

## Background Information - Carry Forward Budget Adjustment

1. The Town has a surplus of revenues over expenditures in FY 2021 of **\$900,000**.
2. This comes from actual revenues exceeding budgeted revenues in business licenses, state revenues, sales taxes and zoning fees, plus lower budgeted expenses and vacancies during the year.
3. Our practice has been to move 50% of the surplus to the unassigned fund balance (rainy day reserve), and use the other 50% to add to the current year budget to address unfunded priorities or budget variances already identified in the current year
4. We then measure the amount in the FY 2021 rainy day reserve against the FY 2022 budget, with a policy of 15% of the next year budget ("rainy day percent") or stretch goal or benchmark of 18% - 20%.
5. Following our practice and moving half of the \$450,000 to the rainy day reserve will leave us with a rainy day reserve percent of 23.2%.
6. The Budget Committee (BCOM) has proposed 3 scenarios for the surplus and rainy day reserve. Two involve spending part or all of the surplus in FY 2022 (the current year) and one involves spending some of the surplus in FY 2022 and some in FY 2023 if conditions warrant.
7. Council may pick one of these scenarios or offer other scenarios for the surplus and rainy day reserve, as long as we maintain the benchmark of 18% in the rainy day reserve.

## FY 2022 CARRY FORWARD USES

**Benchmark Rainy Day %** **18% - 20%**

<b>Scenario #1 - Spend \$450,000 one-time uses in FY 2022 - Traditional Method</b>		<b>Amount</b>
Other 2022 budget corrections		\$ 100,000
Select from Unfunded Priorities and other		
	Fix pay compression for 41 employees 1/1	125,000
	Paving	175,000
	Tree Maint & Beautification	50,000
<b>Total Carry Forwards - 2022</b>		<b>\$ 450,000</b>
Add to Rainy Day Fund		<b>\$ 450,000</b>
Revenue Stabilization		<b>\$ 950,000</b>
<b>Total Rainy Day Balance</b>		<b>\$ 6,168,994</b>
<b>Total Rainy Day %</b>		<b>23.2%</b>

**Pros**

- Addresses many unfunded priorities
- Less risk
- Allows for greater future flexibility to address any continuing impact of pandemic
- Rainy day percent well over benchmark

**Cons**

- Overly conservative
- Not prudent governance to have too high a fund balance

<b>Scenario #2 - Spend \$900,000 in FY 2022</b>		<b>Amount</b>
\$0.005 Tax Rate Rebate	from \$0.2225 to \$0.2175	\$ 280,000
3% salary increase	at 1/1/2022	270,000
Other 2022 budget corrections		100,000
Select from Unfunded Priorities and other		
	Fix pay compression for 41 employees 1/1	125,000
	Paving	75,000
	Tree Maint & Beautification	50,000
<b>Total Carry Forwards - 2022</b>		<b>\$ 900,000</b>
Add to Rainy Day Fund		<b>\$ -</b>
Revenue Stabilization		<b>\$ 950,000</b>
<b>Total Rainy Day Balance</b>		<b>\$ 5,718,994</b>
<b>Total Rainy Day %</b>		<b>21.5%</b>

**Pros**

- Returns surplus to residents and employees
- Addresses many unfunded priorities
- Addresses current CPI increase over 5%
- Keeps us comparable with other localities who gave higher increases or mid-year increases
- Rainy day percent over benchmark

**Cons**

- Assumes 4% or greater real estate assessment increase; but new home permits and commercial development support an increase comparable to prior years
- Risk if increases not 4% or more

## FY 2022 CARRY FORWARD USES

<b>Scenario #3 - Spend \$350,000 in FY 2022 + Increase Salary &amp; Cut RE Tax in 2023</b>	<b>Amount</b>
Other 2022 budget corrections	\$ 100,000
Select from Unfunded Priorities and other	
Fix pay compression for 41 employees 1/1	125,000
Paving	75,000
Tree Maint & Beautification	50,000
<b>Total Carry Forwards - 2022</b>	<b>\$ 350,000</b>
Add to Rainy Day Fund	<b>\$ 550,000</b>
Revenue Stabilization	<b>\$ 950,000</b>
<b>Total Rainy Day Balance</b>	<b>\$ 6,268,994</b>
<b>Total Rainy Day %</b>	<b>23.6%</b>
Include with next year's (FY 2023) spending:	
- 3% salary increase added to 2023 increase at 7/1/22	270,000
- Reduce Real Estate tax rate to \$0.2175 if 4% assessment increase on 1/1/22 \$0.005 rate decrease; could be more depending on assessed value increase	280,000
<b>Total Carry Forwards to add to 2023</b>	<b>\$ 550,000</b>

### Pros

- Addresses many unfunded priorities
- Less risk; more flexible
- Returns surplus to citizens and employees
- Allows upside if RE assessment increases are more than 4%

### Cons

- Overly conservative
- Not prudent governance to have too high a fund balance

### Other potential Unfunded Priorities to consider:

- Promotional marketing materials for PIO and Economic Development Divisions	\$ 40,000
- Anti-icing device	35,000
- Additional vehicle for urban arborist (added a supervisor; arborist using own vehicle)	32,000
- Additional vehicle for parks maintenance trash pickup	32,000
- National Community Survey	21,000
- Public engagement platform like Hootsuite	20,000
- 2022 Tree Grant award matching fund	7,500
<b>Total Alternatives</b>	<b>\$ 187,500</b>