



## TOWN OF ERIE MEMORANDUM

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

**Copy:** Town Clerk's Office

**FROM:** Candice Huot – Finance Manager

**DATE:** November 9, 2021

**SUBJECT:** 2nd Supplemental Appropriation – 2021 - Town

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We are pleased to present the Board of Trustees with the 2nd Supplemental Appropriation Request to amend the 2021 Town Budget.

The Town of Erie adopted the 2021 Budget on December 8, 2020. Typically, at least twice yearly staff reviews the adopted budget and year-to-date actual revenues and expenditures to determine if changes to the adopted budget are required. Based on these reviews, staff proposes supplemental appropriations to update the budget to reflect actual revenues and expenditures of the prior and current year, year-to-date Board of Trustee actions, and projected revenues and expenditures for the remaining fiscal year. The Board approved the first supplemental request on June 22, 2021, which consisted primarily of rollover appropriations that were approved for the prior year budget.

Accompanying this memo are various schedules, described below. This memorandum and the attached schedules provide information on all significant changes. Changes are presented in categories such as new requests, rollover requests for capital projects, requests previously approved by the Board, and significant transfers of existing appropriations between budget line items. Although some data is presented as the total of all funds, each fund is independent of the other funds.

The following schedules are included in this packet:

- General Fund – Fund Balance and Reserve Ratio Calculation
- Summary of requested changes
- Detail listing of requested changes
- 2021 Capital Project summary

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

Changes in Fund Balances/Working Capital - 2021 Budget - 2nd Supp.						
	Beginning Balance	Revenues	Expenditures	Net Increase/Decrease	Other Changes	Ending Balance
General Fund	\$ 29,013,058	\$ 36,095,431	\$ 43,832,774	\$ (7,737,343)	\$ 1,501,292	\$ 22,777,007
Grants Fund	-	1,463,531	1,463,531	-		-
Trails & Natural Areas Fund	2,419,511	2,074,000	1,538,520	535,480		2,954,991
Conservation Trust Fund	688,205	230,000	362,000	(132,000)		556,205
Cemetery Fund	259,622	28,000	-	28,000		287,622
Total special revenue funds	3,367,338	3,795,531	3,364,051	431,480	-	3,798,818
Capital Maint./Lifecycle Replacement Fund	-	-	-	-		-
Capital Improvements Fund	-	-	-	-		-
Transportation Impact Fund	12,776,889	6,358,200	12,693,900	(6,335,700)		6,441,189
Public Facilities Impact Fund	4,842,665	1,387,700	88,600	1,299,100		6,141,765
Parks Improvement Impact Fund	11,082,029	3,506,400	11,418,484	(7,912,084)		3,169,945
Tree Impact Fund	784,655	187,000	369,300	(182,300)		602,355
Storm Drainage Impact Fund	6,334,792	990,400	2,702,900	(1,712,500)		4,622,292
Fleet & Equipment Acquisiton Fund	426,743	1,050,760	1,381,660	(330,900)		95,843
Total capital funds	36,247,772	13,480,460	28,654,844	(15,174,384)	-	21,073,388
Water Fund	65,267,184	26,035,400	58,242,950	(32,207,550)		33,059,634
Wastewater Fund	29,491,506	10,532,800	33,652,150	(23,119,350)		6,372,156
Storm Drainage Operating Fund	4,763,350	4,452,900	5,992,875	(1,539,975)		3,223,375
Airport Fund	164,576	264,700	270,300	(5,600)		158,976
Total enterprise funds	99,686,616	41,285,800	98,158,275	(56,872,475)	-	42,814,141
Totals (for memorandum purposes only)	\$ 168,314,785	\$ 94,657,222	\$ 174,009,944	\$ (79,352,722)	\$ 1,501,292	\$ 90,463,355

### **Revenue Changes:**

At this time, staff projects 2021 total General Fund revenues will be approximately \$36.1 million, a decrease of approximately \$486,000 compared to the projection at the 1<sup>st</sup> supplemental. This is mainly due to lower than expected Recreation revenues. In the 1<sup>st</sup> supplemental request, Town staff projected significant net increase to sales tax revenues. Actual monthly sales tax receipts for 2021 have been trending 15% higher than budget. Permit-related and other development-related revenues are also performing better than budget, primarily due to the Nine Mile development project. We still expect most General Fund revenue categories to outperform budget, except for Recreation revenues. Significant revenue changes are as follows:

- In the original 2021, Staff projected approximately \$2.3 million in Recreation revenues. At the time, most experts predicted a return to normal following widespread availability of the Covid-19 vaccine. However, the return to normal did not occur as projected and revenues have fallen short of expectations. Limited capacities, continuation of mask orders, and the delta variant all contributed to a reduction in revenues realized. Staff conservatively projects a \$589,000 decrease in this revenue for the 2<sup>nd</sup> supplemental, compared to the current budget. Staff continue to seek innovative solutions and to provide recreational opportunities that work in compliance with local public health orders and sentiment to meet the needs of the community.
- In the General Fund, staff also projects an additional \$93,000 of ARPA grant revenues, \$75,000 of which will be used to fund the employee COVID testing program and \$18,000 to purchase the Origami software system to assist staff tracking vaccinations and weekly testing in a manner that keeps employee health information confidential.
- In the Fleet and Equipment Acquisition, staff projects an additional transfer in from the General Fund of approximately \$333,000 to purchase a replacement sweeper the BOARD approved on August 24 via Resolution 21-350. This purchase was originally planned for the 2022 Budget. However, while we are experiencing long lead-time and supply chain issues on other procurements, the sweeper vendor informed staff that one unit has unexpectedly become available. Accordingly, staff requests the Board approve this purchase for 2021 instead of 2022 to take advantage of this availability.
- In the Storm Drainage Operating Fund, staff projects an additional transfer of \$712,000 from the Storm Drainage Impact Fund to cover 100% the costs of the Coal Creek from Levee to RR Track project. This project was previously thought to be 50% growth-related and the original budget only reflect 50% transfer in from the Impact Fund. However, engineering staff recently confirmed that this project is 100% growth-related and can be fully funded by the Impact Fund.
- Staff is implementing a change in Grant accounting and recommends creating the new Grant Fund starting in 2021 to better account/budget/report on grants. \$1.5 million of revenues in the Grants Fund reflect grant revenues previously accounted for in the General Fund. There is no fiscal impact in the original grant revenue/expenditures in the General Fund resulted from this change.

## **Expenditure Requests:**

Staff is requesting additional appropriations of approximately \$9.7 million across all funds in the 2<sup>nd</sup> supplemental, \$5.6 million of which is in the General Fund. Of the \$5.6 million total requests in the General Fund, \$5.2 million is for new requests, while \$408,300 is for Board previously approved items. Significant new expenditure and transfer requests/reductions over \$50,000 presented in order of magnitude as follows:

- **Coal Creek Park (General and Tree Impact Fund)** – Staff recently presented the Board with an agreement and guaranteed maximum price (GMP) to begin mobilization, earthwork and site clearing necessary to redevelop Coal Creek Park. Staff also informed the Board that the total cost for Coal Creek Park excluding additional parking along Kattell street is approximately \$7.6 million. The current 2021 Budget includes approximately \$3.3 million in appropriation from the Parks Impact Fund for that portion of the project that is related to growth (and therefore eligible to be funded from impact fees). Staff cautiously analyzed the use of Parks impact fees and have determined the remaining portion of the project (unrelated to growth) would have to be funded by the General Fund. Staff is requesting to appropriate the remaining estimated project costs of approximately \$4.184 million from the General Fund from 2021 available fund balance and \$105,000 from the Tree Impact Fund in the 2<sup>nd</sup> supplemental.

The volatile construction market and inflated materials pricing resulting from the pandemic and supply chain delays is likely to increase costs in 2022. We would like to continue moving forward with this project quickly and efficiently and be prepared to move into constructing site amenities, landscape and hardscape as our contractor secures competitive pricing from suppliers and subcontractors. This work will include building the playground, ice rink/splash pad, storage buildings, event plaza and walkways. Any additional parking along Kattell Street is not reflected in this budget request and would need to come forward at a future date.

- **Accounting for Grants** - \$1.5 million of new appropriation in the Grants Fund is primarily a result of a change in the way we account for Grant revenues and expenses as mentioned above. There is no fiscal impact in the original grant revenue/expenditures in the General Fund resulted from this change.
- **Schofield Farm (Parks Impact Fund/TNAF/General Fund)** – Staff recommends appropriating approximately \$1 million for the Rehabilitation and improvements at Schofield Farm in the 2<sup>nd</sup> supplemental. Cash in lieu collected from the developers for open space and parks is the main funding source for this project. Staff is requesting \$502,000 in funding from the T&NAF, \$497,000 from the Parks Impact Fund and the

remaining \$32,000 from the General Fund. The proposed work cannot wait as the farmhouse continues to deteriorate further, making it a high priority. Again, to be ready to secure competitive pricing from suppliers and subcontractors in this challenging supply and labor environment, staff recommends appropriating this in 2021 second supplemental.

- **Transfer from Storm Impact Fund to the Storm Drainage Operating Fund** – As mentioned in the revenue section above, staff requests a transfer of \$712,000 to the Storm Drainage Operating Fund to fund the cost of the Coal Creek from Levee to RR Track project.
- **Energov Replacement (General Fund)** - \$575,000 for both software and temporary staffing for software implementation – During a study session on August 17, staff presented to the Board the current land development process metrics and tracking. Staff explained that the current Energov application is ineffective and provides limited reporting capabilities we need to track these performance measures and metrics. The program crashes frequently and is not user-friendly. These deficiencies were identified through the SOLVE process and staff has been evaluating different software. With this new software, the Planning and Development Department will have better reporting capabilities for the metrics discussed, track land use applications in real time, and expand the capabilities for permitting not only within the Building Division, but with other departments and divisions as well. Staff would like to move quickly on this project and is requesting approximately \$517,000 for the purchase of the software and \$58,000 at this time for consulting/contracting services to aid in the implementation. Town staff members are currently writing a Request for Proposal for these services, and may have to ask for more support in 2022.
- **Use tax payment to the City of Lafayette (General Fund)** – Staff is requesting approximately \$350,000 for an anticipated payment to the City of Lafayette pursuant to Tax Revenue Sharing section C of the intergovernmental agreement executed in 2019. The agreement establishes that the Town will share Erie tax revenue generated from the “Erie Development parcel” with Lafayette on a 50%-50% basis with Lafayette receiving 50% of the net, unrestricted Erie Tax Revenue (excluding incentive obligations committed by the Town). “Erie Tax Revenue” is defined in the agreement to include Erie’s sales, use, lodging, and admissions, amusement, excise and any other sales or activity based taxes for activities occurring on the Erie Development Parcel”.

Pursuant to the Eighth Amendment to the Disposition and Development Agreement with Evergreen-287 & Arapahoe, LLC., the Town has committed to reimburse the developer up to \$12.8 million of Eligible Costs from the sales tax increment generated

by the Retail Property – phase 1. The Town also pledged all of the net incremental property tax revenues generated within the URA boundary and 50% of the total incremental sales tax revenues generated within the Retail Property – phase 1 for the issuance of the Nine Mile Metropolitan District Special Revenue Bonds Series 2020. With these incentive payment commitments in place, staff projects the Town does not have any remaining sales tax increment revenues to share with the City of Lafayette until 2023. The request in the 2<sup>nd</sup> supplemental is for payment related to shared use tax revenues generated from the Nine Mile permits in 2021.

- **Transfer from General Fund to Fleet & Equipment Acquisition Fund** - As mentioned in the revenue section above, staff requests an additional \$330,000 transfer from the General Fund to the Fleet & Equipment Acquisition Fund to purchase a replacement sweeper the Board approved on August 24, moving it to 2021 to take advantage of its current availability and avoid supply chain issues.
- **Mobile Pumper - NEW (Water Fund) - \$255,400** - The current project name is Broomfield Interconnection; however, the name is changed to Mobile Pumper as there is not a Broomfield connection planned at this time. The scope has changed to include design and construction of one by-pass vault for pumping from Zone 3 to Zone 4B; and design and procurement of a mobile pumper unit mounted on a trailer. In a Zone wide emergency, the by-pass equipment will allow a Zone 3 Pump Station to provide flow into Zone 4B to meet demands; this is a critical function because Zone 4B does not have a backup storage tank. There is currently \$195,678 available in the 2021 Budget. The total budget required is \$451,078. Staff is requesting \$255,400 in the 2<sup>nd</sup> Supplemental to complete the project in 2021. The procurement of the mobile pumper and completion of the by-pass vault is scheduled to be completed by the end of 2021, to make the emergency pumping capability available in early 2022.
- **Erie Parkway Emergency Repair (Water Fund) - \$90,000** – Staff is requesting an additional \$90,000 to cover the emergency repairs necessitated by a sinkhole on Erie Parkway. On Tuesday July 20, an Irrigation ditch crossing located on Erie Parkway, the Town’s main thoroughfare for accessing I-25, developed a sinkhole in the evening. The sinkhole quickly grew as the road was shut down and staff realized additional resources would be necessary to make repairs. In addition, a 30” water line that passed under the crossing to the north was taking water into the trench at an extremely high rate. Staff and vendor responded within 24 hours. The repairs included removing the road, replacing an old 60” irrigation pipe, and using Flash Fill materials to allow quick asphalt patching.

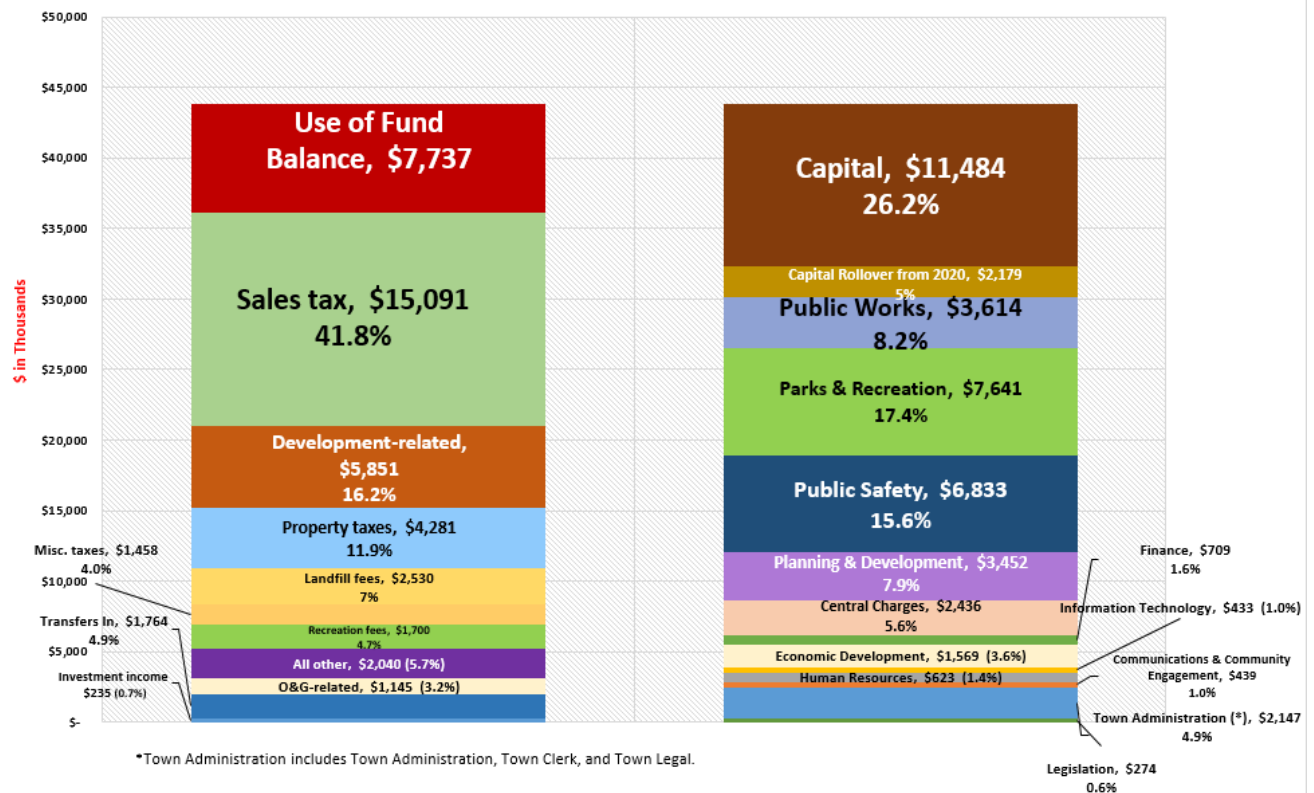
- **Revitalization Incentive Grants (General Fund)** - Staff also requests a reduction of \$130,000 in the Economic Development department budget, which was previously approved by the Board for the Revitalization Incentive Grant program in Historic Old Town. Staff has determined it is more appropriate to fund this Grant program from the Urban Renewal Authority Fund instead of the General Fund.
- **COVID Testing and related Tracking Software (General/Grants Fund)** - As mentioned in the revenue section above, staff is requesting an additional \$93,000 for employee COVID testing and supporting COVID software, both of which are funded by ARPA funds.
- **Grant to DEBA for Downtown beautification efforts (General Fund)** – The 2<sup>nd</sup> supplemental request also includes \$75,000 in the Economic Development budget, for this Grant, which the Board approved on September 14 via Resolution 21-121.
- **Plant Chemicals** (Water/Wastewater Fund) – Staff requests additional budget for plant chemicals of approximately \$65,000 in the Water Fund and \$50,000 in the Wastewater Fund due to rising costs.

Summary and details of all changes are included in an attachment to this memorandum.

### **Conclusion**

As a result of the foregoing, the 2nd supplemental forecast reflects a \$7.7 million use of fund balance in the General Fund, primarily due to a one-time use of fund balance for the Coal Creek project and capital projects rollover from 2020. As the chart on the following page shows, this use of fund balance is made possible by the significant operating surplus built up in previous years, especially 2020, that can now be drawn on to cash fund the Board's priority capital projects. Additionally, current trends suggest that we will end 2021 much better than budget based on the actuals we are seeing. However, given the recent volatility, we want to continue to project revenues in a cautious manner.

## General Fund Budget 2021 Revenues and Expenses

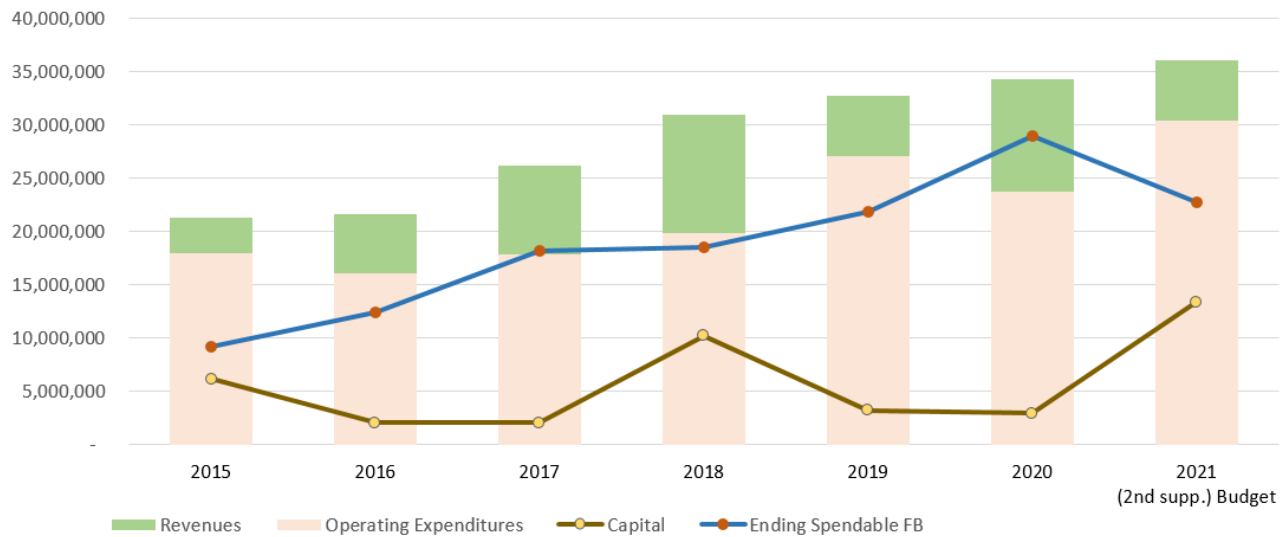


The projected “available fund balance” for the General Fund is approximately \$22.7 million, compared to \$28.9 million projected in the 1<sup>st</sup> supplemental Budget. This “available fund balance” represents 80% of total personnel & operating expenditures (excludes capital and debt service expenditures) at the end of 2021, compared to 105% in previous forecast. Detailed calculation of the General Fund Reserve Ratio is included in this packet.

To better explain the significant drop in spendable balance, it is useful to look at the history of spendable balance in relation to capital expenditures and operating surplus below.



### General Fund Fund Balance Summary (2015-2021)



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

The 2021 projected General Fund balance still far exceeds both the minimum reserve of 25% of Operating expenditures required by the Municipal Code and the additional Stabilization Reserve of \$7.5 million, which was passed via resolution 10-40 in 2010. However, due to the volatility of some of the Town's revenue streams and significant long-term capital maintenance needs in the future, the Town should continue to give special care to decisions committing a significant portion of the Town's fund balance.

## **Fund Accounting:**

A key requirement of governmental accounting is to determine and demonstrate compliance with finance-related legal and contractual provisions. To accomplish these goals, governments use fund accounting. A fund is a self-balancing set of accounts, segregated for specific purposes in accordance with laws and regulations or special restrictions and limitations.

For example, the Town has established the Trails and Natural Areas Fund to record receipts of dedicated property taxes for trails and natural areas, open space fees-in-lieu received from developers and investment earnings on unspent funds, among other revenue sources. Expenditures by this fund are for approved purposes such as the purchase of open space, construction of trails, and maintenance of trails and natural areas.

The Town has the following funds, grouped by type of fund:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in one of the following funds.

**Special Revenue Funds** - Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**Trails and Natural Areas Fund:** Accounts for property tax revenues and other restricted revenues used to acquire and construct trails; to acquire and develop natural areas for public use; and for maintenance of trails and natural areas.

**Conservation Trust Fund:** Accounts for revenues received from the Colorado State Lottery proceeds through the State's Conservation Trust Fund. It is used to acquire, develop, and maintain new conservation sites; and for capital improvements or maintenance for recreational purposes on any public site.

**Cemetery Fund:** Accounts for revenues received from plot purchases at the municipal cemetery. Money is used for perpetual care expenditures at the cemetery.

**Impact Fee Funds** – Impact fee funds (more accurately referred to as “capital project funds” from a formal accounting standpoint) are primarily used to account for the acquisition and construction of major capital facilities other than those paid for by the general fund, or the enterprise funds (see below).

**Parks Improvement Impact Fund:** Accounts for impact fee revenues, fees-in-lieu and reimbursements from developers and grants used to construct and acquire parks and related improvements.

**Public Facilities Impact Fund:** Accounts for impact fee revenues and grants used to construct and acquire public facilities.

**Storm Drainage Impact Fund:** Accounts for impact fee revenues used to acquire and construct the storm drainage system. See also "Storm Drainage Operating Fund" below.

**Transportation Impact Fund:** Accounts for impact fee revenues, fees-in-lieu and reimbursements from developers and grants used to construct and acquire transportation system enhancements.

**Tree Impact Fund:** Accounts for impact fee revenues used to acquire and plant trees in public locations, and to issue certificates for tree purchases to homeowners of newly constructed homes.

**Enterprise Funds** - Enterprise funds are used for the Town's ongoing activities which are similar to those found in the private sector. These funds are generally expected to be self-supporting. Among other restrictions, no more than 10% of their revenues can come from state or local governments (including the Town) to support their activities.

**Water Fund:** Accounts for the acquisition, treatment, and distribution of the Town's water supply. Includes all water-related revenues (tap fees, water resource fees and user fees), along with associated personnel, operating, capital and debt service expenditures.

**Wastewater Fund:** Accounts for the collection and treatment of wastewater in the Town's wastewater system. Includes all wastewater-related revenues (tap fees and user fees), along with associated personnel, operating, capital and debt service expenditures.

**Storm Drainage Operating Fund:** Accounts for charges received from system users, used to construct and maintain the storm drainage system. Includes all storm drainage-related revenues (user fees), along with associated personnel, operating, capital and debt service expenditures. Also includes transfers of impact fees from the Storm Drainage Impact Fund to help construct growth-related capital projects.

**Airport Fund:** Accounts for airport fees received from the airport management company and airport users, as well as proceeds from federal and state aviation grants (the primary source of revenues for this fund). These revenues are used primarily for airport capital projects.

**Internal Service Funds** – In 2019 the Town created its first internal service fund – the Fleet and Equipment Acquisition Fund ("Fleet Fund"). Internal service funds are funds that primarily provide services to other parts of the government. The Fleet Fund will be used for

the purchase of new and replacement vehicles and heavy equipment, along with an ongoing funding plan to provide for future acquisitions as needed.

**Fund Balance/Working Capital** – Two other key terms to understand are *fund balance* and *working capital* (in the case of proprietary funds). You will see these terms throughout budget reports (and the monthly Board report). These amounts represent the accumulated revenues in excess of expenditures in each fund that are available for appropriation. (Note: Different terms and definitions are used in the audited financial statements, which in some cases will result in different amounts being reported in the audited financial statements from those presented in budget reports.)