



CLEAN

November 5, 2011

**Town Council  
Quarterly Planning Meeting**



SAFE



VIBRANT

# Today's Objectives

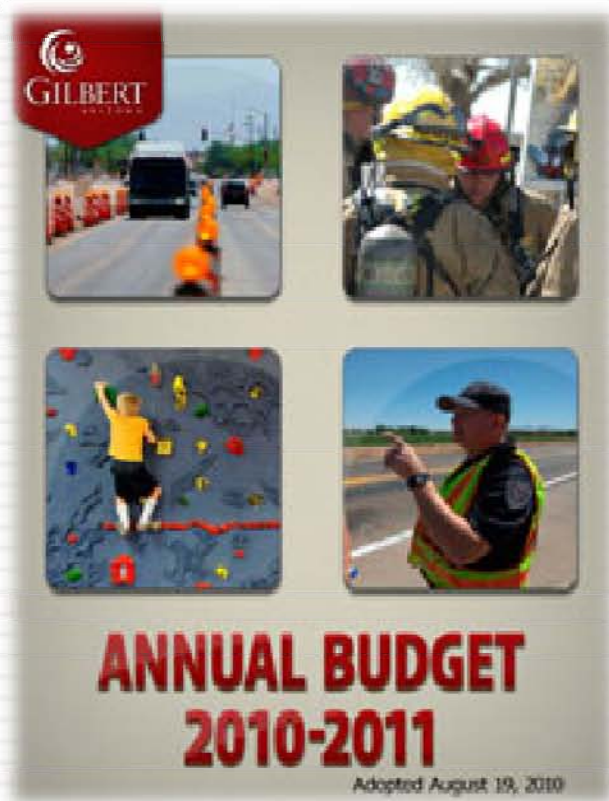


- 1. Understand key elements of the budget process**
- 2. Understand financial outlook for future decisions on service delivery and revenue structures**
- 3. Learn the results from compensation vulnerability assessment and agree to next steps**
- 4. Understand components and processes required to establish responsible Utility rates**
- 5. Establish Budget Administration policy and understand next steps for additional financial policies**

# Ground Rules



# Recap of FY 2011



# FY 2011 Balanced Budget with the following:

**No Layoffs**

**No Furloughs**

**No Salary Reductions**

**No Salary Increases** **\$4.2 M (cost avoided)**

**Health Trust Fund payment holiday** **\$1.5 M**

**Employee/Citizen recommendations**

**Expense Reductions** **\$1.8 M**

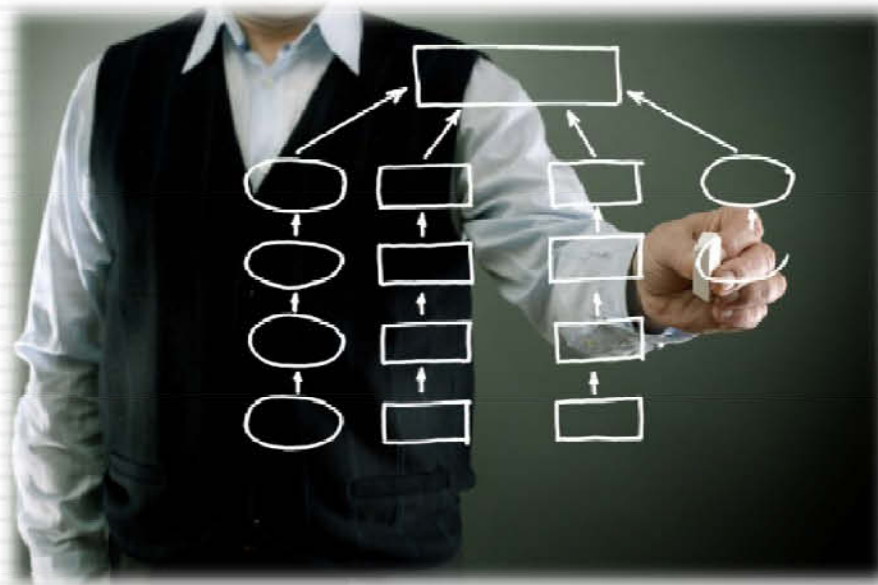
**Revenue Increases** **\$700K**

# FY 2010-11



- **Year of slow recovery from recession**
  - **Sales Tax**
  - **Permit Activity**
- **Areas still in decline**
  - **Urban revenue sharing (income tax)**
  - **Property values – property tax**
- **General Fund expenditures**
  - **3.5% savings, primarily vacancy savings**
  - **Slightly higher than anticipated savings in Police and Fire**

# Mayor and Council Budget - Service Analysis



# Why do we budget? Not just about \$\$



- **Define what services we provide as a Town to our Residents**
  - **To what level?**
- **How much does it cost to provide that service at that level?**
- **Prioritize services and service levels**

# Why do we budget? Not just about \$\$



- **Analyze potential resources that can be leveraged to provide services**
  
- **Develop a budget that reflects:**
  - **Responsible financial management**
  - **Highest priority service levels for the Town of Gilbert**

# Budget Development

## Initial Preparation and Definition of Needs

**Council Priorities  
& Direction**

**Inventory & Cost of Services  
and Service Levels**

**Compensation  
Working Group**

**CIP Project Requests  
and Department Meetings**

## Analysis and Projection of Expenditure & Revenue Budgets

**Deconstruction and Zero-based  
Reconstruction of Department Budgets**

**Forecast of Available Resources**

## Prioritization of Needs and Development of Recommended Budget

**Town Manager Presents  
Recommended Budget to Council**

**Council Adopts Their Budget for  
FY 2012-13**

**Executive Leadership Team  
Prioritization of Requests**

# Budget Development

## Initial Preparation and Definition of Needs

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CIP Project Requests  
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FY 2012-13

Executive Leadership Team  
Prioritization of Requests

# Mayor & Council Service Analysis



## Service:

*Useful labor resulting in an intangible commodity; an investment in expertise; contribution to the welfare of others; a helpful act; the work performed by one who serves* (summarized from Merriam-Webster)

1. **Define the services/roles of the Mayor and Council**

# Mayor & Council Service Analysis

## Service:

*Useful labor resulting in an intangible commodity; an investment in expertise; contribution to the welfare of others; a helpful act; the work performed by one who serves* (summarized from Merriam-Webster)

1. **Define the services/roles of the Mayor and Council**
2. **Allocate as a percentage how your time supports each of these roles**

# Mayor & Council Service Analysis

## Service:

*Useful labor resulting in an intangible commodity; an investment in expertise; contribution to the welfare of others; a helpful act; the work performed by one who serves* (summarized from Merriam-Webster)

1. **Define the services/roles of the Mayor and Council**
2. **Allocate as a percentage how your time supports each of these roles**
3. **Identify the measureable levels at which each of these services is performed**



# Budget 101

**Understand what budget means in local government and what our legal requirements are**

# Why do we budget? Not just about \$\$



- **Define what services we provide as a Town to our Residents**
  - **To what level?**
- **How much does it cost to provide that service at that level?**
- **Prioritize services and service levels**

# Why do we budget? Not just about \$\$



- **Analyze potential resources that can be leveraged to provide services**
- **Develop a budget that reflects:**
  - ▣ **Responsible financial management**
  - ▣ **Highest priority service levels for the Town of Gilbert**

# It is about the \$\$, but also...



**In the Public Sector, budgeting is also:**

- ***Financial Planning Tool***
- ***Strategic Decision-Making Document***
- ***Guide for Operations***
- ***Improves Communication & Coordination***
- ***Public Sector - Legal Device***
- ***Public Sector - Measure of Accountability***
- ***Performance Measurements & Metrics***

**Budget sets legal spending limit**

# Government Budgeting – A Different Focus



- **Transparency & Accountability** – *the Cornerstone of Public Finance*
- **Fund Accounting** – *Each fund segregates revenues and expenditures based on their purpose*
- **Appropriation** – *It doesn't matter how much money is in the bank if you don't have the legal authority to spend it*

# Other Important Concepts:



## **Budget – one word referring to many things**

- *A document that lays out the Council's plan and establishes the legal authority for the following year*
- *The process by which needs are prioritized and resources applied*
- *The authority that has been provided to spend within a given area*
- *A functional workgroup within the organization responsible for facilitating the development and implementation of the budget*

# Other Important Concepts:



## **Contingency Appropriation**

- *Legal authority, or budget, adopted by Council*
- *May be used for various purposes:*
  - *Unanticipated events*
  - *A greater number of anticipated events than normal*
  - *Additional opportunities*
  - *Emergencies*
- *Use must be justified and approved*

# Other Important Concepts:



## **Fund Balance**

- *Cash in the bank or in various short & long-term investments; savings*

## **Reserves**

- *Amounts within fund balance set aside for defined purposes*

# Other Important Concepts:



## Surplus

- *Fund balance from beginning of fiscal year to the end **increases** as a result of revenues exceeding expenses*

## Deficit

- *Fund balance from beginning of fiscal year to the end **decreases** as a result of expenses exceeding revenues*

# Other Important Concepts:



## Structural Deficit

- *The state that occurs when **ongoing** expenses exceed or are expected to exceed **ongoing** revenues*
- *Differs from **cyclical deficit** in that it exists even when economy is at its potential*
- *Can only be addressed by explicit and direct government policies*

# Types of Funds



## Fund Type

**General Fund**

**Special Revenue**

**Capital Projects**

**Debt Service**

**Enterprise Funds**

**Internal Service Funds**

## Use

**Day to day Town operations**

**Restricted revenue sources**

**Large construction projects**

**Interest & principal on debt**

**Running a business/fee for service**

**Service to other departments**

# Public Sector Budgeting

## Critical Budget Components



- **Operating: Day-to-Day Activities**
- **Capital: Large, One-Time Projects**
- **Debt Service: Payments to Retire Debt**
- **Contingency: Appropriation of Reserves**

# How Do We Get There?

## Common Types of Budgeting



***Line-Item Budgeting*** - Lists Detailed Expenditure Categories

***Program Budgeting*** - Focused on Program's Objectives

***Performance Budgeting*** - Focused on Efficiency/Effectiveness

***Zero-Based Budgeting*** - All Expenditures to be Justified Each  
New Period

# Who Should Pay For What Services?



- **General Taxes and Other Revenues**

- Police, fire, library, parks, administration

- **User Fees**

- Recreation classes, building permits

- **Enterprise Funds - Full Cost Recovery**

- Water, Wastewater, Solid Waste, Airport

# Town Services - Are We Effective?



## Measure

## Estimate

### *Workload Indicators\**

Number of Police Priority Calls

33,946

Number of Lane Miles Maintained

548

Revenue Generated - Adult Sports Program

\$420,000

\* Example only, numbers do not reflect actual Town of Gilbert measurement.

# Town Services - Are We Effective?

## Measure

## Estimate

### ***Workload Indicators\****

Number of Police Priority Calls	33,946
Number of Lane Miles Maintained	548
Revenue Generated - Adult Sports Program	\$420,000

### ***Performance Measures\****

Response Time - Priority I Calls	7.05 Minutes
Cost per Lane Mile	\$42,506
Adult Sports Cost Recovery	55%

\* Example only, numbers do not reflect actual Town of Gilbert measurement.

# Arizona Statutory Requirements

(Article 42, Chapter 17)

- ***Budget Adoption – Maximum Appropriation***
- ***Everything should be budgeted***
- ***Transfers between funds approved by Elected Body***
- ***Voter Authorization for Bonds***



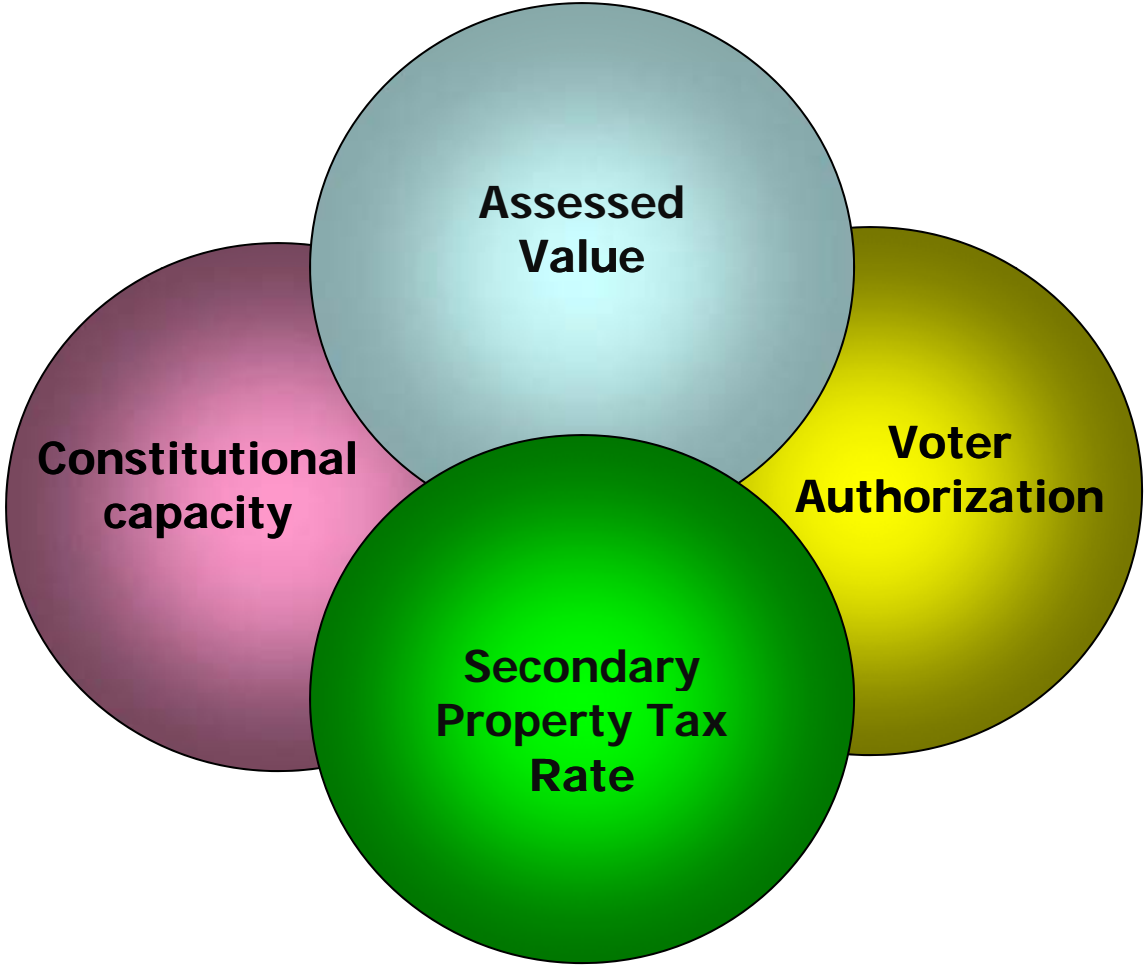
# Property Tax Requirements



- **Primary & Secondary**
  - **Primary may be used for any general government purpose**
  - **Secondary is directly tied to debt service**
  - **Both Require Voter Approval**
  - **Primary has 2% increase over maximum levy**

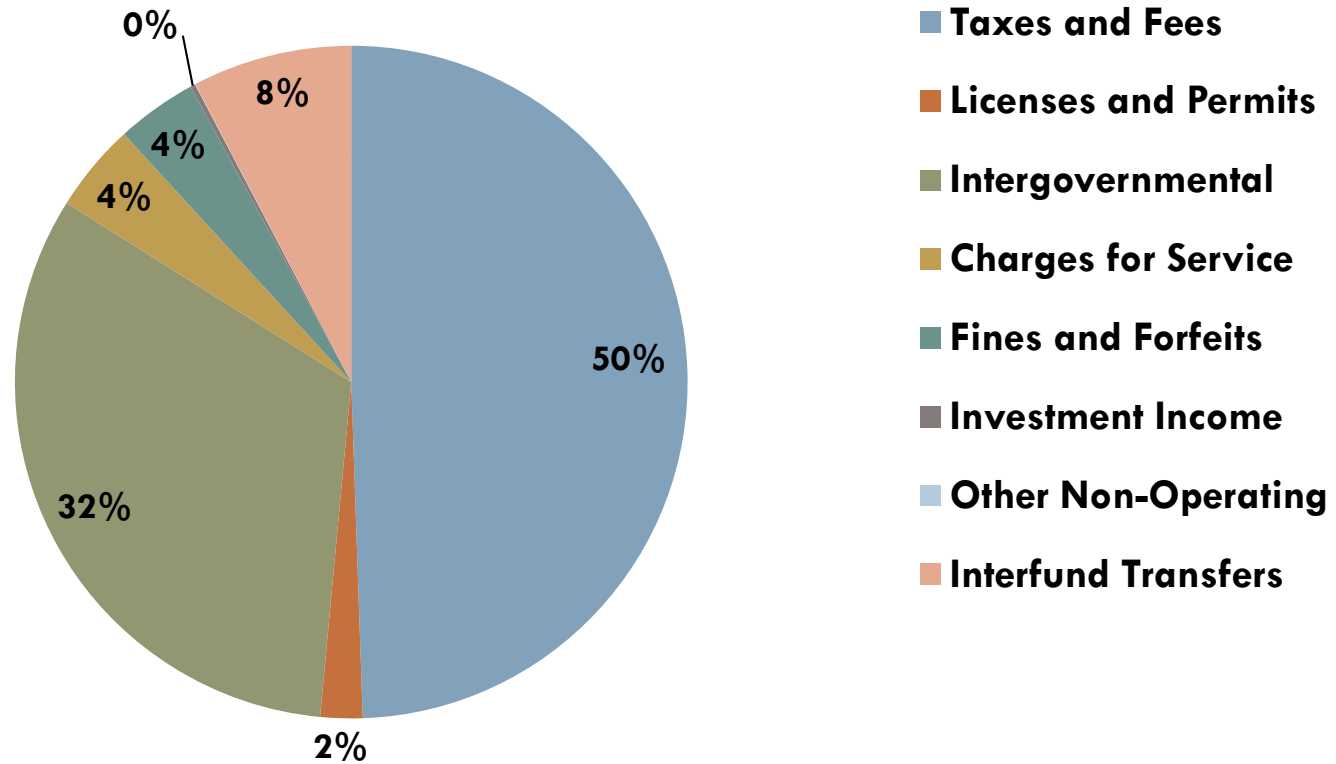
Approximately 12% of average residential property tax bill goes to the Town

# Requirements to Use Debt



# Where Does the Money Come From?

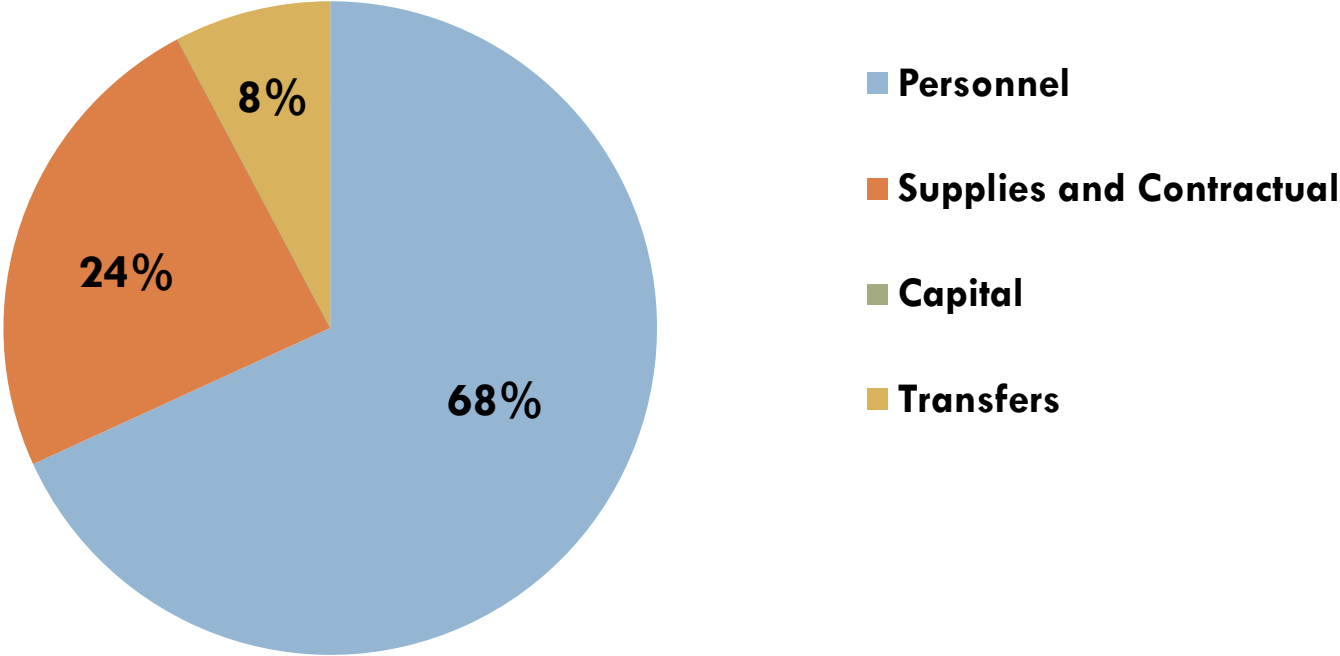
General Fund Revenue



# Where Does the Money Go?

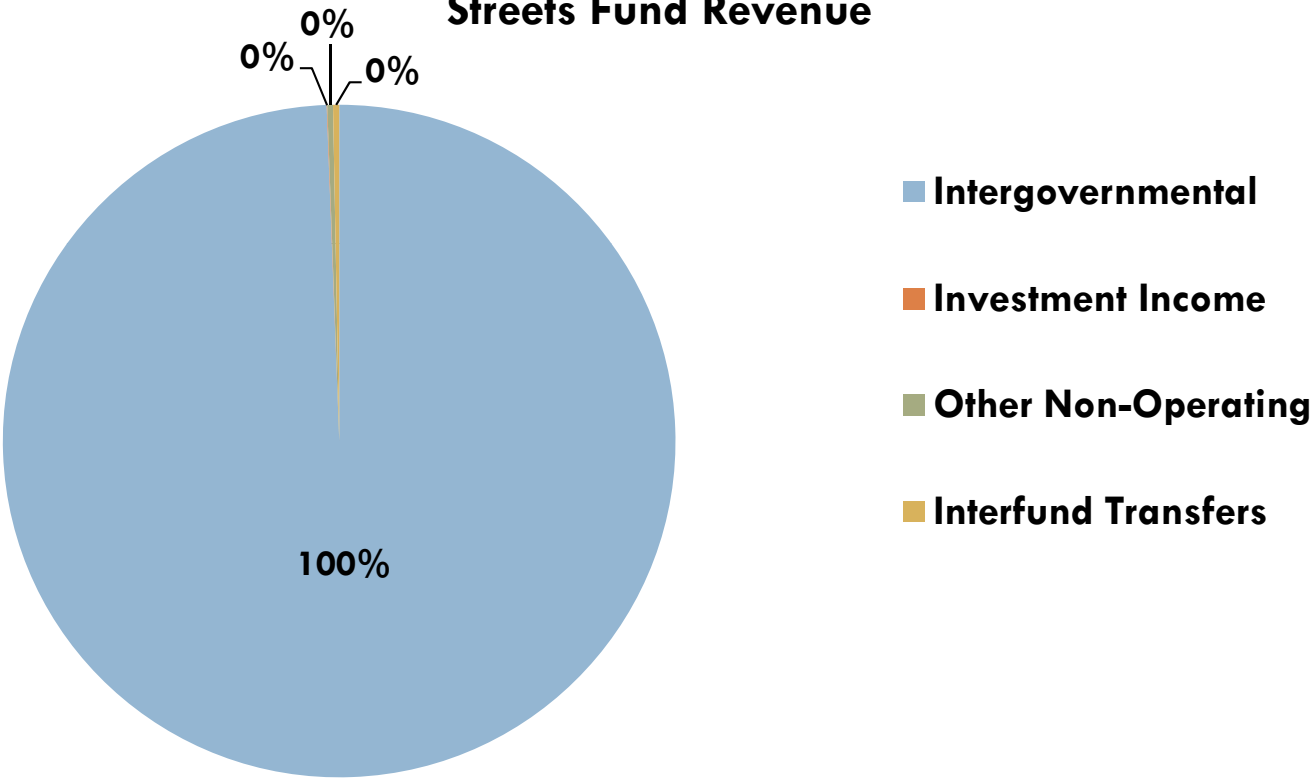


**General Fund Expenditures**



# Where Does the Money Come From?

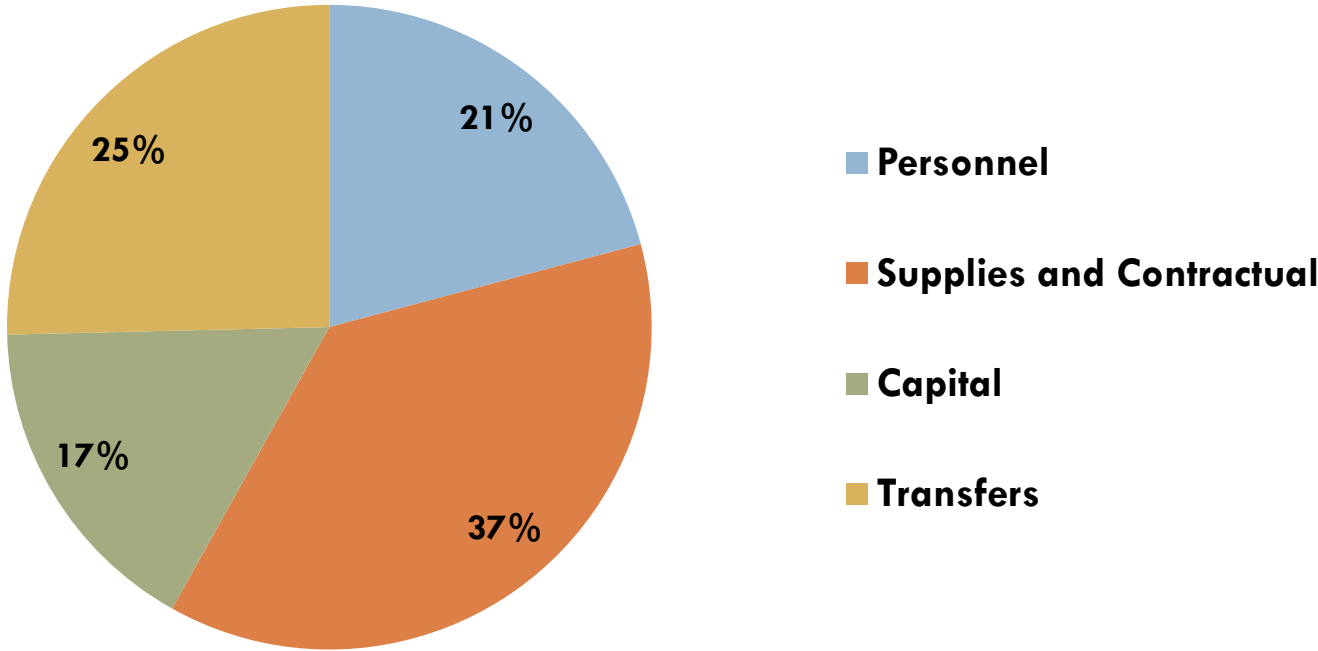
Streets Fund Revenue



# Where Does the Money Go?

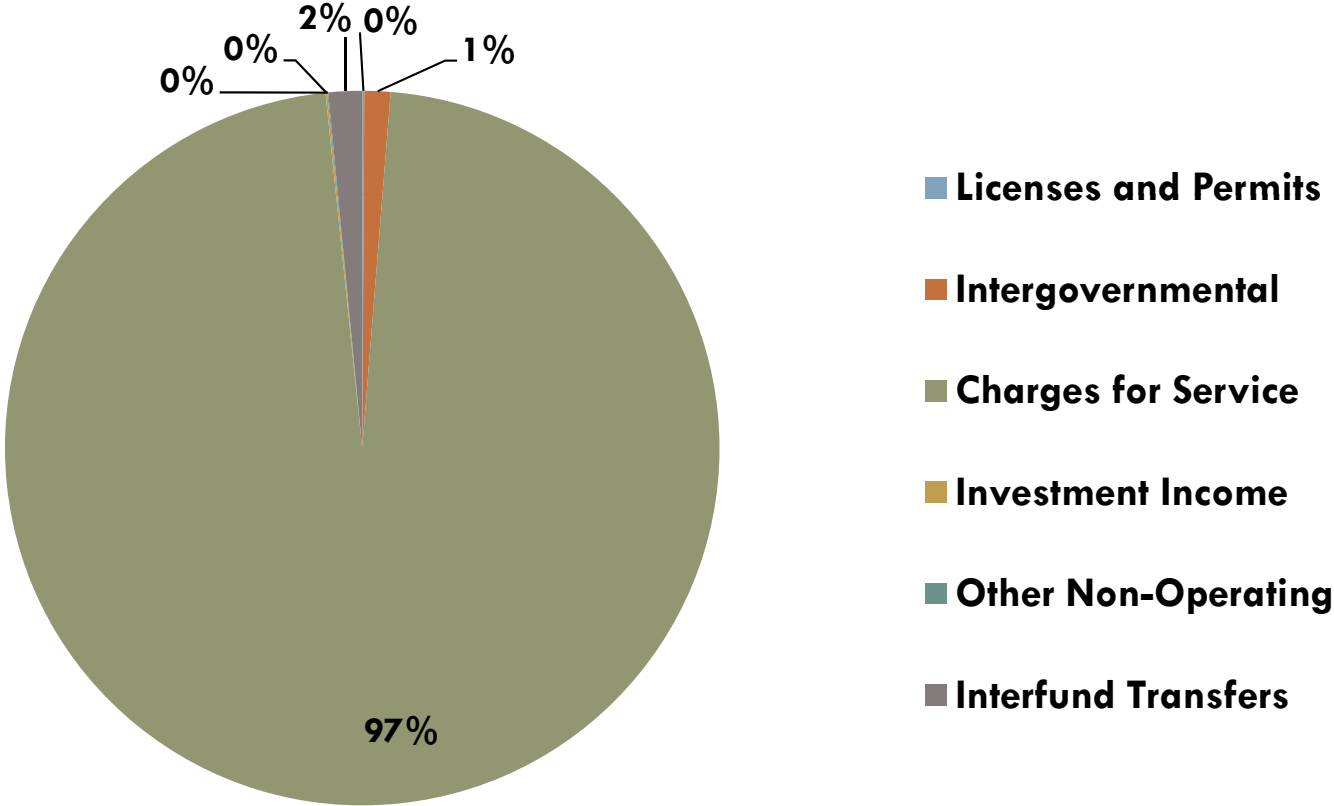


**Streets Fund Expenditures**



# Where Does the Money Come From?

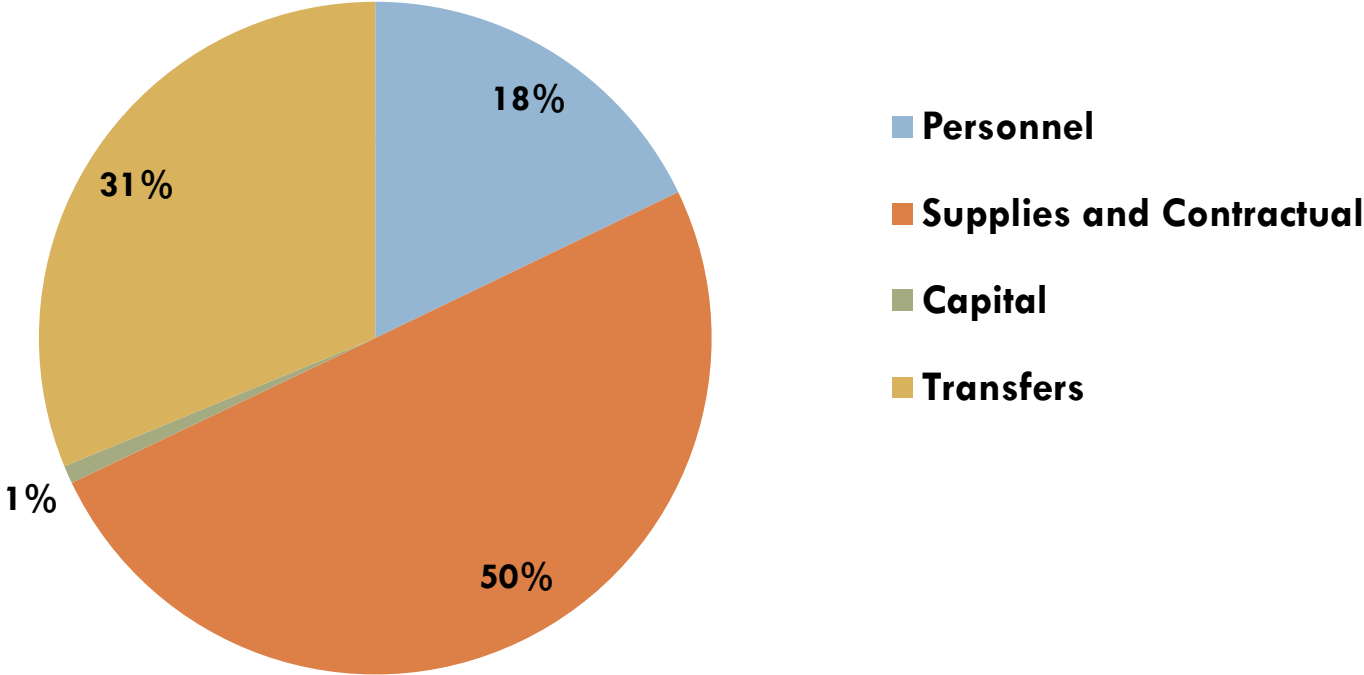
Enterprise Funds Revenue



# Where Does the Money Go?



**Enterprise Funds Expenditures**



**BREAK**

10 minutes



# Budget Process and Status

**Understand the process that will be used to develop FY 2012-2013**

# Keys to a Successful Budget Process



- ***Create Strategic Projects and Priorities***
- ***Define Roles Early***
- ***Establish Budget Policies***
- ***Link to Broad Organizational Goals***

# Keys to a Successful Budget Process



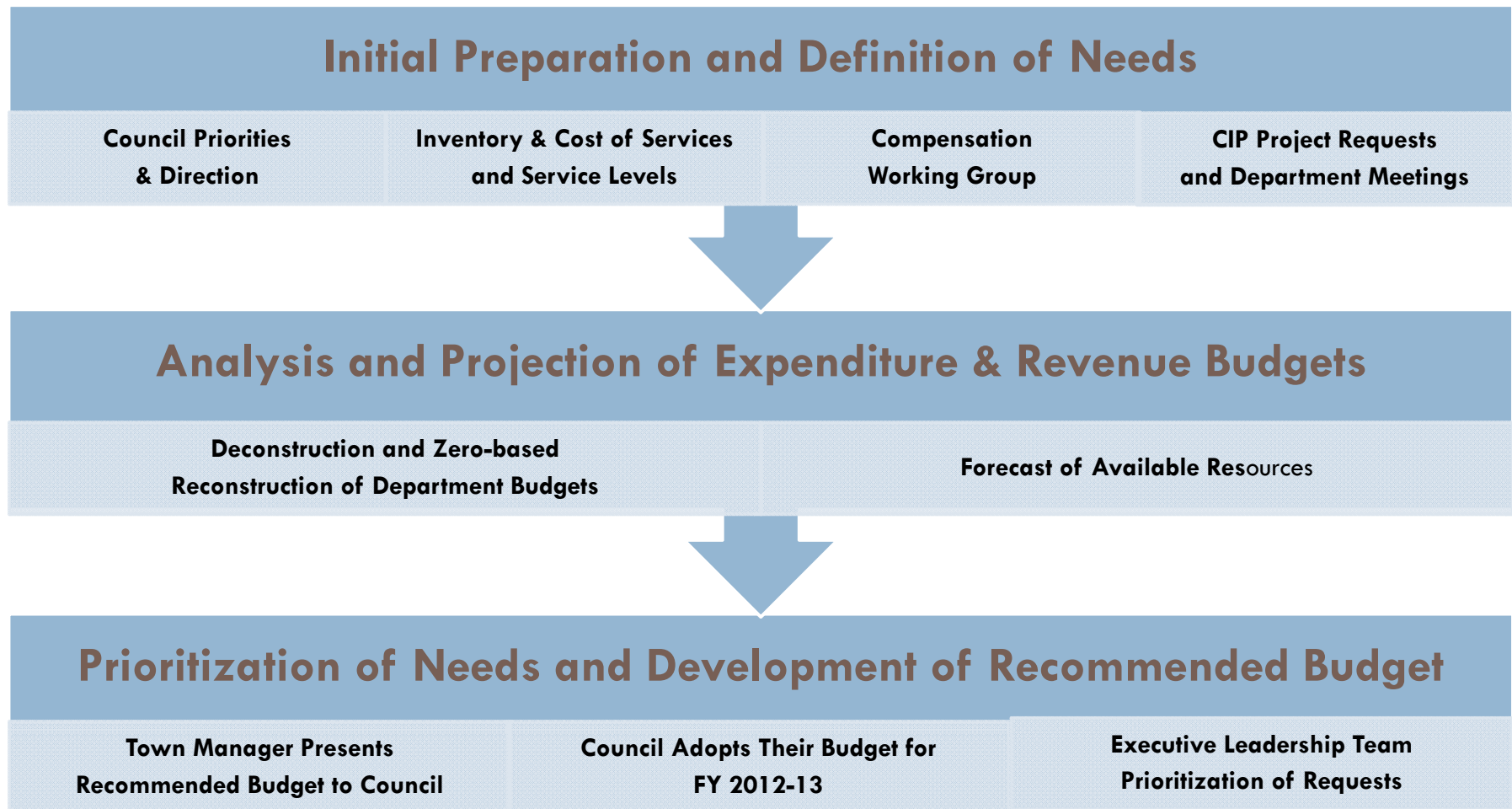
- ***Focus Decision on Results/Outcomes/Services/Service Levels***
- ***Communicate, Communicate, Communicate***
- ***Increase Transparency***
- ***Use a Long-Term Perspective***

# Normal Roles in a Public Budgeting Process

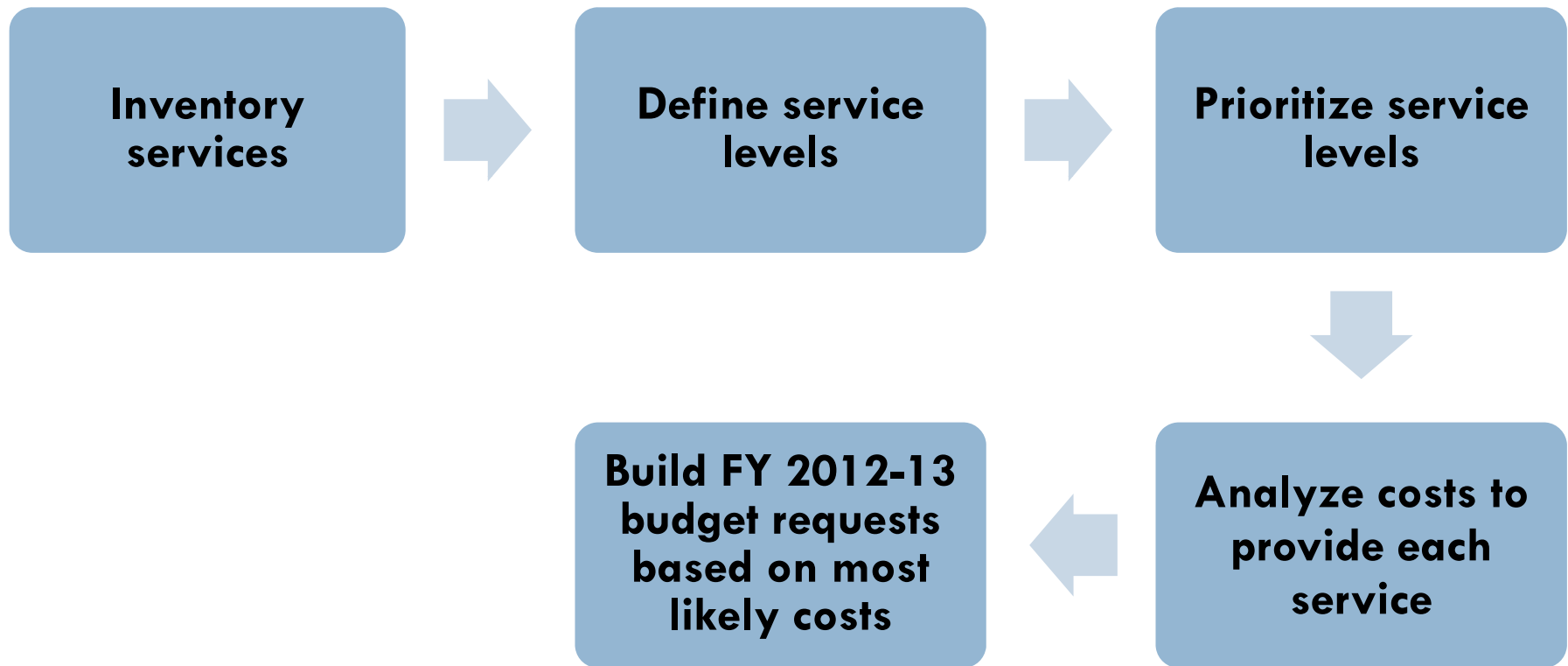


- ***Elected Officials*** - Set Policy Guidelines, Establish Priorities, Communicate Position to Constituents, Resolve Conflicts
- ***Department Staff*** - Develop Program Objectives, Identify Service Levels, Prepare Budget Requests
- ***Executive Management*** - Prepare a Recommended, Balanced Budget, Incorporate Elected Priorities, Assess Service Levels

# Budget Development



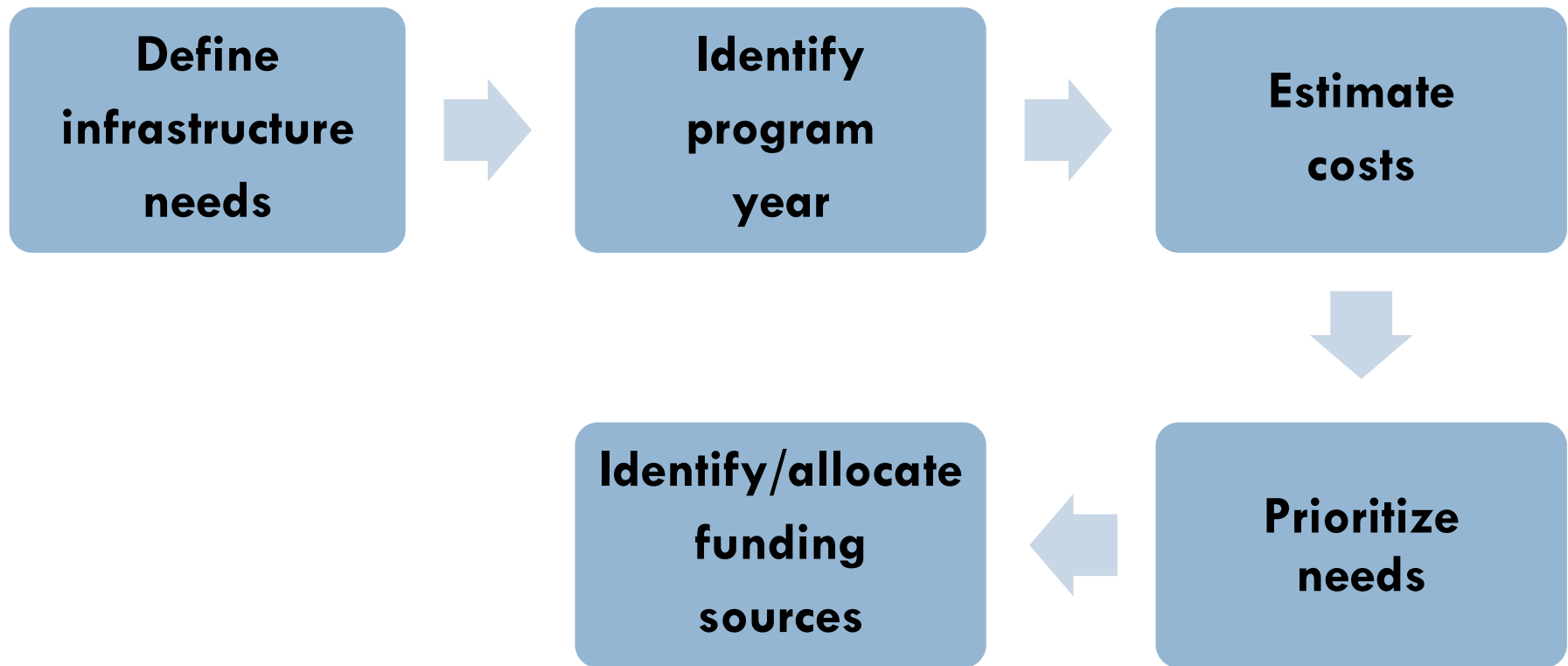
# Analysis and Projection of Operating Expenditures



# Operating Budget Milestones

<b>Event</b>	<b>Timing</b>
Preliminary financial outlook and budget process discussion	November 5, 2011
Deconstruct and reconstruct base budgets	December 31, 2011
Departments submit supplemental budget requests	January 31, 2012
Budget picture to Council	February 4, 2012
Department Directors prioritize requests	February 29, 2012
Budget strategy discussion with Council	March 8, 2012
Final forecast and budget approach to Council	April 5, 2012
Tentative Budget Adoption (set maximum appropriation)	May 17, 2012
Final Budget Adoption and Property Tax Hearing	June 14, 2012
Property Tax Levy Adoption	June 28, 2012

# Analysis and Projection of Capital Expenditures



# Capital Budget Milestones

Event	Timing
Begin CIP update & call for new projects	September 12, 2011
Department meetings	October 17-28, 2011
First stakeholder meeting	November 17, 2011
Second stakeholder meeting	January 12, 2012
Declare CIP/IIP a public document & publish notice of public hearing	January 26, 2012
Mandatory 60 day waiting period	Feb 3 – April 4, 2012
Third stakeholder meeting	March 15, 2012
Present to Redevelopment & Planning Commissions	March 2012
Town Council Public Hearing	April 5, 2012
Mandatory 30 day waiting period	April 5– May 5, 2012
Public Hearing and Adoption of 2012-2017 CIP/IIP	May 17, 2012

# Systems & Tools – Project Information and Justification

**Project Detail**

<b>Project Name</b>	<b>Project Location</b>	<b>Project Number</b>	
<input type="text"/>	<input type="text"/>	<input type="text"/>	
<b>Department In Charge</b>	<b>Project Manager</b>	<b>Council District</b>	<b>Lead Agency</b>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<b>Project Type</b>	<b>Related Projects?</b>		
<input type="text"/>	<input type="text"/>		


**Project Description**

**Justification:**

**Potential Concerns:**

If this box is checked, it will appear on the INPUT/EDIT screen by Department.

Is this project for consideration as part of the Community Works program?

 **Close**

# Systems & Tools – Project Costs

Project Detail		Cost Timing	Operating Impacts	Prioritization									
<b>Cost Timing</b>													
<b>1. Current CIP</b>													
Fund Name & Category		Total FY11-FY20	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Proposed GO Bonds	DS	150,000		0	0	0	0	0	0	0	0	150,000	0
Proposed GO Bonds	CB	22,000		0	0	0	0	0	0	0	0	22,000	44,000
<b>Total</b>		<b>173,500</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>173,500</b>	<b>54,550</b>
<b>2. New CIP (enter the total amount needed for the project in the appropriate fiscal year)</b>													
Proposed Source	Category	Total FY12-FY21	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	
Proposed GO Bonds	Chargebacks	66,000	0	0	0	0	0	0	22,000	44,000	0	0	
Proposed GO Bonds	Construction	1,055,000	0	0	0	0	0	0	0	1,055,000	0	0	
Proposed GO Bonds	Design	150,000	0	0	0	0	0	0	150,000	0	0	0	
*													
<b>Total</b>		<b>1,271,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>172,000</b>	<b>1,099,000</b>	<b>0</b>	<b>0</b>	



# Systems & Tools – Operating Impacts

**Operating Impacts**

OPS Impact Comments for the WHOLE project for REPORTING purposes:

**Personal OPS** ▼

FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21

Departments breakdown/assumptions of Impacts: *(Not printed on reports)*

Please enter the department responsible for the operating impacts per category (if other than your own department):

**Non-Pers OPS** ▼

FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21

Departments breakdown/assumptions of Impacts: *(Not printed on reports)*

Please enter the department responsible for the operating impacts per category (if other than your own department):

**Capital OPS** ▼

FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21

Departments breakdown/assumptions of Impacts: *(Not printed on reports)*

Please enter the department responsible for the operating impacts per category (if other than your own department):

Print Close

# Systems & Tools - Prioritization

**Department Technical Priority Ranking**


Department: Please rank order this project in relation to all other projects of the same type (e.g., drainage, operational facilities, streets, water, etc.). For example, if you are submitting a total of 30 water projects, rank order those projects from 1 to 30 and enter this project's rank in the box.

**Community Priority Ranking**

For each of the 10 criteria below, please rate this project on a scale of 0 to 5, with 5 being the highest possible score and 0 the lowest. For additional guidance on how to score any given criterion, click the More Info button.

Total Points	Points	Department Notes
1	<input type="text"/>	<input type="text"/>
2	<input type="text"/>	<input type="text"/>
3	<input type="text"/>	<input type="text"/>
4	<input type="text"/>	<input type="text"/>
5	<input type="text"/>	<input type="text"/>





## Preliminary Budget Outlook and Forecasts

**Understand financial outlook for future decisions on service delivery and revenue structures**

# FY 2011-12 General Fund

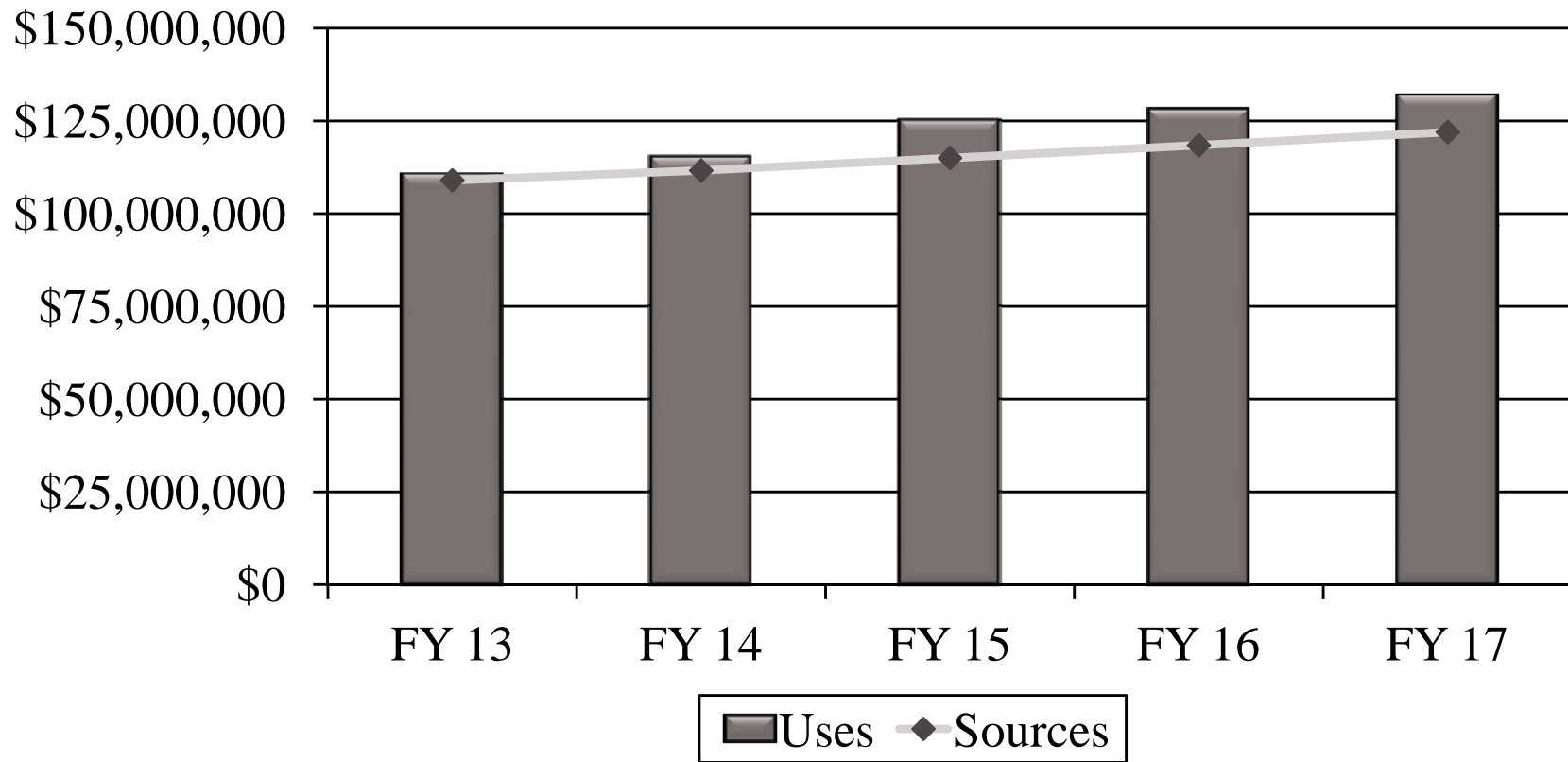
- **Continued steady recovery from recession**
  - **Sales tax**
  - **Permit activity**
- **Areas still in decline**
  - **Urban revenue sharing (income tax)**
    - **FY 2009-10: -13%**
    - **FY 2010-11: -25%**
    - **FY 2011-12: -9% offset by census adjustment**
  - **Property values – property tax**

# FY 2012-13 General Fund

- **Continued stabilization of retail sales tax**
- **Permit activity**
- **Urban revenue sharing (income tax)**
  - **FY 2009-10: -13%**
  - **FY 2010-11: -25%**
  - **FY 2011-12: -9% offset by census adjustment**
  - **FY 2012-13: +17.5%**
- **Property values – property tax continues to be a concern**

# General Fund

## FY 2013-2017 Forecast



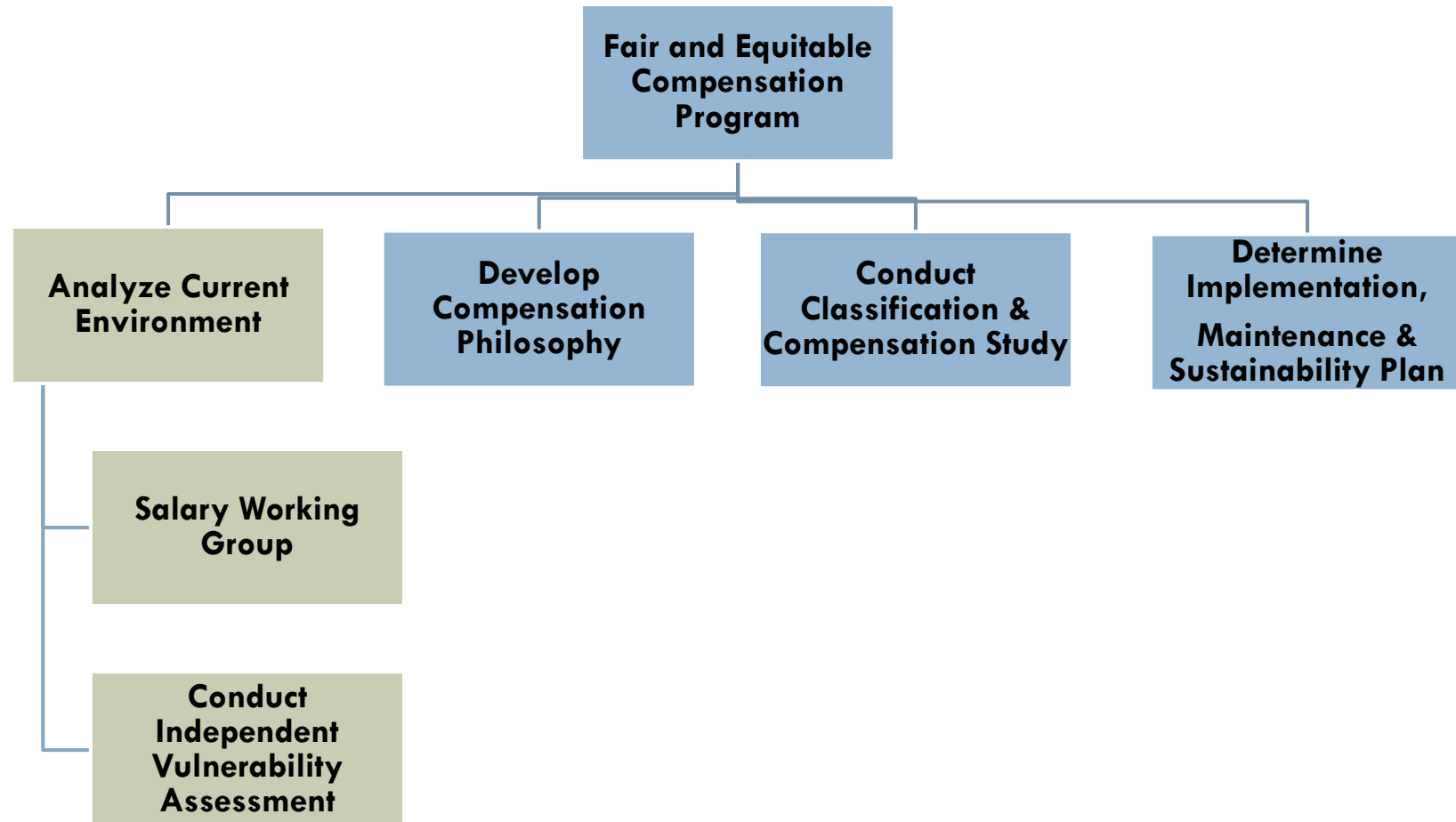
# Compensation



**Learn the results from compensation vulnerability assessment and agree on next steps**

# Rolling Five-Year Balanced Financial Plan

WIG: Define a fair and equitable compensation program by June 30, 2012.



# Fox Lawson & Associates

a Division of Gallagher Benefit Services, Inc.

- **Project Director and lead consultant**
  - **Bruce G. Lawson, MPA, CCP, IPMA-CP**
  
- **Background Experience**
  - **Directed similar projects for more than 300 jurisdictions**
  - **Served as Town Manager in two California cities**
  - **County Administrative Officer in Multnomah County (Portland, Oregon)**
  - **Assistant Town Manager/Personnel Director in Placentia, California**

# Vulnerability Assessment



- **Performed diagnostic review of:**
  - **Compensation philosophy**
  - **Compensation and classification systems, strategies and practices**
  - **Pay structure**
- **Present recommendations**

# Vulnerability Assessment



## □ Methodology

### □ Facilitated discussions with:

- Human Resources staff
- Town Leadership
- Salary Working Group (HR, Budget, and representatives from the three employee organizations)

### □ Technical review of job classification and compensation structure

# Vulnerability Assessment Results



- **Town's Current Structure**
  - **Population over 215,000**
  - **Current staffing**
    - **1,072 regular FT**
    - **135 seasonal/temporary**
  - **Total classification descriptions 238**
  - **Last comp/class study conducted 2002**
  - **Compensation philosophy**
  - **Turnover trends**
  - **Forecast attrition rates**

# Vulnerability Assessment Results *(cont.)*



- **Classification System Findings**
  - **Total of 238 classification descriptions**
  - **Town's ratio of job titles to employees**
  - **Lack of career paths**

# Vulnerability Assessment Results *(cont.)*

## □ Compensation System Findings

### □ Town's basic pay plan

- Approx 39 grades, covers exempt & non-exempt
- Pay ranges/grade are less than 5% apart
- Ratio between lowest and highest paid employee
- Range spread
- Compa-ratio

### □ Sworn public safety positions

### □ Supervisory rule

### □ Budgeting of positions

# Vulnerability Assessment Results *(cont.)*



- **Market Environment**
  - **Public sector vs. private sector compensation structures**
  - **Sworn public safety vs. civilian position**
  - **Total compensation**
  - **Pay for performance**

# Recommendations



- ❑ **Develop formal compensation philosophy and strategy**
- ❑ **Conduct job classification evaluations to reexamine the classification structure**
- ❑ **Conduct market compensation study**
- ❑ **Budget positions at midpoint of salary grade**
- ❑ **Examine funding of compensation program**
- ❑ **Review Town's benefits programs to ensure alignment with compensation philosophy**

# Next Steps



- **Reopener:**
  - **Identify funds to be allocated for reinvestment in the employees**
  
- **Create a committee to:**
  - **Develop a compensation philosophy**
  - **Determine scope of work to conduct a class and compensation study**
  - **Identify methodology for implementation**
  - **Identify maintenance/sustainability plan**

**BREAK**

10 minutes



# Five Year Financial Plan

**Understand the components of and impacts on a long-range financial plan**

# Rolling 5-Year Balanced Financial Plan



- **Fiscal Environment Analysis (SWOT)**
- **Long-Term Revenue Forecasting**
- **Long-Range Expenditure Forecasting**
- **Debt Analysis**
- **Financial Balance Analysis**
- **Financial Strategies Development**
- **Transition and Implementation**
  - **Education**
  - **Policies**

# Fiscal Environment Analysis



## **Identify fiscal strengths and weaknesses**

- Opportunities for improvement**
- Constraints on future activity**
- Issues of local significance**
- Regional/national trends**
- Industry trends (e.g. national bio-medical industry)**

## **Set core foundational policies**

# Long Term Forecasting



## Revenues

- **Structural vs. cyclical**
- **Define appropriate structure**
  - ▣ **What structure is right for this community and when**
- **Sustainable**
- **Fiscally responsible**

# Long Term Forecasting



## Expenditures

- ❑ **Establish priorities and service levels**
- ❑ **Tie to strategic initiatives/long and short-term goals**
- ❑ **Operating: cost increases and new expenditures**
- ❑ **Capital: one-time and O&M**

# Debt Analysis



## **Powerful instrument for managing resources**

- **Benefits**

- **Intergenerational equity**

- **Funding infrastructure investment**

- **Importance of long-range focus**

- **Minimizes cost**

- **Ability to issue additional debt for necessary infrastructure**

# Financial Balance Analysis



## Structural Balance Analysis

- **Fund Balance Analysis**
  - **Contingency/Reserves**
  - **Non-recurring events**
  - **Long-range (20-year) resource allocation plan**
    - **Stabilize service levels during downturns**

# Financial Strategies Development



- **Persistent problem**
  - **As organizations grow, not uncommon for planning and forecasting to identify imbalance**
  - **Effective solutions for managing surpluses equally important**
  
- **Requires high degree of collaboration**
  - **Strategic prioritization of services and revenue structure**
  - **Must address both prescriptive and political interests**

# A Successful Five-Year Rolling Balanced Financial Plan



- **Components of a successful plan**
  - **Technically sound**
  - **Participatory and collaborative approach**
  - **Policy-driven**
  - **Connected to budget process**
  
- **Transition and Implementation**
  - **Education**
  - **Policies**
  
- **Communication and Credibility**



# Utility Rates

**Understand the components and processes required to establish responsible utility rates**

# Enterprise Fund Rate Discussion



## **Mission:**

- Gilbert Operates its Enterprise Funds on the philosophy that the fees charged will cover 100% of the cost of those services**

# Enterprise Fund Rate Discussion



- **Each Rate is set independent of other rates**
- **Must consider true cost**
  - ▣ **Short-term**
    - **Minor to moderate ongoing repair and maintenance**
  - ▣ **Long-term**
    - **Capital Projects with annual maintenance costs**
    - **Asset repair, maintenance, and replacement**

# Enterprise Fund Rate Discussion



- **What Drives Enterprise Fund Rates?**
  - **Service level**
  - **Compliance statutes & regulations**
  - **Operation plan to provide services**
  - **5-year financial plan**
  - **Fund Balance and R & R Policies**
  - **Efficiencies realized**
  - **Evaluation of rate structure**

# Impacts on Water, Water Resources, and Wastewater Rates



- **Projected water demand and supply through build out**
- **Treatment plant expansion timing**
- **Treatment plant capacity issues**

# Impacts on Water, Water Resources, and Wastewater Rates



- ❑ **Infrastructure life cycle and replacement plan**
- ❑ **Initial Master Plan data suggests adopting conservation strategies including a penalty water rate structure**
- ❑ **Reclaimed water rate not 100% cost recovery**

# Impacts on Solid Waste Rates



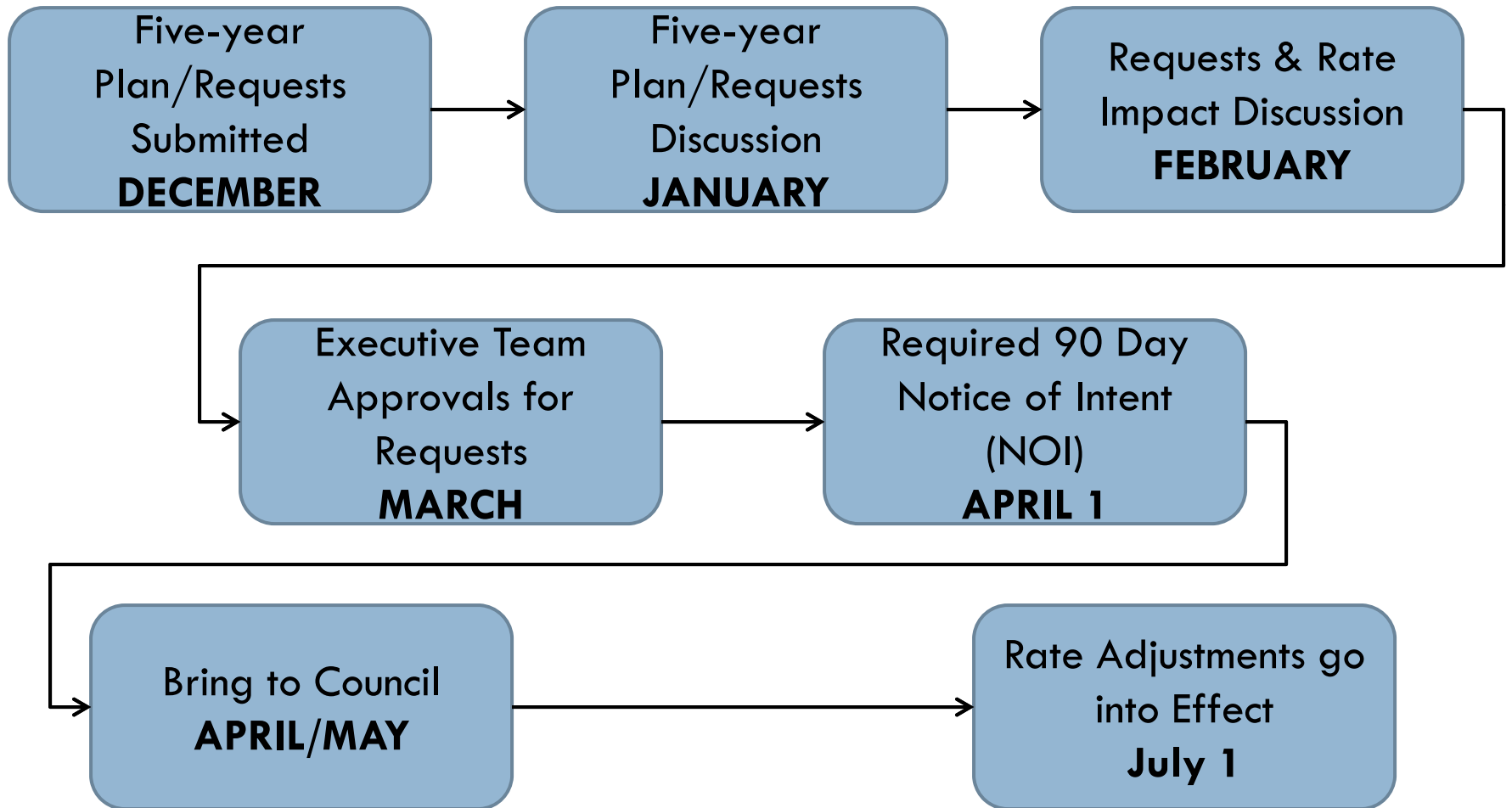
- **Potential rate reduction**
- **Expansion of commercial recycling program**
- **WIG to recycle 30% of collections by 2014-15**
- **Possible move to multi-tiered rate structure with three can sizes**
- **Bulk trash cost analysis**

# Proactive Steps In Progress



- **Water / Wastewater Master Plan – estimated completion in June 2012**
  - **Substantial deliverables by February 2012**
  
- **Fixed Asset system analysis**
  - **Infrastructure Life-cycle planning**
  - **Infrastructure replacement cost estimates**
  - **Repair & Replacement fund contribution from enterprise operating**
  
- **Fund Balance Policy**
  
- **Enterprise Fund capital projects review**

# Enterprise Funds Annual Rate Analysis Annual Timeline



# Recommendations



- ❑ **Establish presented timeline for annual rate analysis, discussion and adoption**
- ❑ **Adopt the ADWR Fee**
- ❑ **Bring forward other rate recommendations after full analysis with July 1, 2012 implementation date**



# Financial Policies

**Establish Policies of Responsible Financial Management and understand next steps for future financial policies**

# Budget Administration



- **Revisions**

- **Clarifies appropriate authority levels for budgetary transfers/amendments/adjustments**
- **Contingency authorization/reporting**

# Budget Administration: Levels of Approval



## □ **Directors**

- **Within non-personnel lines at same fund, department, project level**

## □ **Budget Administrator**

- **Between funds, departments, or projects, and any contingency transactions up to \$25,000**

## □ **Town Manager**

- **Within a fund between departments or projects**
- **Between funds, departments, or projects, and any contingency transactions up to \$50,000**
- ***Staff will report on a quarterly basis re: use of contingency***

# Repair and Replacement



- ❑ **Revises the formerly proposed “Replacement Funding Policy”**
- ❑ **Includes language regarding annual budget process and prioritization of repair/replacement of fleet and capital infrastructure items**
- ❑ **Correlates with other Town plans/schedules**

# Current Minimum Fund Balance Policy



- **Policy: Minimum 10% of General Fund budgeted expenditures**
  - **Amount as of June 30, 2011: \$30.8 million or 29.4% of FY12 adopted budget**
  - **Amount as of 11/05/11: \$33.5 million or 32% of FY12 adopted budget**

# Previously Proposed Minimum Fund Balance Policy

- **90 days working capital**
  - **\$25.8 million**
  
- **Revenue Stabilization reserve:**
  - **10% of projected State Shared Revenues**
    - **\$3.3 million**
  - **10% of projected sales tax revenues**
    - **\$4.4 million**
  
- **1 year General Fund debt service payments**
  - **\$5.8 million**
  
- **Strategic Investment Fund**
  - **\$5 million**

*FY12 Budget used as basis for calculation*

# Recommended Minimum Fund Balance Policy



- **90 days working capital**
  - **\$25.8 million**
  
- **1 year General Fund debt service payments**
  - **\$5.8 million**

*FY12 Budget used as basis for calculation*

# Economic Development Reserve



- **Establishes \$5 million reserve in General Fund**
  - ▣ **Revised from initially proposed \$2 million additional in funding**
    - **\$1 million each from Water and Wastewater funds respectively**

# Wrap up



**Western Power line Trail**