

2020 Budget Overview

Included in this packet is the requested 2020 budget for all funds. The packet includes summary schedules for each fund, including by department and division, with supporting detail line item budgets also included. Actual results for 2018 are presented along with the 2019 Budget as amended (including the 2nd Supplemental Appropriation request) and the 2020 proposed budget.

A discussion of changes made in the 2019 2nd supplemental and 2020 requests is also provided in this memorandum.

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 follow.

Summary - Fund Balance Rollforward - 2020 Budget - Proposed						
	Beginning Balance	Revenues	Expenditures	Net Increase/ Decrease	Other Changes	Ending Balance
General Fund	\$ 19,094,335	\$ 30,849,300	\$ 30,827,200	\$ 22,100	\$ 640,900	\$ 19,757,335
Trails & Natural Areas Fund	(597,162)	2,081,100	1,050,800	1,030,300	-	433,138
Conservation Trust Fund	656,114	237,000	187,500	49,500	-	705,614
Cemetery Fund	233,434	29,000	-	29,000	-	262,434
Total special revenue funds	292,386	2,347,100	1,238,300	1,108,800	-	1,401,186
Transportation Impact Fund	5,796,884	4,667,400	3,741,700	925,700	-	6,722,584
Public Facilities Impact Fund	3,794,048	1,541,600	-	1,541,600	-	5,335,648
Parks Improvement Impact Fund	4,454,024	2,792,900	5,365,000	(2,572,100)	-	1,881,924
Tree Impact Fund	580,791	220,000	118,000	102,000	-	682,791
Storm Drainage Impact Fund	5,160,087	1,156,000	1,990,500	(834,500)	-	4,325,587
Fleet & Equipment Acquisition Fund	1,250,000	886,900	1,604,500	(717,600)	-	532,400
Total capital funds	21,035,834	11,264,800	12,819,700	(1,554,900)	-	19,480,934
Water Fund	36,605,420	66,282,000	61,910,700	4,371,300	-	40,976,720
Wastewater Fund	19,653,795	8,935,100	24,949,300	(16,014,200)	-	3,639,595
Storm Drainage Operating Fund	3,231,315	3,669,900	5,088,800	(1,418,900)	-	1,812,415
Airport Fund	158,802	206,300	192,800	13,500	-	172,302
Total enterprise funds	59,649,332	79,093,300	92,141,600	(13,048,300)	-	46,601,032
Totals (for memorandum purposes only)	\$ 100,071,887	\$ 123,554,500	\$ 137,026,800	\$ (13,472,300)	\$ 640,900	\$ 87,240,487

The General Fund:

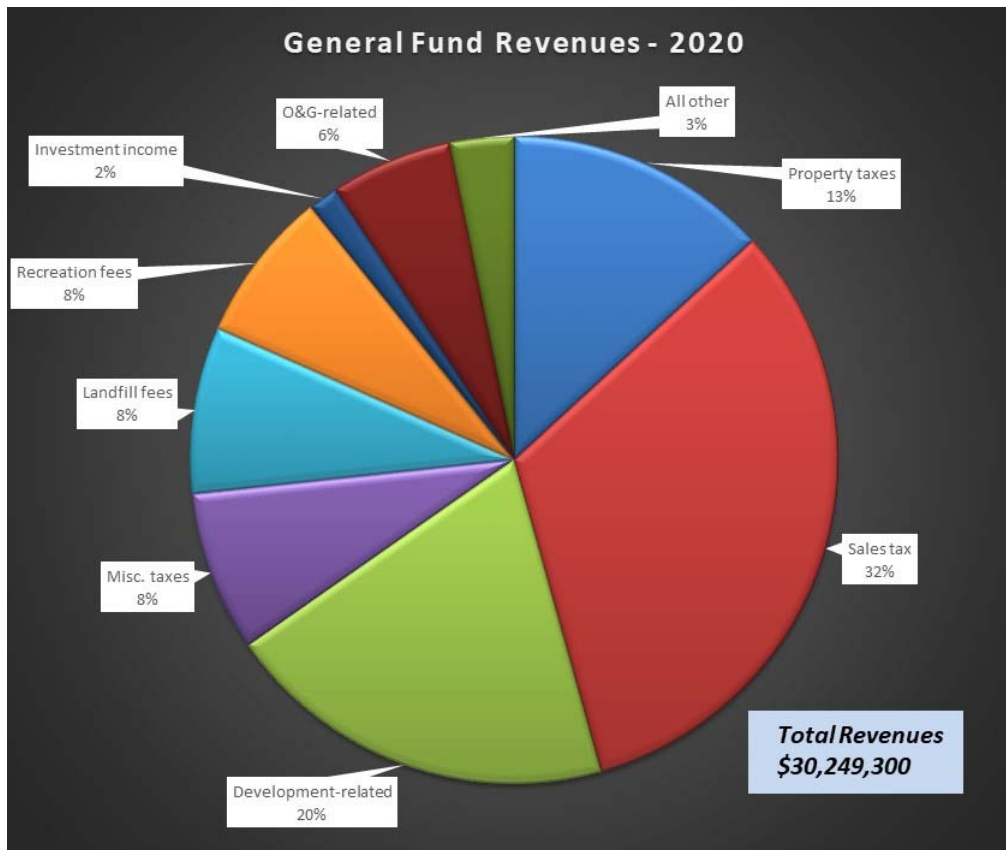
General Fund - 2020 Budget		Total	Legislation	Town Admin. (1)	Planning & Dev. Serv.	Parks & Recreation	Public Safety	Public Works	Central Charges
Taxes - sales - retail	\$	7,300,000							
Taxes - sales - vehicle		2,525,000							
Taxes - property		5,284,600							
Taxes - use		3,488,000							
Taxes - intergovernmental		1,337,000							
Taxes - other		1,265,000							
Taxes - total		21,199,600							
Recreation fees		2,288,600							
Landfill fees		2,520,000							
Permits & related fees		2,784,500							
All other revenue		1,456,600							
Revenues - total		30,249,300							
Transfers from other funds		600,000							
Revenues and transfers - total		30,849,300							
Expenditures - personnel		14,218,500	\$ 48,500	\$ 1,779,500	\$ 1,610,600	\$ 4,684,700	\$ 5,137,500	\$ 957,700	\$ -
Expenditures - operations		8,719,200	264,300	2,183,200	392,100	1,939,900	683,300	2,828,400	428,000
Expenditures - capital		6,146,000	-	-	47,500	958,700	-	5,097,800	42,000
Expenditures - debt service		1,493,500	-	-	-	-	-	-	1,493,500
Expenditures - total		30,577,200							
Transfers to other funds		250,000	-	-	-	-	-	-	250,000
Expenditures and transfers - total		30,827,200	\$ 312,800	\$ 3,962,700	\$ 2,050,200	\$ 7,583,300	\$ 5,820,800	\$ 8,883,900	\$ 2,213,500
Revenues over/(under) expenditures		22,100							
Nonspendable fund balance - change		640,900	<i>(Total nonspendable - \$5.8 million. URA advance - \$2.7 million; restricted to specific transportation projects - \$1.6 million; TABOR reserve - \$1.2 million; Other - \$0.3 million)</i>						
Change in fund balance		663,000							
Fund balance - beginning (projected)		19,094,335							
Fund balance - ending (2)	\$	19,757,335							

(1) Includes Town Administrator's office, Legal, Economic Development, Finance, Human Resources, Information Technology and Town Clerk.
(2) "Available" fund balance

The General Fund 2020 budget reflects a surplus of \$22 thousand, compared to a 2019 projected surplus of \$2.2 million (adjusted for 2019 transfers to the urban renewal authority and a new fund – both discussed in detail below). A discussion of revenues and expenditures follows.

Revenues:

General Fund revenues (before transfers in from other funds) for 2020 total \$30.2 million, essentially unchanged from 2019. The relative amounts by revenue source can be seen in the following graph:

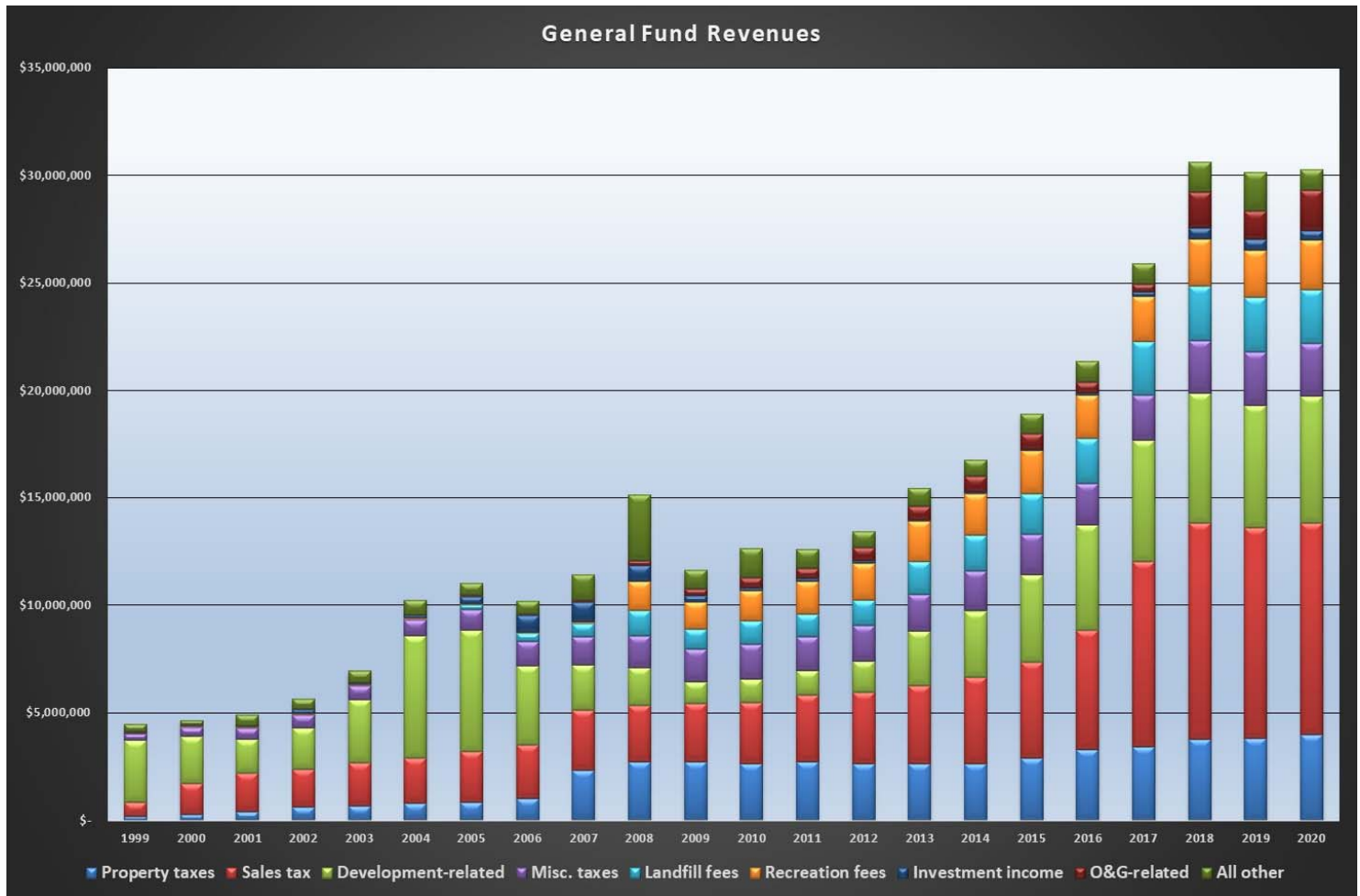


As can be seen from the graph above, taxes - sales, property and miscellaneous taxes - account for 53% of fund revenues. (Note: Property taxes as reflected in the various charts do not include property taxes related to oil and gas activities, which are reflected in “O&G-related” revenues and discussed below.) The next biggest category of revenues is development-related revenues at 20% of revenues.

Sales tax includes both retail sales tax and sales tax arising from vehicles purchased by Erie residents. Both of these revenue streams are being held flat in 2020, at \$7.3 million and \$2.5 million, respectively. Over the last couple of years, retail sales tax receipts have included significant nonrecurring amounts, making this category hard to project. Partially offsetting declines related to the ending of these nonrecurring amounts are increases in receipts from internet-based companies.

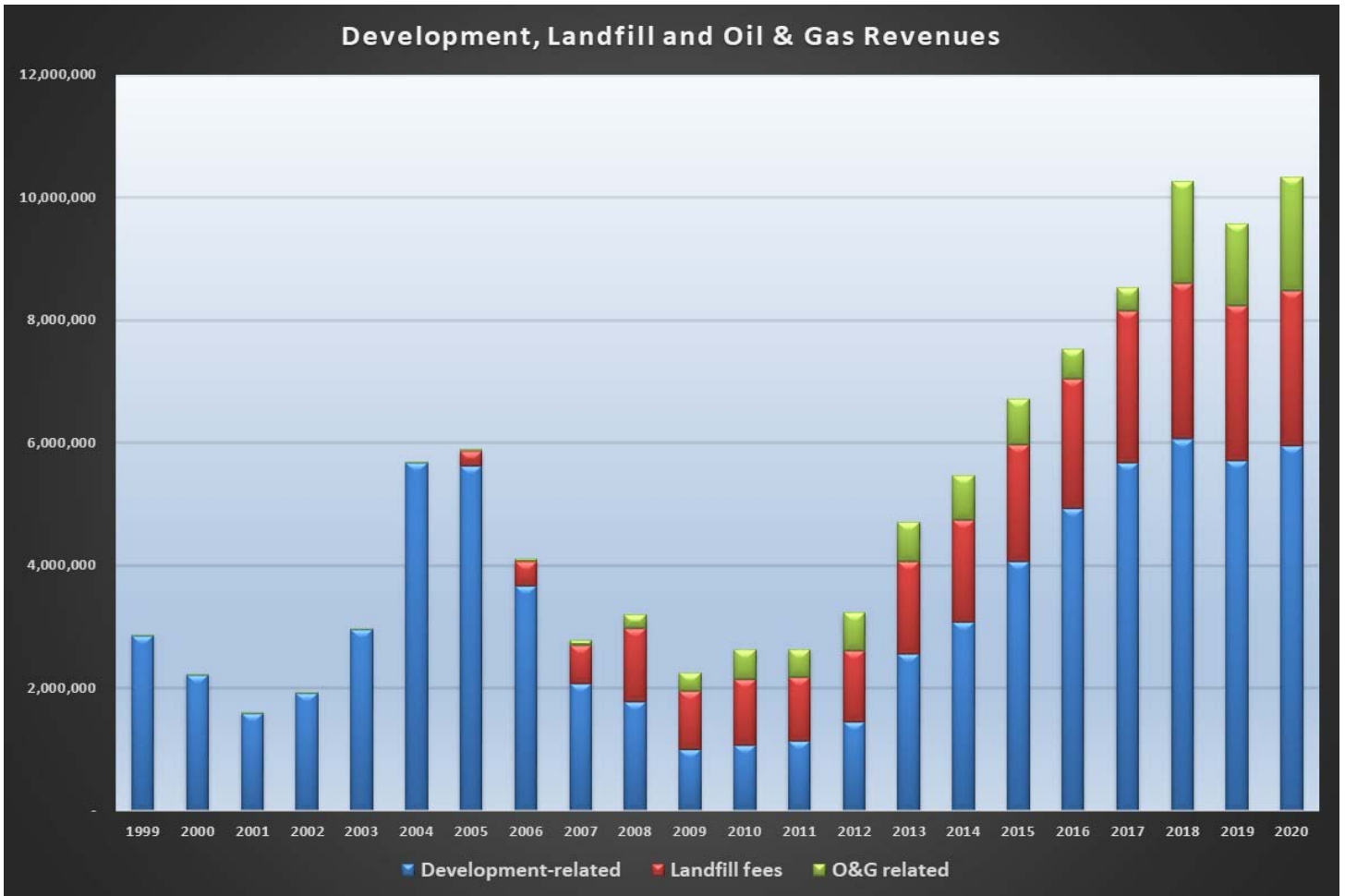
As one would expect in a town growing as fast as Erie, development-related revenues can be rather volatile. The key driver to this revenue stream is the number of residential permits issued and anticipated commercial development. In 2020 staff is projecting 550 single-family/townhome permits and permits for 150 multi-family units at Nine Mile. Also included in the budget is a projection of permit revenue for Lowe’s. Total development-related revenue is projected to increase 4% to \$6.0 million in 2020, compared to \$5.7 million in 2019. Barring a decline in the national and local economy, these revenue projections are probably somewhat conservative, but due to the unpredictable nature of building activity staff is only assuming a relatively small increase over 2019.

Perhaps more helpful would be a look at how fund revenues by category have trended over time, as depicted in the following chart.



Sales tax has shown consistent growth throughout the last 20+ years, with particularly strong growth since 2017 with the opening of King Soopers and other stores. Property taxes have also shown steady growth, reflecting additional construction and increased valuations. Development-related income the last three years has exceeded the previous peak of 2004-2005.

But what can't be readily seen from the above chart is the volatility of some revenue streams. The chart on the following page shows trends for three sources of revenues – development-related (use taxes, permits and related fees), oil and gas related revenues (property taxes, severance taxes, royalties, crossing fees) and landfill fees.



As noted above, staff is assuming 700 single-family and multi-family dwelling units will be permitted in 2020, up from 590 in 2019 (when there were no multi-family units added). But even at these high levels of construction they are below the peak of 909 single-family permits issued in 2004. This contrasts to only 108 permits issued in 2011. Over the above timeframe, development-related revenues have ranged from a low of 8% of total General Fund revenues to a high of 64%. The current percentage of total revenues at 20% with a high level of construction activity reflects the diversification of the Town’s revenue sources. However, even with this diversification, at \$6 million in 2020 revenues a significant decline in building activity would have a multi-million dollar impact on General Fund revenues. As a result, the Town is still very dependent on development activity, reinforcing the continued importance of generating more core retail sales tax.

Including landfill fees in this chart might be surprising, but a significant portion of the fees received are the result of development activity in the area. Landfill fees are budgeted flat in 2020 compared to 2019 at \$2.5 million. At 8% of total General Fund revenues in 2020, this is an important revenue stream, which is used for street-related activities.

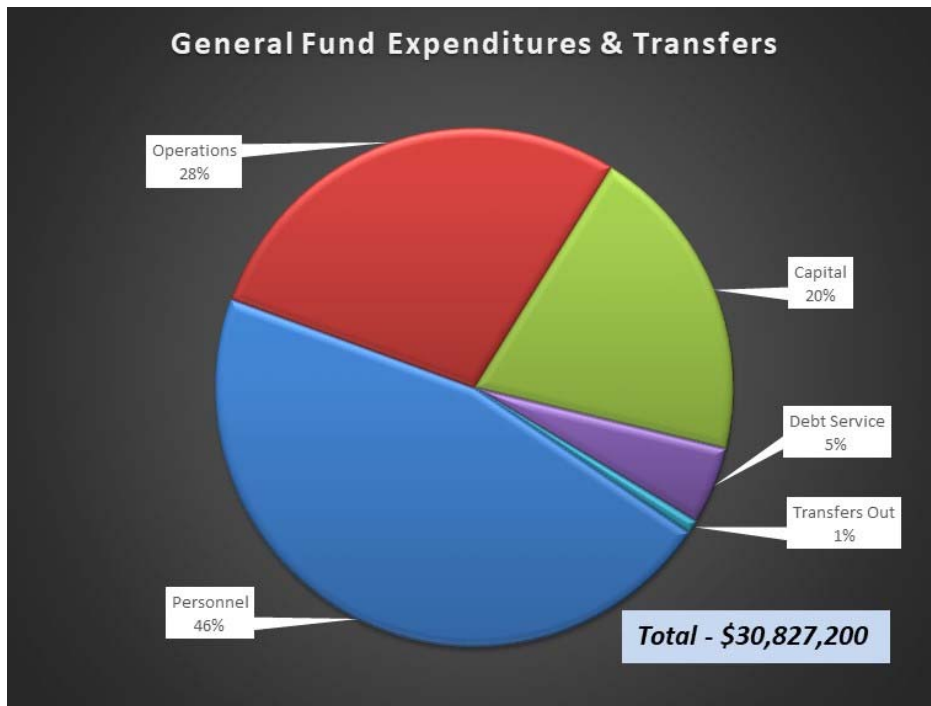
A third source of volatile revenue are revenues related to oil and gas activities. At 6% of total fund revenues it’s a relatively small piece, but due to recent drilling activity property taxes arising from these

activities are increasing \$763 thousand to \$1.3 million, an increase of 142% compared to 2019. However, absent new drilling activity these revenues can be expected to decline rapidly over the next couple of years.

One other significant change in revenues from 2019 to 2020 should be commented on. 2019 revenues include two nonrecurring items - \$477 thousand to be received from Lafayette pursuant to the settlement agreement and \$350 thousand from the sale of a building and land to Echo Brewery, anticipated to close in 2019.

Expenditures & Transfers to Other Funds:

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



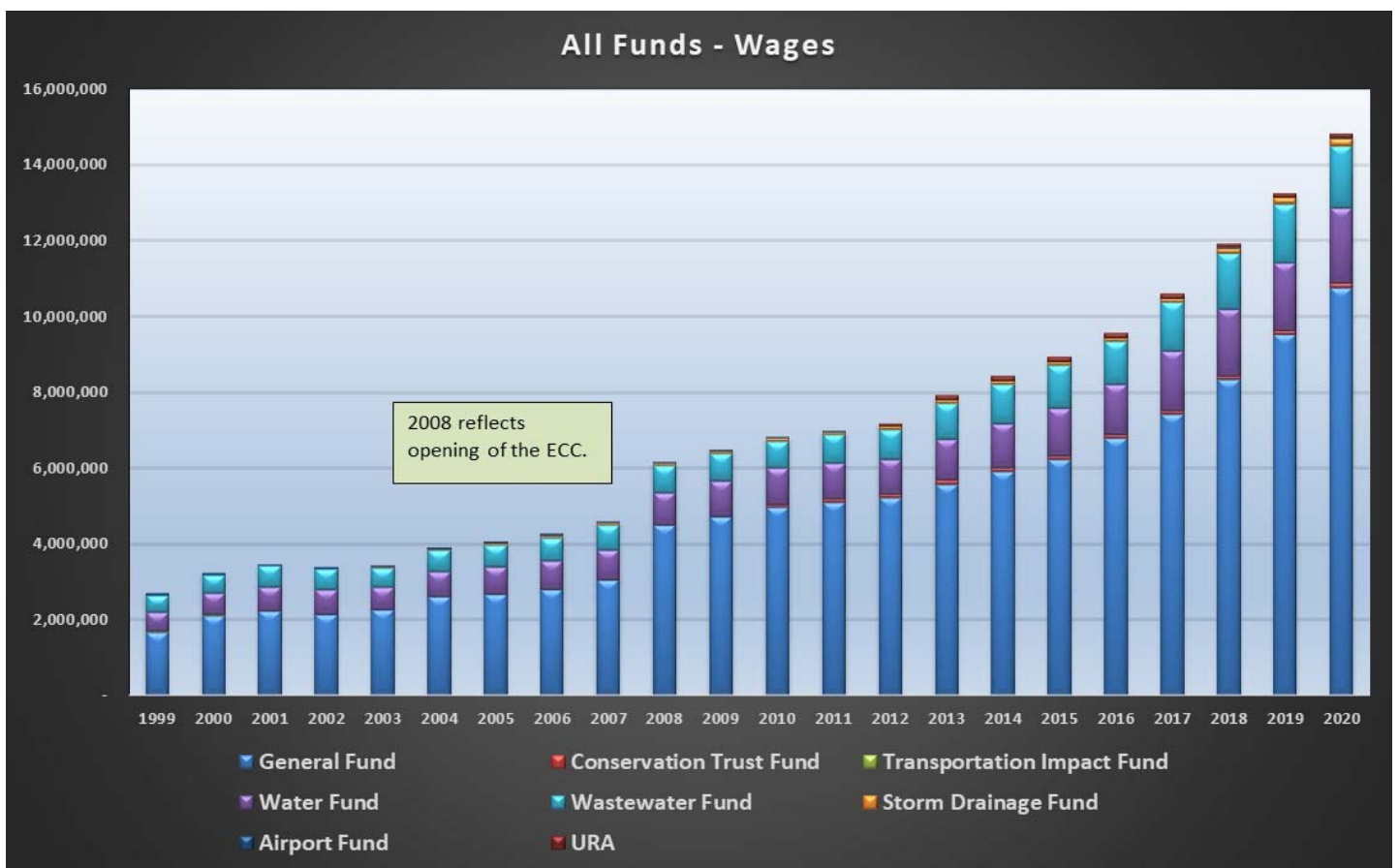
The following table provides a comparison of these components over the last three years:

Expenditures & Transfers - 2016-2019					
	Actual 2018	Budget 2019	Budget 2020	\$ Change 2019 - 2020	% Change 2019 - 2020
Personnel	\$ 10,819,842	\$ 12,601,400	\$ 14,218,500	\$ 1,617,100	13%
Operations	7,148,517	8,710,200	8,719,200	9,000	0%
Capital	10,251,890	5,202,800	6,146,000	943,200	18%
Debt service	1,891,063	1,497,200	1,493,500	(3,700)	0%
Total expenditures	30,111,312	28,011,600	30,577,200	2,565,600	9%
Transfers to other funds	-	4,288,000	250,000	(4,038,000)	-94%
Total expenditures & transfers to other funds	\$ 30,111,312	\$ 32,299,600	\$ 30,827,200	\$ (1,472,400)	-5%

Personnel Expenditures:

Personnel expense represents 46% of 2020 General Fund expenditures. As indicated in the table above, personnel expense is projected to be \$14.2 million, an increase of \$1.6 million, or 13%. Across all funds, personnel expense is projected to be \$19.5 million, an increase of \$2.0 million, or 12%. The following discussion will focus on personnel expense for all funds, although the discussion would generally be applicable to the General Fund as well.

Following is a graph of wages (including overtime) for all funds. Wages have grown from \$6.1 million in 2008 (when the community center opened) to \$14.8 million in 2020, a compounded rate of approximately 7.6%. This increase is in line with the growth in the Town’s population plus the impact of inflation.



However, that the rate of growth has increased in recent years. The Board has approved the addition of 34 positions from 2017-2019 (Public Safety – 14, Public Works – 7, Planning & Development Services – 5, P&R – 4, with 1-2 positions in each of Town Administration, Human Resources, Economic Development and Finance). These additions were necessary to support the explosive growth in both population and development activity in recent years.

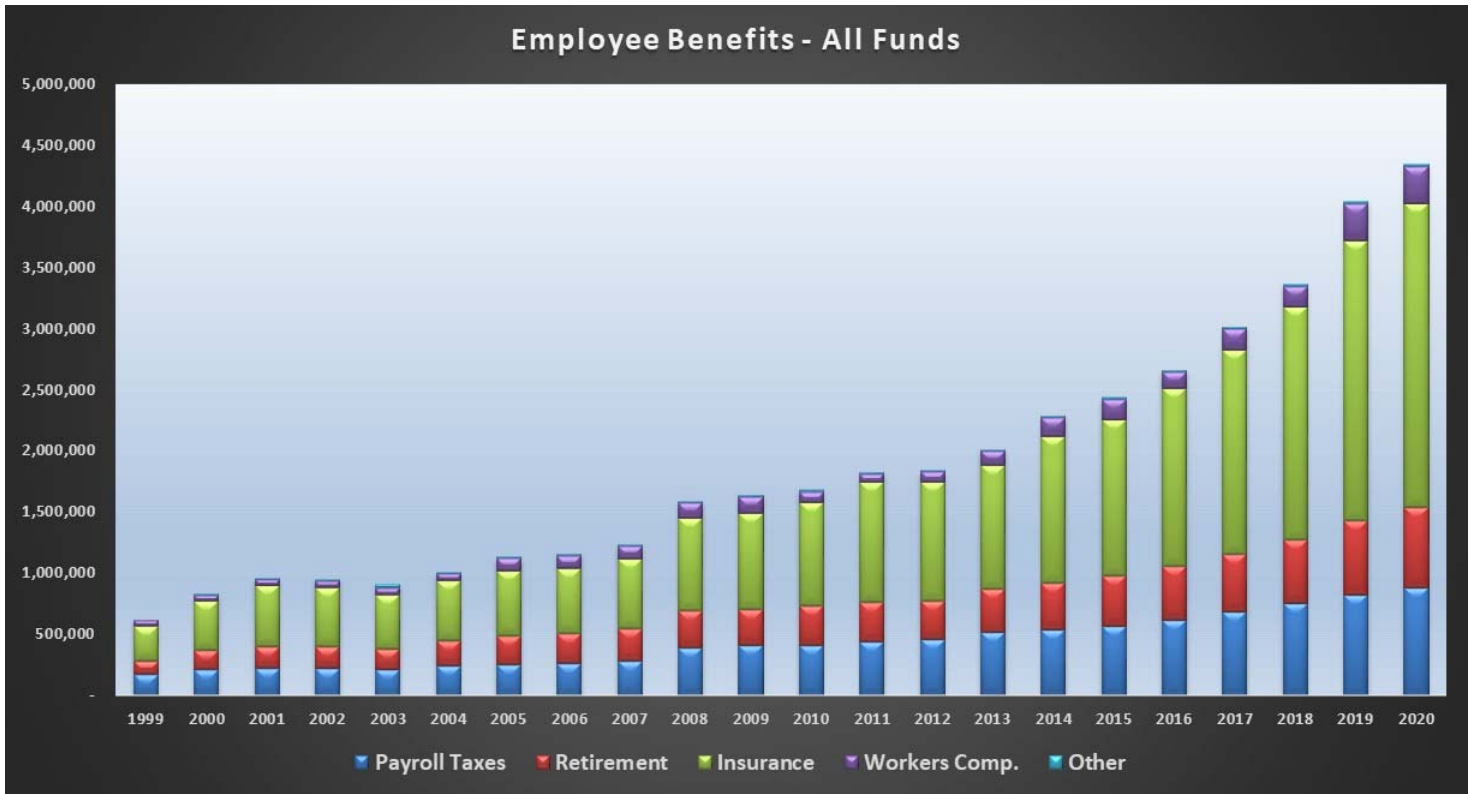
An additional 9 positions are requested in the 2019 2nd supplemental appropriation and 2020 budget, as follows:

- Public Works – Two positions are requested. A Chief Plant Operator is requested for the water treatment plant. Last year Bruce Chameroy was promoted from chief plant operator to Water Division manager, with the plan to see if he could cover both his existing responsibilities and new responsibilities. That has proven not to be feasible. A Maintenance Technician III is also requested. This position's focus will be testing of all backflow devices in town (currently 400), and oversight of the Town's industrial pretreatment program and the fats, oils and grease policy.
- Public Safety – The addition of two positions is requested. A relief sergeant is requested to provide supervisory coverage when sergeants are on vacation, in court, training and other absences. There are currently times when there is no sergeant on a watch. Also requested is a Records Technician position. Due to growth in both the records area and the court, an additional position is needed. With this position a current position will be shifted to support courts.
- Finance – A net increase of one new position. The current deputy director and customer service/risk manager positions would be eliminated. Three new positions would be created – an accounting manager, a finance manager and an application support/project manager. Over the last year the Finance Director has become involved in many activities that had not been the case in the past, such as the financial aspects of planning, development and economic development related activities, including URA and TIF financing, impact fees, utility rates, and infrastructure financing. This realignment of duties would better position the department to provide the necessary support to Town staff and the Board. The application support/project manager position is a long needed position, whose role will be to support application replacements, upgrades, day-to-day user support, etc. In addition, this position will perform special projects. Initially (2-3 years) this position will report to the Finance Director, although it will eventually report to the IT director. (2019 2nd supplemental request)
- HR – Creation of a full-time Risk Manager position. Towns our size typically have a full-time risk manager, and is recommended by CIRSA. The cost of creating a full time Risk Manager position will likely be more than offset by savings from reducing accidents, reducing the Town's liability exposure, and over time either reducing, or at least mitigating the increase, of the Town's insurance premiums. (2019 2nd supplemental request)
- Planning & Development – Currently the Planning and Development Department does not have administrative support. This new position will allow the Public Works Department and the Planning and Development Department to realign administrative duties and receive adequate support. The administrative support position will also be able to assist Town Administration with front line duties as needed.
- Parks & Recreation – Two positions to be added – a Recreation Specialist – Sports and a Recreation Specialist – Guest Services. These two positions are to accommodate growth and will also facilitate the addition of new programs. There is also a request to convert a part-time

position to a full-time position to support increased foot traffic at the LAW Service Center. Currently there are times when the front desk is not covered.

A schedule summarizing the financial impact by fund and department resulting from the addition of these positions is included as part of this packet.

The other major component of personnel expense is benefits. Following is a graph showing trends:



The compounded growth rate since 2008 is approximately 8.7%, a bit higher than the 7.6% growth rate in wages. This disparity is due to the more rapid increase in health care costs.

Operating Expenditures:

Operating expenditures are only increasing \$9 thousand, or 0.1%, compared to 2019. Significant requests/changes are as follows:

- Home Rule Process/2020 Elections - \$208 thousand (Legislation and Town Clerk).
- P&R – Total department increase - \$181 thousand (Parks maintenance expense - \$85 thousand (additional parks), special events transferred from Town Admin. (\$30 thousand), property and liability insurance premium allocation (\$32 thousand).
- Property & Liability Insurance – CIRSA – Total premium increase of \$117 thousand, or 28%, due primarily to state-wide hail damage claims. General Fund share of the increase is \$68 thousand.

- The above items are largely offset by the \$380 thousand budgeted in 2019 for the Four Corners DPZ study.

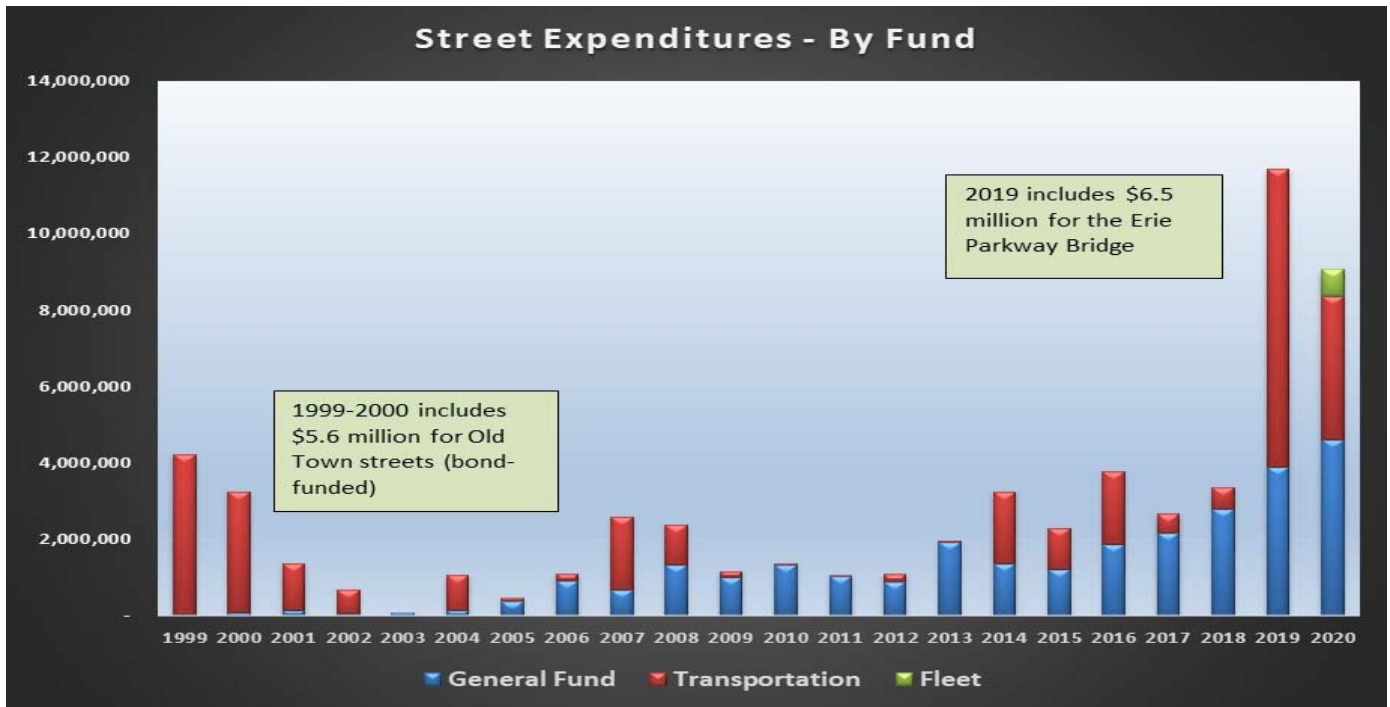
Capital Expenditures:

Capital expenditures requests result in an increase compared to 2019 of \$943 thousand, or 18%, to \$6.1 million in 2020. A detailed list of capital requests is included as part of this packet, but major request/changes are as follows:

- ECC Maintenance Projects - \$1.4 million – Includes pool boiler replacement, Roof Top Unit 4 (HVAC) replacement, pool/sprayground equipment, pool LED light install, parking lot mill and overlay, et al.
- Street-related capital projects - \$3.5 million in street projects, an increase of \$781 thousand compared to 2019. See also following discussion.
- Fleet replacements/additions - \$913 thousand decrease from 2019. See discussion below on proposed new fund for fleet acquisitions.

Maintenance of Town streets is a priority of the Board, staff and of Erie's residents. Town expenditures on street-related activities are provided by three funds – the General Fund, the Transportation Impact Fund, and – with the creation of a new fund – 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 fund will be used as a financing vehicle for acquisition of heavy equipment and other vehicles used in the maintenance of streets (among other areas).

The graph on the following page presents expenditures by these three funds, with the blue portion of the vertical bars reflecting the General Fund portion. Expenditures to maintain existing streets have increased significantly over the last 5 years – from \$1.2 million in 2015 to \$4.6 million in 2020. Staff will continue to look for 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.



Transfers to Other Funds:

While the following discussion relates primarily to 2019 activity, it is important to an understanding of the proposed budget for 2020.

Three transfers totaling \$4.3 million are proposed in the 2019 2nd supplemental appropriation – two to the urban renewal authority (URA) and one to a proposed new fund – the Fleet and Equipment Acquisition Fund. The first transfer is in the amount of \$2,604,000 to the URA. This amount represents the estimated value of the retail/commercial land being contributed to Evergreen as part of the incentive package for Nine Mile. The original purchase of this land was funded through an advance from the General Fund to the URA – in essence a loan by the General Fund to the URA. With the contribution of this land the General Fund in essence needs to “forgive” this portion of the advance, accomplished with a transfer to the URA. Future revenues from development of the site will more than offset this transfer. This is simply an accounting entry and involves no transfer of cash.

The second transfer to the URA is in the amount of \$434 thousand. This amount represents the estimated expenses (including allocated staff time) incurred by the URA in the efforts to establish an urban renewal area in the I-25 area. These expenditures were funded through advances from the General Fund. While efforts will continue to establish a funding mechanism for the required infrastructure in the area – including through the URA – accounting rules require that advances have a clear source of repayment. Due to the uncertainty of how this infrastructure will be funded, generally accepted accounting principles require this advance be converted to a transfer from the General Fund.

It is important to note that converting this second advance to a transfer in no way limits the Town from recovering these funds should a revenue stream be established through the URA. It is also

important to note that neither of these transfers have any effect on cash or on the amount of reported “spendable” fund balance. If not for these two non-cash transfers, the General Fund would have a projected surplus of \$935 thousand rather than a deficit of \$2.1 million in 2019.

Staff is recommending creation of a new fund to be called the “Fleet and Equipment Acquisition Fund”, with initial funding of \$1,250,000 through a transfer from the General Fund in 2019 as part of the 2nd supplemental appropriation. 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 has struggled to set aside adequate and consistent resources to fund such items. With expansion of the leasing program with Enterprise (discussed further below) and this initial transfer from the General Fund, the Town will be able to fund all requested 2020 additions and replacements. If the Board approves the creation of this fund staff will develop a funding policy to ensure the Town’s fleet of vehicles and heavy equipment is maintained at an appropriate level to meet service demands. Pending completion of a funding policy, a further transfer from the General Fund to the new fund of \$250 thousand is requested in 2020.

Other Items Affecting Fund Balance:

Also anticipated in 2020 is repayment of a portion of the advance to the URA for purchases of the land at 287 and Arapahoe, with \$1.0 million projected to be received related to the multi-family parcel. As this is repayment of an advance it is not reflected in revenues but rather as a decrease in the “nonspendable” portion of fund balance.

Conclusion

As a result of the foregoing, although 2020 only reflects a surplus of \$22 thousand, because of the anticipated \$1.0 million repayment from the URA, “spendable” fund balance – i.e., the portion of the General Fund fund balance that is available for appropriation - will increase from 70% of personnel and operations expenses projected at the end of 2019 to 80% at the end of 2020. In dollar terms spendable fund balance will increase from \$19.1 million projected at 12/31/19 to \$19.8 million at the end of 2020. Due to the volatility of some of the Town’s revenue streams as discussed above, special care should be given to decisions committing a significant portion of the Town’s fund balance until a more stable revenue base is in place.

Enterprise Funds:

Enterprise Funds - 2020 Budget					
	Water	Wastewater	Storm Drainage	Airport	Total
Revenues - tap fees & related	\$ 18,574,000	\$ 3,105,000	\$ -	\$ -	\$21,679,000
Revenues - user fees	10,381,000	5,464,000	1,573,000	10,300	17,428,300
Revenues - other <i>(inc.'s debt proceeds & transfers in)</i>	37,327,000	366,100	2,096,900	196,000	39,986,000
Revenues - total	66,282,000	8,935,100	3,669,900	206,300	79,093,300
Expenditures - personnel	2,595,000	2,146,600	259,100	8,500	5,009,200
Expenditures - operations	3,164,000	1,320,600	318,900	17,600	4,821,100
Expenditures - capital	50,951,600	20,148,000	4,492,600	166,700	75,758,900
Expenditures - debt service	5,200,100	1,334,100	18,200	-	6,552,400
Expenditures - total	61,910,700	24,949,300	5,088,800	192,800	92,141,600
Revenues over/(under) expenditures	4,371,300	(16,014,200)	(1,418,900)	13,500	(13,048,300)
Working capital - beginning (projected)	36,605,420	19,653,795	3,231,315	158,802	59,649,332
Working capital - ending	\$ 40,976,720	\$ 3,639,595	\$ 1,812,415	\$ 172,302	\$46,601,032

Enterprise funds for the Town consist of the water, wastewater, storm drainage operating and airport funds. The water and airport funds are budgeted to have surpluses in 2020 (however see discussion below regarding the Windy Gap Firming Project), with the wastewater and storm drainage funds budgeted to have deficits due to budgeted capital expenditures. It is not unusual for these funds to have expenditures exceed revenues in some years as accumulated funds are expended on capital projects.

Revenues in the water and wastewater funds arise from two primary sources – development-related fees/contributions (primarily from permits) and monthly service 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. (It should be noted that the Town is currently conducting a rate study for the water, wastewater and storm funds, required to be conducted by the municipal code and bond covenants at least every 5-years. Any proposed fee/rate changes resulting from this study would be subject to Board approval and implemented in early 2020. Pending completion of this study no fee/rate increases have been assumed in the budget.)

The Windy Gap Firming Project (WGFP) is expected to begin major construction activities in 2020. While the debt to finance this project is to be issued by the Northern Colorado Water Conservation District (“Disstrict”) as a pooled financing with other project participants, the Town’s share of the debt to be issued and related debt service in 2020 is presented in these reports as if the Town were issuing the debt directly, for transparency purposes. The current estimate of the Town’s share of the debt to be issued is \$36.6 million (6.67% of the total), included in other revenue in the table above. At this time it is not known if the debt will appear on the Town’s financials. If it is not recorded as

debt by the Town, its share of the debt service will appear as an operating expense as a part of its annual assessment by the District.

The Town's share of the project costs (also \$36.6 million) are presented in these reports as if the Town were funding its share of the project directly. Again, it is uncertain how these costs will actually be presented in the Town's financials. But regardless as to how the project is accounted for, it will have the same effect on working capital.

Due to the Water Fund's relatively high working capital balance, it is possible that staff will recommend partially cash funding its share of the WGFP. However, the fund has other large capital demands in future years, so any decision will be in part based on the results of the rate study.

As can be seen from the table above, the vast majority (82%) of expenditures in the enterprise funds are capital in nature - \$75.8 million in 2020. Approximately half (\$36.6 million) of this amount is related to the WGFP discussed above. Other capital projects in excess of \$1 million budgeted in 2020 include the following:

- North Water Reclamation Facility expansion - \$20.0 million (Wastewater)
- Zone 2 Transmission Main – Phase 1 (119th from treatment plant to Jasper) - \$3.0 million (Water)
- Zone 2 Storage Tank - \$3.0 million (Water)
- Coal Creek Drainage Improvements (County Line Road to Kenosha) - \$2.5 million (Storm)
- Water Supply Well Project - \$2.0 million (Water)
- NISP - \$1.8 million (Water)
- Turbine at Water Treatment Facility - \$1.5 million (Water)
- Coal Creek Drainage Improvements (north of Old Town) - \$1.4 million (Storm)
- Non-potable Water System expansion (WCR 5 to Erie Parkway) - \$1.5 million (Water)

A more detailed list of capital projects is included as a part of this packet. All 2020 capital projects other than the WGFP will be cash-funded.

Capital Funds:

Capital Funds - 2020 Budget								
	Transportation	Public Facilities	Parks	Tree	Storm Drainage	Fleet & Equip. Acquisition	Total	
Revenues	\$ 4,667,400	\$ 1,541,600	\$ 2,792,900	\$ 220,000	\$ 1,156,000	\$ 886,900	\$ 11,264,800	
Expenditures <i>(including transfers out)</i>	3,741,700	-	5,365,000	118,000	1,990,500	1,604,500	12,819,700	
Revenues over/(under) expenditures	925,700	1,541,600	(2,572,100)	102,000	(834,500)	(717,600)	(1,554,900)	
Fund balance - beginning (projected)	5,796,884	3,794,048	4,454,024	580,791	5,160,087	1,250,000	21,035,834	
Fund balance - ending	\$ 6,722,584	\$ 5,335,648	\$ 1,881,924	\$ 682,791	\$ 4,325,587	\$ 532,400	\$ 19,480,934	

The Town’s capital funds include the parks improvement, public facilities, storm drainage, transportation, and tree impact funds. Revenues in these funds consist almost entirely of development-related impact fees and fees-in-lieu. In addition, staff is recommending creation of a new fund in 2020 – the Fleet & Equipment Acquisition Fund – discussed previously and in more detail below.

Residential impact fees were increased 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. 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. There are only two capital projects in excess of \$500 thousand to be funded directly from impact fee funds in 2020. The first is \$5.4 million to complete Erie Community Park (Parks fund). The second is \$2.6 million for an expanded and improved intersection at Erie Parkway and Weld County Road 7, to include a traffic signal, turn lanes and right of way/easement purchases (Transportation).

From a review of the table above you will note there are no expenditures in the Public Facilities fund. These funds are essentially restricted for expansion and renovation of Town Hall. The amount projected to be on hand at the end of 2020 would approximate at least 5 years of debt service should a bond issue be approved at some point.

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 2020, the impact fee fund will transfer \$2.0 million to the operating fund to partially finance certain growth-related storm drainage projects.

As discussed above, staff is recommending creation of a new fund to be called the “Fleet and Equipment Acquisition Fund”, with initial funding of \$1,250,000 through a transfer from the General

Fund in 2019 as part of the 2nd supplemental appropriation. See the discussion on page 12 for additional information regarding the creation of this fund.

Town staff plans to expand its participation in the Enterprise leasing program that was piloted earlier this year. Staff is still assessing this program, but to date it is satisfied with the service provided by Enterprise. In 2020 the Town will add 15 vehicles to the current 3 leased vehicles, with an effective financing rate of a little over 3%. In addition to the new leased vehicles, there are requests for 6 pieces of heavy equipment that will be purchased. All the requests are for a combination of scheduled replacements, new staff, or increased workloads (e.g., lane miles, new parks, etc.). A separate schedule summarizing the additions is included as an attachment to this memorandum.

Special Revenue Funds:

Special Revenue Funds - 2020 Budget				
	Trails & Natural Areas	Conservation Trust	Cemetery	Total
Revenues	\$ 2,081,100	\$ 237,000	\$ 29,000	\$ 2,347,100
Expenditures	1,050,800	187,500	-	1,238,300
Revenues over/(under) expenditures	1,030,300	49,500	29,000	1,108,800
Fund balance - beginning (projected)	(597,162)	656,114	233,434	292,386
Fund balance - ending	\$ 433,138	\$ 705,614	\$ 262,434	\$ 1,401,186

Included in special revenue funds are the trails and natural areas fund, the conservation trust fund, and the cemetery fund. 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. These revenues are projected to increase to \$2.1 million in 2020 from \$1.6 million in 2019 due to an increase in oil and gas activity and new construction. Most capital projects were eliminated for 2020 so that the trails fund can repay the advance from the General Fund related to the purchase of Wise Farm.

Urban Renewal Authority (URA):

The primary recurring revenues of the URA are property tax revenues. Currently the vast majority of URA property tax revenues arise from the Colliers Hill TIF. Due to the complexity of the tax allocation process and the timing of availability of the required data, revenue amounts for the following year are generally not available until around March. As a result, property tax revenues are initially budgeted flat at \$1.6 million in 2020 compared to 2019. This amount can be expected to increase once 2020 calculations are available.

An additional revenue source for 2019 is the anticipated proceeds of \$1.0 million that will result from the sale of a portion of the land parcel owned by the URA at Nine Mile to Evergreen for a multi-

family project. As discussed above in “General Fund”, these proceeds will be used to partially repay the advance from the General Fund to the URA.

Total 2020 expenditures are down \$92 thousand, or 19%, compared to 2019. Most of the URA’s expenditures are professional fees (\$250 thousand) and an allocation of staff time spent on URA-related activities (\$141 thousand). Staff is reviewing ways to reduce the expenses of the URA, and will also be developing a cooperation agreement between the Town and the URA to formalize policies regarding support services provided by the Town to the URA’s operations, reimbursements by the URA for those services, and advances from the General Fund to the URA, among other items.

The advance balance from the General Fund is projected to be \$2.7 million at the end of 2020, a decrease of \$3.2 million since the end of 2018. This reduction is the result of the transfers from the General Fund in 2019 discussed on page 11 and the anticipated sale of a parcel of land at Nine Mile in 2020, discussed above. Staff plans to develop a repayment plan for the remainder of the advance amount as part of the process for establishing a cooperation agreement.

2019 2nd Supplemental Appropriation Requests – Major Changes:

Revenue projections were increased a total of \$7.2 million across all funds, primarily due to increasing the number of projected residential permits from 510 to 590. Development-related fees were increased a total of \$5.2 million. Settlements were increased \$977 thousand (Water Fund - \$500 thousand related to the water tank arbitration; General Fund - \$477 thousand related to the Lafayette settlement). Sales tax and other non-development-related taxes were increased \$583 thousand.

Significant new expenditure requests/reductions reflected in the 2nd supplemental appropriation (excluding those already approved by the Board) are as follows:

- General Fund – Legal Fees - \$228 thousand increase
- General Fund – Transfer to Fleet & Equipment Acquisition Fund - \$1.3 million – discussed above
- General Fund – Transfer to Urban Renewal Authority - \$3.0 million – discussed above in the “General Fund” section
- Water Fund - \$500 thousand for repairs to water tank (utilizing settlement funds)
- Trails & Natural Areas Fund - \$500 thousand elimination of appropriation for trail connector project to facilitate repayment of General Fund advance related to purchase of Wise Farm.

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

A rollforward for all funds reflecting requested changes in the 2019 2nd supplemental appropriation is presented on the following page.

Changes in Fund Balances/Working Capital - 2019 Budget - 2nd Supp.						
	Beginning Balance	Revenues	Expenditures	Net Increase/Decrease	Other Changes	Ending Balance
General Fund	\$ 18,626,119	\$ 30,196,500	\$ 32,299,600	\$ (2,103,100)	\$ 2,571,316	\$ 19,094,335
Trails & Natural Areas Fund	4,618,538	1,618,000	6,833,700	(5,215,700)	-	(597,162)
Conservation Trust Fund	716,914	237,000	297,800	(60,800)	-	656,114
Cemetery Fund	204,434	29,000	-	29,000	-	233,434
Total special revenue funds	5,539,886	1,884,000	7,131,500	(5,247,500)	-	292,386
Transportation Impact Fund	9,587,284	4,014,700	7,805,100	(3,790,400)	-	5,796,884
Public Facilities Impact Fund	2,510,948	1,328,100	45,000	1,283,100	-	3,794,048
Parks Improvement Impact Fund	3,882,124	2,465,400	1,893,500	571,900	-	4,454,024
Tree Impact Fund	560,191	187,000	166,400	20,600	-	580,791
Storm Drainage Impact Fund	4,123,987	1,036,100	-	1,036,100	-	5,160,087
Fleet & Equipment Acquisition Fund	-	1,250,000	-	1,250,000	-	1,250,000
Total capital funds	20,664,534	10,281,300	9,910,000	371,300	-	21,035,834
Water Fund	44,961,120	29,408,100	37,763,800	(8,355,700)	-	36,605,420
Wastewater Fund	22,916,995	9,099,900	12,363,100	(3,263,200)	-	19,653,795
Storm Drainage Operating Fund	2,384,615	1,596,900	750,200	846,700	-	3,231,315
Airport Fund	140,602	635,000	616,800	18,200	-	158,802
Total enterprise funds	70,403,332	40,739,900	51,493,900	(10,754,000)	-	59,649,332
Totals (for memorandum purposes only)	\$ 115,233,871	\$ 83,101,700	\$ 100,835,000	\$ (17,733,300)	\$ 2,571,316	\$ 100,071,887

The following schedules are included as part of this budget memorandum:

- 1.) Budget summary and detail schedules
- 2.) 2019 2nd Supplemental Appropriation requests
- 3.) New staffing requests
- 4.) Capital expenditure summary
- 5.) Fleet requests



Yes, this is the same cartoon as last year, but it's still funny.