

## Amy Harvey

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**From:** Roger Stancil  
**Sent:** Monday, May 28, 2018 12:44 PM  
**To:** Allen Buansi; Donna Bell; Hongbin Gu; Jeanne Brown; Jess Anderson; Karen Stegman; Town Council; Michael Parker; Nancy Oates; Pam Hemminger; Rachel Schaevitz; Roger Stancil; Ross Tompkins  
**Cc:** Ken Pennoyer; Amy Oland; Matthew Brinkley; Sara Hancock; David Finley; Lance Norris; Amy Harvey; Beth Vazquez; Carolyn Worsley; Catherine Lazorko; Christina Strauch; Dwight Bassett; Flo Miller; Lindsey Bineau; Mary Jane Nirdlinger; Rae Buckley; Ralph Karpinos; Ran Northam; Roger Stancil; Sabrina Oliver  
**Subject:** Options for reduction to proposed General Fund tax increase

I have reviewed the Recommended General Fund Budget with the Director of Business Management and we offer three options for Council consideration in reducing the proposed General Fund tax rate. Please remember we have already proposed a .2 cent reduction to one cent by including savings from further insurance negotiations.

### General Fund Budget Options

**Program:** Building Maintenance

**Reduction:** \$240,000

**Tax Rate Change:** -0.3 cents

**Impact:** Reduces the additional funding in the recommended budget by half. The original proposal was for \$472,000 in additional funding to improve the level of maintenance of Town facilities to prevent deterioration that could generate larger costs in the future. Cutting this new initiative by \$240,000 would leave \$232,000 to address some of the higher priority maintenance projects, but would not provide the level of funding needed in the long-term. Increases would be requested in subsequent budgets to improve maintenance to appropriate levels.

**Program:** Street Resurfacing

**Reduction:** \$240,000

**Tax Rate Change:** -0.3 cents

**Impact:** There is currently \$668,516 in the Public Works operating budget for street resurfacing. Cutting \$240,000 would reduce the budget to \$428,516 or about 2/3rds of the amount recommended. The most recent pavement condition survey showed a decrease in overall pavement conditions throughout the Town. This represents a trend over the last few surveys. The Town's roads are rated better than many of our neighboring communities however the recent community survey results indicate less satisfaction with the road conditions in the Town. A reduction in road resurfacing would have a negative effect on pavement conditions and increase the cost of resurfacing and reconstructing roads in the future. Alternatively, part of the \$5.5 million of Street and Sidewalk G.O. bonds recently borrowed could be diverted to road resurfacing. This would maintain the recommended level of resurfacing, but would delay or curtail other planned street and sidewalk projects.

**Program:** Fund Balance

**Addition:** \$240,000 (This an addition to revenue)

**Tax Rate Change:** -0.3 cents

**Impact:** The recommended level of fund balance use in the FY19 recommended budget is about \$3.0 million. Based on our estimates this amount should be slightly less than the normal amount of budgetary savings realized over the year. This would result in building back fund balance toward our target level of 22%, which is a major financial objective of the recommended budget.

At the end of FY17 unobligated fund balance was 20.0% or about \$1.2 million less than the 22% target. The 22% target was established based on factors including the dependability of revenues, cash flow needs, and the risk of unforeseen

events that have a budgetary impact. Dropping below the target is considered a negative financial indicator and restoring fund balance to target is an important step in protecting our triple A bond rating.

Projecting year-end fund balance amounts is difficult due to the variable nature of revenues, expenditures and changes in reserved and obligated portions of the fund balance. Our best estimates suggest that adding to fund balance use by \$240,000 for FY19 is within the margin of error for achieving break-even at year-end. In other words using an additional \$240,000 will probably not further reduce fund balance.