



TOWN OF ERIE MEMORANDUM

TO: Board of Trustees
Copy: Town Clerk's Office

FROM: Cassie Bethune, Finance Manager
Victoria Runkle, Interim Finance Director
Malcolm Fleming, Town Administrator
Melissa Wiley, Deputy Town Administrator

DATE: October 3, 2023

SUBJECT: 2024 Recommended Town Budget

We are pleased to present for your consideration the Recommended 2024 Budget. As you know, the Town of Erie's budget is the most significant policy considered by the Board of Trustees each year; it establishes the Town's priorities and provides funding to achieve those priorities.

This memo outlines the significant changes between the 2023 Amended Budget and the 2024 Recommended Budget. Although some data is presented as the total of all funds, each fund is independent of the other funds. 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.

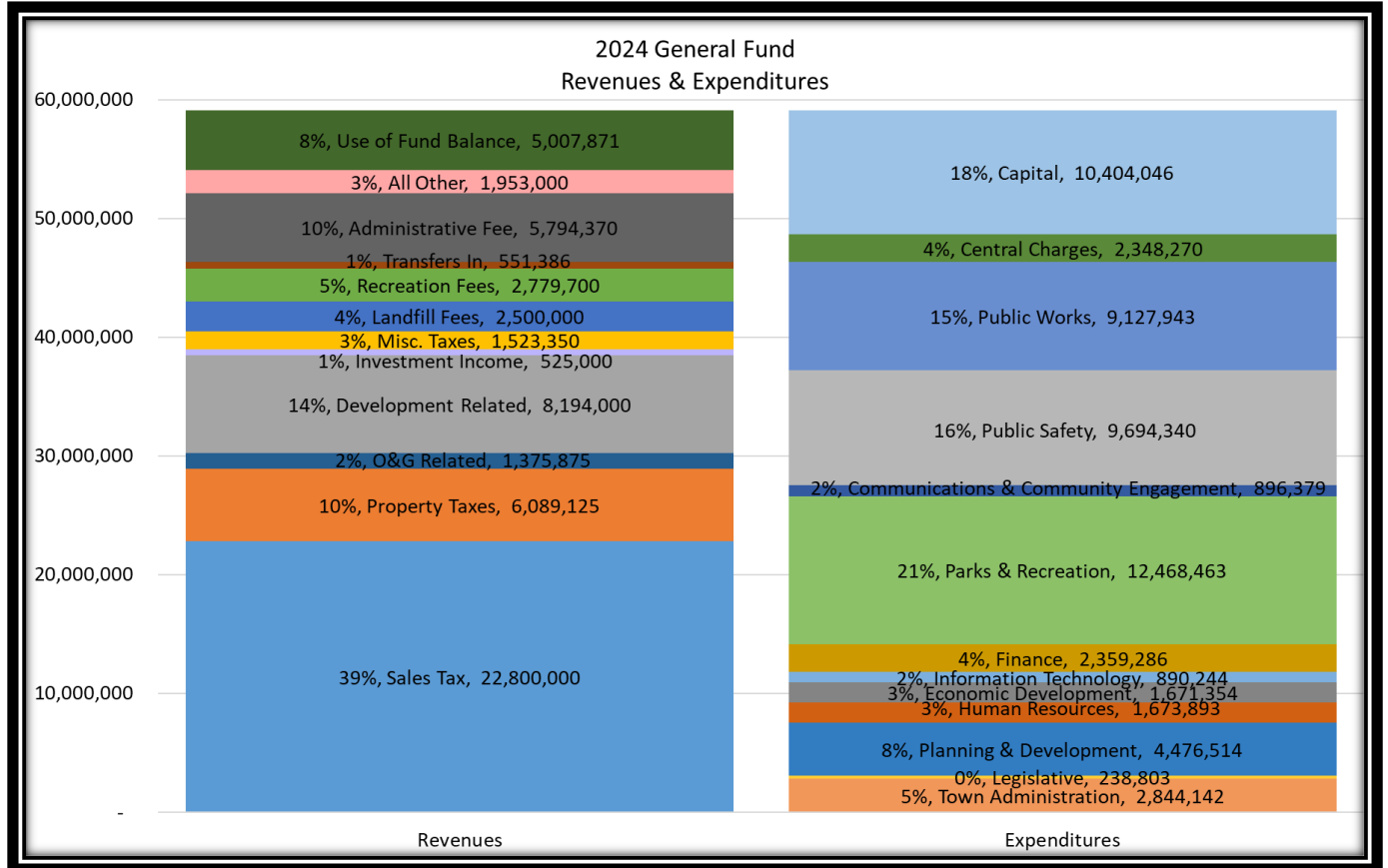
Fund Recap

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.

Changes in Fund Balances/Working Capital - 2024 Budget						
	Beginning			Net Increase/		Ending
	Balance	Revenues	Expenditures	Decrease	Restricted	Balance
General Fund - 100	30,081,259	54,085,806	60,892,754	(6,806,948)	(5,738,019)	17,536,292
Grants Fund - 205	5,264,266	798,000	5,228,000	(4,430,000)		834,266
Trails & Natural Areas Fund - 210	1,943,240	3,079,000	4,916,340	(1,837,340)		105,900
Conservation Trust Fund - 220	665,567		168,750	(168,750)		496,817
Cemetery Fund - 280	330,838	-	-	-		330,838
Total Special Revenue Funds	8,203,911	3,877,000	10,313,090	(6,436,090)		1,767,821
Transportation Impact Fund - 300	7,089,157	6,787,485	1,084,274	5,703,211		12,792,368
Public Facilities Impact Fund - 310	(1,616,064)	4,729,257	250,000	4,479,257		2,863,193
Parks Improvement Impact Fund - 320	9,405,791	3,036,301	9,345,000	(6,308,699)		3,097,092
Police Facilities Impact Fund - 325	315,839	841,854	841,854	-		315,839
Tree Impact Fund - 330	900,859	201,000	134,000	67,000		967,859
Storm Drainage Impact Fund - 340	7,529,853	2,137,196	1,440,000	697,196		8,227,049
Fleet & Equipment Acquisiton Fund - 400	1,275,319	1,045,449	1,045,449	-		1,275,319
Total Capital Funds	24,900,754	18,778,542	14,140,577	4,637,965		29,538,719
Water Fund - 500	8,930,284	46,934,127	26,010,865	20,923,262		29,853,546
Wastewater Fund - 510	20,299,553	16,961,940	21,618,270	(4,656,330)		15,643,223
Storm Drainage Operating Fund - 520	(2,045,447)	1,959,809	4,076,625	(2,116,816)		(4,162,263)
Airport Fund - 530	53,755	1,340,543	1,354,783	(14,240)		39,515
Total Enterprise Funds	27,238,145	67,196,419	53,060,543	14,135,876		41,374,021
Totals (for memorandum purposes only)	90,424,069	143,937,767	138,406,964	5,530,803	(5,738,019)	90,216,853

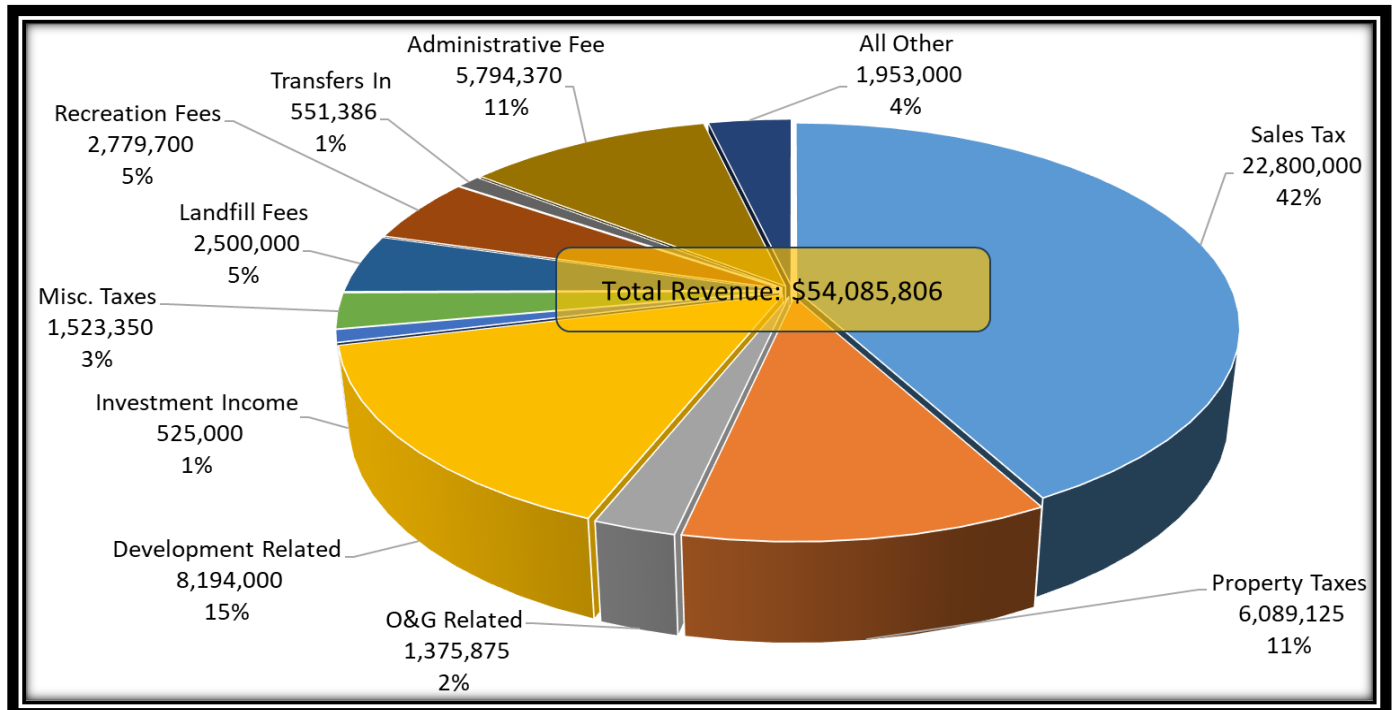
The General Fund

The General Fund 2024 Recommended Budget reflects a balanced budget with the use of \$5M reserves to help fund over \$10M in capital projects.

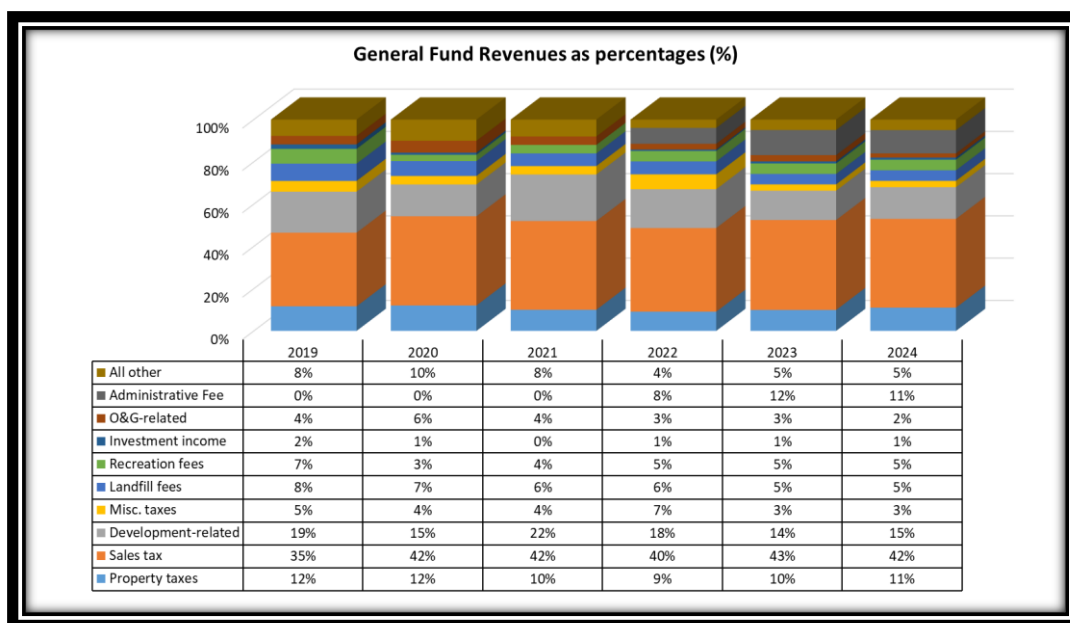


Revenues & Transfers from Other Funds:

Total General Fund revenues including transfers-in for 2024 total \$54.1 million, up \$3.4 million or 7% compared to 2023. This is primarily due to increased sales tax, which accounts for \$2M of the change. The relative amounts by revenue source for 2024 can be seen in the following chart:



As can be seen from the chart above, taxes - sales, property and miscellaneous taxes - account for 56% of General fund revenues in 2024. (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 2024 is development-related revenues at 15% 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.

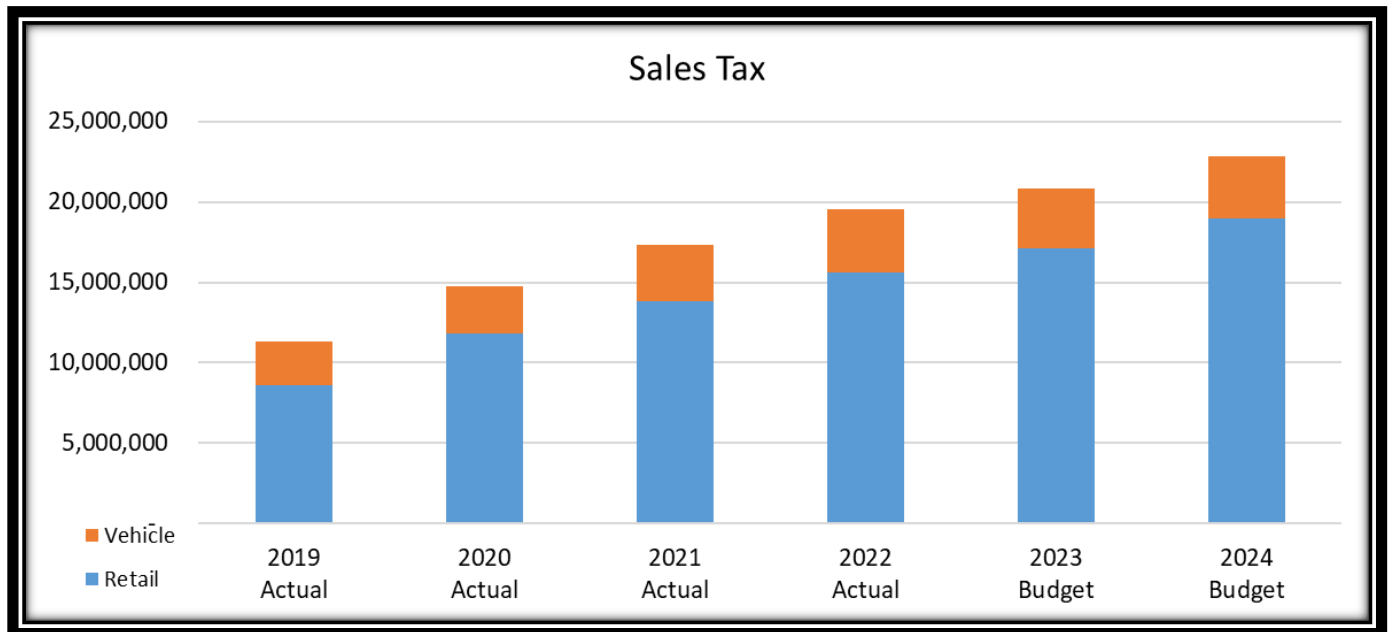


This chart puts into perspective the variability of General Fund revenues sources as it expresses these revenues as a percentage of total revenues. The trend in the chart shows that the Town now has a relatively well diversified and stable mix of revenues and is not overly reliant on development related revenue and gets only a small percentage of revenue from sources tied to oil and gas, which come from property taxes from oil and gas activities, severance taxes, Federal Mineral Lease payments, crossing fees and royalties.

Sales tax:

Sales tax, which makes up approximately 42% of total General Fund Revenues in 2024, 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 have recovered from the pandemic.

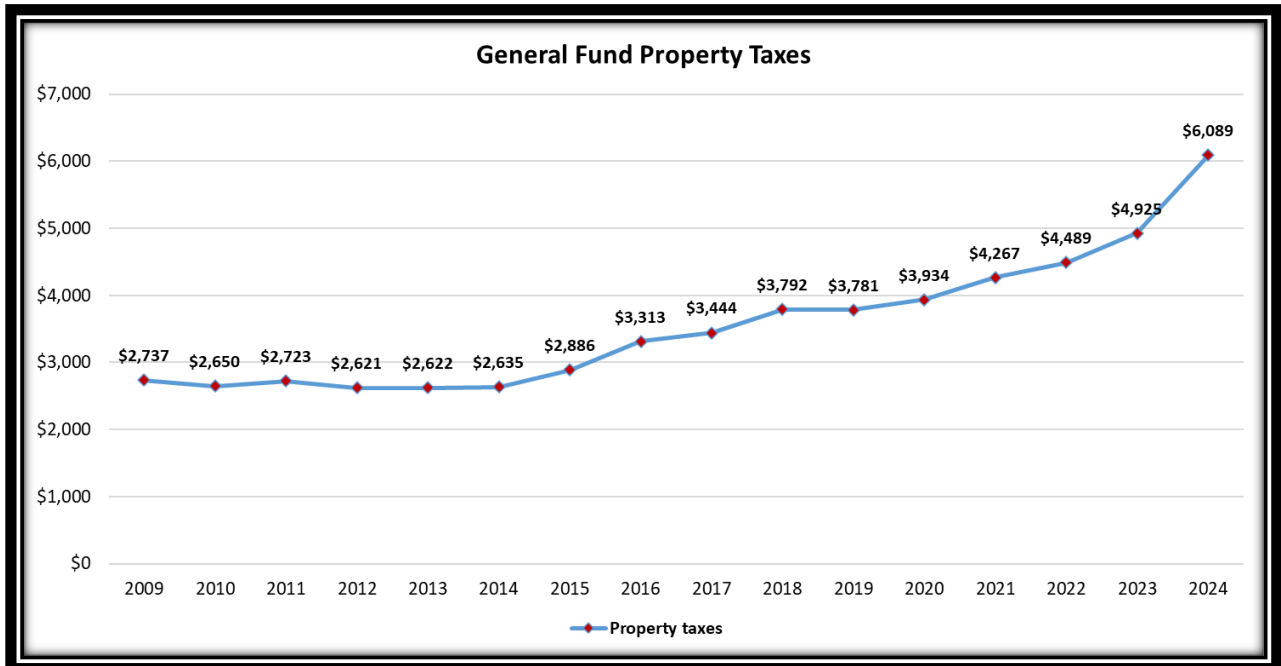
Staff projects total Sales Tax revenues for 2024 will be \$22.8 million, which includes \$19 million of retail sales tax and \$3.8 million of sales tax from vehicles purchased by Erie residents. Trends in sales taxes are illustrated in the following graph.



Property Tax (excluding oil & gas related):

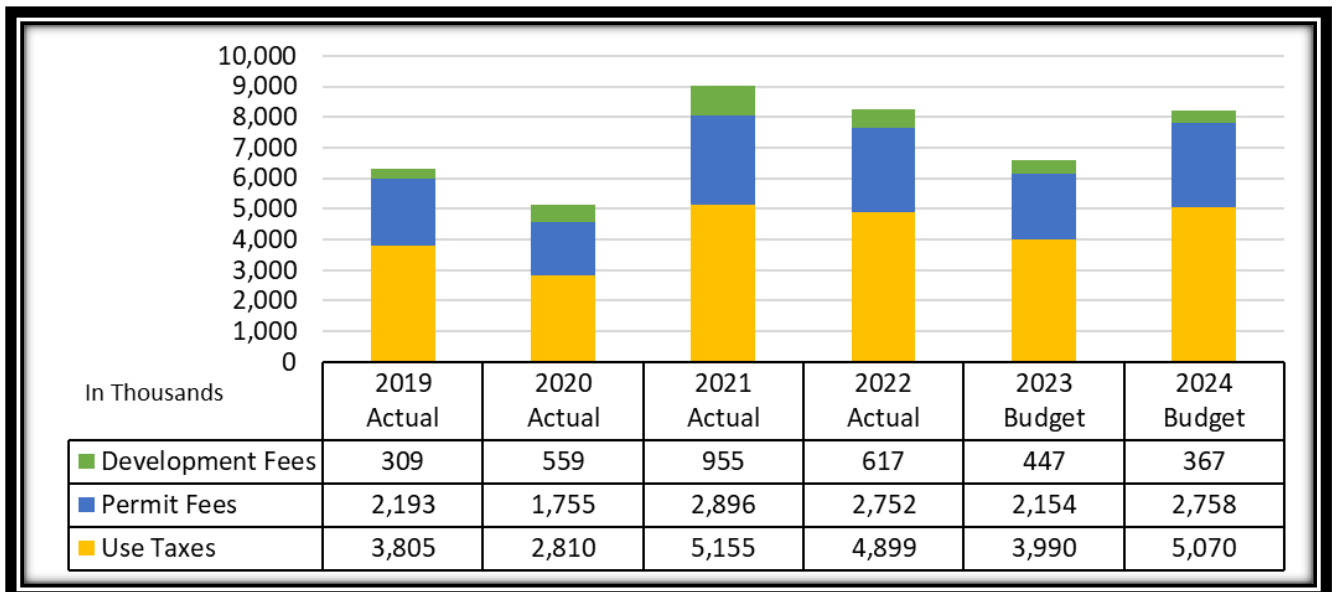
Property tax revenue not including oil and gas related activities makes up approximately 11% of the total General Fund revenue in 2024. The key driver to this revenue stream is assessed valuations from Weld and Boulder County and assessment rates. As shown in the revenue graph below, property tax revenue has been growing steadily over the years, reflecting additional construction in the Town (excluding URA areas) and increased assessed valuation.

According to the preliminary property tax certifications from Weld and Boulder Counties, staff projects property tax revenue from this category will be approximately \$6.1 million in 2024, which represents an increase of \$1.1 million or 24% compared to 2023. 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 2024. Historically, development-related revenues are the General Fund’s most volatile revenues subject to interest rates and downswings in the housing industry. While Erie has not been completely immune to these swings, they have not been as dramatic as other regions of the country. This is illustrated in the chart below. Due to the significant number of large developments underway and in the planning stage in Erie, and due to the high demand for housing in Erie, staff expects development related revenue will continue to be stable (within the range of variability we have seen in the past few years) for at least the next 5 years.

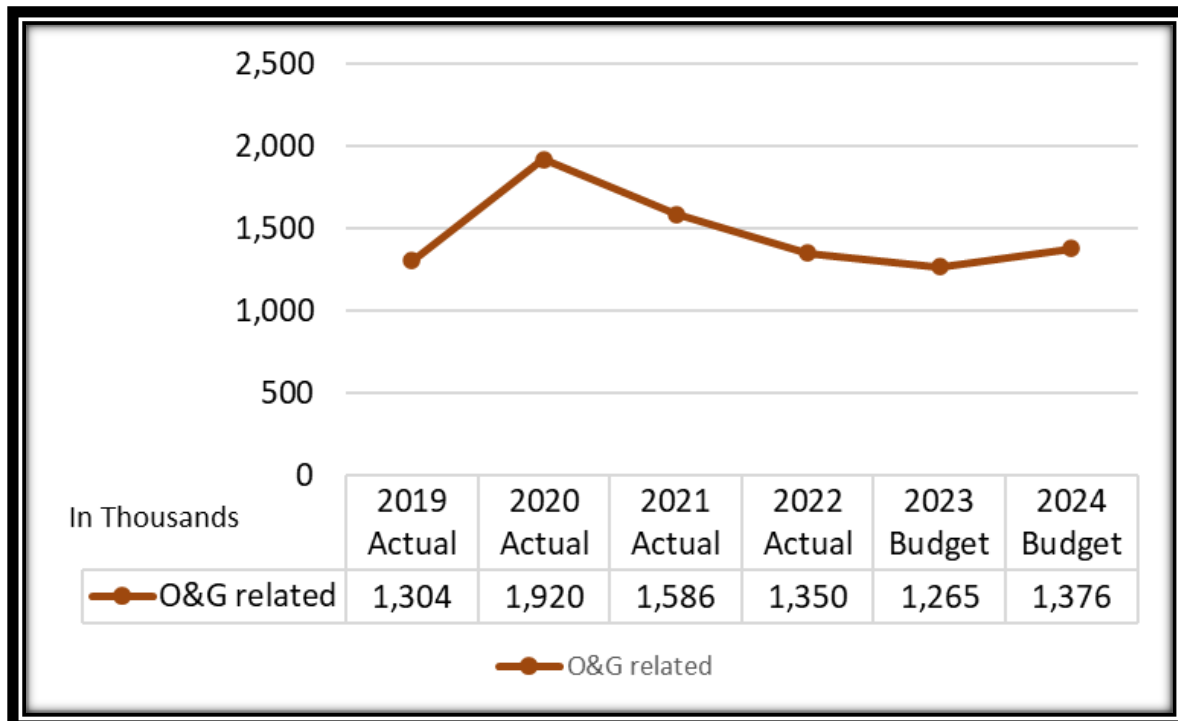


The key driver to this revenue stream is the number of residential permits issued as well as anticipated commercial development. In 2024, staff is assuming only a small increase in the number of residential permits due to the current economic uncertainty and unpredictable nature of building activity (even though there are a significant number of lots already approved for development).

At \$8.1 million, development-related revenues still represent a significant portion (15%) of the General Fund revenues. The somewhat volatile nature of these revenues requires caution in forecasting because any significant change in building activity would have million-dollar impact to the General Fund. Staff believes the forecast prudently accounts for the potential volatility of this revenue source as well as its significantly lower portion of total General Fund revenue than past years.

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 2024, staff projects O&G related revenues will make up 2% of the General Fund total revenues before transfers, compared to 3% in 2023.



Transfers from Other Funds:

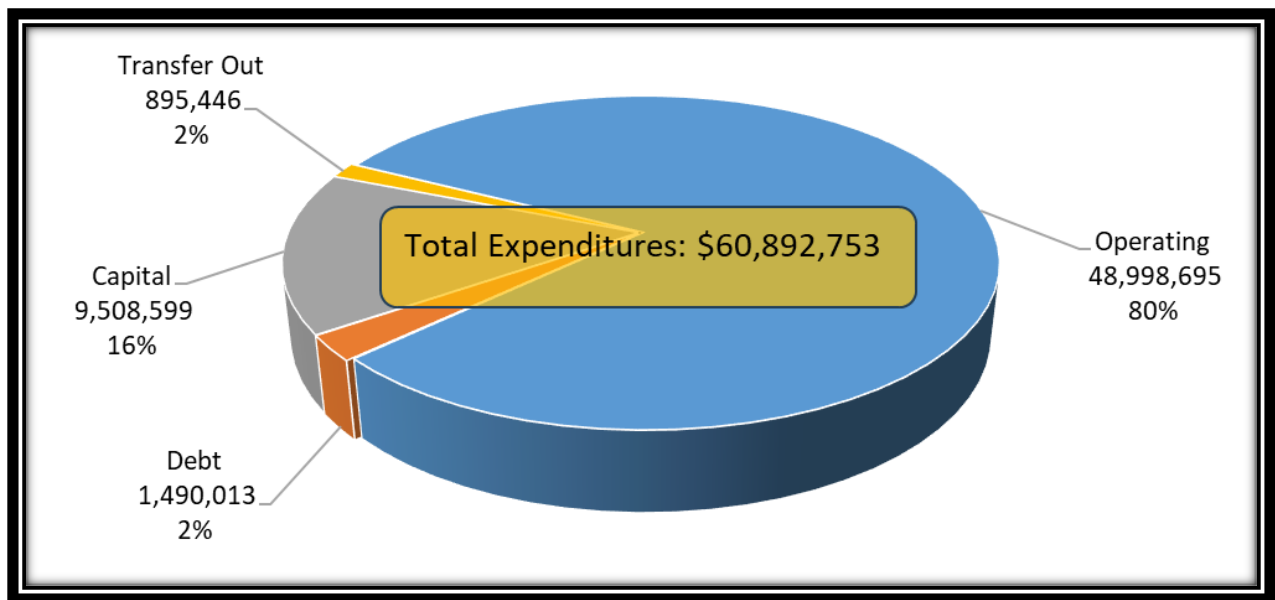
Staff projects \$551,000 transfer from other funds to the General Fund in 2024. This includes a \$439,000 transfer from the Trails and Natural Areas Fund to the General Fund to support

trail and open space maintenance and a \$112,000 transfer from the URA fund to cover the cost of the new URA Accountant position.

Expenditures & Transfers to Other Funds:

Total expenditures across all funds for 2024 are projected to increase from the 2023 adopted budget by \$21M million from \$117M to \$138M. This is primarily due to the increase in personnel and in capital expenditures, which will be discussed below.

The following chart indicates the relative components of General Fund expenditures and transfers to other funds for 2024:



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

Expenditures	FY 2022 Actuals	FY 2023 Amended Budget	FY 2024 Recommended Budget	\$ Change	% Change
Personnel	23,064,146	28,730,521	32,276,975	3,546,454	12%
Operations	12,936,412	17,777,425	16,721,720	(1,055,705)	-6%
Debt	1,518,305	1,489,412	1,489,413	1	0%
Capital	10,883,991	21,244,495	10,404,056	(10,840,439)	-51%
Total:	48,402,854	69,241,853	60,892,164	(8,349,689)	-12%

Personnel Expenditures:

Across *all funds*, personnel expense (salaries and benefits) is projected to be \$36 million, an increase of \$4.3 million, or 14%. Part of this increase is related to increasing salaries for existing positions. Market studies, which the Town conducts every year, indicate that to maintain competitive compensation in the still tight labor market the Town needs to raise salaries 3% for part-time and full-time employees who are salaried (i.e. non-sworn), and 5% for sworn police officers.

The other element of this increase reflects the proposed addition of 17 full-time positions for 2024, as well as the additional 10.6 FTE employees. The Board has approved the addition of 58 positions between 2018-2022. In 2023, the Board approved 30 new positions. These additions are necessary to maintain the expected levels of service while keeping up with the Town's increasing population as well as the development activity in recent years.

The 2024 Recommended Budget includes 17 new positions to sustain service levels as the Town grows and to ensure we maintain government best practices in Town operations. These positions will add \$963,083 to the General Fund and \$611,505 to other funds. The new positions are the following:

1. **Patrol Officer (Public Safety)** - As the Town grows and expands, Public Safety needs to keep pace. The Department currently has 46 sworn and 10 non-sworn staff. This new position would increase the sworn staff to 47. The Patrol Officer will conduct general public safety officer duties to help serve and protect the community. The position will cost the General Fund \$114,588 in 2024.
2. **Traffic Officer (Public Safety)** - As the Town grows and expands, the magnitude of streets has increased and traffic issues need more focused attention. This new position, in addition to the Patrol Officer above, would increase the number of sworn staff to 48. The Traffic Officer will conduct general traffic officer duties to help serve and protect the community. The position will cost the General Fund \$114,588 in 2024.
3. **Recreation Specialist – Guest Services (Parks and Recreation)** – As Erie continues to expand, more and more people use the Erie Community Center each year, increasing demands on staff. To keep up with the demands of a high traffic facility, the Parks and Recreation Department need an additional staff member in Guest Services. This position interacts with all parts of Recreation including drop-in activities, ECC memberships and registrations, and management of activities and rentals. Between the months of January – May 2023 participation levels increased 34% compared to January – May 2022. This position is vital to maintaining the level of service to the community while supporting the front line and full time Guest Service staff. The position will cost the General Fund \$62,207 in 2024.
4. **Fleet Technician (Public Works)** – The Fleet Division currently maintains 186 Fleet Units including vehicles and equipment with a supervisor and two mechanics. In 2022

the Division processed over 1,100 work orders with two mechanics and one supervisor. The Fleet Technician would greatly ease the burden on the team and would perform routine maintenance on vehicles and equipment, complete light repairs on Fleet units, and be a point person for materials, deliveries and parts. This position would assist the Fleet Division and help coordinate daily workload including outsourced repairs. This position will cost the General Fund \$77,283 in 2024.

5. **Maintenance Tech II – Streets (Public Works)**- Current projections of growth in the Town require additional staff to meet the needs of the community and support necessary daily maintenance activities. Daily activities will include Asphalt & Concrete Maintenance, Signs Maintenance/Replacement, Traffic Signal/School Zone Speed Awareness Maintenance, Gravel Road Maintenance, completing service orders, trouble shooting and diagnosing issues with Streets related assets and Snow Operations. This position will cost the General Fund \$77,283 in 2024.
6. **Maintenance Tech II – Meters (Public Works)**- Current projections of growth in the Town require additional staff to meet the needs of the community and support necessary daily maintenance activities. Daily activities include installation of new meter requests (residential, commercial and irrigation), replacing old meters as a part of our change out program, completing service orders, reading meters, trouble shooting and diagnosing issues with meter components. This position will cost the Water Fund \$77,283 in 2024.
7. **Maintenance Tech II – Backflow (Public Works)**- Staff requests adding this position to help fill a void due to a coordinator moving into a supervisor role. The Town has over 400 backflow devices that require monitoring and tracking annually, as well as routine testing. Per the State inspection in June 2019, we are reworking the cross connection/backflow prevention program. The Town Attorney is currently reviewing the amendments to the Municipal Code which will define our Industrial Pretreatment Program (IPP) and our Fats, Oils & Grease Policy (FO&G). This employee will manage all three programs, which all require inspections inside businesses and/or multi-family residences. This position will cost the Water Fund \$77,283 in 2024.
8. **2 Maintenance Tech II – Stormwater (Public Works)** - Current projections of growth in the Town require additional staff to meet the needs of the community and support necessary daily maintenance activities in our newly dedicated Stormwater division. One of the requested positions is to backfill for a technician position that moved to a supervisor. These positions will assist in the operations and maintenance of the stormwater system and stormwater rights of ways. Daily activities will include storm sewer inspection (CCTV), cleaning, and vegetation removal. Other duties will include assisting with Distributions and Collections (D&C) operations. All these are scheduled according to meet the Town's five-year plan. The two positions will cost the Storm Drainage Operating Fund \$155,566 in 2024.

9. **Plant Operator II - Wastewater (Public Works)** - Current growth, workload, and staffing projections identify the need to add a Wastewater Operator to continue maintaining daily maintenance and operation activities of the expanded wastewater treatment facility. The additional Operator would help us to better keep up with new and existing duties requiring differing amounts of skill to adequately maintain the wastewater plant facilities and associated equipment to ensure continued long-term effective operations, upkeep, and cleanliness. This position will cost the Wastewater Fund \$77,283 in 2024.
10. **Recruiter (Human Resources)** - Current growth and workload illuminate the need for a Recruiter. The primary focus of the role will be to support the Erie Police Department, but the role will also assist with other recruitment throughout the Town. This position will cost the General Fund \$104,650 in 2024.
11. **Development and URA Analyst (Finance)** - As the Town grows and expands additional staff is needed to handle the workload related to development agreements and Urban Renewal Accounting. The Development and URA Analyst would manage financial data and prepare financial statements such as quarterly and annual reports relating to the Town's numerous Urban Renewal Areas, examine and analyze a company's accounts, ensure compliance with financial reporting, track and monitor TIF revenue disbursements, and monitor, evaluate, and oversee development and land use projects. This position will cost the Urban Renewal Fund \$112,546 in 2024.
12. **Capital Improvements Analyst (Finance)** - As the Town grows and expands additional staff is needed to handle the workload surrounding planning and implementing capital projects. The Capital Improvements Analyst will prepare and maintain the Capital Improvements 5-year plan and report on progress quarterly. This position will also develop investment plans that meet the needs of various Funds and project managers. The role will also assist in asset management, analyze the financial impact of capital projects, and provide recommendations to effectively manage capital projects. This position will cost the General Fund \$112,546 in 2024.
13. **Utility Billing Supervisor (Finance)** - As the Town grows and expands additional staff is needed to maintain the level of service to the community while also supporting customer facing staff. The Utility Billing Supervisor plays a crucial role in ensuring accurate and efficient billing processes for utility services. By managing a team, overseeing compliance, interacting with customers, and implementing process improvements, the supervisor will contribute to the Town's financial stability and customer satisfaction. As the organization becomes more electronic, the Town needs a lead on cash issues working with Accounting and the Bank on issues, particularly as the Town transitions to a lockbox format and other modern changes. Currently the UB function takes more time from the Accounting Manager, and not enough high-level accounting work can be accomplished by that team as it attempts to manage the UB function. This position will be supported equally through cost allocations to the Water

Fund, Wastewater Fund, and Storm Operating Fund. The position will cost each fund \$37,515 in 2024.

14. **Senior Planner (Planning & Development)** - The Senior Strategic Planner is the lead planner for all strategic and long-range planning activities including review and coordination of all policy planning efforts and implementation. The position requires independent judgment and initiative in performing complex research and analysis on planning, design, and development issues. The individual also interacts with the public, landowners, developers, outside agencies, staff, Planning Commission, Advisory Boards, and the Board of Trustees to assist in understanding and advising in the use of the Comprehensive Plan, Unified Development Code, Design Guidelines, neighborhood plans and other plans and studies. The position will cost the General Fund \$120,988 in 2024.
15. **Recreation Supervisor – Cultural Arts (Parks & Recreation)** – The 2023 Community Survey showed that 87% of respondents strongly or somewhat support developing a performing/cultural arts center, and 59% said they would support a tax/bond measure to fund such a facility. This position will provided dedicated resources to help coordinate the effort to construct the performing/cultural arts center and fulfill the interests of Town residents. The position will cost the General Fund \$120,988 in 2024.
16. **Records Technician (Town Administration)** - The Town has grown exponentially and so has the record keeping required to adhere to legal and statutory requirements. Current staff can only keep up with the daily incoming records; having a dedicated records technician will provide the capacity to ensure records are properly collected, catalogued, maintained, and ensure compliance with retention policies. In addition, this position will also be able to review and archive historical records of the Town - ensuring their preservation for the future. Staff intends this position begin at the technician level and as Town records become more centralized the position be reclassified through the Coordinator level and eventually to a Records Manager position. This would take place over 2-4 years. The position will cost the General fund \$57,962 in 2024.

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 2024, for the Town to stay competitive the consultant recommends regrading a handful of positions and keeping up with market and merit increases.

- The market study recommends increasing sworn officer salaries by 5%. This will allow the Town to remain competitive in one of the most difficult areas to retain great staff and hire qualified new staff. This will result in an increase of approximately \$217,000 to the General Fund.

- The market study also recommends increasing part-time salaries and all non-sworn staff salaries by 3%. This will allow the Town to remain competitive in hiring and retaining qualified new staff. This will result in an increase of approximately \$669,000 in 2024.
- The market study also recommends regrades for Supervisor positions in both Parks & Recreation and Public Works, as well as Superintendent positions in Public Works, Assistant Court Administrator, Court Administrator, and Deputy Town Clerk, Economic Development Manager, Parks and Open Space Assistant Manager, Business Operation Coordinator, Deputy Chief Building Official, and the Town Forester. This will result in an increase of approximately \$85,000 to the 2024 budget.
- In addition to the changes discussed above, staff and the consultant recommend continuing to award 3% anniversary increases. These enable each employee to progress through their salary range as their experience and skills increase. This will result in an increase of approximately \$835,000 in 2024.
- The remaining increase is a result of the 17 new FT positions and the additional FTE requested in 2024, as well as the increase in benefits for 2024.

Operating Expenditures:

The General Fund Operating expenditures decreased by approximately \$1.06M or 6%, compared to 2023. This is primarily the result of scaling back expenditures for various elements, including travel and training, to actual expenditure levels of the past two years. The remaining significant changes in all funds are as follows:

- Legal Services in the General Fund are increasing from \$507,500 in 2023 to \$570,500 in 2024, an increase of \$63,000, mainly as the result of increased Town Attorney fees and Special Counsel for Oil & Gas.
- Assessment Fees have increased by about \$50K mainly as the result of increased costs in the Windy Gap project (Windy Gap Carriage, Pumping, and Assessment) and CBT Shares.
- Utilities have increased slightly from 2023 to 2024, including an increase of about \$19K for waste, recycling, composting, and yard waste services for Town Hall, LAWSC, Erie Community Center, PD, and the Recycling Center.
- Computer application subscription costs have increased in the General Fund by about \$300K from 2023 to 2024, largely due to Paycom (and Paycom Learning) charges increasing by about \$80K due to the increased numbers in employees in the Town, as well as monthly janitorial services in Town Hall, LAWSC, and the Erie Community Center increasing by about \$60K.

Capital Expenditures and transfers out:

From the 2023 adopted budget to 2024 budget, capital expenditures increased by \$7.1M from \$58M in the 2023 adopted budget to \$65M in 2024. Major request/changes (over \$1M) are as follows:

General Fund:

- Street Maintenance Projects—\$3.8M—combined two previously separate projects—Street Overlays and Street Reconstruction. There are 138.5 miles of streets in Erie, with 15 of those miles having aged past their remaining service life of 15 years. These streets include County Line Road, Erie Parkway, Cheesman Street, Vista Parkway, Holbrook Street, and Briggs Street. In 2019, \$2.0 was spent on street overlay and reconstruction projects. Following the 2020 Street Improvement Project, the annual cost of street maintenance ranges from \$3-\$4M; areas are identified using the pavement management software to apply surface treatments or reconstruction of various areas of streets. This project will keep the Town on track for street overlay and reconstruction work in 2024.
- Street Lights – \$2.6M — This is the cost to acquire the streetlights from Xcel and United Power, replace the luminaires with LED lights to increase quality of streetlight in the Town, reduce GHG emissions associated with electricity generation, and to lock in long-term energy savings. The energy savings will totally offset the cost of acquiring and retrofitting the streetlights with LEDs in about 10 years. After that, the savings will accrue annually for the remaining 20+ year life of the lights.

Grants Fund:

- \$4.6M in ARPA Grants Funded Projects—furthering construction and contributing additional resources on the 765 Cheesman St Property and continuing to progress with Affordable Housing Land/Property Acquisition in Old Town.

Trails & Natural Areas Fund:

- Schofield Farms – \$1.1M— The Schofield Farm and Open Space Master Plan will provide a phasing plan for the development of the 75 acres of property owned by the Town of Erie. This property includes 35 acres of Erie Lake and 40 acres of the Schofield Farm. The Schofield Farm and Open Space is comprised of the Erie Lake open space area and trails, the Schofield homestead including the original house, outbuildings and agricultural hay fields, and the recently acquired property along the north west part of the property. In order to identify and develop this open space and homestead site, the Master Plan will review the recreational, educational, cultural, agricultural, and historic opportunities of the site. The end result will be a

framework from which to develop the site into a unique cultural and recreational resource for the benefit of the residents of the Town and nearby communities.

- Trail Connector — \$3.1M— Includes trail rehabilitation projects and new trail connectors and trail heads.

Impact Funds:

Parks Improvement Impact Fund:

- Schofield Farm – \$9.3M—Description above in Trails & Naturals Areas Fund.

Police Facilities Impact Fund:

- PD/Courts Expansion — \$7.3M

Storm Drainage Impact Fund:

- Briggs Alleyway Storm Water Improvements— \$1.4M—Address deficiencies in existing storm water drainage system in alleyways of 500 and 600 blocks of Briggs Street, and build new storm drainage improvements to support development and redevelopment in Downtown Erie.

Enterprise Funds:

Water Fund:

- Windy Gap Firming Project—\$2.1M—Per the estimated/forecasted assessments from the August 1st, 2023 Participant Committee Meeting for the Windy Gap Firming Project, Erie's contribution/portion will be \$2.1M.
- NISP—\$4.9M— Erie's participation with other entities to develop additional water supplies. This project is managed by Northern Colorado Water Conservancy District. Securing new water shares to meet future demands.
- New Water Treatment Facility – \$2.2M— Design and construct a new water treatment facility north of SH52. Conceptual Design started in 2023 with the estimated preliminary and final design completed in 2024. Construction will occur in 2025 with expected in-service starting late 2026-early 2027.
- Zone 3 WCR7 Waterline Improvements – \$2M

Wastewater Fund:

- Solar at North Water Reclamation Facility – \$4M

- North Water Reclamation Facility Improvements – \$3.5M— Plant upgrades listed in the Wastewater Master Plan include: Redundant Bar Screen, New Blower #5, Effluent Flow Meter and Sampling Station, Headworks Building Conduit Seal-off.
- North Side Interceptor Weld County Road 7 to I-25 – \$2.7M— required to meet flow increases due to planned developments, in accordance with the Wastewater Collection System Master Plan.
- North Side I-25 Interceptor Extension – \$1.7M— required to meet flow increases due to planned developments, in accordance with the Wastewater Collection System Master Plan.

Storm Drainage Operating Fund:

- Drainage Facility Maintenance and Repair – \$1M— Drainage facilities require periodic repair and major maintenance to ensure the facility is operating properly. Projects will be identified during the routine maintenance and inspections of drainage facilities. Drainage facilities include ponds, channels, pipes, inlets and other facilities used to convey stormwater.
- Coal Creek Reach 2 and 4 – \$1M—Due to development, the flows in Coal Creek have increased and are experiencing erosion and capacity issues. By improving the capacity and alignment of Coal Creek, the safety and water quality in Erie will be improved and Coal Creek will become an amenity. Land acquisition is anticipated. A conceptual design was completed for this section as part of a project from the levee to Kenosha Road. In July of 2022 a project including Reach 2 and 4 was submitted to FEMA through the State. As of June 2023, the project is still being considered; grant revenue would help offset costs of this project if received.

Airport Fund:

- West Ramp and TWY Construction – \$1.4M—Construction of Apron and Taxiway is expected to be mainly funded by Federal Aviation Administration Entitlements and Colorado Department of Aviation Discretionary funds in the amount of \$1.3M. Airport fund revenue from Fuel Flowage Fees, FBO Fees, and Aviation Gas Taxes would support the remaining \$68K of the project.

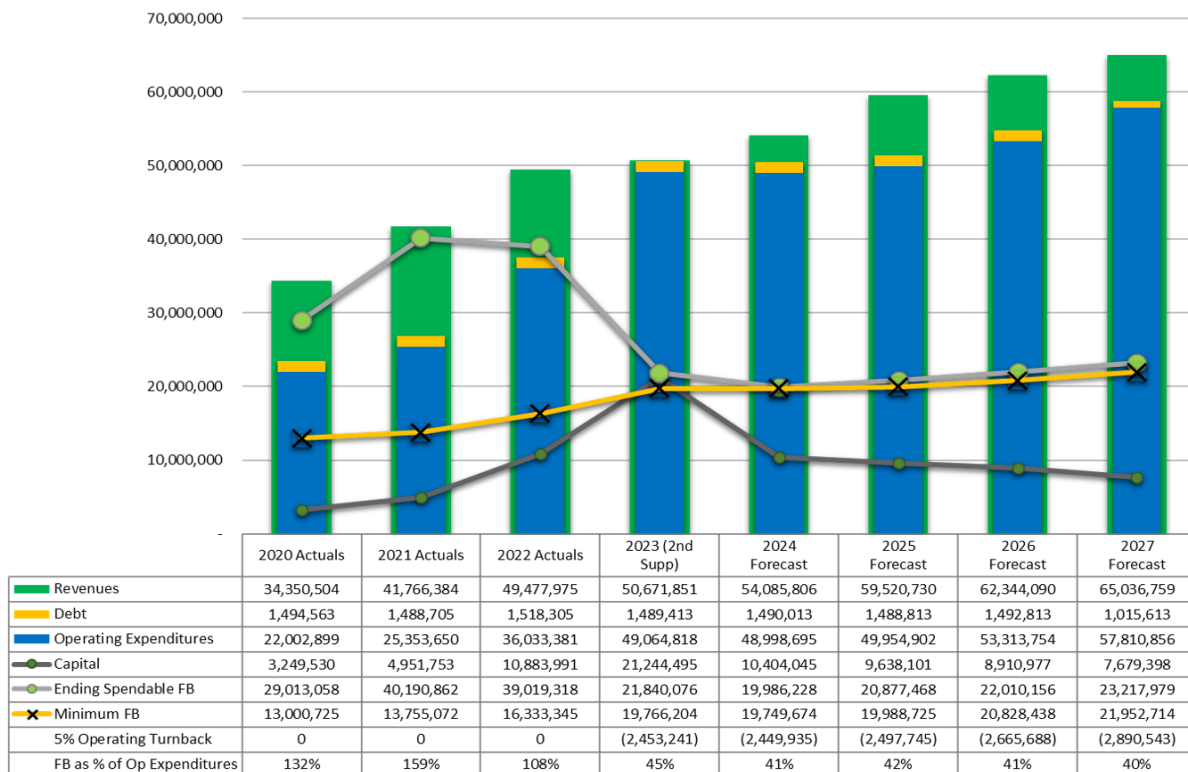
General Fund Unfunded Opportunities:

In order to balance the General Fund budget, staff had to cut or postpone some large projects to maintain reserves above the minimum requirement as outlined in the forecast on the following pages. The projects removed or reduced from the 2024 budget are listed below:

- \$1.3M – Makerspace
- \$1M – Affordable Housing Property Acquisition
- \$650K – Facilities Master Plan Implementation
- \$500K – Bus Stop Construction
- \$300K – Traffic Mitigation
- \$114K – Erie Community Center Improvements
- \$820K – LAWSC Additional Space & Security Measures (postponed to 2025)
- \$700K – Street Maintenance (Current budget \$3.8M vs Requested \$4.5M)

General Fund Forecast

As a result of these cuts, staff projects the General Fund “spendable fund balance” year-end 2024 will be about \$20 million, with a projected 5% operating turnback. The 2024 “spendable fund balance” amounts to 41% of total personnel & operating expenditures (excluding capital and debt service expenditures) at year-end 2024, compared to 45% for 2023.



The 2024 projected General Fund balance still exceeds both the minimum reserve of 25% of operating expenditures required by the Municipal Code plus the additional Stabilization Reserve Account of \$7.5 million, which was passed via resolution 10-40 in 2010.

Reserve Recommendations:

In a recent 2023 paper published by GFOA, "[Should We Rethink Reserves?](#)", the question is asked what target amount of reserves meets the needs of local governments. The paper cites: "GFOA's 'Best Practices: Fund Balance Guidelines for the General Fund' recommends that, at a minimum, general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures." The way this is usually conveyed is that the minimum GFOA requirement is 16.6% of either general fund operating revenues or general fund operating expenditures. Currently, the Town of Erie's reserve policy is 25% (required by the Municipal Code) plus \$7.5M (in the Stabilization Reserve Account, required by Resolution 10-40 in 2010). As a result of both requirements, the Town's reserves year over year typically average around 40% of operating expenditures in the budget and much higher for actuals.

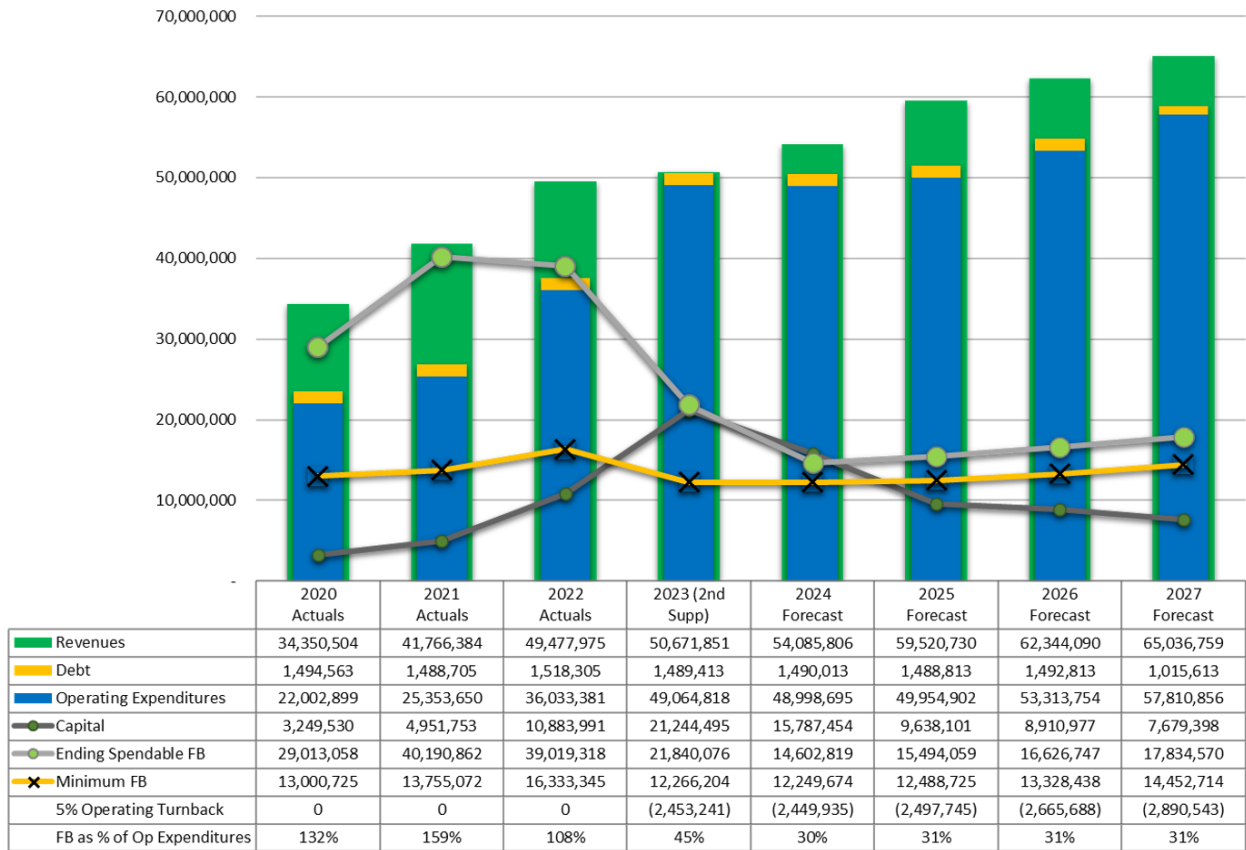
The [GFOA General Fund Reserve Calculation Worksheet](#) also provides useful information on recommended "target ranges" for local governments based on level of risk.

- For low to moderate level of risk, GFOA recommends considering adopting a reserve target of 17-25% of general fund revenues or expenditures, somewhat higher than the GFOA minimum 16.6%.
- For moderate to high level of risk, GFOA recommends considering adopting a reserve target of 26-35% of general fund revenues or expenditures, significantly higher than the GFOA recommended minimum of 16.6%.

With these target ranges in mind, and because the Town now has a stable and well-diversified combination of General Fund revenue sources, staff recommends updating the Town's target reserves and repealing the \$7.5M Stabilization Reserve requirement, resolution 10-40. This would still maintain target reserves consistent with a moderate level of risk: 25% of operating expenditures in the General Fund. This would also free up funding for high priority one-time capital projects.

Conclusion:

By repealing Resolution 10-40, it would free up existing General Fund reserves to cover the cost the projects currently listed in the unfunded opportunities section while still maintaining a fund balance of 30% of operating expenditures. This scenario is reflected in the graph below:



The projected ending spendable fund balance in this scenario for 2024 is \$14.6 million, rising to \$17.8 million by the end of 2027. This represents a healthy level of reserves remaining above the new staff recommended target of 25% of operating expenditures throughout the forecast.

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:

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.

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.)