve residents.
  - **Assistant Coordinator – Active Adults (Parks and Recreation)** – The position is needed to manage the increase in participation in the Active Adult Programs and prepare for additional increases in participants as Erie's population grows. Program participation has increased 60% from 2015 to 2020. This position will benefit program participants by increasing day trips, extended travel and general interest programming. It will also ensure more coverage of the Columbine Lounge and allow the older adults more access to a full time Active Adult staff member. This position will also allow the Active Adult Coordinator to focus more on increasing contractual programs, I&R (information and referral), resources and preparing for future growth. The position will cost the General Fund \$61,000 in 2022.
  - **D&C Maintenance Tech I (Public Works)** - Currently there are 8 staff members, including the supervisor, who operate and maintain the Distribution & Collections division. As new neighborhoods develop and as the infrastructure in established neighborhoods ages, we need sufficient staff to keep up with daily operations and maintenance activities. This position will assist in the operations and maintenance of the distribution system, collection system and storm water system in rights of ways and easements. Daily activities will include sewer inspection (CCTV) and cleaning, valve exercising and hydrant maintenance as well as storm inspection, cleaning and vegetation removal. Other duties will include assisting with locates and backflow preventor surveys. The position will cost the Water fund \$66,000 in 2022.
  - **Stormwater Technician (Public Works)** – Due to the Town's growth and significant number of projects under construction, the Town's current Stormwater Coordinator is performing the duties of a stormwater technician and a stormwater coordinator. The Town currently has 75 open Stormwater Quality permits as of this writing. The new position will assist the current Stormwater Coordinator with field inspection and reporting and assist in post-construction inspection among other job duties. This position will cost the Stormwater Operating Fund \$88,000 in 2022.
  - **Utility Billing Specialist (Finance)**- The Town has experienced an average growth in number of active utility accounts of 6% per year from 2015 through 2020. On average, we have nearly 1,700 new and changed accounts each year. We have seen a 40% increase in the number of accounts since 2015. In addition, the 2020 Finance Department reorganization eliminated a .5 FTE that was allocated to the Utility Billing (UB) group. Adding an additional UB Specialist will enable us to maintain

the expected customer service and individual attention to our customers; timely posting of payments to accounts; timely adjustments to accounts; and timely issue refunds where necessary. The position will cost the Utility Funds \$82,000 in 2022.

- 5 positions listed below are recommended to ensure government best practices.
  - **Administrative Assistant (Public Works)** - The Public Works Department currently has 1.5 Administrative FTE to support 9 divisions and 40 staff. The duties of the current administrative support staff are becoming more detailed as the Town grows. This position will handle operational and administrative details and will relieve the department Budget Analyst of data entry duties and allow the position to perform much needed and timely budgetary analysis and project management oversight. The position will also free up time for the Budget Analyst to work closely with Finance to fine tune the long-range capital maintenance and improvements plan and Fleet replacement plan as a best practice. The position will cost the General Fund \$71,000 in 2022.
  - **Accountant I (Finance)**- There is a need for additional resources to meet the needs and regulations impacting the Finance Department. The additional position would allow us to complete the monthly close process in a timely manner which will enable more accurate and up-to-date reporting on a monthly basis for management and the Board. There has been significant growth in all areas of responsibility of the Finance Department.

For example, we are currently tracking nearly 1,200 capital asset items, an increase of 37% from the number of assets tracked and accounted for in 2015. The Finance Department must implement an asset management accounting program in order to ensure the assets are tracked and accounted for in accordance with GAAP.

In addition, we need the resources to meet the requirements of new GASB standards such as GASB 87 which will significantly expand the amount of time and effort required for tracking and accounting for leases. We currently are tracking 19 leased vehicles through our Enterprise lease program, up from 0 in 2018, and anticipate continuing to add vehicles to this program over the next few years.

Finally, it would allow us to continuously monitor and audit internal controls in areas such as purchasing cards, petty cash and change fund handling. We currently have 117 active P-card accounts, a 90% increase over the number of users in 2018. The increase in P-cards makes operations more efficient, but also makes the audit function even more critical to ensure



purchases are accurate and allowable. The position will cost the General Fund \$103,000 in 2022.

- **Finance Budget Analyst (Finance)** – As we continue to seek improvements and best practices, the Finance Department has identified several areas which need more in-depth analysis that cannot be done with existing staffing. This includes:

- ✓ Position Control – tracking position changes and analyzing its fiscal impacts is crucial in helping the Town stay within budget. The position will assist with the detailed tracking of all positions and work with the Finance Manager to set up operating procedures to make sure departments are staying within their budget. At the rate the Town is growing, this is needed more than ever.
- ✓ Monthly reports and detailed analysis of sales and property tax. The fundamentals of sales tax are quickly changing nationally as well as locally. The department does not have enough time to analyze the sources and work with the State to determine if there are any areas we need audited. The position will work with Economic Development and Planning to track significant changes in businesses around Town and make sure all businesses are compliant in remitting sales tax. This will also provide the Finance Manager good data to develop the Town’s long-range revenue forecast.
- ✓ Town-wide detailed expenditures analysis - The Budget Analyst will also allow the Town to focus on more detailed expenditure analysis. While line item analysis is important, it is impossible to do while preparing the budget. The work needs to be accomplished prior to the budget with questions before departments prepare their budget. The current manager is working on URA and other major development issues and, does not have time to do the analysis that, in the long run, will save money for the Town. With the Town planning on saving 3% to balance budgets in the future, it is imperative to have an analyst review the monthly expenditures to ensure it will meet that requirement.

These best practices are significant and new workload that Finance cannot do without additional support. The position will also work with the analyst in Public Works and Parks and Recreation to collect and analyze data on capital maintenance and improvements, which are needed for the Finance Manager to fully develop a long-range forecast with recommendations to address long term issues. The position will cost the General Fund \$119,000 in 2022.

- **Evidence Custodian (Public Safety)** - Erie's growing population, proximity to several major cities and the daily increase of property crimes has required the need for an Evidence Custodian. In 2020, current staff completed training in evidence management to help assist with the continual increases. This was a temporary measure without requesting a position due to COVID19 budget constraints. The current part-time assistance in evidence is not enough to keep the evidence room up-to-date with discovery requests, required destruction, intake and owner property returns.

In the past two years, Erie PD has seen a tremendous increase in property crimes. This increases in the amount of property and evidence and items for safekeeping. Between January-June of 2021, we already had 6,872 items in evidence, compared to 6,041 for the entire year in 2020. This trend means we will double our inventory in 2021.

Adding an Evidence Custodian will allow necessary help with processing according to legal guidelines new evidence or items for safekeeping, assist patrol with large volumes of evidence, respond to court subpoenas and conduct evidence drop-off and pick-up from the crime labs. Having only one property and evidence employee with such a high workload limits the section's ability to create SOPs, evidence packaging manuals and other working documents that are crucial to maintain high quality property and evidence processes by the officers. The position will cost the General Fund \$88,000.

- **Fleet Supervisor (Public Works)** - Currently the Fleet division has two mechanics with the last additional hire in April 2017. In 2017, we had 59 vehicles and 38 pieces of equipment. As of July 2021, the Town has 84 vehicles and 51 pieces of equipment. Additional units are expected to be received in 2021 and budgeted/ordered for 2022. One of the major tasks for the mechanics is maintaining work orders. As of July 13, 2021, the division processed over 590 work orders with an estimate of over 950 for the year. In 2017, there were 805 total work orders.

With two mechanics, the lead is expected to process all the paperwork needed taking away from actual maintenance time. This position will perform all the administrative duties and other duties including the following: maintaining fuel usage log (State required), processing and tracking budget expenses including POs and invoices, scheduling warranty work and outsourced repairs, tracking work orders (transferring from the LaunchPad system to the iWorQ system), coordinating with Risk Manager and vendors on repairing damaged vehicles, processing license plates/registrations/insurance, scheduling lift inspections (State required),

and maintaining spill prevention plan – submit updated annual plan (updating as needed) (State required).

This position will ensure the Town has two full-time mechanics available, especially important during snow events when breakdowns sometimes happen, even on well-maintained equipment. The position will cost a total of \$103,000 in 2022, with \$81,000 being the impact to the General Fund and \$22,000 to the Utility Funds.

- One of the Board’s priorities is employee pay equity and labor competitiveness. To stay on top of this priority, the Town engages a labor market consultant to perform an annual market study to make sure we are aligned with the local labor market. For 2022, in order for the Town to stay competitive in an even more challenging labor market environment due to the pandemic, the consultant recommends consolidating the Police step plan, regrading a handful of other positions and keeping up with market and merit increases.
  - Consolidating the Police step plan from 10 steps to 5 for Police Officers and 3 for Police Sergeants will result in an increase of approximately \$370,000 to the base budget. Police Command staff analyzed each position based on their years of experience and placed each employee in the step that reflects their experience. This will allow the Town to remain competitive in one of the most difficult areas to retain great staff and hire qualified new staff.
  - The market study also recommends regrades for various recreation positions, Town Engineer, Police Chief and Deputy Chief, Chief and Deputy Chief Building officials, accounting and payroll staff, and utility billing staff. This will result in an increase of approximately \$295,000 to the General Fund base budget.
  - Other than the significant changes discussed above, Staff continues to assume 2% market adjustment and 3% merit as the consultant recommends. This will result in an increase of approximately \$545,000 in 2022.
- The remaining increase is a result of the 9 additional positions the Board already approved during 2021, now being reflected for a full year.

**Operating Expenditures:**

The General Fund Operating expenditures increase by approximately \$1.2 million, or 11%, compared to 2021, mainly due to the change in cost allocation of certain central services departments (Finance, TA, HR, IT) operating expenses, which are now fully reflected as the department costs. To offset this, \$361,000 of the General Fund operating cost is being recovered as part of the Administrative Fee discussed in the Revenue section above.

The remaining significant changes are as follows:

- Central Charges – Health Insurance – has increased by \$156,000 compared to 2021. This is primarily due to the Town receiving a one-time sign up credit from Cigna in 2021, which was used to offset the costs of premiums. The true increase in 2022 after factoring out the credit is 2% compared to 2021.
- Legislation - increased funding for Advisory Board-led programs
  - ✓ DEI Advisory Board - \$30,000 for Educational & Cultural Events
  - ✓ AED Advisory Board - \$30,000 for Erie Air Fair
- Town Administration – \$71,000 increase in O&G consultation to reflect the full-year Air Quality Monitoring contracts approved by the Board in 2021, bringing the total budget to \$708,000.
  - ✓ Ajax Analytics - \$484,000
  - ✓ Boulder Air - \$224,000
- Human Resources – significant changes include the following:
  - ✓ Staff recommends using \$300,000 of ARPA funds for COVID testing. Erie/Boulder Community Health will be providing PCR COVID tests for Town employees and the cost will be \$50/test. Unvaccinated employees, or employees who do not want to provide proof of vaccination, will be required to test on their first day of work each week. Vaccinated employees will also have the option of testing if they wish but testing will not be mandatory for vaccinated employees. Test kits will be available for employees to self-administer at Town Hall, LAWS, ECC, and PD.
  - ✓ Town-wide Internship program - \$100,000 is set aside for this new program, which will benefit all departments. In order to build a future workforce, the Proposed Budget includes these dollars for the entire organization to use to hire interns. Having it in HR ensures we can monitor work hours for compliance.
  - ✓ Safety Program - \$28,000 – this is a new safety and loss control program, funded by CIRSA loss control credits, which aims to improve safety and loss control, and offer financial incentive to department and/or individual employees to promote safety and loss control.
- Public Works – Street Striping - \$73,500 higher than 2021 due to more roads coming out of warranties and price increases.

- Public Works – Engineering - \$200,000 is added to the 2022 Budget for Development Review, which is reimbursable by the developer and has been reflected in the General Fund revenues for 2022.

**Capital Expenditures and transfers out:**

As discussed above, staff recommends creating 2 new capital funds to account for all governmental capital expenditures that are not growth-related. Total non-growth related capital expenditures in 2022 are projected to be \$6.7 million. To fund these capital requests for 2022, \$6,450,000 will be transferred from the General Fund to these capital funds in 2022, which includes \$5.3 million to the new Capital Maintenance/Lifecycle replacement Fund, \$932,000 to the Fleet and Equipment Acquisition Fund and \$270,000 to the new Capital Improvement Fund. The remaining funding comes from Conservation Trust Fund and TNAF.

<b>General Government Capital Funds - 2022 Budget</b>				
	Capital Maintenance/ Lifecycle Replacement Fund	Capital Improvement Fund	Fleet & Equipment Acquisition	Total
Revenues	5,357,700	469,300	932,048	6,759,048
Expenditures (including transfers out)	5,357,700	469,300	932,048	6,759,048
<b>Revenues over/(under) expenditures</b>	-	-	<b>(0)</b>	<b>(0)</b>
Fund balance - beginning (projected)	-	-	95,843	95,843
<b>Fund balance - ending</b>	-	-	<b>95,842</b>	<b>95,842</b>

A detailed list of capital requests is included as part of this packet, but major request/changes are as follows:

- Of the \$5.3 million expenditure request in the Capital Maintenance/Life-cycle replacement fund, \$4.1 million is for street-related capital projects (street reconstruction, street overlay, concrete program), which account for 77% of total capital maintenance expenditures. This has remained almost the same as 2021 after factoring out capital rollovers from 2022, to keep up the expected level of streets maintenance needed according to the Street Scan report.
- \$647,000 in the Capital Maintenance Fund Budget is requested by Parks & Recreation, of which \$537,000 is funded by General Fund. Projects funded by the General Fund include: \$112,000 for the Maintenance Shed Expansion at ECC Community Park, \$217,000 for POST Infrastructure Replacement, \$100,000 set-aside required by IGA between the Town and Broomfield to be used for “acquiring and improving the land within the [Erie/Broomfield] buffer area” and for “acquiring and improving trail

connections at Coal Creek and Hwy 7 and at the Egg Farm Open Space”, and \$107,000 for other miscellaneous maintenance around recreational facilities. \$108,000 for Irrigation and Disc golf course maintenance is funded by the Conservation Trust fund.

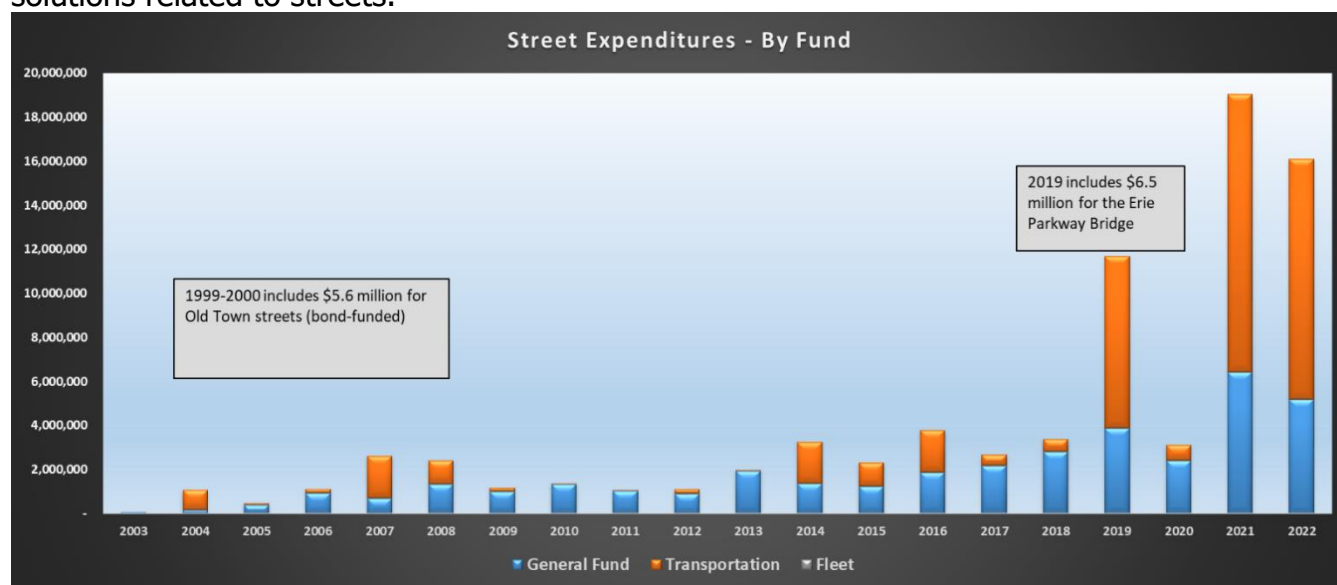
- \$250,000 in the Capital Maintenance Fund budget is for a new project – 119<sup>th</sup> and Erie Pkwy Roundabout Turn Lane Correction. The roundabout at 119th and Erie Parkway has an observed safety deficiency from the original construction. More specifically, the turn lane from northbound 119th to eastbound Erie Parkway is not separated from the through lane in the roundabout. This makes it very tight and difficult to safely maneuver both the through movement and the right turn only movement. This project will correct the issue. This is especially important with increased traffic and continued development that impact Erie Parkway and 119th.
- \$230,000 in the Capital Maintenance Fund budget is for Traffic Mitigation and Calming projects.
- In the Capital Improvement Fund budget, \$270,000 is set aside to address the Board’s Sustainability goals. Staff recommends \$200,000 for the Energy Performance Contracting Implementation project, which will convert all lights at Town facilities to LED. This project meets the Board’s Sustainability goals. Staff recommends \$70,000 to support the Sustainability Committee’s goal to acquire 4 charging stations per year to reach 25 charging stations by 2025. These projects are funded by the General Fund. Staff will also explore potential grant opportunities to fund these projects.
- In the Capital Improvement Fund budget, staff recommends \$200,000 to add a new Trails Connector (\$60,000), additional improvements at the Disc Golf Course (\$82,000) and add a Single Track shelter (\$57,000). All of these projects are funded by either the Conservation Trust fund or TNAF.
- The Fleet and Equipment Acquisition Fund was created at the end of 2019 with initial funding through a transfer from the General Fund. A recommended practice for municipalities and other governmental entities is to utilize a fund for the purchase of new and replacement vehicles and heavy equipment, along with an ongoing funding plan. For years the Town struggled to set aside adequate and consistent resources to fund such items. A funding policy to ensure the Town’s fleet of vehicles and heavy equipment is maintained at an appropriate level to meet service demands will be completed in 2022.

In 2022, Town staff plans to further expand participation in the Enterprise leasing program that was begun in 2019. In 2022, staff requests an additional 27 vehicles. All the requests are for a combination of scheduled replacements, new staff, or increased workloads (e.g., lane miles, new parks, etc.). The Fleet and Equipment Acquisition fund proposed budget includes \$431,000 of vehicle requests as part of the Enterprise leasing program, \$323,500 of which is for 20 replacement leased units and \$107,500 of which is for 7 new leased vehicles. The remaining \$256,000 is to pay for existing leases.

Maintaining Town streets is a priority of the Board, staff and Erie’s residents. Town expenditures on street-related activities are provided by three funds – the General Fund, the Transportation Impact Fund, and the Fleet & Equipment Acquisition Fund.

The General Fund’s focus is primarily on existing streets, while the Transportation Impact Fund is on growth-related projects. The Fleet and Equipment Acquisition fund is used as a financing vehicle for acquisition of heavy equipment and other vehicles used to maintain streets (among other areas). The graph below shows expenditures by these three funds, with the blue portion of the vertical bars reflecting the General Fund portion.

Expenditures (both operating and capital) to maintain existing streets have increased significantly over the last 5 years – from \$1.9 million in 2016 to \$5.2 million in 2022. Compared to 2021, this is a reduction of \$1.2 million or 20% which is primarily due to the 2021 budget including a carryover of deferred maintenance that was not completed in the 2020 pandemic year. Staff will continue to analyze potential funding sources to expand street maintenance activities, and has also undertaken a project to address long-term funding needs and possible solutions related to streets.

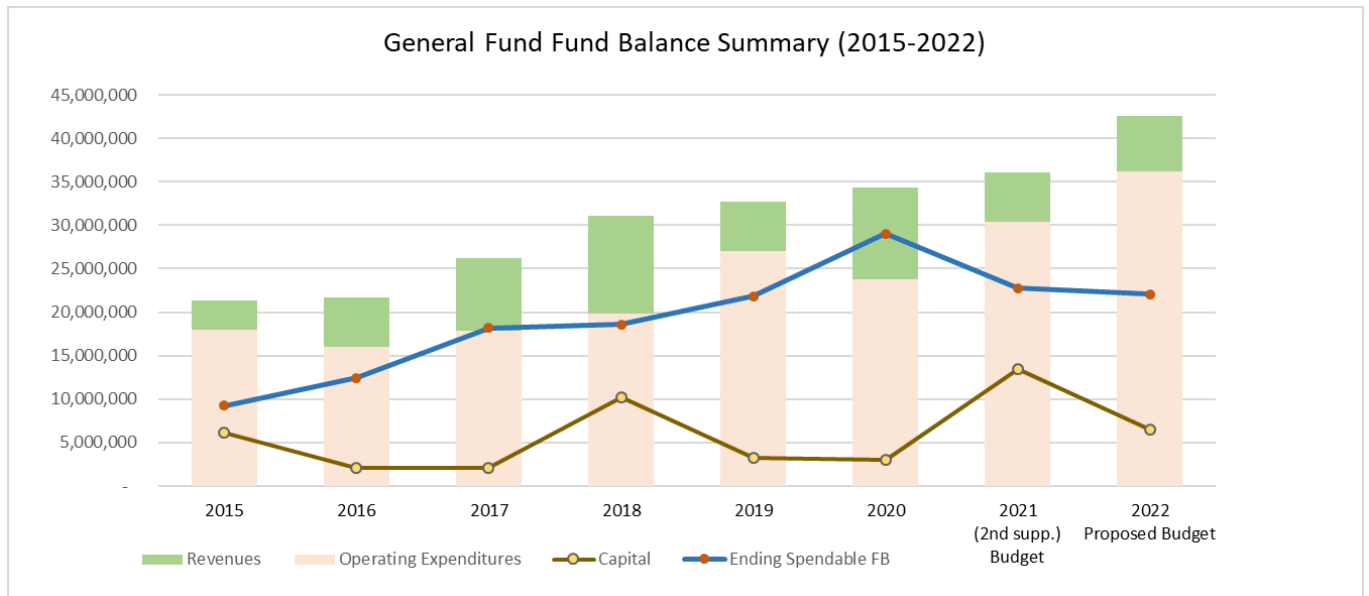


**Conclusion**

As a result of the foregoing, the General Fund is projected to end the year 2022 with a “spendable fund balance” of approximately \$22 million. This is \$4.8 lower than previously estimated in the November 2 Study session, primarily due to the additional appropriation request of \$4.1 million for Coal Creek project in the 2<sup>nd</sup> Supplemental, as well as changes in the projected nonspendable portion of the fund balance to cover an advance to the URA in 2021. This “spendable fund balance” represents 64% of total personnel & operating expenditures (excludes capital and debt service expenditures) at the end of 2022, compared to 80% in 2021.



This change is again due primarily to the changes in our cost allocation accounting as it increases the amount of “operating expenditures”, causing the % to go down, although there is no net fiscal impact to the General Fund due to this change because we also reflect the same increase in operating revenue. If we realigned the indirect cost allocation for 2022 to compare apples to apples with 2021, the “spendable fund balance” for 2022 would be approximately 70% of total personnel & operating expenditures (excludes capital and debt service expenditures) compared with 80% in 2021. However, it is more useful to benchmark not only the Town fund balances to these percentages alone, but to also look at the history of spendable balance in relation to capital expenditures and operating surplus reflected below.



As shown in this graph, the General Fund has consistently had an operating surplus between 2015-2020, and is projected to end 2021 with an operating surplus. Operating surplus is the difference between revenues and operating expenditures (excluding capital). The trend in the ending spendable fund balance is inversely correlated with the trend in capital expenditures. Capital expenditures peak every couple of years we build up fund reserves and then spend them on one-time capital projects. Furthermore, during the 2020 pandemic year, the Town deferred approximately \$2 million in capital projects. As a result of this and other operating savings, the Town had a significant surplus of \$7.6 million in 2020. At the same time, as a fast-growing Town, the Town must undertake major capital improvements as part of the normal cycle in 2021. Due to these 2 factors combined, spendable fund balance is projected to drop significantly in 2021, however, only down to the 2019 level.

The 2022 projected General fund balance still far 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. However, due to the volatility of some of the Town’s revenue streams discussed above, as well as increasing long-term capital maintenance needs, staff still recommends taking special care in decisions committing a significant portion of the Town’s fund balance. Detailed calculation of the General Fund Reserve Ratio is presented below.

General Fund - 2022 Summary					
		Actuals	through 2nd		Proposed Budget
		FY 2020	supp.	Change	FY 2022
			FY 2021		
Beginning Fund Balance	<b>A</b>	30,136,806	37,740,318	(7,737,343)	30,002,975
Revenues		34,350,509	36,095,431	6,518,705	42,614,136
Expenses		(26,746,997)	(41,653,574)	(950,562)	(42,604,137)
<b>Net Surplus/ (Deficit)</b>	<b>B</b>	<b>7,603,512</b>	<b>(5,558,143)</b>	<b>5,568,143</b>	<b>10,000</b>
Capital Rollovers	<b>C</b>		(2,179,200)	2,179,200	
<b>Ending Fund Balance</b>	<b>A+B+C= D</b>	<b>37,740,318</b>	<b>30,002,975</b>	<b>10,000</b>	<b>30,012,975</b>
<i>Less: Nonspendable Components</i>					
URA Advance		3,882,050	2,854,299	700,853	3,555,152
In-lieu Transportation (1)		1,648,000	1,648,000	0	1,648,000
Solid Waste/Streets		720,095	220,095	(220,095)	0
TABOR Emergency Reserve		1,485,930	1,582,435	260,961	1,843,396
Open Purchase Orders (Operating)		919,618	250,000	0	250,000
Reserve for Broomfield IGA improvements			656,140	0	656,140
Prepaid Expenses		71,567	15,000	15,000	30,000
<b>Total Nonspendable Components</b>	<b>E</b>	<b>8,727,261</b>	<b>7,225,969</b>	<b>756,719</b>	<b>7,982,688</b>
<b>Available FB before Reserve requirement</b>		<b>29,013,058</b>	<b>22,777,007</b>	<b>(746,718)</b>	<b>22,030,288</b>
<b>FB as % of Non-capital/non-debt expenditures</b>		<b>132%</b>	<b>80%</b>		<b>64%</b>
<i>Reserve Requirements</i>					
Operating Reserve Requirement (25% Non Cap/Non debt Exp)	<b>F</b>	5,500,785	7,145,360	1,502,934	8,648,294
Capital Stabilization Fund	<b>G</b>	7,500,000	7,500,000	0	7,500,000
<b>Total Reserve Requirements</b>	<b>F+G</b>	<b>13,000,785</b>	<b>14,645,360</b>	<b>1,502,934</b>	<b>16,148,294</b>
(1) Funds received in prior years restricted to specific transportation projects					

## **Enterprise Funds:**

<b>Enterprise Funds - 2022 Budget</b>					
	<b>Water</b>	<b>Wastewater</b>	<b>Storm Drainage</b>	<b>Airport</b>	<b>Total</b>
Revenues - tap fees & related	16,085,063	4,732,897			20,817,959
Revenues - user fees	12,303,000	5,949,000	1,767,000	5,000	20,024,000
Revenues - other <i>(inc.'s debt proceeds &amp; transf</i>	641,950	353,250	672,550	45,500	1,713,250
<b>Revenues - total</b>	<b>29,030,013</b>	<b>11,035,147</b>	<b>2,439,550</b>	<b>50,500</b>	<b>42,555,209</b>
Expenditures - personnel (A)	1,171,335	738,174	467,161	1,031	2,377,701
Expenditures - operations (B)	5,783,724	2,438,618	640,331	62,094	8,924,767
Expenditures - capital	44,792,328	747,500	4,036,007	-	49,575,835
Expenditures - debt service	4,293,386	1,331,770	18,223		5,643,380
<b>Expenditures - total</b>	<b>56,040,773</b>	<b>5,256,062</b>	<b>5,161,723</b>	<b>63,125</b>	<b>66,521,683</b>
<b>Revenues over/(under) expenditures</b>	<b>(27,010,760)</b>	<b>5,779,085</b>	<b>(2,722,173)</b>	<b>(12,625)</b>	<b>(23,966,473)</b>
Working capital - beginning (projected)	33,059,634	6,372,156	3,223,375	158,976	42,814,141
<b>Working capital - ending (C )</b>	<b>6,048,874</b>	<b>12,151,241</b>	<b>501,202</b>	<b>146,351</b>	<b>18,847,668</b>
Total Non-Capital/Non-Debt Exp.'s - (A) + (B) = (D)	6,955,059	3,176,792	1,107,492	63,125	11,302,468
<b>Working Capital % of Total Non-Capital/Noi</b>	<b>87%</b>	<b>383%</b>	<b>45%</b>	<b>232%</b>	<b>167%</b>

Enterprise funds for the Town consist of the Water, Wastewater, Storm Drainage Operating and Airport Funds. The Wastewater Fund is budgeted to have surpluses in 2022. The Water and Storm Drainage Fund is expected to have a deficit, the result of planned capital projects. It is not unusual for these funds to have expenditures exceed revenues in some years as accumulated funds are expended on capital projects. The Airport Fund is projected to have a small deficit. Staff will monitor the Stormwater Drainage and Airport Fund closely and come up with options to restore the working capital balances to a healthier level.

Revenues in the Water and Wastewater Funds arise from two primary sources – development-related fees/contributions (primarily from permits) and monthly charges for system users. Revenues from development-related activities primarily reflect the permit assumptions described in the “General Fund” section above. The primary revenue source for the Storm Drainage fund is monthly customer charges. Staff previously presented the results of a utility rate study for the purpose of establishing rates/fees for the period 2021-2025. The 2022 budget reflects those changes.

As can be seen from the table above, the \$49.6 million or 75% of the total expenditures in the enterprise funds are capital in nature in 2022. Capital projects in excess of \$1 million budgeted in 2022 include the following:

- Zone 2 Storage Tank - \$25.5 million (Water) – existing project.
- Zone 2 Transmission Main 1<sup>st</sup> phase - \$8.5 million (Water) – existing project.
- Water Supply Well Project and related Treatment Plant - \$3.5 million (Water) – existing project.
- Old Town Reach 1 - \$2.9 million (Storm Drainage Operating Fund) – existing project.

**Capital (Impact) Funds:**

Capital Impact Funds - 2022 Budget						
	Transportation	Public Facilities	Parks	Tree	Storm Drainage	Total
Revenues	4,473,565	1,469,403	2,590,161	197,411	1,027,255	9,757,795
Expenditures (including transfers out)	10,914,754	6,075,100	465,250	145,000	650,000	18,250,104
<b>Revenues over/(under) expenditures</b>	<b>(6,441,189)</b>	<b>(4,605,697)</b>	<b>2,124,911</b>	<b>52,411</b>	<b>377,255</b>	<b>(8,492,309)</b>
Fund balance - beginning (projected)	6,441,189	6,141,765	3,169,945	602,355	4,622,292	20,977,546
<b>Fund balance - ending</b>	<b>(0)</b>	<b>1,536,068</b>	<b>5,294,856</b>	<b>654,766</b>	<b>4,999,547</b>	<b>12,485,236</b>

The Town’s capital (impact) funds include the Parks Improvement, Public Facilities, Storm Drainage, Transportation, and Tree Impact Funds and a Fleet and Equipment Acquisition Fund. Revenues in the impact funds consist almost entirely of development-related impact fees and fees-in-lieu. Funding of the Fleet Fund is through transfers from the General Fund.

The Board increased residential impact fees in January 2017 pursuant to a fee study, the first increase since 2002. Commercial impact fees were increased effective 1/1/18 to the amounts reflected in the fee study. Both residential and commercial fees increase annually based on an appropriate construction cost index. The Town is undertaking an impact fee update study and these numbers do not reflect the proposed changes. Revenue assumptions for impact fees are based on the permit numbers as discussed in the “General Fund” section above and an estimated inflationary increase.

By definition, essentially all the expenditures in these funds are capital in nature. Following are requested projects of \$500,000 or more:

- Colliers Hill/Historic Erie Connection - \$3.1 million (Transportation) – This is a new project in 2022. This budget is to design and obtain permits for a new connection to Historic Erie from Colliers Hill to the East. Design will include permitting for crossing RTD's railroad tracks, an irrigation ditch and Coal Creek. The new bridge crossing Coal Creek will require a CLOMR to ensure it does not impact the base flood elevation in Coal Creek.

- Town Center – South Roundabout - \$4.8 million (Transportation) – this is a new project in 2022. The Erie Town Center - South Roundabout Project will serve as a gateway with new infrastructure improvements for a future 145-acre development (Town Center Plan) at the intersection of E. County Line Road and Austin Avenue. This Peanut type roundabout will assist and advance progress on the planned Town Center development and better situate the County Line Road corridor for increased traffic, bicyclists, pedestrians, and safety. The multimodal project consists of a key roundabout, promoting traffic calming for a growing community as well as access to the Town Center and includes construction of the following:
  - 1 - Peanut Roundabout
  - -8-ft-wide sidewalks and pedestrian crossings
  - -5 and 6-ft-wide bike ramps
  - -50-ft landscape central island
  - -splitter islands/medians
  - -15-ft-wide truck apron
  - -roadway transitions to the roundabout
  - -applicable striping, signage, and roadway lighting
  - -demolition of existing infrastructure
  - -identifying all utilities to be relocated
  - -drainage facilities
  - -allowance for future four-lane widening
  
- Town Center – North Roundabout - \$1.5 million (Transportation) – this is an existing project.
  
- CLR – Erie Parkway to Telleen - \$750,000 (Transportation) – this is a new project in 2022. County Line Road will be widened from Erie Parkway to Telleen in alignment with the Town Center and Town Transportation Master Plan. The degree to which they are widened may be altered to meet the desired environment of Town Center. This will be one phase of two phases for widening of CLR between Austin and Telleen. The budget for this segment of CLR Widening has been updated to reflect the design and construction of the underpass identified in the Town Center Master Plan.
  
- Town Hall Expansion - \$2.4 million (Public Facilities) – this is the implementation of the Facilities Master Plan the Board adopted on August 24, 2021.
  
- PD/Courts Expansion - \$3.5 million (Public Facilities) - this is the implementation of the Facilities Master Plan the Board adopted on August 24, 2021.
  
- Storm drainage capital projects are all expended through the Storm Drainage Operating Fund (see “Enterprise Funds” above). The Storm Drainage Impact Fund’s share of these project costs are funded with a transfer from this fund to the operating fund. In 2022, \$650,000 will be transferred from the Storm Drainage Impact Fund to

the Operating fund to continue supporting 2 growth-related projects: Coal Creek from Levee to RR Tracks (\$500,000) and Coal Creek from RR Tracks to County Line Road (\$150,000).

**Special Revenue Funds:**

Special Revenue Funds - 2022 Budget				
	Trails & Natural Area Fund	Conservation Trust Fund	Cemetery	Total
Revenues	2,124,671	239,500	21,000	2,385,171
Expenditures <i>(including transfers out)</i>	1,569,030	399,300	-	1,968,330
<b>Revenues over/(under) expenditures</b>	<b>555,641</b>	<b>(159,800)</b>	<b>21,000</b>	<b>416,841</b>
Fund balance - beginning (projected)	2,954,991	556,205	287,622	3,798,818
<b>Fund balance - ending</b>	<b>3,510,632</b>	<b>396,405</b>	<b>308,622</b>	<b>4,215,659</b>

Included in special revenue funds are the Trails and Natural Areas Fund, the Conservation Trust Fund, and the Cemetery Fund.

- Trails & Natural Area Fund (T&NAF)**- Revenues in the Trails and Natural Areas Fund, which accounts for the bulk of this category of funds, consists primarily of property taxes, arising from a dedicated 4 mill levy. This mill levy will expire in 2024. These revenues are projected to increase approximately \$55,000, or 3% to a total of \$2.1 million in 2022. Expenditures of \$1.6 million includes \$414,000 transfer to the General Fund to support trail and open space maintenance and \$60,000 for a Trail Connector. Staff also budgets for \$1,000,000 to support the Board’s priority of aggressive Open Space Acquisition.
- Conservation Trust Fund** – Revenues in the Conservation Trust Fund is an allocation from the State Lottery Fund based on the Town’s population. This is used to acquire, develop, and maintain new conservation sites or for capital improvements or maintenance of public recreation sites like parks and open spaces. Staff projects these revenues will increase approximately \$11,500, or 5% to a total of \$237,000 in 2022 based on our population growth assumption.

Expenditures of \$399,300 includes \$150,000 transfer to the General Fund to support other maintenance efforts on recreation and public sites, while the remaining represents transfers to the Capital Maintenance/Life-cycle Replacement Fund and Capital Improvement Funds to fund various capital projects as discussed above.

## **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.

**Grants Fund:** Accounts for all general governmental grants (excluding those for the enterprise funds).

**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.

**Capital Funds** – we use various capital funds to account for the acquisition and construction of major capital facilities that are growth-related and funded by impact fees (Impact Funds) and those that are not growth-related and funded primarily by the general fund.



**Capital Maintenance/Lifecycle Replacement Fund** - Accounts for major repairs and capital maintenance or planned replacement of the diminishing assets that are not growth-related (not funded by impact funds). Funding source mainly comes from General Fund, with a small portion coming from other special revenue funds.

**Capital Improvement Fund** - Accounts for any new capital improvement project that is not growth-related (not funded by impact funds). Funding source mainly comes from General Fund, with a small portion coming from other special revenue funds.

**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.)