



Town of Johnstown

TOWN COUNCIL CONSENT AGENDA COMMUNICATIONS

AGENDA DATE: March 21, 2022

SUBJECT: Resolution 2022-08, Amending the Fiscal Year 2021 Budget

ATTACHMENTS: Resolution 2022-08

PRESENTED BY: Mitzi McCoy, Finance Director

AGENDA ITEM DESCRIPTION:

Enclosed for review and consideration is Resolution 2022-08, which will modify the 2021 budget recognizing an increase in sales tax revenues, an increase in reimbursement expense associated with sales tax revenues, a transfer of federal grant funding, an increase in operating expenses, and ensure that the Town is in compliance with C.R.S. 29-1-110.

The proposed changes include the following:

General Fund

Sales tax revenues in the 2021 budget were conservatively projected due to the uncertainty associated with the impacts of the coronavirus pandemic. The Town of Johnstown was fortunate and was not negatively impacted by lower sales tax revenues and instead saw sales tax revenues increase. Not only did they increase, but they increased substantially at 44% when compared to 2020. The attached resolution recognizes \$4,361,728 in additional sales tax revenues in the General Fund to reflect the actual 2021 collections.

Tax Allocation Fund

Increases in sales tax revenue has a direct impact on the Town's reimbursement expenses as the Town has developer reimbursement agreements that are based on sales tax collections. The attached resolution increases the expenses and appropriations in the Tax Allocation Fund by \$175,460 to cover the additional reimbursement costs.

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Water Fund

In 2021, the Town received the first of two tranches of funding from the Coronavirus State and Local Recovery Funds from the federal government. The \$1.9 million was received by the Town on June 7, 2021 along with preliminary guidance for the use of those funds. None of the grant funds received were expended in 2021 while we waited for the final guidance for the use of the funds to be published. On January 6, 2022 the U.S. Treasury released the Final Rule providing that guidance. The Final Rule states that the funds may only be used for costs incurred between March 3, 2021 with all costs obligated by December 31, 2024. The Final Rule also provides guidance for project eligibility, and establishes the requirements for procurement, audits, contracts, pricing, etc.

The Town has a number of infrastructure projects in the enterprise funds that meet the overall requirements for the use of the funding. Originally, the Town had intended to use the grant funds for projects in the Sewer Fund, however, the timing restrictions, project restrictions, contract requirements and audit requirements posted in the Final Rule resulted in a thorough review of all infrastructure projects to determine which project was most suitable for the grant funding. After completing a review of all of the Town's projects and project timelines, staff believes that the best use of the federal grant funds is for the water distribution line to the south water tank. This project has a number of advantages for the use of federal funds, with project timing being the most obvious one. This project was bid out in 2022, is currently under construction and will be completed in 2022, which eliminates any ambiguity with regards to timelines. Additionally, since the project will be started and completed in the same calendar year, the Town will only be subject to one, single audit, which is still a requirement in the Final Rule and is detailed in CFR §200.501. Other major advantages to using the funding for this project include the fact that it clearly meets the project eligibility requirements as water distribution and water storage are specifically addressed, and this project meets the definition of "necessary" as detailed in the Final Rule, including the adequate level of service, sustainability, and cost-effectiveness requirements.

Recreation Center Fund

The Town has an agreement with the YMCA to operate our recreation facility. That agreement calls for an operational subsidy from the Town in an amount up to \$500,000 per year. The 2021 Budget included expense projections of \$500,000 to cover the cost of the subsidy. The Town paid all YMCA invoices for 2021 and due to a rounding error on the invoices, expended \$.04 more to the YMCA than what was approved by Council. The attached resolution includes and additional expense and appropriation of \$1 to cover the rounding error.

LEGAL ADVICE:

The resolution was reviewed by our Town Attorney.

FINANCIAL ADVICE:

The recommended amendments will increase the accuracy of financial information and ensure compliance with state law.

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RECOMMENDED ACTION:

Approve Resolution 2022-08 as presented.

Reviewed and Approved for Presentation,



Town Manager

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