



Legislation Text

File #: 21-2620, **Version:** 1

Subject:

Discuss FY 2021 To FY 2022 Carry Forwards

BACKGROUND SUMMARY :

Due to conservative budgeting from uncertainty surrounding the impact of the Coronavirus pandemic in FY 2020-21, the Town of Vienna has ended fiscal year 2020-21 with a \$900,000 surplus of revenues over expenditures in the General Fund. This is mainly due to several revenue sources coming in significantly over budget: business licenses, state and federal revenues, zoning permit fees and sales taxes, and by a number of vacant positions during the year, which kept expenditures under budget.

The Town cut its FY 2020-21 budget by more than 6 percent from FY 2019-20 in an attempt to estimate the effects of the pandemic. Both revenues and expenditures had to be cut to balance the budget. Revenues exceeding budget plus expenditures under budget contributed to the size of the surplus.

It has been the Town's traditional practice to add half of any surplus to the General Fund's unassigned fund balance (rainy day reserve), with the goal of keeping the unassigned fund balance at least 15% of the next year's expenditure budget. In the last several years we have achieved at least an 18% rainy day reserve percent. This is a measure that bond rating agencies look at when assigning bond ratings and helps us keep our costs of borrowing down. It is the Town's practice to use the other half of any surplus to meet previously unfunded priorities from the current year's budget.

OVERVIEW :

The Budget Committee (BCOM) has developed three scenarios for Council to discuss on how, when and how much of the FY 2021 surplus to spend. BCOM supports both cutting the real estate tax rate and addressing wage rate pressure due to inflation and to make sure the Town is not at a competitive disadvantage when hiring new employees.

Attached is a further explanation of the scenarios, the scenarios themselves, and other projects Council might include for surplus funding. Also attached is a survey of surrounding locality plans for salary increases. As long as real estate tax assessments increase by at least 4% over last year, there should be no issues using the surplus now for adjustments that will have an ongoing effect on the budget. Over the last ten years assessments have increased by an average of over 5%. Additionally, strong home sales, low mortgage rates and commercial development coming online in FY 2022 support increasing assessments.

The purpose of the conference session is for Council to come to consensus on the disposition of the FY 2021 surplus. If the amount to be carried forward is in excess of \$266,000, a public hearing will be required, as the amount exceeds 1% of the FY 2022 general fund budget.

SUMMARY/STAFF IMPRESSIONS : Staff recommends Council discussion.

RECOMMENDATION :

Staff recommends Council come to consensus on how, when and how much of the FY 2021 to carry forward to FY 2022 budget and how much to put in the rainy day reserve.