TOWN BOARD WORK SESSION

November 13, 2023 - 5:30 PM
1st Floor Conference Room, 301 Walnut Street, Windsor, CO 80550

To view Town Board meeting broadcasts, visit
www.windsorgov.com/MeetingsOnDemand.

AGENDA

GOAL of this Work Session is to have the Town Board receive information on topics of Town business from the Town Manager, Town Attorney and Town staff in order to exchange ideas and opinions regarding these topics.

Members of the Public in attendance are asked to be recognized by the Mayor before participating in any discussions of the Town Board

WORK SESSION AGENDA ITEMS

1. Discussion on Capital Improvement Fund Reserve Policy- D. Moyer, Director of Finance
2. Review of Proposed 2024 Budget - S. Hale, Town Manager
3. Future Meetings Agenda

The Town of Windsor will make reasonable accommodations for access to Town services, programs, and activities and will make special communication arrangements for persons with disabilities. Please call (970) 674-2400 by noon on the Thursday prior to the meeting to make arrangements.

TOWN OF WINDSOR COLORADO

MEMORANDUM

Date: November 13, 2023
To: Town Board Members
Via: Shane Hale, Town Manager
From: Dean Moyer, Director of Finance
Re: Capital Improvement Fund Balance Discussion
Item #: #1

Overview

Pursuant to budget discussions in 2017, Town Board adopted a policy regarding the level of reserves in the ending fund balance of each Town owned fund. The policy was adopted with Resolution 2017-50, in response to several consecutive years of record setting revenue collections. The overarching concern being the question of "what happens when the construction stops?" More directly, how much money is necessary to carry into next year assuming we are not required to keep funding growth driven capital projects?

Each of the Town funds operates slightly differently from the next. Each fund has a different purpose and different funding and expenditures. The Capital Improvement Fund was established to fund the construction and maintenance of general capital projects such as streets, parks and public facilities. In the earlier years we funded strictly the construction portion of a project through the Capital Improvement Fund. When the project construction was completed, we funded ongoing operations and maintenance through the General Fund.

Resolution #2017-50 represents our first effort to develop a firmer definition of proper fund balance. Historically, our Capital Improvement Fund did not reflect a great deal of operating and maintenance expenditures. Consequently, the first policy established in Resolution #2017-50 reflected at least one year of depreciation as a base for our ending reserve balance in the Capital Improvement Fund. Our accounting software produces a fixed asset and depreciation report that shows the annual depreciation figures.

As our operations and fixed asset inventory increased over the years, the resulting reserve requirement continued to increase. Presently under the existing reserve policy our 2024 Reserve requirement in the Capital Improvement Fund stands at roughly $10.6M. As described in our 2024 Budget Work Sessions this policy restriction represents a lot of money that could be used to fund needed public improvements. Our current capital improvement list of projects for 2024 causes our ending fund balance to be roughly $7.6M, clearly lower than the specified reserve policy.

So, what to do? The State JBC Economist described a system the State uses in that they set aside 1.5% of the asset replacement value each year as an ending fund balance target. This is to be used for ongoing routine maintenance. I am not certain how they arrived at this percentage, but in our case, this would equate to reducing our Capital Improvement Fund ending balance to roughly $ 2.5M. As described further along in this memo, that amount would not cover our annual street maintenance budget.

In discussion amongst Town staff, we felt the state's approach was a randomly selected percentage. As far as applying it to the Town of Windsor, we could find no real defensible bearing on our specific situation. Instead, the recommendation is as follows for the Capital Improvement Fund Balance Reserve.

- *The Capital Improvement Fund will henceforth be funded at a level sufficient to meet the amount of annual debt service incurred by the fund, plus the amount required to fulfill the Town's ongoing street maintenance program, plus the amount required to reimburse the General Fund for capital project staffing, plus the amount required to fund the Town Board's earmarked spending for capital improvements, plus the amount of any capital improvement projects expected in the current fiscal year (including Town capital improvement commitments found in any economic incentive agreements and reimbursement agreements))*

In numerical terms:

- **Cost of Annual Street Maintenance Program = $3,750,000**
- **Staffing Cost assigned to CIP (Transfer to GF) = 453,021**
- **Annual PD Facility Debt Service (USDA Loan) = 145,080**
- **Loan Repayment to Water Fund = 65,833**

$4,413,934

- **Board Directed Items:**
  - **Alternate Traffic Route Reserve 2,600,000**

Total Ending Balance Capital Improvement Fund = $ 7,013,934

Attachments

- Power point file containing a presentation as described in this memo.

CAPITAL IMPROVEMENT FUND BALANCE DISCUSSION -

2024 BUDGET

BACKGROUND INFORMATION

- Original Ending Fund Balance or “Reserve” policy established with Resolution #2017-50.
- 2024 Budget Work sessions promised further research on possible adjustments to Capital Improvement Fund Reserve policy

Minimum Fund Balance Policies

General Fund: 2 x Months of Operating Expenses plus a TABOR Emergency Reserve of 3% of Total Expenditures

Parks Improvement Fund: Annual Depreciation Expense plus a TABOR Emergency Reserve of 3% of Total Expenditures

Capital Improvement Fund: Annual Depreciation Expense *(Researching Alternative Policy Recommendations)*

Water, Sewer, & Storm Drainage Funds: Annual Depreciation Expense plus 3 x Months of Operating Expenses

CRC Expansion Fund: 2 x Months of Operating Expenses plus a TABOR Emergency Reserve of 3% of Total Expenditures

2024 Projected Ending Fund Balances as of October 14, 2023

FUND	2024 ESTIMATED BEGINNING FUND BALANCES	ESTIMATED REVENUES	TOTAL RESOURCES AVAILABLE	TOTAL OBLIGATIONS	REVENUE VERSUS EXPENSE VARIANCE	2024 ESTIMATED ENDING FUND BALANCES	2024 MINIMUM FUND BALANCE REQUIREMENTS
General Fund	$18,751,216	$40,368,834	$59,120,049	$37,370,228	$2,998,606	$21,749,821	$7,349,478
Park Improvement Fund	$22,211,032	$6,813,321	$29,024,353	$5,940,000	$873,321	$23,084,353	$178,200
Conservation Trust Fund	$744,593	$878,741	$1,623,334	$877,041	$1,700	$746,293	$0
Capital Improvement Fund	$43,188,070	$22,267,720	$65,455,790	$57,807,586	($32,939,866)	$7,648,204	$10,676,585
Community / Rec Center Fund	$1,761,402	$0	$1,761,402	$0	$0	$1,761,402	$0
Water Fund	$29,353,871	$18,189,718	$47,543,589	$15,847,881	$2,341,837	$31,695,708	$3,585,530
Sewer Fund	$20,160,446	$6,317,334	$26,477,780	$14,639,356	($8,322,022)	$11,838,424	$2,358,368
Storm Drainage Fund	$7,465,825	$2,090,068	$9,555,893	$5,585,754	($3,495,686)	$3,970,139	$848,554
Open Space Fund	$1,665,000	$2,152,824	$3,817,824	$0	$2,152,824	$3,817,824	$0
CRC Expansion Fund	$3,665,951	$6,427,482	$10,093,433	$5,376,173	$1,051,309	$4,717,260	$1,057,314
Fleet Management Fund	$380,332	$2,657,195	$3,037,527	$2,657,197	($2)	$380,330	$0
Information Technology Fund	$214,867	$4,586,773	$4,801,640	$4,586,774	($1)	$214,866	$0
Windsor Building Authority Fund	$326,258	$145,080	$471,338	$145,080	$0	$326,258	$0
Facility Services Fund	$1,548,685	$1,432,741	$2,981,426	$1,451,430	($18,689)	$1,529,996	$0
Economic Dev. Incentive Fund	$312,791	$200,000	$512,791	$200,000	$0	$312,791	$0
TOTALS	**$151,750,338**	**$114,527,830**	**$266,278,168**	**$152,484,500**	**($35,356,670)**	**$113,793,668**	**$26,054,029**

TOWN OF WINDSOR COLORADO

Discussion Points on Ending Fund Balance

- Staff opinion is that a <u>policy required</u> reserve of roughly $10.6M in the Capital Improvement Fund is too high.
- What is a better Ending Fund Balance Reserve policy target? Baseline reserve of revenue needed each year:

  - Recurring expenses each year
  - Keep on top of ongoing maintenance
  - Provide for debt service payments
  - Keep a "placeholder" for future projects/commitments

Proposed Minimum Fund Balance Policies

Capital Improvement Fund: *The Capital Improvement Fund will henceforth be funded at a level sufficient to meet the amount of annual debt service incurred by the fund, plus the amount required to fulfill the Town's ongoing street maintenance program, plus the amount required to reimburse the General Fund for capital project staffing, plus the amount required to fund the Town Board's earmarked spending for capital improvements, plus the amount of any capital improvement projects expected in the current fiscal year (including Town capital improvement commitments found in any economic incentive agreements and reimbursement agreements))*

STAFF RECOMMENDATION

• Cost of Annual Street Maintenance Program	=	$3,750,000
• Staffing Cost assigned to CIP (Transfer to GF)	=	453,021
• Annual PD Facility Debt Service (USDA Loan)	=	145,080
• Loan Repayment to Water Fund	=	65,833
		$4,413,934
• Board Directed Items:		
– Alternate Traffic Route Reserve		2,600,000
Total Ending Balance CIF	=	$ 7,013,934

PROPOSED ENDING FUND BALANCES 11/13/2023

				EXPENDITURES & RESERVE REQUIREMENTS							
FUND	**2024 ESTIMATED BEGINNING FUND BALANCES**	**ESTIMATED REVENUES**	**TOTAL RESOURCES AVAILABLE**	**PERSONNEL EXPENSES**	**OPERATING & MAINTENANCE EXPENSES**	**CAPITAL EXPENSES**	**DEBT SERVICE & TRANSFERS**	**TOTAL OBLIGATIONS**	**REVENUE VERSUS EXPENSE VARIANCE**	**2024 ESTIMATED ENDING FUND BALANCES**	**2024 MINIMUM FUND BALANCE REQUIREMENTS**
General Fund	$18,751,216	$40,368,834	$59,120,049	$22,636,780	$8,562,088	$0	$6,291,722	$37,490,590	$2,878,244	$21,629,460	$7,373,149
Park Improvement Fund	$22,211,032	$6,813,321	$29,024,353	$0	$0	$5,940,000	$0	$5,940,000	$873,321	$23,084,353	$178,200
Conservation Trust Fund	$744,593	$878,741	$1,623,334	$0	$0	$877,041	$0	$877,041	$1,700	$746,293	$0
Capital Improvement Fund	$43,595,348	$22,267,720	$65,863,068	$0	$4,095,152	$49,618,500	$1,493,934	$55,207,586	($32,939,866)	$10,655,482	$7,013,934
Community / Rec Center Fund	$1,761,402	$0	$1,761,402					$0	$0	$1,761,402	$0
Water Fund	$29,353,871	$18,189,718	$47,543,589	$841,668	$7,457,174	$5,904,705	$1,644,334	$15,847,881	$2,341,837	$31,695,708	$3,585,530
Sewer Fund	$20,160,446	$6,317,334	$26,477,780	$965,521	$1,507,808	$10,325,000	$1,844,465	$14,642,794	($8,325,460)	$11,834,986	$2,359,228
Storm Drainage Fund	$7,465,825	$2,090,068	$9,555,893	$330,248	$310,185	$4,640,064	$305,257	$5,585,754	($3,495,686)	$3,970,139	$848,554
Open Space Fund	$1,665,000	$2,152,824	$3,817,824	$0	$0	$0	$0	$0	$2,152,824	$3,817,824	$0
CRC Expansion Fund	$8,731,980	$6,427,482	$15,159,462	$2,100,804	$1,243,297	$865,000	$1,409,593	$5,618,694	$808,788	$9,540,768	$1,105,010
Fleet Management Fund	$380,332	$2,657,195	$3,037,527	$398,901	$648,354	$1,541,000	$68,942	$2,657,197	($2)	$380,330	
Information Technology Fund	$214,867	$4,586,773	$4,801,640	$1,145,341	$3,241,433	$200,000	$0	$4,586,774	($1)	$214,866	
Windsor Building Authority Fund	$326,258	$145,080	$471,338	$0	$0	$0	$145,080	$145,080	$0	$326,258	
Facility Services Fund	$1,548,685	$1,432,741	$2,981,426	$916,365	$535,065	$0	$0	$1,451,430	($18,689)	$1,529,996	
Economic Dev. Incentive Fund	$312,791	$200,000	$512,791	$0	$0	$0	$200,000	$200,000	$0	$312,791	
TOTALS	**$157,223,645**	**$114,527,830**	**$271,751,476**	**$29,335,628**	**$27,600,556**	**$79,911,310**	**$13,403,327**	**$150,250,821**	**($35,722,991)**	**$121,500,655**	**$22,463,604**

Questions?

Dean Moyer

Director of Finance

M E M O R A N D U M

Date: November 13, 2023
To: Mayor Rennemeyer and Town Board
From: Shane Hale, Town Manager
Re: 2024 Budget Updates

Background / Discussion:
Discussing changes to the recommended budget since the CIP Budget was presented on September 18th and the Operations Budget was presented on October 14th. Additionally, discussing the nature and health of the Town's fund balances considering these changes and presenting to the Board, a path forward in paying for the new PD Facility with existing funds.

Changes to the Recommended Budget:

1. Addition of $150,000 to the CRC Expansion Fund for new signage at the Community Recreation Center (Town Board Directed)
2. Addition of $92,521 to the CRC Expansion Fund for an erroneous omission of the recommended Recreation Coordinator position from the fund's expenditures (Staff Directed)
3. Addition of $100,000 to the General Fund for an Attainable Housing Survey (Town Board Directed)
4. Addition of $23,662 to the General Fund to make whole at $100,000, the Town Board contribution to the Public Art Program (Town Board Directed)
5. Elimination of $3,300 from the General Fund for an Intern position with Legal Services (Town Board Directed)
6. Addition of $3,438 to the Sewer Fund for an adjustment to the interest payment amount on the 2011 Revenue Bonds (Staff Directed)

Financial Impact:

The net increase to the General Fund for these changes is $120,362, the net increase to the CRC Expansion Fund is $242,521, and the net increase to the Sewer Fund is $3,438.

Revised Fund Balances:

General Fund

The Genera Fund will have a projected ending fund balance of $21.6M with all the proposed changes. With a minimum fund balance requirement of $7.4M, there is a projected surplus of $14.3M.

Community Recreation Center Expansion Fund

The CRC Expansion Fund will have a projected ending fund balance of $9.5M with the proposed additions. The minimum fund balance requirement for the fund is $1.1M.

Sewer Fund

The Sewer Fund will have a projected ending fund balance of $11,834,986 with the proposed change. The minimum fund balance requirement for the fund is $2.4M.

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Economic Dev. Incentive Fund	$312,791	$200,000	$512,791	$200,000	$0	$312,791	$0
TOTALS	**$157,223,645**	**$114,527,830**	**$271,751,476**	**$150,250,821**	**($35,722,991)**	**$121,500,655**	**$22,463,604**

Selected Fund Balance:

Capital Improvement Fund

The Capital Improvement Fund will have a projected ending fund balance of $10.7M. Should the Town Board approve the proposed revision to the Fund Balance Policy for this fund, there would be 2024 year-end surplus in the fund of $3.6M.

I have had questions around two of the CIP projects with more detail below:

Payment for Select Capital Projects:

1. New Police Facility – I understand that many of the Town Board members would prefer to pay cash for this facility if possible; Staff has been discussing this possibility for a few months as well and shares this goal. Staff has broken the costs of construction into three budgets and has assumed $5M in expenses for 2023, $20.0M in expenses in the Capital Improvement Fund budget for anticipated expenditures in 2024, with the final $5.0M in expenses anticipated in 2025. At the end of 2024, there is a projected surplus $14.3M in the General Fund as well as the potential surplus in the CIF ($3.6M).

At the completion of this project, the Town Board will have the opportunity to borrow up to $12M to pay for this facility if it determines that it is fiscally prudent to do so. However, staff is confident that adequate funding will be available to self-fund the facility—and—maintain adequate reserves. The caveats are that this assumes that we can construct the facility for the $30M budgeted estimate—and—that revenues stay close to our estimates. As a final note, if the Police Facility is completed early (in 2024), the Fund would incur a *budgetary* shortfall of $5.0M, but this can be simply addressed by adopting a revised budget.

2. 7th Street Multimodal Dog-bone RAB, S. Trail Segment, Linear Park – Staff understands that the Town Board may wish to delay this project for several reasons. As a reminder, the anticipated total project cost is $6.6M, with $3.1M being funded (budgeted) from the Capital Improvement Fund and the remaining $3.5M would be paid with anticipated funding from a Congressionally Directed Spending (CDS) award. If we are not able to secure a CDS award, or receive a lesser award than anticipated, the funding shortfall, the Town Board will have the options of either pursuing other state/federal grants, or could look to either the Capital Improvement Fund ending fund balance (surplus) or from the General Fund ending fund balance (surplus), pending the final decision on the police station.

Relationship to Strategic Plan:
Provide the Town of Windsor residents' services in a fiscally responsible manner.

Recommendation:

Following Town Board discussion, approval of changes to the 2024 recommended budget.

FUTURE TOWN BOARD MEETINGS

November 20, 2023 5:30 p.m.	Town Board Special Meeting Executive Session: Town Manager/Attorney Annual Evaluations
November 27, 2023 5:30 p.m.	Town Board Work Session Lodging Tax Discussion Cemetery and Liquor Fee Update Discussion
November 27, 2023 7:00 p.m.	Town Board Regular Meeting
December 4, 2023 5:30 p.m.	Town Board, Planning Commission, Planning Advisory Committee Joint Work Session – Location: CRC Comprehensive Plan Update
December 11, 2023 5:30 p.m.	Town Board Work Session Board/Manager/Attorney Monthly Meeting Hauler Licensing Discussion Short Term Rental Follow-Up Discussion
December 11, 2023 7:00 p.m.	Town Board Regular Meeting
December 18, 2023	Town Board/Manager/Attorney Annual Dinner
December 25, 2023	Canceled – Christmas Holiday

Future Work Session Topics

- DDA Entertainment District
- Telecom Code (Pending FCC Rules)
- Weld RE-4 School Land Dedication/Cash in lieu of Land Update
- Smart Meter Project (Brian)