

BOARD BUDGET PLANNING

June 15, 2021



BUDGET PLANNING

- Budget Planning has several steps
 - Review of the current financial state
 - Consider long term perspective – economic environment
 - Survey public on priorities or interests
 - Review Board's priorities
 - Consider State Legislative changes affecting ability to provide services
 - Adjust policies or practices to remain “current”
 - Take all input and develop a 2022 Budget

TONIGHT'S AGENDA

- Review current state of Town finances
- Review General Fund long range revenues and expenditures
- Board priorities for 2022
- American Rescue Plan Act: next steps
- Budget Calendar and Next Steps

GENERAL FUND 2020 STATUS

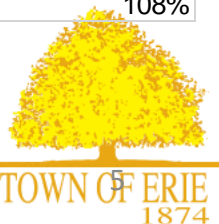
- All Funds Ended well; 2020 General Fund ended very well.
- After all revenues, expenditures, and “set asides”:
 - Reserves total \$14,486,655 (TABOR, 25% operating and capital reserve (\$7.5 million))
 - Remaining available: \$17,482,747

	Actual
Beginning Fund Balance	\$30,136,806
2020 Revenue	34,520,222
2020 Personal Expenditures	(13,7113,738)
2020 Operations Expenditures	(8,289,162)
2020 Capital Expenditures	(3,249,530)
<u>Debt Service</u>	<u>(1,494,563)</u>
Net Surplus	7,603,230
<i>Ending Fund Balance</i>	<i>\$37,740,036</i>
Set Asides	
URA Advance	3,882,050
In-lieu Transportation	1,648,000
TABOR Emergency Reserve	1,485,930
<u>2020 Purchased Obligations</u>	<u>240,583</u>
Total Other	7,256,564
Less: Reserves	
25% of Operating	5,500,725
Capital Reserve	7,500,000
Spendable Fund Balance	\$17,482,747

2021 GENERAL FUND WITH RECOMMENDED CHANGES

- **Increased Revenue:**
 - Sales tax \$1.8 million
 - CoSolve repayment \$100,000
 - Grant Revenue
- **Previously Approved Expenditures:**
 - Energy & Environmental Specialist
 - DEI Manager
 - Police Co-Responder
 - Recruitment & Retention Specialist
 - Customer Service Rep/Admin Assistant
 - Grants Manager
 - Grants Accountant
 - Air Quality Monitoring
- **Additional Requests:**
 - Police Cadet: \$44,000
 - Plans Examiner and Building Inspector: \$89,000
 - Competitive pay adjustments: \$335,000
 - Operational Expenditures: \$792,266
 - Ice Rink, ED Incentives, Airport Bridge Concept Design, Ballistic Shields, Misc
 - Capital Expenditures: \$337,500
 - Town Hall Remodeling, DiscGolf Course, Misc
- With new revenue and requests, Town still has \$15.0 in spendable Fund Balance.
- Reserves = \$15,900,802 (TABOR+Operating+ Capital)

	Adopted Budget FY 2021	Change	1st supp. FY 2021
Beginning Fund Balance	\$ 31,075,506	\$ 6,664,530	\$ 37,740,036
Revenues	\$ 34,506,900	\$ 2,074,531	\$ 36,581,431
Personnel Expenditures - BOT Approved	\$ (15,391,000)	\$ (340,179)	\$ (15,731,179)
Operations Expenditures - BOT Approved	\$ (9,595,400)	\$ (694,388)	\$ (10,289,788)
Capital Expenditures - BOT approved	\$ (6,720,500)	\$ (10,000)	\$ (6,730,500)
Personnel Expenditures - new request		\$ (465,184)	\$ (465,184)
Operations Expenditures - new request		\$ (792,266)	\$ (792,266)
Capital Expenditures - new request		\$ (337,500)	\$ (337,500)
Debt Service	\$ (1,489,200)		\$ (1,489,200)
Net Surplus/(Deficit)	\$ 1,310,800	\$ (564,986)	\$ 745,814
Capital Rollovers		\$ (2,179,200)	\$ (2,179,200)
Ending Fund Balance	\$ 32,386,306	\$ 3,920,343	\$ 36,306,649
Less: Nonspendable Components			
URA Advance	\$ 2,854,299	\$ -	\$ 2,854,299
In-lieu Transportation (1)	\$ 1,648,000	\$ -	\$ 1,648,000
TABOR Emergency Reserve	\$ 1,350,000	\$ 232,448	\$ 1,582,448
Open Purchase Orders (Operating)	\$ 250,000	\$ -	\$ 250,000
Reserve for Broomfield IGA improvements		\$ 600,000	\$ 600,000
Prepaid Expenses	\$ 15,000	\$ -	\$ 15,000
Total Nonspendable Components	\$ 6,117,299	\$ 832,448	\$ 6,949,747
Less Reserve Requirements			
Operating Reserve Requirement (25% Non Cap/Non debt Exp)	\$ 6,246,600	\$ 573,004	\$ 6,819,604
Capital Stabilization Fund	\$ 7,500,000	\$ -	\$ 7,500,000
Spendable Fund Balance	\$ 12,522,407	\$ 2,514,891	\$ 15,037,298
FB as % of Non-capital/non-debt expenditures	105%		108%



OUTSTANDING 2021 ISSUE - CAPITAL

- Security Cameras:
 - Hardware for 24 various locations: \$350,000
 - One FTE to manage ongoing monitoring/management of system: \$110,000
 - Annual Maintenance costs: - \$30,000
 - Long term a P3 agreement may support improved Fiber access and will influence costs
 - Due to the possible future P3 opportunities, and general discussion of needs in 2022, this is not recommended and this time.

2021 OUTLOOK SUMMARY

- Through April, the Town continues to experience significant growth
- All revenues associated with growth -- sales tax, use tax, vehicle tax, building permits, and building related activity – continue to be higher than budget expectations – as much as 25% or more in most cases
- The positions requested reflect needs to maintain service levels
 - Building Activity
 - Public Safety
 - Market and Pay Equity adjustments to maintain retention in a highly competitive labor market

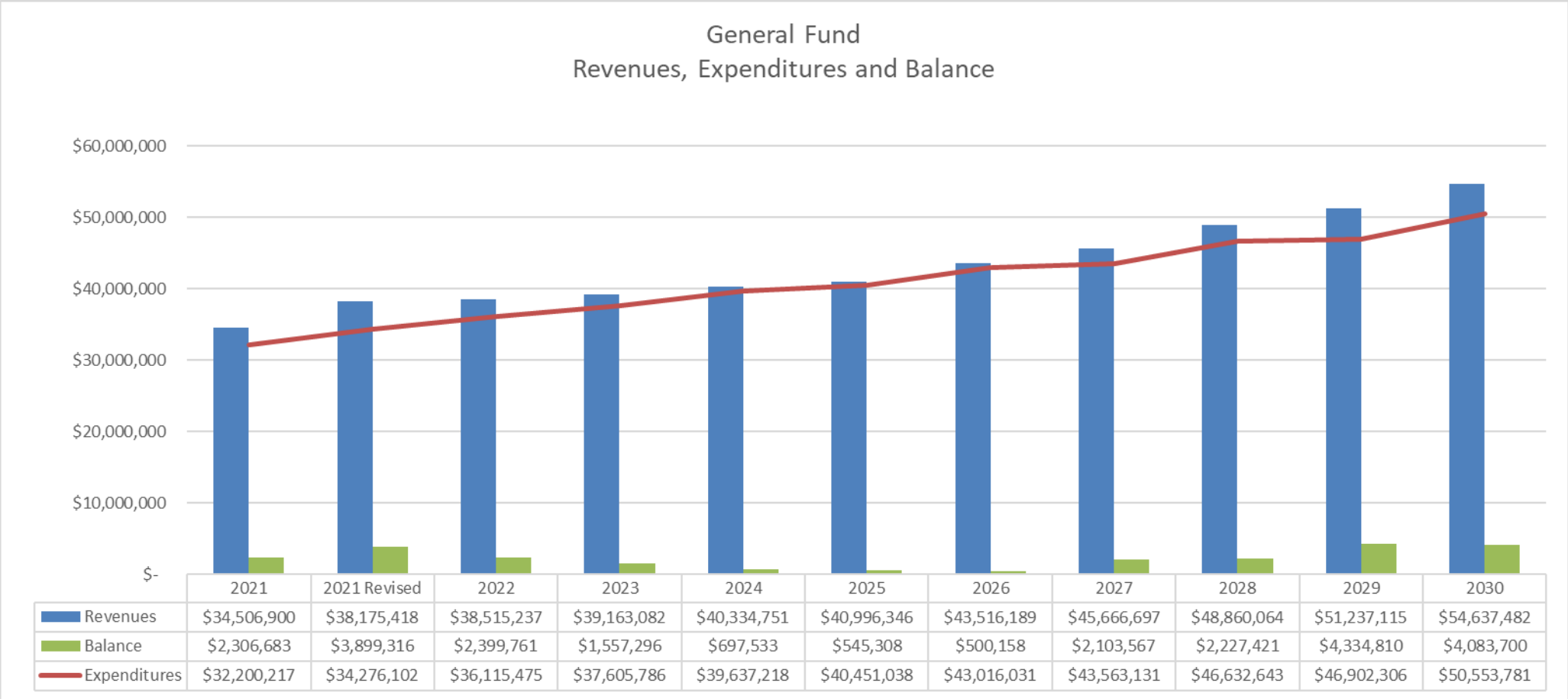
REVENUE FORECAST MAJOR ASSUMPTIONS

- Building Activity: Use Taxes, Building Permits, Planning Fees
 - Assume 508 new homes 2022 -2025; lowering to 300 homes through 2030
 - Added 49 multi-family units through 2025; then assumed none; very conservative
 - Assume Commercial will grow by 5% annually
- Sales Tax Increases
 - So far 2021 has grown by nearly 20%; but to be cautious, we assume this will be 5% for the whole year. Added the Nine Mile assumptions and \$100,000 accrual for open space acquisition under IGA with Broomfield.
- Intergovernmental Grants: Will grow by population
- Recreational Fees: Will increase by population

GENERAL FUND EXPENDITURE FORECAST

- Base Expenditure Assumptions
- 2022
 - Salaries and Benefits:
 - Built 2021 assuming market increase of 2% in July
 - Merit and Market combined = 5% in 2022 and 2023, then 4%
 - Added \$100,000 for Pay Equity
 - Assume no increase for health benefits in 2022; then increase by 5% through 2030; we have a credit this year; and will absorb the credit in 2022
 - New Positions:
 - Long Term Staffing Plan based on population. Including police, *but excluding utilities and any changes if Home Rule is approved*, add 3 in 2022; 2 in 2023 and then 3 more every other year.
 - All other line items:
 - Increase by between 4% and 5%.
 - Assume 3% average “Turnback”

GENERAL FUND FORECAST



DISCUSSION

- Assumes no use of Available Fund Balance
- Why do net balances decline between the years 2024 – 2027?
 - Nine Mile – until the debt and developer agreement are defeased, there is no net increase from the area; and, in fact, there may be a net loss as sales shift
 - Once those obligations are met, then the area generates revenue for both the Town and Lafayette
- Very conservative:
 - Revenue:
 - Assumes no increase in the rates or fees
 - Sales tax increase by approximately 5%
 - Assumes no new sources of revenue – marijuana sales as an example
 - No change in oil and gas revenue: this changes with barrel price.
 - Grant revenue is not increased as that revenue usually has additional associated work
 - Expenditures: Assumes 3% unspent “Turnback”; even in the great Recession, there was turnback reflecting staff using budgeted resources prudently

GATHERING INPUT FROM CITIZENS

- The Community Survey and all other outreach efforts will provide significant information about priorities and community interests
- Finance is working with Communications to use some portion of the Thursday surveys to gather ideas
- Will develop the “Balancing Act” application to ask citizens about their perspective on resource allocation to services
- Boards and Commissions already have a “budget request” form to complete by August for 2022 Budget consideration

POLICY CHANGES THAT WILL BE BROUGHT FORWARD WITH THE 2022 BUDGET

- Change Reserve Policy to read, “Maintain a reserve of 20% to 25%”
 - Rating agencies and financial advisors recommend this change. A specific number – as 25% -- made some cities reduce expenditures during COVID or placed their bond ratings in jeopardy
 - Any decrease below the 25% target requires Board approval
- Create a Grants Policy
 - There are a variety of grant issues – Establish an administrative rate for grants
 - All grants have associated monitoring and reporting costs; there need to be parameters and discussions prior to any grant applications as we expect grants to pay for their costs
- Create a “Lifecycle Replacement Fund”
 - Currently, these costs are budgeted in the General Fund. Creating a Lifecycle Replacement Fund – a Major Capital Maintenance Fund – will move these costs and transfer GF revenue to the Fund for streets, parks, and facilities.
 - This is the first step to developing a long-term strategy for identifying long term capital maintenance costs for the Town’s infrastructure after the Town is “built out”.

AMERICAN RESCUE PLAN ACT (ARPA)

- The Town of Erie is a “Non-Entitlement Unit (NEU)”
- As such, the money will flow through the Colorado Department of Local Affairs (DOLA)
- **The Town will receive \$5.8 million in two payments: June of 2021 and June of 2022**
- We have until 2024 to commit the monies and 2026 to make all the payments for the monies
- US Department of Treasury will manage all legal guidance, reporting and monitoring
- DOLA is creating support working groups

USE OF AMERICAN RESCUE PLAN ACT (ARPA)

- To date, the best advice is to “use the money for catalytic activities”
- Also, the recommendation is: entities need to “survey, measure, and include the community”
- Catalytic activities: expenditures that help grow the future local economy
- Examples under discussion in various forums:
 - Broadband
 - Housing
 - Infrastructure

ARPA NEXT STEPS

- The Town has a significant number of outreach/survey activities
 - This will help in asking citizens what they think is needed in the community
 - While we did not know about ARPA while developing the Community Survey, between the survey and the additional outreach actions, there should be ideas for the use of these monies
- Many Town representatives are participating in regional discussions of ways to not only use local money, but develop regional proposals to meet State guidelines for some of the money they received
- By July, the Town will have a Grants Manager who will be able to identify, with all stakeholders, the universe of ideas for the Town's ARPA funds as well as opportunities the Town can qualify for State monies
- In September, staff will return to the Board with ideas on possible ideas for the Town's ARPA engagement ideas

BOARD DISCUSSION OF 2022 ASSUMPTIONS AND PRIORITIES

Now that we have developed a base budget for 2022 forward, and have a general framework for ARPA...

- What are the Board's priorities for 2022 and 2023 Budgets?
- What initiatives does the Board want us to examine prior to the 2022 Budget development?

NEXT STEPS

- Departments begin to develop their budgets in July and August
- During the Community Survey results reporting, the Board will have an additional opportunity to refine priorities for 2022 and beyond
- Town Administrator meets with departments in September to align requests with community engagement input and latest revenue data
- October 15: Board receives Town Administrator Recommended 2022 Budget for consideration

SUMMARY

- COVID did not impact the Town's immediate revenues as much as other municipalities
 - Tourist and downtown areas were very significantly impacted
 - This is not to minimize what the businesses in Town experienced
- Due to the growth and the lower expenditures, the Town ended 2020 well, and all indications are 2021 will exceed our expectations, and fund reserves will increase this year
- The ARPA monies are to be directed at ways the Town can become more resilient to future unknown events
- As the Town grows we will have resources to maintain service levels and continue improving the quality-of-life for Erie residents and businesses