



TOWN OF ERIE MEMORANDUM

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

FROM: Cassie Bethune, Finance Manager
Malcolm Fleming, Town Administrator
Stefanie Furman, Finance Director

DATE: October 21, 2022

SUBJECT: 2023 Recommended Town Budget

We are pleased to present for your consideration the Recommended 2023 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. Staff provided the recommended budget to the Board on October 13, 2022 and reviewed it with the Board at the October 18, 2022 study session. Since that date, staff has updated the material to include corrections to permit revenues and Public Safety salaries and related benefits.

The fast pace of development in Town demands that we add capacity to maintain current service levels. However, even though Erie's local economy has not yet showed signs of slowing down, the current uncertainty in state, national, and international economies requires we be cautious and only add new reoccurring expenses that we are certain we can sustain over the long run. To do this, we use our five-year forecast to determine the limits of what we can sustain while maintaining current service levels in all areas as the Town grows. The Recommended Budget maintains prudent reserves over the 5-year forecast period while also allowing the Town to address the Board's strategic and budget priorities identified during the Board's budget retreat and study sessions:

Strategic Priorities to guide the work we do:

- ✓ Attractive Community Amenities
- ✓ Engaged and Diverse Community
- ✓ Prosperous Economy
- ✓ Well-Maintained Transportation Infrastructure
- ✓ Small Town Feel

- ✓ Safe and Healthy Community
- ✓ Effective Governance
- ✓ Environmentally Sustainable
- ✓ Fiscally Responsible

Budget Priorities for 2023:

- Town Center Initiatives
 - Community engagement to determine civic uses in Town Center
 - ? Performing/Cultural Arts Center
 - ? Museum
 - ? Multi-purpose Center and/or Town office space
 - ? Other
 - Work with selected developer to finalize plan for Town's property and secure anchor tenants
 - Construct north roundabout
 - Complete design on the south roundabout
- I-25 Erie Gateway planning, design, and financing
- Affordable Housing
- Sustainability/Solar Initiatives
- Capital projects (including Downtown Infrastructure Improvements)
- Town Hall expansion
- Funding plan for facility expansions (Town Center Civic, PD, LAWS, ECC, 2nd ECC)
- Airport plan to catalyze economic development for the benefit of the entire Town
- Contingency plan (if voters approve Home Rule Commission) for staff to provide information for and respond to questions from the Home Rule Commission
- Organizational Capacity: staffing, support, systems, and applications to effectively manage core services, strategic priorities and 2023 Budget Priorities

Technical Details

This memo outlines the significant changes between 2022 Amended Budget and 2023 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.

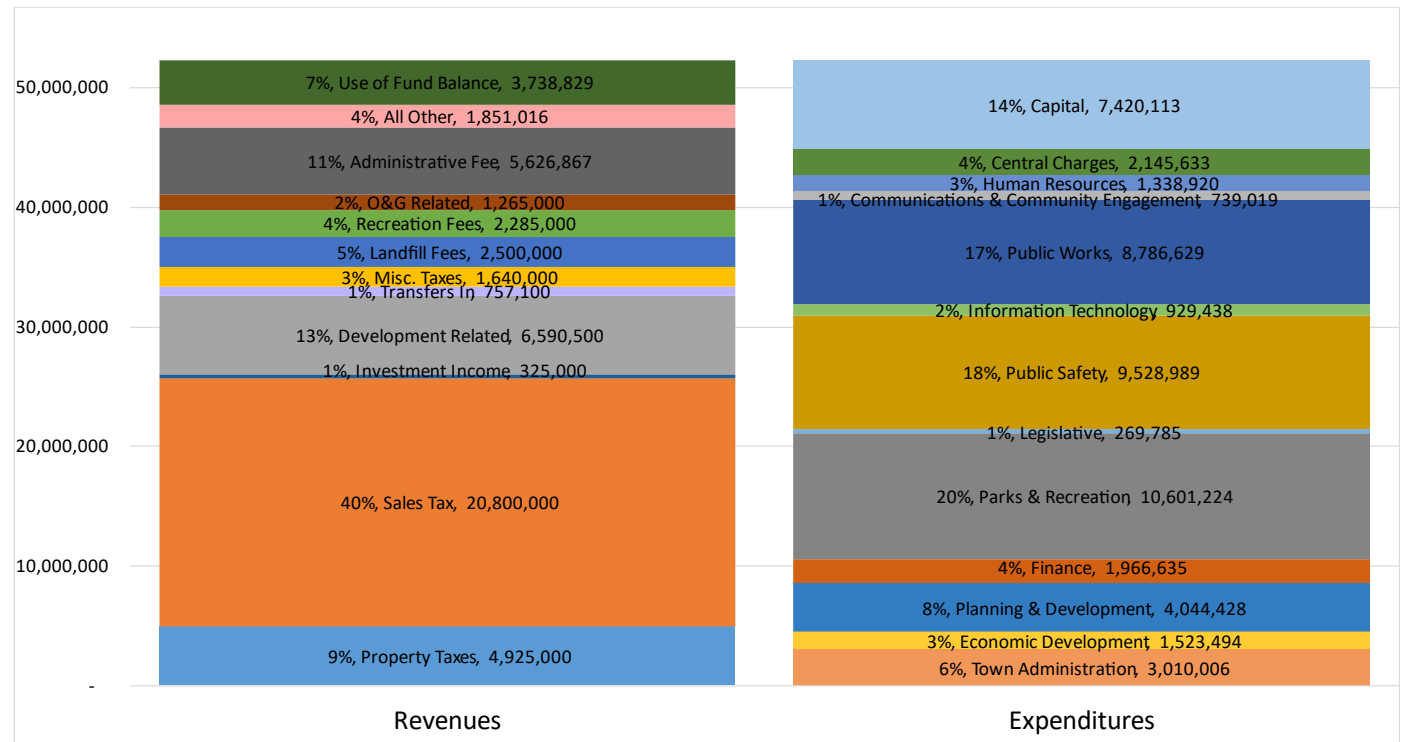
Fund Recap

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 - 2023 Recommended Budget						
	Beginning Balance	Revenues	Expenditures	Net Increase/ Decrease	Other Changes	Ending Balance
General Fund	\$ 26,892,268	48,565,483	52,304,312	\$ (3,738,829)	\$ (608,664)	\$ 22,544,775
Grants Fund	176	587,500	587,500	-		176
Trails & Natural Areas Fund	3,804,022	2,288,234	2,262,030	26,204		3,830,226
Conservation Trust Fund	416,127	239,500	370,093	(130,593)		285,534
Cemetery Fund	298,235	21,000	-	21,000		319,235
Total special revenue funds	4,518,559	3,136,234	3,219,623	(83,389)	-	4,435,171
Transportation Impact Fund	3,516,936	4,494,000	1,025,000	3,469,000		6,985,936
Public Facilities Impact Fund	5,916,603	1,475,400	4,044,490	(2,569,090)		3,347,513
Parks Improvement Impact Fund	6,377,147	2,602,300	789,375	1,812,925		8,190,072
Police Facilities Impact Fund	-	402,000	-	402,000	-	402,000
Tree Impact Fund	845,821	197,411	149,350	48,061		893,882
Storm Drainage Impact Fund	5,660,727	1,031,100	-	1,031,100		6,691,827
Fleet & Equipment Acquisition Fund	(107,351)	933,101	933,101	-		(107,351)
Total capital funds	22,209,883	11,135,312	6,941,316	4,193,996	-	26,403,878
Water Fund	20,768,285	29,447,192	44,153,460	(14,706,268)		6,062,016
Wastewater Fund	17,178,343	11,330,350	7,484,544	3,845,806		21,024,149
Storm Drainage Operating Fund	585,525	1,875,195	1,807,377	67,818		653,343
Airport Fund	149,107	294,000	312,292	(18,292)		130,815
Total enterprise funds	38,681,259	42,946,737	53,757,673	(10,810,936)	-	27,870,323
Totals (for memorandum purposes only)	\$ 92,301,968	\$ 105,783,766	\$ 116,222,924	\$ (10,439,158)	\$ (608,664)	\$ 81,254,147

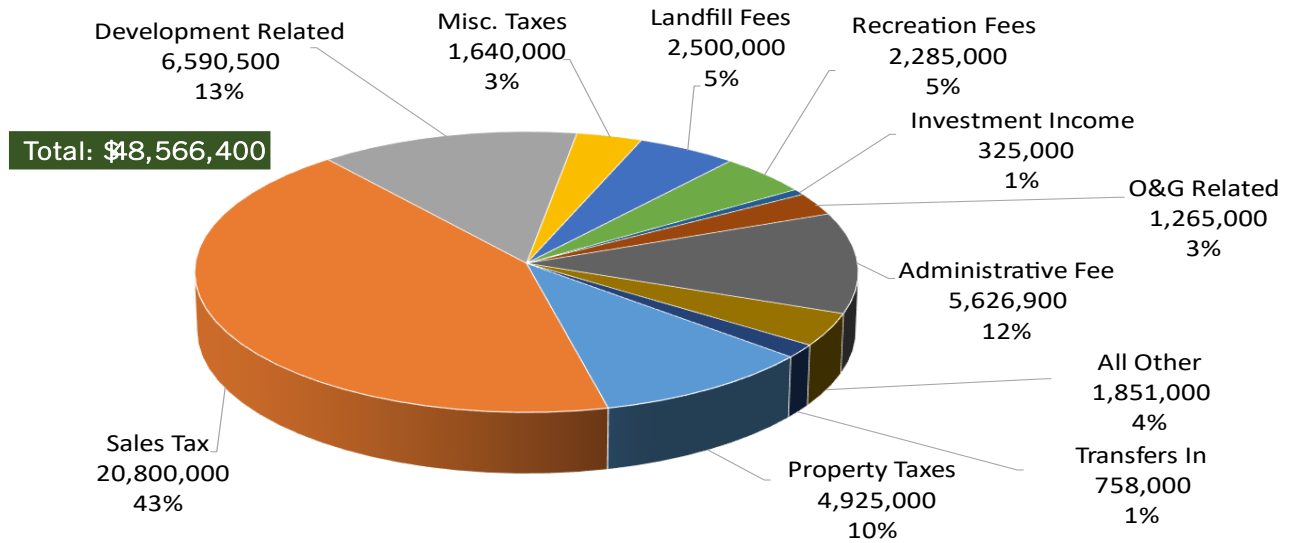
The General Fund

The General Fund 2023 Recommended Budget reflects a balanced budget with the use of \$3.7M reserves to help fund capital projects.

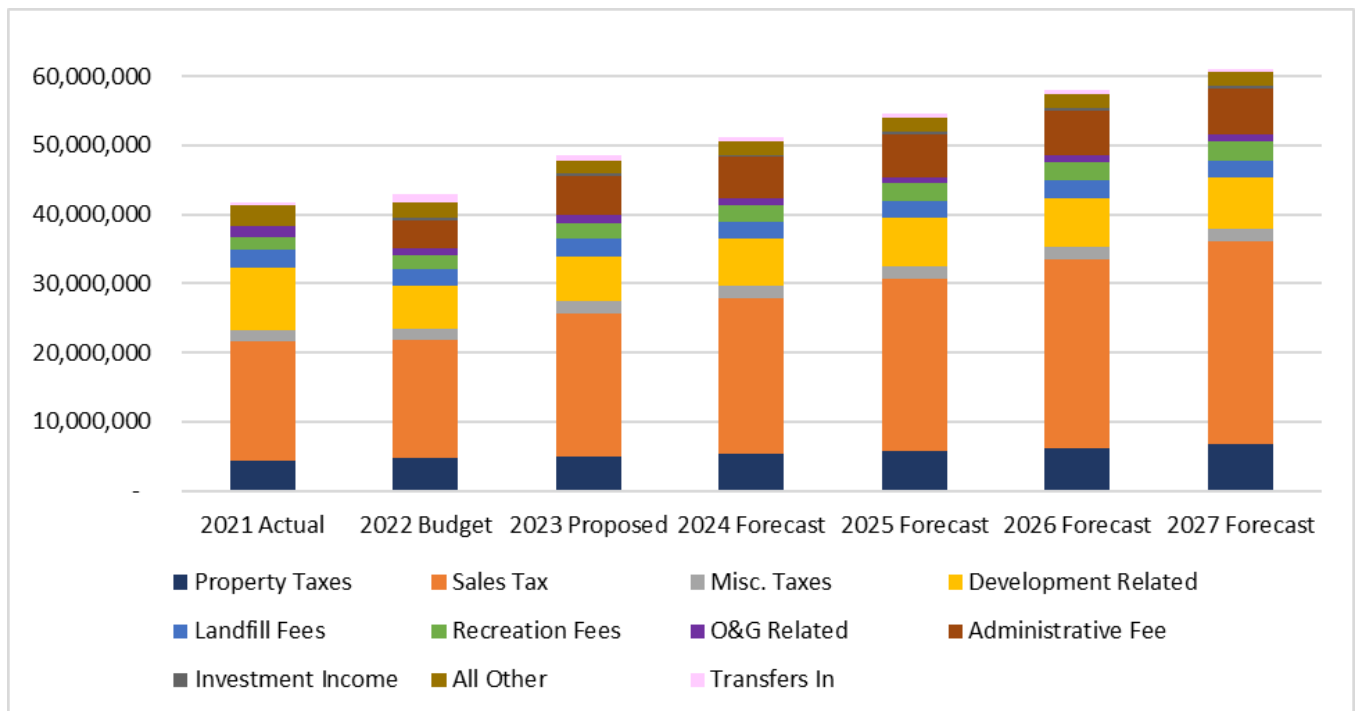


Revenues & Transfers from Other Funds:

General Fund revenues including transfers in for 2023 total \$48.6 million, up \$5.5 million or 13% compared to 2022. The total administrative fee the General Fund collects from other funds (Enterprises and URA) is projected to be approximately \$5.6 million in 2023. The relative amounts by revenue source for 2023 can be seen in the following graph:



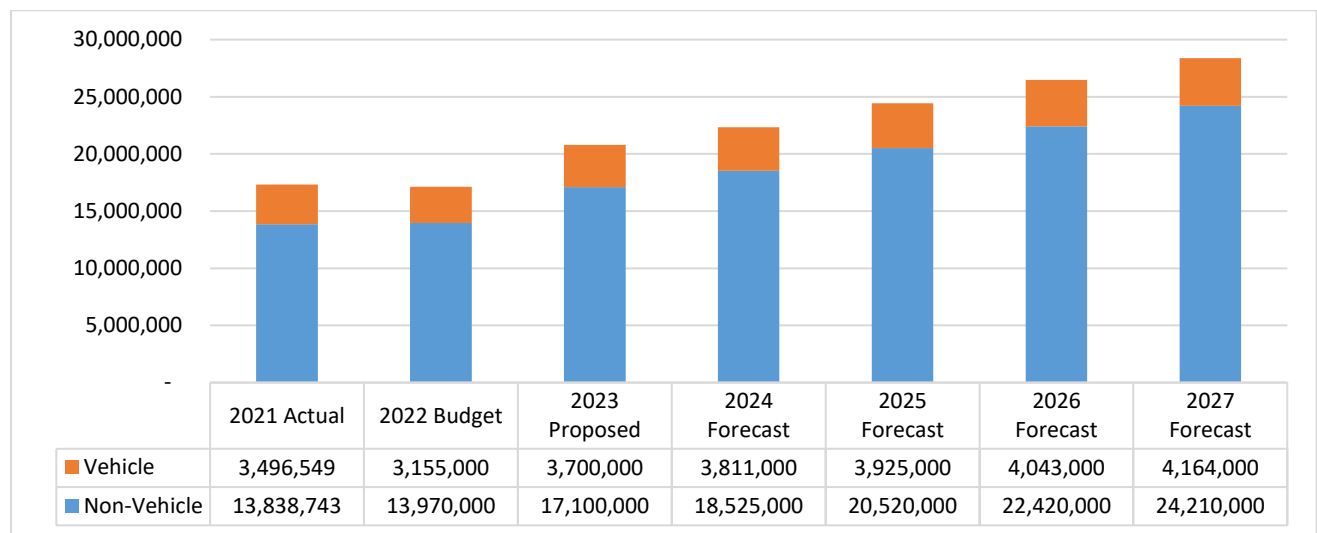
As can be seen from the graph above, taxes - sales, property, and miscellaneous taxes - account for 56% of General fund revenues in 2023. (**Note:** Property taxes as reflected in the various charts do not include property taxes related to oil and gas activities, which are reflected in "O&G-related" revenues and discussed below.) The next biggest category of revenues for 2023 is development-related revenues at 13% of total revenues. Fund revenues by category have trended over time as depicted in the following chart.



Sales tax:

Sales tax, which makes up about 43% of total General Fund Revenues in 2023 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 and most restaurants in Erie appear to have recovered from most impacts associated with the pandemic.

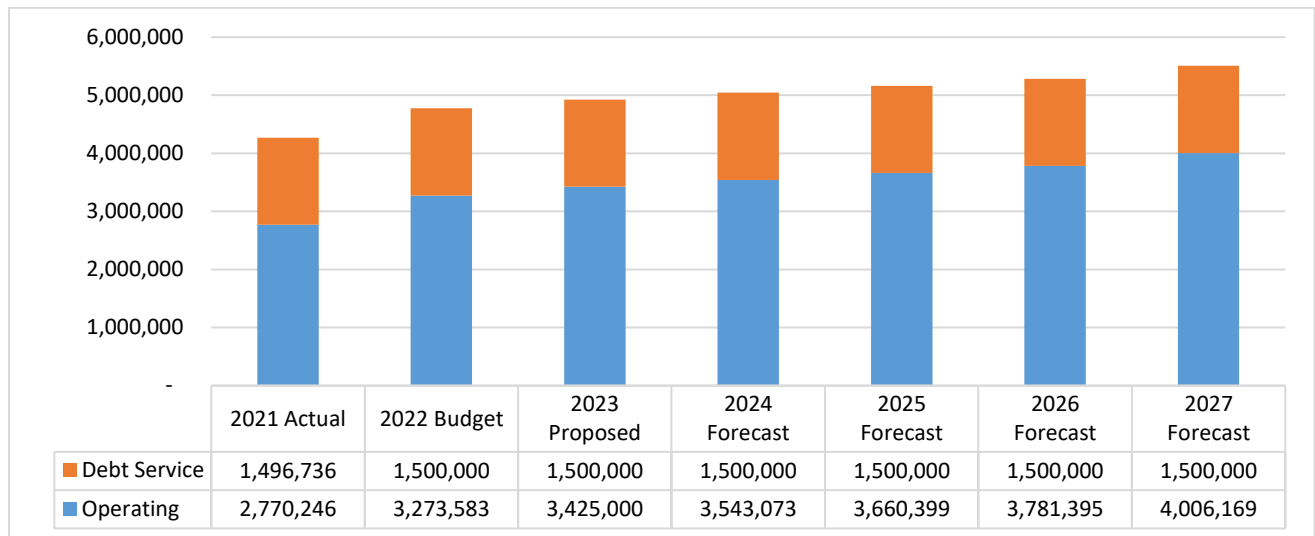
Staff projects total Sales Tax revenues for 2023 will be \$20.8 million, which includes \$17.1 million of retail sales tax and \$3.7 million of sales tax from vehicles purchased by Erie residents. Trends in sales taxes are illustrated in the graph below.



Property Tax (excluding oil & gas related):

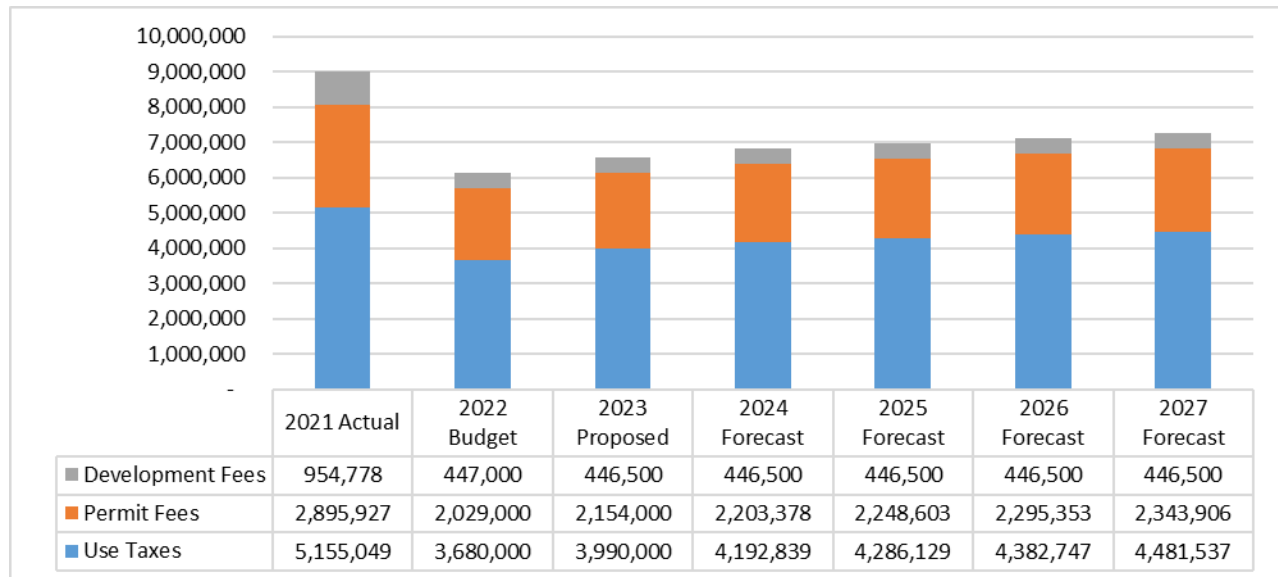
Property tax revenue makes up approximately 10% of the total General Fund revenue in 2023. The key driver to this revenue stream is assessed valuations from Weld and Boulder counties and assessment rates. As shown in the revenue graph below, property tax revenue has been growing steadily over the years, reflecting additional construction in the Town (excluding URA areas), and increased assessed valuation while assessment rates have stayed somewhat constant since 2018.

The assessment rates for 2022 continue at 7.15% for residential properties and 29% for commercial properties. Decreases to these rates are allowable through State law and increases to the mill levy require voter approval due to TABOR. According to the preliminary property tax certifications from Weld and Boulder counties, staff projects property tax revenue from this category will be approximately \$4.9 million in 2023, which represents an increase of \$151,000 or 3% compared to 2022. This is illustrated in the chart below.



Development-related Revenues:

Development-related revenues (use taxes, permits and related fees) make up approximately 13% of the total General Fund revenues in 2023. Historically, development-related revenues are the General Fund's most volatile revenues as one would expect in a town growing as fast as Erie. However, based on the number of already approved but unbuilt development plans, we project relatively stable revenues as those developments build out over the forecast period. This is illustrated in the below chart.



The key driver to this revenue stream is the number of residential permits issued and anticipated commercial development. In 2023, 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 (but significant number of lots that are already approved for development).

As a result, and reflecting recently approved developments, staff projects 600 single-family/townhome permits and 140 multi-family permits for commercial, compared to 508 and 140 permits respectively for 2022. Total development-related revenues are projected to increase 7% to \$6.6 million in 2023, compared to \$6.1 million in 2022.

Even at these relatively high levels of construction, they are well below the peak of 909 single-family permits issued in 2004. This contrasts to only 103 permits issued in 2009. Over the above timeframe, development-related revenues have ranged from a low of 8% of total General Fund revenues to a high of 64%, averaging 19% over the last 10 years.

At \$6.6 million, development-related revenues still represent a significant portion (13%) of the General Fund revenues. The volatile nature of these revenues makes it challenging to forecast because any significant change in building activity would have million-dollar impact to the General Fund. Staff believes the forecast prudently accounts for the relative volatility of this revenue source as it reflects a significantly lower portion of total General Fund revenue than past years.

Oil & Gas (O&G) Revenues:

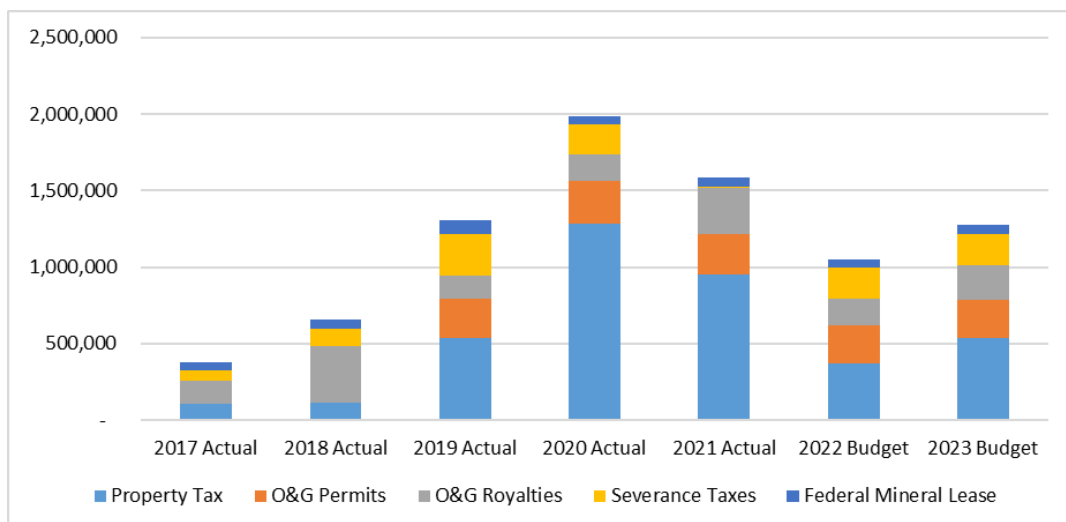
A second source of volatile revenue is that from oil and gas activities. These include property taxes from oil and gas activities, severance taxes, Federal Mineral Lease payments, crossing fees and royalties. For 2023, staff projects O&G related revenues will make up 3% of the General fund total revenues, compared to 2% in 2021. At 3%, it is a relatively small piece, but that represents an increase of \$215,000 or 20%, to \$1.27 million compared to \$1.05 million projected in 2022.

O&G property tax revenue, which makes up 42% of this revenue group, is the primary cause of the increase in revenues in 2023. Of the projected \$1.27 million O&G related revenues in 2023, approximately \$535,000 is from property tax. This represents a \$165,000 or 45% increase compared to 2022.

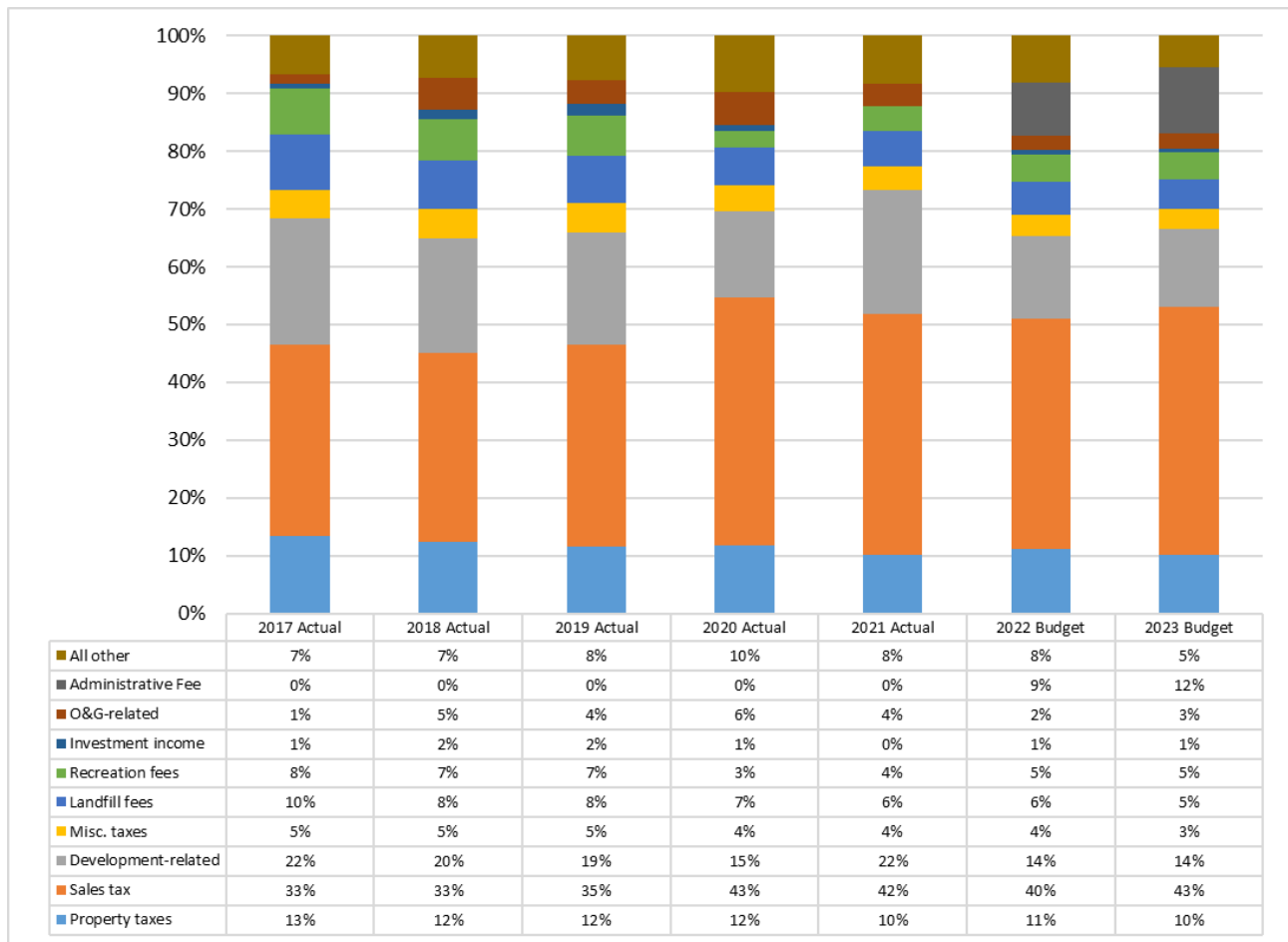
This revenue source is driven by both oil prices and production volume. The chart below shows crude oil historical prices for the last 5 years, the lowest being in 2020 pandemic year. The recent OPEC+ action to curtail OPEC+ oil production may result in higher oil prices and increased revenue above staff's forecast.



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



The below chart puts into perspective the volatility of General Fund revenues sources as it expresses these revenues as a percentage of total revenues. The trends in the chart below show the Town now have a relatively well-diversified and stable mix of revenues.



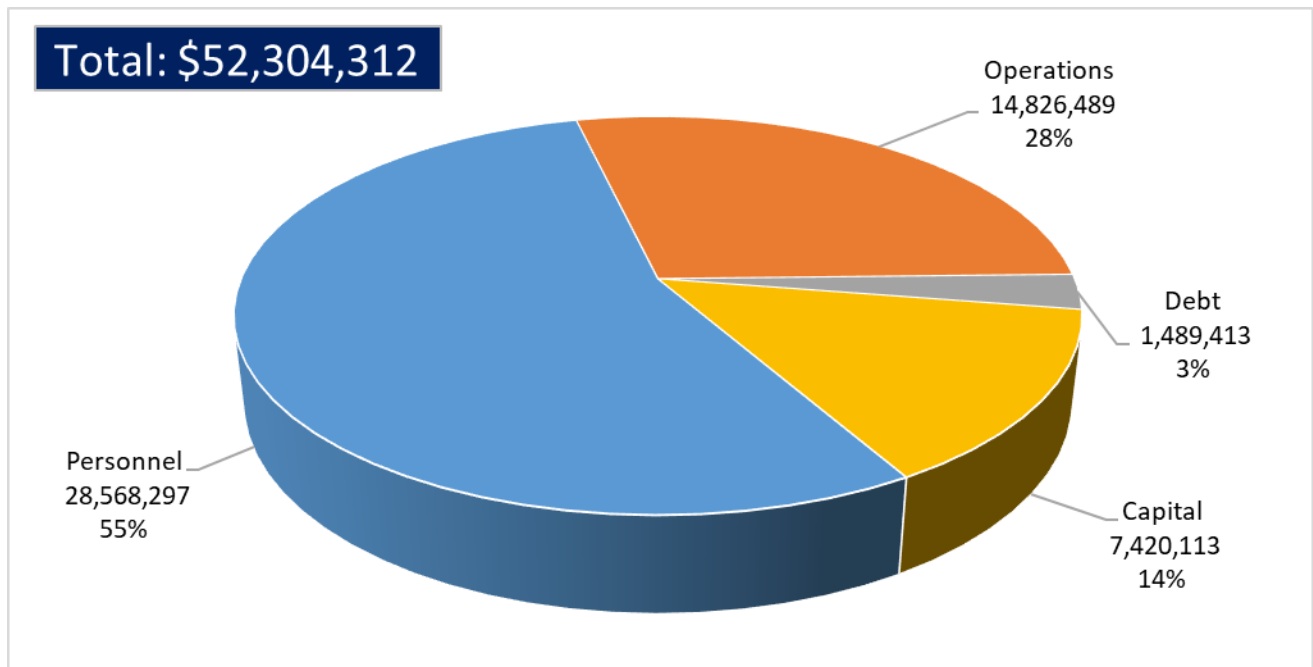
Transfers from Other Funds:

Staff projects \$657,100 transfer from other funds to the General Fund in 2023. This includes \$343,100 anticipated transfer from the Grants fund, \$414,000 transfer from the Trails and Natural Areas Fund to the General Fund to support trail and open space maintenance.

Expenditures & Transfers to Other Funds:

Staff projects total expenditures for 2023 will increase by \$3.6 million to \$52.3 million. This is primarily due to the increase in personnel costs from the market adjustments and adding 22 new positions.

The following chart indicates the relative components of General Fund expenditures and transfers to other funds for 2023:



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

Expenditures	FY 2021 Actuals	FY 2022 Amended Budget (1st Supp)	FY 2023 Recommended Budget	\$ Change	% Change
Personnel	18,463,232	22,913,946	28,568,297	5,654,352	25%
Operations	6,557,058	13,275,057	14,826,489	1,551,432	12%
Debt	1,488,705	1,492,213	1,489,413	(2,801)	0%
Capital	5,285,113	11,049,961	7,420,113	(3,629,848)	-33%
Total:	31,794,107	48,731,177	52,304,312	3,573,136	7%

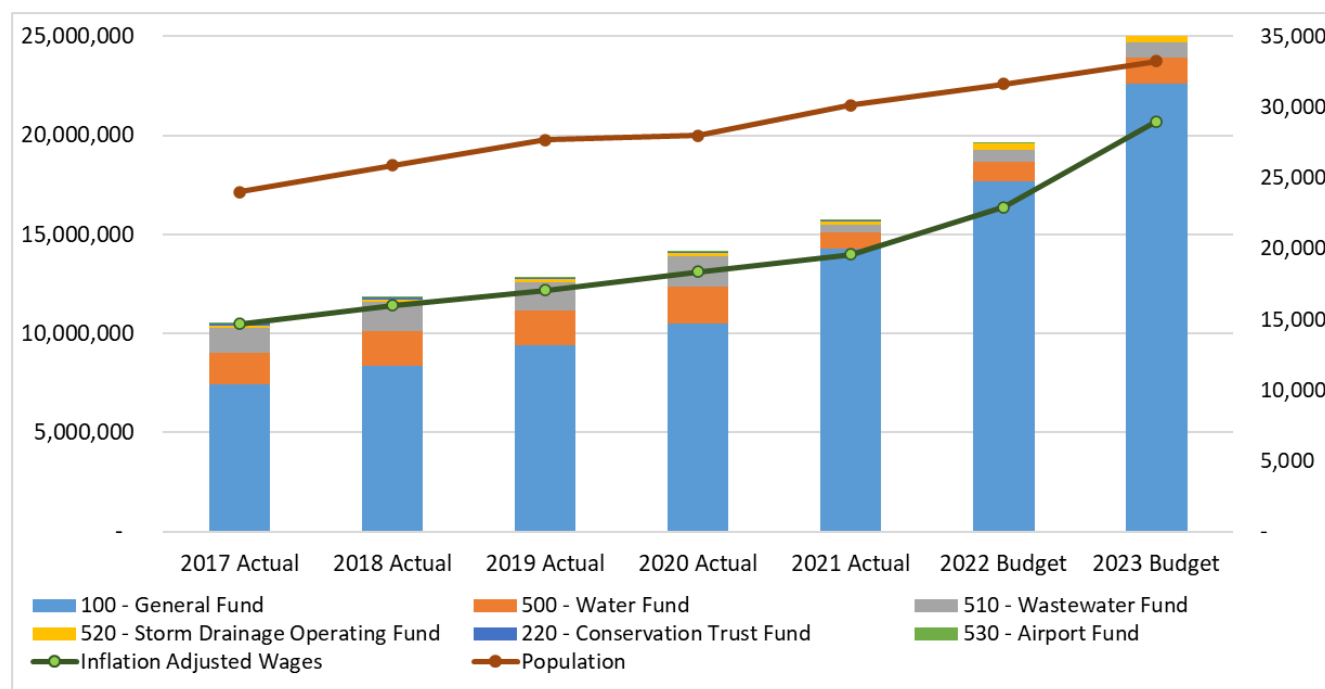
Personnel Expenditures:

Staff projects across all funds, personnel expense (salaries and benefits) to be \$31 million, an increase of \$5.6 million, or 22%. Wages have grown from \$6.1 million in 2008 (when the Erie Community Center opened) to \$25.2 million in 2023.

The Board approved the addition of 44 positions between 2018-2021. The Board also approved 18 new positions in 2022. Staff recommends adding 22 new positions in 2023.

These additions are necessary to keep up with the significant growth in both population and development activity in recent years, maintain expected service levels, and focus on Board priorities of public safety; maintaining community assets; communications and community engagement; oil and gas oversight; advancing diversity, equity, and inclusion; affordable housing; economic development; and improving transportation and mobility in Erie.

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



Personnel expense in 2023 represents 54% of General Fund expenditures, compared to 47% in 2022. As indicated in the table above, General Fund personnel expenditures are projected to be \$27.5 million for 2023, an increase of \$4.6 million, or 20% compared to 2022. Department Directors requested 27 new positions, including 20 (plus one part-time position) in the General Fund and 6 in special revenue funds. While there is good justification for all these positions, the current 5-year forecast projects there will not be sufficient General Fund revenue over the next five years to fund all those positions and still maintain prudent reserves. Consequently, and to be cautious given the current economic uncertainty, the Recommended Budget focuses on the top priorities and includes funding for 16 (plus one part-time) positions in the General Fund and 6 positions in other Funds. If the current economic uncertainty resolves, we can revisit funding for the remaining 4 positions in the 1st supplemental budget in 2023 or in future years. In 2023, these new positions will increase General Fund expenditures by \$1.4 million and other Funds by \$492,000. The positions consist of the following:

General Fund:

- 1. Cybersecurity Analyst (Information Technology)** - As cybersecurity threats become more complex and rampant, the Town needs a dedicated staff member to identify and respond to risks and stay up to date on trends and best practices. In addition, our insurance provider will require us to have a dedicated position in order to provide cybersecurity insurance. The position will cost the General Fund \$127,000 in 2023.
- 2. Pavement Management Coordinator (Public Works)** - This position is needed due to Town growth, expanding assets, and increased need for oversight and budget management of this area. Ensuring timely and proper maintenance of streets is more cost effective than allowing streets to deteriorate and then having to do major reconstruction. The position will cost the General Fund \$87,000 in 2023.
- 3. Police Records Supervisor (Public Safety)** - This position is needed to oversee the Police Records Division, allowing the Admin Manager to focus on overall leadership of the PD administrative function and budget analysis and management. The position will cost the General Fund \$102,000 in 2023.
- 4. Planning Technician (Planning & Development)** - Increased demand for architectural reviews, site plan meeting attendance, inspections and surety monitoring, and CORA requests have put strain on existing Planning staff and make it difficult to review applications timely. The position will cost the General Fund \$87,000 in 2023.
- 5. Housing Analyst (Planning & Development)** – Housing initiatives in the region have increased the need for focus on grant management, community outreach, and assistance with special events. The position will cost the General Fund \$102,000 in 2023.
- 6. Code Enforcement Officer - Zoning (Planning & Development)** - Town growth has increased the need for code enforcement oversight specific to zoning in order to ensure that private property and new development is consistent with adopted plans and zoning. The position will cost the General Fund \$87,000 in 2023.
- 7. Parks Supervisor – Athletic/Weekend Operations (Parks & Recreation)** - The need for consistent, full-time supervisory staff on weekends has greatly increased as the Town continues to take on additional park and open space acreage maintenance responsibilities, coupled with the increased demand for recreational programming for the growing community. The position will cost the General Fund \$102,000 in 2023.
- 8. Forestry Technician II – Climbing Arborist (Parks & Recreation)** - Erie's urban tree canopy is growing exponentially in quantity, size, and tree diversity. It's imperative for the Parks & Open Space Division to grow to meet the maintenance challenges associated with these changing dynamics. Staff with specialized techniques, skills, and equipment are necessary to manage the Town's maturing urban forestry resources. The position will cost the General Fund \$75,000 in 2023.
- 9. Parks Maintenance Tech I/II (Parks & Recreation)** - As the Town rapidly grows, the Parks & Open Space Division continues to take on maintenance of additional park and open space acreage and miles of trails system. The Division needs additional staff to keep up with the recent additions of Erie Community Park Final Phase, Coal Creek Park, Clayton Park, Erie Parkway medians, Downtown Business District, and portions of trail corridors and open spaces through the Northridge, Compass, Colliers Hill,

Wildrose, and Highlands neighborhoods. This position will help the Division maintain service levels the community is accustomed to, while sustainably managing the natural resources entrusted to its care. The position will cost the General Fund \$75,000 in 2023.

- 10. Neighborhood Services Coordinator (Parks & Recreation)** - Town growth has increased the need for code enforcement oversight specific to parks to ensure private parks are in compliance with code and safety requirements. The position will cost the General Fund \$83,000 in 2023.
- 11. Learning & Development Administrator (Human Resources)** - As the Town staff increases, so does the need for consistent and timely training and development of staff. A centralized training and development program will ensure Town staff have the skills and knowledge necessary to work most effectively. The position will cost the General Fund \$75,000 in 2023.
- 12. Administrative Assistant PT (Human Resources)** - As the Town staff increases, the pressures on the existing HR team have made it increasingly difficult to prioritize and timely manage administrative tasks. This position would ensure administrative tasks related to the HR department are handled timely and efficiently. The position will cost the General Fund \$38,000 in 2023.
- 13. Social Media & Digital Content Coordinator (Communications & Community Engagement)** - The community in Erie and Board members are very active on social media and rely heavily on digital content for understanding and relaying information. To help with proactive communication and timely engagement, we need an employee focused solely on that aspect of communications. The desired outcome is a measured increase in useful back and forth engagement with the public that generates information helpful for the Board in policymaking and for Administration with Town programs and projects. The position will cost the General Fund \$81,000 in 2023.
- 14. Local Business Administrator (Economic Development)** - This position is needed to facilitate coordination with the growing number of small businesses and provide effective services that benefit the Erie business community. It will also help develop policies and programs to encourage sustainable commercial practice. The position will cost the General Fund \$94,000 in 2023.
- 15. GIS Technician (Public Works)** - In 2022, the Town hired a GIS Tech as part of an internship. The intern assisted with the implementation of Central Square and other GIS projects. This new position would transition the intern position into a full-time position. This is needed due to increased GIS workloads associated with new programs (Energy/Environment, DEI, Housing, Transportation), and the demands on GIS with the new Central Square Software. The position will cost the General Fund \$87,000 in 2023.
- 16. Community Liaison (Town Administration)** - This position is needed to reach all communities more effectively in the Town's increasing population as we pursue major initiatives. We need to understand what all communities need to feel empowered to engage. This is a crucial component of DEI work. There is a need and current lack of data in this area this position will provide. The position will cost the General Fund \$94,000 in 2023.

- 17. Civil Engineer III – Part Time (Public Works)** – This position is being created to retain (on a part-time basis) an employee who plans to transition to part-time for specific projects for at least the next year prior to retiring in the near future. The current full-time position will be backfilled. The part-time position will cost the General Fund \$68,000 in 2023

Water Fund:

- 1. Mechanical/Electrical Maintenance Tech (Public Works)** – This position is needed to keep up with the daily maintenance activities of the expanding water treatment facility, pump stations, and related facilities due to the Town's growth. This position will allow us to ensure efficient long-term operations, required maintenance, and cleanliness. The position will cost the Water Fund \$81,000 in 2023.
- 2. Meters Maintenance Tech III (Public Works)** - This position is needed to keep up with the daily duties of the Town's Meter Technicians due to the increase in the Town's population and additional water accounts. The position will cost the Water Fund \$87,000 in 2023.
- 3. D&C Locates Maintenance Tech I/II (Public Works)** – This position is needed to keep up with the increase in daily locate requests. These requests have increased 230% since 2020. The position will cost the Water fund \$75,000 in 2023.

Stormwater and Wastewater Funds:

- 1. Stormwater Technician (Public Works)** – The Colorado Department of Public Health & Environment has added new compliance requirements that will impact the Town in 2023. This position will ensure compliance and facilitate additional stormwater quality permit inspections for new development. The position will cost the Storm Drainage operating Fund \$87,000 in 2023.
- 2. D&C Maintenance Tech III (Public Works)** – This position is needed to keep up with the daily duties of the Town's Distribution and Collections (D&C) system Technicians due to the increase in the Town's population and additional infrastructure. The position will cost the Wastewater Fund \$87,000 in 2023.
- 3. D&C Maintenance Tech I/II (Public Works)** – This position is needed to keep up with the daily duties of the Town's D&C Technicians due to the increase in the Town's population and additional infrastructure. The position will cost the Wastewater Fund \$75,000 in 2023.

In October of 2020, staff presented a long-term staffing needs projection to the Board. The projection detailed how many additional positions the Town would need to add each year until buildout. It was based on information gathered from neighboring municipalities to provide a benchmark for reference as departments estimated their staffing needs. The municipalities used as benchmarks were chosen specifically for their size with each representing a current population level that the Town of Erie will reach in the coming years. This allowed us to base our anticipated need on some actual staffing numbers gathered from the other municipalities. It is important to note that each agency has a unique structure

reflecting that community's circumstances, and it will be necessary to make allowances for these differences.

The following table summarizes the number of positions that were expected to be added each year from 2021 – 2023 at the time the long-range staffing projection was presented, compared to the number of positions actually added for 2021-2022 and those staff is requesting for 2023. Although the timing and nature of the additional positions changed, staffing levels are consistent with projections.

	2021	2022	2023	Total
Projected	4	19.5	27	50.5
Actual/Requested	11	18.5	22	51.5
Difference	7	-1	-5	1

At the time the long-term staffing needs projection was made, staff made a number of assumptions about the Town's future, including that becoming a Home Rule municipality would require additional staff, and that a second recreation center and new large community park would open in 2025. As the long-range financial forecast was being developed in 2022, it was clear that these items would not happen on the timeline that was originally anticipated or that some anticipated changes, like Home Rule, would not require additional staff. As such, not all the positions from the long-term staffing needs projection are included in the long-range financial forecast at this time. We have included only those positions that would be needed based on population growth, rather than positions contingent on future action for the Town. Examples of positions that are included in the long-range financial forecast for years 2024 – 2027 include Streets Technicians, Maintenance Technicians, Sustainability Technicians, Inspectors, and Engineers. The table below shows the number of positions expected to be added each year from 2024 – 2027 at the time the long-range staffing projection was presented, compared to the number of positions that are included in the long-range financial forecast.

	2024	2025	2026	2027
Projected in 2020	24.5	48.5	25	21
Included in Financial Forecast	16.2	23	8	11
Difference	-8.3	-25.5	-17	-10

To ensure projections are reliable and based on the most current information, once the Board approves the 2023 budget, staff will update the long-term staffing needs projection and incorporate those positions approved in the 2023 budget into the long-range financial forecast.

In addition to maintaining organizational capacity, one of the Board's other 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

competitive in the local labor market. For 2023, to stay competitive in a challenging labor market, the consultant recommends an 8% market adjustment for part-time employees, 4% for police officers, 6% for sergeants, and 5% for all other employees in addition to increasing the salary grade (regrades) for 45 full-time and 3 part-time positions.

- The market adjustments for part-time, police officers, and sergeants recommended by the consultant will result in about a \$1.7 million increase to the budget.
- The regrades for various positions across almost all departments recommended by the consultant will result in an increase of about \$310,000 to the General Fund base budget.
- The 5% market adjustment recommended by the consultant, which will take effect Jan. 1, in addition to the recommended 3% anniversary increase for all employees will result in an increase of approximately \$870,000 to the General Fund in 2023.

Operating Expenditures:

The General Fund Operating expenditures increase by approximately \$1.5 million, or 12%, compared to 2022. The significant changes include:

- Public Safety – Command – \$123,000 increase in dispatch services due to changes in the Boulder County dispatch cost-allocation model, resulting in a 40% increase. Maintenance contracts are also increasing by \$75,000.
- Public Safety – Community Liaison - \$110,000 increase in consultation services due to adding a contract for an additional Co-Responder.
- Parks & Recreation – \$300,000 increase in consultation services for the Parks Recreation Open Space and Trails (PROST) plan update.
- Economic Development – \$100,000 increase in consultation services to update the 2009 Airport Economic Development Study with AEDAB.

Capital Expenditures and Transfers Out:

Capital expenditure requests total \$7.4 million for 2023 resulting in a decrease of \$3.6 million, or 33%, compared to 2022 (excluding rollovers). A detailed list of capital requests is included as part of this packet, but major request/changes are as follows:

- \$1.7 million, or 23% of the total capital expenditures, is requested by Parks & Recreation for the following projects: \$169,000 for a community art program, \$115,000 for the HOA pocket park program, \$562,000 for Coal Creek Park, \$75,000

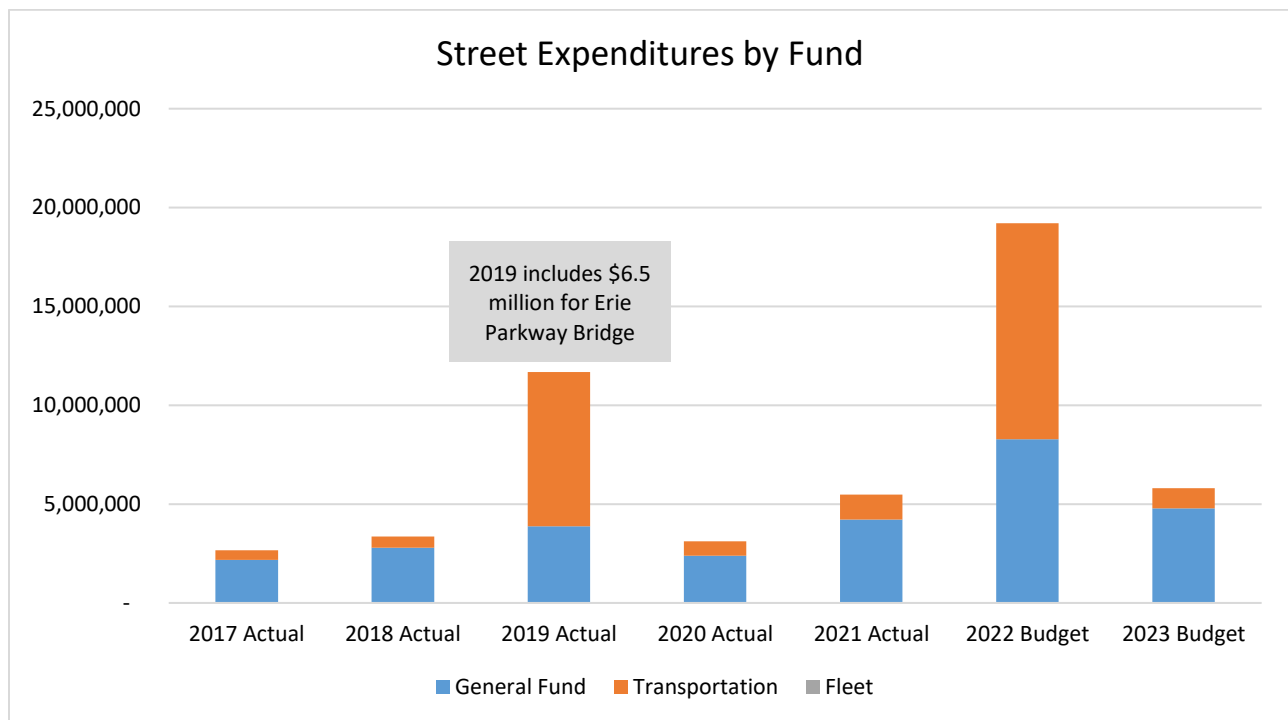
for the trail connector project, \$281,000 for POST infrastructure replacements, \$216,000 for the downtown irrigation tap, and \$300,000 for ECC improvements and pool/sprayground equipment.

- \$3.5 million is for street-related capital projects (street reconstruction, street overlay, concrete program), which accounts for 47% of total capital expenditures. This has remained almost the same as 2022 after factoring out capital rollovers from 2021, to keep up the expected level of streets maintenance needed according to the Street Scan report.
- Other Public Works' projects funded by the General Fund total \$1.1 million which includes \$450,000 is for Traffic Mitigation and Calming projects, \$230,000 for sidewalk connections, \$200,000 for Pierce Street house upgrades, \$140,000 for the facilities plan, and \$100,000 for various smaller projects.
- The Fleet and Equipment Acquisition Fund was created at the end of 2019 with initial funding through a transfer from the General Fund. A practice recommended by the Government Finance Officers Association (GFOA) for municipalities and other governmental entities is to utilize a Fund to purchase new and replacement vehicles and heavy equipment, along with an ongoing funding plan. For years the Town struggled to set aside adequate and consistent resources to fund such items. The Finance and Public Works staff will complete a funding policy in 2023 to ensure the Town's fleet of vehicles and heavy equipment is maintained at an appropriate level to meet service demands. The Fleet and Equipment Acquisition fund recommended budget includes \$568,000 as part of the Enterprise leasing program and \$365,000 for new equipment.

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

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

General Fund expenditures (both operating and capital) to maintain existing streets have increased significantly over the last 5 years – from \$2.2 million in 2017 to \$4.8 million in 2023. Compared to 2022, this is a reduction of \$3.5 million or 42% which is primarily due to the 2022 budget including a carryover of deferred maintenance that was not completed in 2021. Staff will continue to analyze potential funding sources to ensure street maintenance activities stay at a level that minimizes long-term maintenance costs to keep the Town's streets in good condition (and to regularly document overall condition through the Street Scan).



5-Year Forecast

The revenues in the General Fund forecast below are based on historical growth and other economic factors. Expenditures are based on current amounts adjusted for inflation, staff recommendations for future one-time expenses, and long-term staffing projections. When working on the next year's budget, departments also submit a five-year capital project plan based on their projections for future projects that feed into this forecast. In all years covered by the forecast, revenues exceed operating expenditures by \$5 million to almost \$10 million annually. Consequently, it is possible to maintain adequate reserves by adjusting capital spending to the fit the amount that revenues exceed operating expenditures. This forecast also does not include any anticipated revenue the Town expects to receive from selling the portion of the Town's property not needed for civic uses in Town Center or from selling portions of the Town owned I-25 Erie Gateway property, when that development happens.



General Fund Conclusion

As a result of the foregoing, the General Fund is projected to end the year 2023 with a “spendable fund balance” of approximately \$24 million, about \$3 million lower than the projected balance at the end of 2022. This “spendable fund balance” represents 55% of total personnel and operating expenditures (excluding capital and debt service expenditures) at the end of 2023, compared to 74% in 2022. This change is again due primarily to the changes in our cost allocation model and planned capital expenditures. Detailed calculation of the General Fund Reserve Ratio is included in the Budget schedules of this packet.

The 2023 projected General fund balance still significantly exceeds the combined minimum reserve of 25% of Operating expenditures required by the Municipal Code plus the additional Stabilization Reserve Account of \$7.5 million, which the Board adopted via resolution 10-40 in 2010.

Enterprise Funds:

Enterprise Funds - 2023 Budget				
	Water	Wastewater	Storm Drainage	Airport
Revenues - tap fees & related	16,118,192	4,738,100	-	-
Revenues - user fees	12,792,000	6,239,000	1,852,000	5,000
Revenues - other (inc.'s debt proceeds & transfers in)	537,000	353,250	23,195	289,000
Revenues - total	29,447,192	11,330,350	1,875,195	294,000
Expenditures - personnel (A)	1,809,241	1,006,163	665,748	868
Expenditures - operations (B)	7,608,462	3,248,271	750,845	55,024
Expenditures - capital	31,032,165	1,914,485	372,560	256,400
Expenditures - debt service	3,703,592	1,315,625	18,224	-
Expenditures - total	44,153,460	7,484,544	1,807,377	312,292
Revenues over/(under) expenditures	(14,706,268)	3,845,806	67,818	(18,292)
Working capital - beginning (projected)	20,768,285	17,178,343	585,525	149,107
Working capital - ending (C)	6,062,016	21,024,149	653,343	130,815
Total Non-Capital/Non-Debt Exp.'s - (A) + (B) = (D)	9,417,703	4,254,434	1,416,593	55,892
Working Capital % of Total Non-Capital/Non-Debt Exp.'s (C/D)	64%	494%	46%	234%

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

Revenues in the Water and Wastewater Funds arise from two primary sources – development-related fees/contributions (primarily from permits) and monthly charges for system users. Revenues from development-related activities reflect the permit assumptions described in the “General Fund” section above. The primary revenue source for the Storm Drainage fund is monthly customer charges.

As can be seen from the table above, \$33 million, or 62%, of the total expenditures in the enterprise funds are capital in nature in 2023. Capital projects in excess of \$1 million budgeted include the following:

- **Windy Gap Firing Project** - \$1.6 million (Water) – existing project
- **NISP** - \$3.9 million (Water) – existing project

- **Well Project** - \$1.35 million (Water) – existing project
- **Zone 3 Water Tank** - \$3.75 million (Water) – existing project
- **New Water Treatment Facility** - \$5.0 million (Water) – existing project
- **PRV Vault Communication** - \$1.4 million (Water) – new project
- **Zone 3 & 4 Southwest Waterline** - \$1.1 million (Water) – new project
- **Zone 3 WCR7 Waterline Improvements** - \$9.5 million (Water) – new project

Capital (Impact) Funds:

Capital Impact Funds - 2023 Budget							
	Transportation	Public Facilities	Parks	Police	Tree	Storm Drainage	Total
Revenues	4,494,000	1,475,400	2,602,300	402,000	197,411	1,031,100	10,202,211
Expenditures (including transfers out)	1,025,000	4,044,490	789,375	-	149,350	-	6,008,215
Revenues over/(under) expenditures	3,469,000	(2,569,090)	1,812,925	402,000	48,061	1,031,100	4,193,996
Fund balance - beginning (projected)	3,516,936	5,916,603	6,377,147	-	845,821	5,660,727	22,317,234
Fund balance - ending	6,985,936	3,347,513	8,190,072	402,000	893,882	6,691,827	26,511,230

The Town imposes fees for a variety of infrastructure needs related to impacts of growth. These one-time fees are referred to as Impact Fees. The Town has imposed Impact Fees for over 25 years to help address the effects of growth. They were first adopted in 1995 for implementation in 1996. At that time, the Town adopted Impact Fees for Parks, Public Facilities, Transportation, and Trees. Since that time, the Town has also adopted impact fees for Police Facilities and Storm Drainage. Every five years, the Town engages a consultant to review the Town's capital needs and ensure the impact fees are set at an appropriate level. Impact fees generate significant revenue to partially cover the cost of infrastructure improvements needed to expand infrastructure capacity to serve new developments in Erie. However, this revenue may only be spent on such improvements, and may not be spent for maintenance, to correct existing deficiencies, or to increase existing service levels.

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

The Board updated residential impact fees in December 2021 pursuant to a fee study. The new fees were a slight (1%/\$134) increase in total impact fees from previous levels for single family residential projects outside the Town Center, and a significant (22%/\$2,059) reduction in multi-family residential impact fees for projects outside the Town Center. Further, reflecting

the denser, walkable development pattern in the Town Center and the Old Town area, which reduces traffic impacts, the new fees also reflected a significant additional reduction (36%/\$2,256 and 51%/\$2,575 respectively for single family and multi-family) in Transportation impact fees for development projects in the Town Center and Old Town area. 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, all the expenditures in these funds are capital in nature. Below are the requested projects of \$500,000 or more:

- **Compass Park** - \$660,000 (Parks Improvement) – This is a new project in 2023 to design and build a new neighborhood park as required by the development agreement.
- **Town Hall Expansion** - \$4.1 million (Public Facilities) – this is the implementation of the Facilities Plan the Board adopted on Aug. 24, 2021.

Special Revenue Funds:

Special Revenue Funds - 2023 Budget				
	Trails & Natural Area Fund	Conservation Trust Fund	Cemetery	Total
Revenues	2,288,234	239,500	21,000	2,548,734
Expenditures (including transfers out)	2,262,030	370,093	-	2,632,123
Revenues over/(under) expenditures	26,204	(130,593)	21,000	(83,389)
Fund balance - beginning (projected)	3,804,022	416,127	298,235	4,518,383
Fund balance - ending	3,830,226	285,534	319,235	4,434,995

Included in special revenue funds are the Trails, Natural Areas and Community Character (TNACC) Fund, the Conservation Trust Fund, and the Cemetery Fund.

- **Trails, Natural Areas, and Community Character Fund (TNACC)**- Revenues in the TNACC Fund, which accounts for the bulk of this category of funds, consists primarily of property taxes, arising from a dedicated 4 mill levy. This mill levy will expire in 2024 unless voters approve an extension of this tax in this November's election. Staff projects these revenues will increase approximately \$163,000, or about 8% to a total of \$2.29 million in 2023. Expenditures of \$2.26 million include a \$414,000 transfer to the General Fund to support trail and open space maintenance and \$1.8 million for the Trail Connector and Trail Signage Programs.

- **Conservation Trust Fund** – Revenue in the Conservation Trust Fund is an allocation from the State Lottery Fund based on the Town’s population. This is used to acquire, develop, and maintain new conservation sites or for capital improvements or maintenance of public recreation sites like parks and open spaces. Staff projects these revenues will remain flat for 2023 at about \$240,000.

Fund Accounting:

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

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

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

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

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

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

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

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

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

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

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.)

Acknowledgements

We want to thank the entire Leadership Team and department staff for their huge contributions in developing and refining the proposed budget. Without everyone’s hard work and respective contributions the proposed budget would never have been ready for or worthy of the Board of Trustee’s consideration. We look forward to comments and suggestions from the public and to clear direction from Board Members to refine this proposal and adopt a budget that provides the resources we need in 2023.

Respectfully submitted,

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Stefanie Furman, Finance Director