



# Town of Lovettsville

## FY 16 Town Manager's Recommended Budget

Thursday, April 09, 2015





# AGENDA

---

- Highlights for Town Council & Executive Summary
- Analysis of Debt and Reserves
- Presentation of Base Budget
- Presentation of Three Budget Balancing Strategies:
  1. Expenditure Cuts Only Option
  2. Revenue Increases Only Option
  3. Mixed Option
- Town Manager's Recommended Strategy
- Q&A/Discussion



# HIGHLIGHTS FOR TOWN COUNCIL

---

- **BAD NEWS:** The Town currently does not delineate and manage its Reserves and Debt.
  - We are facing a long-term debt shortfall (\$1.7M) and real annual structural deficits (\$232K).
  - We do not have defined reserve funds, and even if we create these funds they are underfunded (by \$868K).
  
- **GOOD NEWS:** With a disciplined strategy going forward we can achieve balanced budgets and pay off our debt.
  - Tough choices are required to be made about revenue increases and/or cuts in spending.
  - We will need to define and set our service levels.



# HIGHLIGHTS FOR TOWN COUNCIL

## □ **What this Budget does:**

- Gets us out of our real annual deficits
- Enables us to pay down our debt
- Improves budget transparency
- Defines and funds needed reserve categories
- Funds current service-level capacity

## □ **What this Budget does not do:**

- Fully address our current inability to finance **NEW** General Fund debt in order to execute important Capital projects
- Allocate personnel and overhead costs to our programs in order to create a transparent and accurate Program Budget

**THIS WILL BE NEXT YEAR'S FOCUS!**



# EXECUTIVE SUMMARY

---

- ❑ **DEBT:** \$1.7M UF shortfall; GF shortfall without a Debt Retirement Fund.
- ❑ **RESERVES:** \$868K combined shortfall (not including 3RM and Capital Fund shortfalls) and “reserves” are currently not delineated.
- ❑ **STRUCTURAL ANNUAL DEFICIT:** \$232K combined shortfall (\$187K from UF) to be able to pay off debt and fund reserves.
- ❑ **ACTUAL ANNUAL DEFICIT IN FY 16 BASE BUDGET:** Base budget reduces this structural deficit to \$188.6K via 7% reduction in equivalent items from FY 15 Budget. *However, Town still faces a \$188.6K total budget deficit (\$183.3k from UF) that requires balancing.*

***TOWN MANAGER RECOMMENDS A STRATEGY FOR ADDRESSING TOWN’S DEBT/DEFICIT SHORTFALLS THAT INCLUDES A MIX OF INCREASED REVENUES AND SPENDING CUTS. THIS STRATEGY ALSO RESPONSIBLY FUNDS OUR RESERVES AND OUR CURRENT SERVICE-LEVEL CAPACITY.***



---

# ANALYSIS OF DEBT AND RESERVES

- GENERAL FUND
- UTILITY FUND



# GENERAL FUND DEBT SERVICE

GENERAL FUND						
Note: as of 1 July 2015	DEBT PAYMENT CATEGORY					
FY	PRINCIPAL	INTEREST	FEES	TOTAL	MEALS/CIG. TAX REVENUE	RESERVE CONTRIBUTION
FY 2016	\$ 80,000.00	\$ 69,034.40	\$ 1,740.00	\$ 150,774.40	\$ 98,800.00	\$ 51,974.40
FY 2017	\$ 85,000.00	\$ 65,834.40	\$ 1,660.00	\$ 152,494.40	\$ 101,224.00	\$ 51,270.40
FY 2018	\$ 85,000.00	\$ 62,434.40	\$ 1,575.00	\$ 149,009.40	\$ 103,720.72	\$ 45,288.68
FY 2019	\$ 90,000.00	\$ 59,034.40	\$ 1,490.00	\$ 150,524.40	\$ 106,292.34	\$ 44,232.06
FY 2020	\$ 95,000.00	\$ 55,434.40	\$ 1,400.00	\$ 151,834.40	\$ 108,941.11	\$ 42,893.29
FY 2021	\$ 100,000.00	\$ 32,346.90	\$ 1,305.00	\$ 133,651.90	\$ 111,669.35	\$ 21,982.56
FY 2022	\$ 100,000.00	\$ 49,231.76	\$ 1,205.00	\$ 150,436.76	\$ 114,479.43	\$ 35,957.33
FY 2023	\$ 105,000.00	\$ 46,116.63	\$ 1,105.00	\$ 152,221.63	\$ 117,373.81	\$ 34,847.82
FY 2024	\$ 110,000.00	\$ 42,179.13	\$ 1,000.00	\$ 153,179.13	\$ 120,355.02	\$ 32,824.11
FY 2025	\$ 115,000.00	\$ 37,779.13	\$ 890.00	\$ 153,669.13	\$ 123,425.67	\$ 30,243.46
FY 2026	\$ 115,000.00	\$ 33,373.81	\$ 775.00	\$ 149,148.81	\$ 126,588.44	\$ 22,560.36
FY 2027	\$ 120,000.00	\$ 28,968.49	\$ 660.00	\$ 149,628.49	\$ 129,846.10	\$ 19,782.39
FY 2028	\$ 125,000.00	\$ 23,868.49	\$ 540.00	\$ 149,408.49	\$ 133,201.48	\$ 16,207.01
FY 2029	\$ 130,000.00	\$ 18,555.99	\$ 415.00	\$ 148,970.99	\$ 136,657.52	\$ 12,313.46
FY 2030	\$ 140,000.00	\$ 12,743.27	\$ 285.00	\$ 153,028.27	\$ 140,217.25	\$ 12,811.02
FY 2031	\$ 145,000.00	\$ 6,483.41	\$ 145.00	\$ 151,628.41	\$ 143,883.77	\$ 7,744.65



# GENERAL FUND DEBT SERVICE

## □ Total GF Debt Remaining- \$2.4M

- \$1.9M in Meals and Cigarette Tax Revenues forecasted.
- \$500K needed from Reserves to cover remaining debt.
- With current spending trends, Town will run out of it's reserves by 2021. Additional borrowing would worsen this.

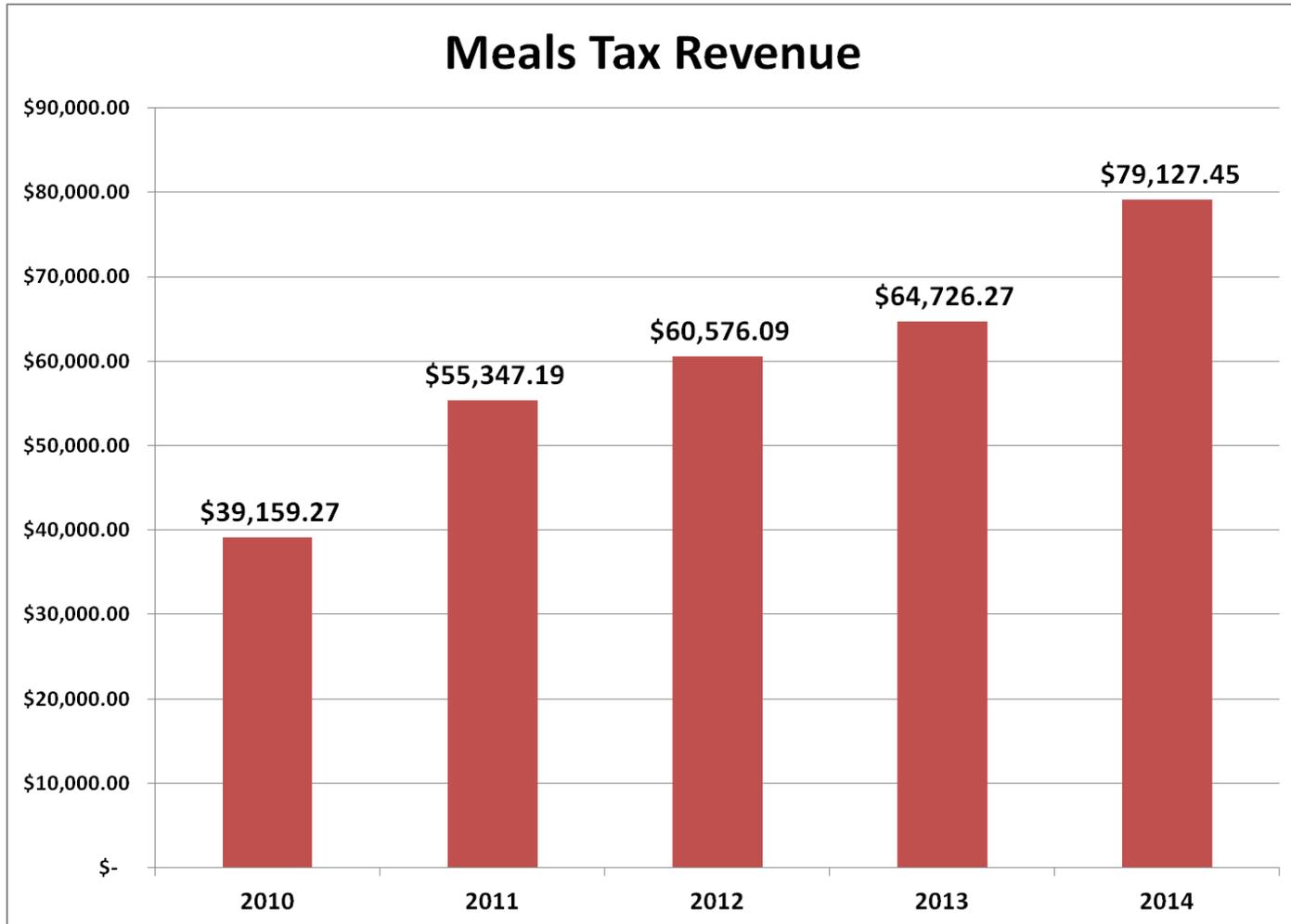
❖ Thus, Town needs to safeguard \$500K in a Debt Retirement Fund to ensure it has enough revenue to cover Debt.

### Meals/Cigarette Revenue

	2016	2017	2018	2019	2020	2021	2022	2023	
<b>Meals</b>	\$ 80,800.00	\$ 83,224.00	\$ 85,720.72	\$ 88,292.34	\$ 90,941.11	\$ 93,669.35	\$ 96,479.43	\$ 99,373.81	
<b>Cigar.</b>	\$ 18,000.00	\$ 18,000.00	\$ 18,000.00	\$ 18,000.00	\$ 18,000.00	\$ 18,000.00	\$ 18,000.00	\$ 18,000.00	
<b>Total</b>	\$ 98,800.00	\$ 101,224.00	\$ 103,720.72	\$ 106,292.34	\$ 108,941.11	\$ 111,669.35	\$ 114,479.43	\$ 117,373.81	
	2024	2025	2026	2027	2028	2029	2030	2031	Total
<b>Meals</b>	\$ 102,355.02	\$ 105,425.67	\$108,588.44	\$111,846.10	\$ 115,201.48	\$118,657.52	\$ 122,217.25	\$ 125,883.77	<b>\$1,628,676.01</b>
<b>Cigar.</b>	\$ 18,000.00	\$ 18,000.00	\$ 18,000.00	\$ 18,000.00	\$ 18,000.00	\$ 18,000.00	\$ 18,000.00	\$ 18,000.00	<b>\$ 288,000.00</b>
<b>Total</b>	\$ 120,355.02	\$ 123,425.67	\$ 126,588.44	\$ 129,846.10	\$ 133,201.48	\$ 136,657.52	\$ 140,217.25	\$ 143,883.77	<b>\$1,916,676.01</b>

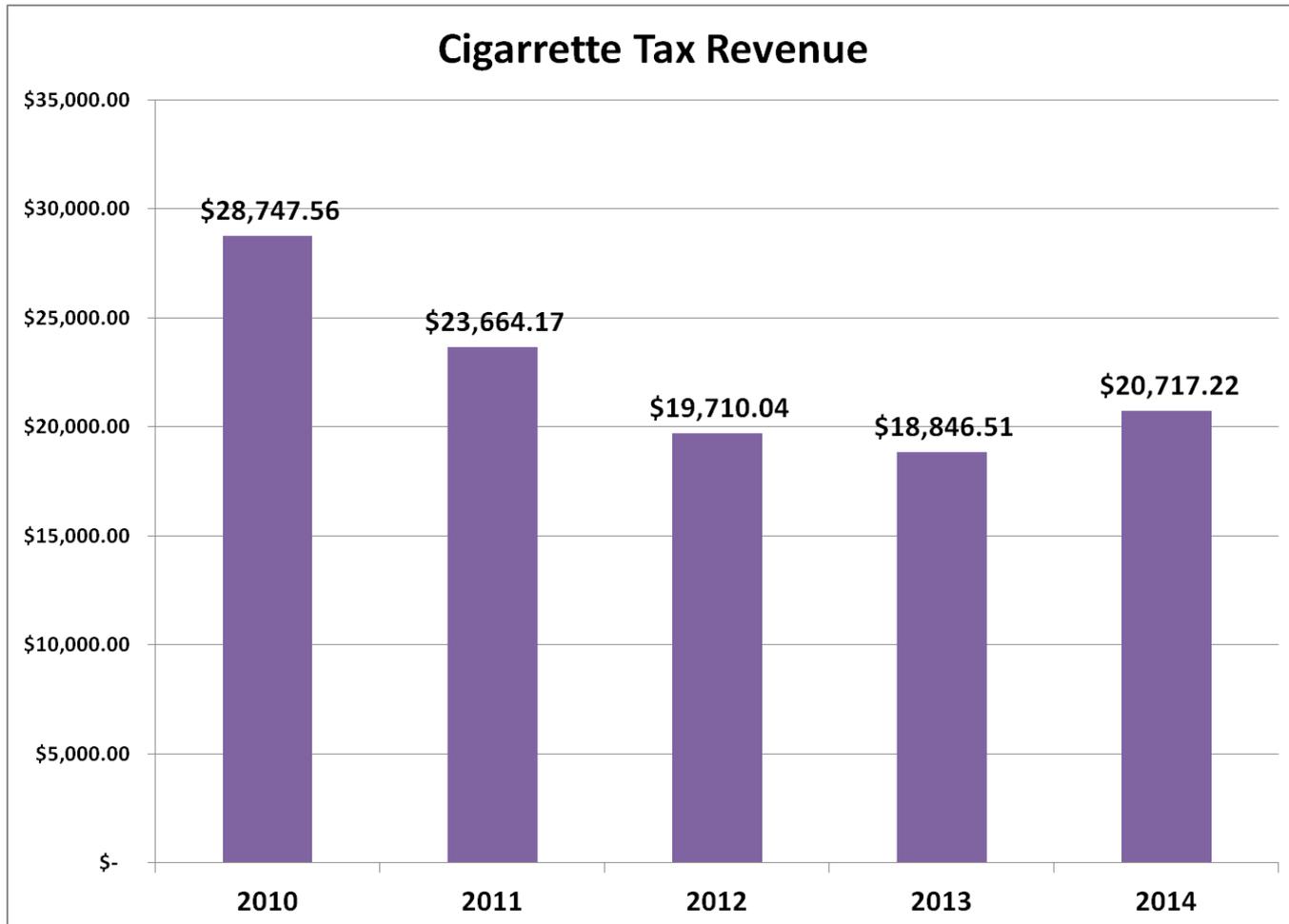


# OTHER REVENUES FOR DEBT RETIREMENT- Meals Tax





# OTHER REVENUES FOR DEBT RETIREMENT- Cigarette Tax





# FUNDING RESERVE ACCOUNTS

---

- ❑ **DEBT RETIREMENT:** large enough to pay off existing debt after available revenues are applied.
- ❑ **RAINY DAY FUND:** enables organization to remain fiscally stable during National Business Cycle. **5-10% of Operating Budget.**
- ❑ **90-DAY CASH ON HAND:** enables organization to have cash on hand for emergencies or collapse in revenues. **25% of Operating Budget.**
- ❑ **OPERATING CASH:** enables organization to not have to borrow funds during year when revenues have not caught up to spending, but are projected to (is replenished by end of FY). **10% of Operating Budget.**
- ❑ **HR FUND:** enables organization to withstand personnel shocks from short-term disability, turnover, extended leave, & allows surge capacity. **10-20% of Personnel Budget.**
- ❑ **3RM FUND:** for Repair, Renewal, Replacement, and Maintenance work. **TBD by Asset Management Plan.**
- ❑ **NEW CAPITAL FUND:** to cover unbudgeted project overruns, down payments on new capital projects, and/or fund capital projects without borrowing.



# GENERAL FUND RESERVES

THE TOWN OF LOVETTSVILLE FY 16 BUDGET- RESERVE STRUCTURE (GENERAL FUND)

RESERVE CATEGORY	TOTAL (as of 4/1/14)	FORECASTED TOTAL (7/1/15)	Target	\$ per Year to get to Target by 2030
DEBT RETIREMENT	\$ 624,002.08	\$ 549,910.00	\$ 482,933.00	\$ -
RAINY DAY FUND	\$ -	\$ 50,000.00	\$ 110,000.00	\$ 4,000.00
90-DAY CASH ON HAND FOR EMERGENCY	\$ -	\$ 90,000.00	\$ 275,000.00	\$ 12,333.33
"3RM" FUND (Repair, Renew, Replace, Maintain)	\$ -	\$ 100,000.00	TBD from Asset Mgt Plan	\$ 5,000.00
NEW CAPITAL SPENDING	\$ 624,002.08	\$ 285,000.00	TBD	\$ 20,000.00
HR FUND (TURNOVER, STD, VACATION, SURGE)	\$ -	\$ 40,000.00	\$ 100,000.00	\$ 4,000.00
OPERATING CASH	\$ 100,000.00	\$ 110,000.00	\$ 110,000.00	\$ -
<b>TOTAL</b>	<b>\$ 1,348,004.15</b>	<b>\$ 1,224,910.00</b>	<b>\$ 1,077,933.00</b>	<b>\$ 45,333.33</b>

- ❑ Town does not currently delineate its reserves.
- ❑ Forecasted Total column is TM's recommended delineation of current reserve funds.
- ❑ \$ Per Year column is what we need to budget per year to reach target reserve funding levels by 2030.



# GENERAL FUND RESERVES

THE TOWN OF LOVETTSVILLE FY 16 BUDGET- RESERVE STRUCTURE (GENERAL FUND)

RESERVE CATEGORY	TOTAL (as of 4/1/14)	FORECASTED TOTAL (7/1/15)	Target	\$ per Year to get to Target by 2030
DEBT RETIREMENT	\$ 624,002.08	\$ 549,910.00	\$ 482,933.00	\$ -
RAINY DAY FUND	\$ -	\$ 50,000.00	\$ 110,000.00	\$ 4,000.00
90-DAY CASH ON HAND FOR EMERGENCY	\$ -	\$ 90,000.00	\$ 275,000.00	\$ 12,333.33
"3RM" FUND (Repair, Renew, Replace, Maintain)	\$ -	\$ 100,000.00	TBD from Asset Mgt Plan	\$ 5,000.00
NEW CAPITAL SPENDING	\$ 624,002.08	\$ 285,000.00	TBD	\$ 20,000.00
HR FUND (TURNOVER, STD, VACATION, SURGE)	\$ -	\$ 40,000.00	\$ 100,000.00	\$ 4,000.00
OPERATING CASH	\$ 100,000.00	\$ 110,000.00	\$ 110,000.00	\$ -
<b>TOTAL</b>	<b>\$ 1,348,004.15</b>	<b>\$ 1,224,910.00</b>	<b>\$ 1,077,933.00</b>	<b>\$ 45,333.33</b>

- ❑ Total Reserves ebb and flow during FY due to property taxes, however, portion of reserves that is not part of “operating” budget continues to decline by 15% (\$227K) average per year since 2010.
- ❑ Total Reserves dropped from \$1.7M last April 1 to \$1.3M today.

**TM has delineated enough Reserves (with a cushion) in Debt Retirement Fund to fully fund our existing debt.**



# GENERAL FUND DEBT MANAGEMENT SUMMARY

---

- Debt Retirement and Reserve Funds are currently not delineated- increasing financial risk exposure of Town:
  - Debt Retirement shortfall by 2021.
  - Inability to equalize impacts of business cycle, preserve cash for emergencies, and fund Personnel impacts.
  
- TM recommends delineating Reserve Funds and making annual financial contributions as outlined in previous slide (\$45K total per year) to reduce financial risk exposure and to be able to pay down our debt.



# UTILITY FUND DEBT SERVICE

	UTILITY FUND				
Note: as of 1 July 2015	DEBT PAYMENT CATEGORY				
FY	PRINCIPAL	INTEREST	TOTAL	AVAILABILITY REVENUE	RESERVE CONTR.
FY 2016	\$ 394,448.43	\$ 130,771.46	\$ 525,219.89	\$ 151,400.00	\$ 373,819.89
FY 2017	\$ 400,140.56	\$ 121,710.80	\$ 521,851.36	\$ 181,400.00	\$ 340,451.36
FY 2018	\$ 410,856.06	\$ 112,622.80	\$ 523,478.86	\$ 231,400.00	\$ 292,078.86
FY 2019	\$ 376,595.74	\$ 102,698.12	\$ 479,293.86	\$ 160,650.00	\$ 318,643.86
FY 2020	\$ 387,360.41	\$ 93,558.48	\$ 480,918.89	\$ 107,100.00	\$ 373,818.89
FY 2021	\$ 301,171.15	\$ 83,976.04	\$ 385,147.19	\$ 142,800.00	\$ 242,347.19
FY 2022	\$ 220,008.61	\$ 73,972.02	\$ 293,980.63	\$ 113,050.00	\$ 180,930.63
FY 2023	\$ 225,853.41	\$ 63,542.16	\$ 289,395.57	\$ 136,850.00	\$ 152,545.57
FY 2024	\$ 241,726.76	\$ 53,117.61	\$ 294,844.37	\$ 95,200.00	\$ 199,644.37
FY 2025	\$ 247,629.60	\$ 42,753.54	\$ 290,383.14	\$ 53,550.00	\$ 236,833.14
FY 2026	\$ 263,562.94	\$ 31,880.12	\$ 295,443.06	\$ 130,900.00	\$ 164,543.06
FY 2027	\$ 274,527.82	\$ 20,384.63	\$ 294,912.45	\$ 29,750.00	\$ 265,162.45
FY 2028	\$ 285,525.28	\$ 8,465.31	\$ 293,990.59	\$ 29,750.00	\$ 264,240.59
FY 2029	\$ 31,556.44	\$ 1,887.90	\$ 33,444.34	\$ 29,750.00	\$ 3,694.34
FY 2030	\$ 32,622.43	\$ 821.88	\$ 33,444.31	\$ 29,750.00	\$ 3,694.31

**Year that Reserves run out even if all Reserves are used only for Debt Retirement**





# UTILITY FUND DEBT SERVICE

	UTILITY FUND				
Note: as of 1 July 2015	DEBT PAYMENT CATEGORY				
FY	PRINCIPAL	INTEREST	TOTAL	AVAILABILITY REVENUE	RESERVE CONTR.
FY 2016	\$ 394,448.43	\$ 130,771.46	\$ 525,219.89	\$ 151,400.00	\$ 373,819.89
FY 2017	\$ 400,140.56	\$ 121,710.80	\$ 521,851.36	\$ 181,400.00	\$ 340,451.36
FY 2018	\$ 410,856.06	\$ 112,622.80	\$ 523,478.86	\$ 231,400.00	\$ 292,078.86
FY 2019	\$ 376,595.74	\$ 102,698.12	\$ 479,293.86	\$ 160,650.00	\$ 318,643.86
<b>FY 2020</b>	<b>\$ 387,360.41</b>	<b>\$ 93,558.48</b>	<b>\$ 480,918.89</b>	<b>\$ 107,100.00</b>	<b>\$ 373,818.89</b>
FY 2021	\$ 301,171.15	\$ 83,976.04	\$ 385,147.19	\$ 142,800.00	\$ 242,347.19
FY 2022	\$ 220,008.61	\$ 73,972.02	\$ 293,980.63	\$ 113,050.00	\$ 180,930.63
FY 2023	\$ 225,853.41	\$ 63,542.16	\$ 289,395.57	\$ 136,850.00	\$ 152,545.57
FY 2024	\$ 241,726.76	\$ 53,117.61	\$ 294,844.37	\$ 95,200.00	\$ 199,644.37
FY 2025	\$ 247,629.60	\$ 42,753.54	\$ 290,383.14	\$ 53,550.00	\$ 236,833.14
FY 2026	\$ 263,562.94	\$ 31,880.12	\$ 295,443.06	\$ 130,900.00	\$ 164,543.06
FY 2027	\$ 274,527.82	\$ 20,384.63	\$ 294,912.45	\$ 29,750.00	\$ 265,162.45
FY 2028	\$ 285,525.28	\$ 8,465.31	\$ 293,990.59	\$ 29,750.00	\$ 264,240.59
FY 2029	\$ 31,556.44	\$ 1,887.90	\$ 33,444.34	\$ 29,750.00	\$ 3,694.34
FY 2030	\$ 32,622.43	\$ 821.88	\$ 33,444.31	\$ 29,750.00	\$ 3,694.31

**More realistic year of Reserve depletion**



**However, this assumes no major damage occurs to systems**



# UTILITY FUND DEBT SERVICE

- **Total UF Debt Remaining- \$5M**
  - \$3.2M in Availability Fee Revenues forecasted (and legally available) and \$2.1M in Total Reserves are available to cover debt.
  - However, \$1.7M in Availability Fee Revenues and \$400K in Reserves, needed for WWTP Fixes and Water Projects. Thus:
  - \$1.6M in Availability Fee Revenues forecasted and \$1.7M in Total Reserves are available to cover debt for a total of \$3.3M.

❖ **Thus, Town has at least a \$1.7M Shortfall**

Availability Fee Revenue								
	2016	2017	2018	2019	2020	2021	2022	2023
Water	\$ 40,500.00	\$ 89,100.00	\$ 129,600.00	\$ 113,400.00	\$ 97,200.00	\$ 194,400.00	\$ 145,800.00	\$ 186,300.00
Sewer	\$ 262,300.00	\$ 273,700.00	\$ 333,200.00	\$ 321,300.00	\$ 214,200.00	\$ 285,600.00	\$ 226,100.00	\$ 273,700.00
<b>Total</b>	<b>\$ 302,800.00</b>	<b>\$ 362,800.00</b>	<b>\$ 462,800.00</b>	<b>\$ 434,700.00</b>	<b>\$ 311,400.00</b>	<b>\$ 480,000.00</b>	<b>\$ 371,900.00</b>	<b>\$ 460,000.00</b>
<b>For Debt</b>	<b>\$ 151,400.00</b>	<b>\$ 181,400.00</b>	<b>\$ 231,400.00</b>	<b>\$ 160,650.00</b>	<b>\$ 107,100.00</b>	<b>\$ 142,800.00</b>	<b>\$ 113,050.00</b>	<b>\$ 136,850.00</b>
	2024	2025	2026	2027	2028	2029	2030	Total
Water	\$ 129,600.00	\$ 72,900.00	\$ 40,500.00	\$ 40,500.00	\$ 40,500.00	\$ 40,500.00	\$ 40,500.00	<b>\$ 1,401,300.00</b>
Sewer	\$ 190,400.00	\$ 107,100.00	\$261,800.00	\$ 59,500.00	\$ 59,500.00	\$ 59,500.00	\$ 59,500.00	<b>\$ 2,987,400.00</b>
<b>Total</b>	<b>\$ 320,000.00</b>	<b>\$ 180,000.00</b>	<b>\$ 302,300.00</b>	<b>\$100,000.00</b>	<b>\$ 100,000.00</b>	<b>\$ 100,000.00</b>	<b>\$ 100,000.00</b>	<b>\$ 4,388,700.00</b>
<b>For Debt</b>	<b>\$ 95,200.00</b>	<b>\$ 53,550.00</b>	<b>\$ 130,900.00</b>	<b>\$ 29,750.00</b>	<b>\$ 29,750.00</b>	<b>\$ 29,750.00</b>	<b>\$ 29,750.00</b>	<b>\$ 1,623,300.00</b>



# ANNUAL OPERATING BUDGET CONTRIBUTION NEEDED TO RETIRE DEBT

Note: as of 1 July 2015	DEBT PAYMENT CATEGORY					
FY	PRINCIPAL	INTEREST	TOTAL	AVAILABILITY REVENUE	ANNUAL OPERATING BUDGET CONTRIBUTION	RESERVE CONTR.
FY 2016	\$ 394,448.43	\$ 130,771.46	\$ 525,219.89	\$ 151,400.00	\$ 100,000.00	\$ 273,819.89
FY 2017	\$ 400,140.56	\$ 121,710.80	\$ 521,851.36	\$ 181,400.00	\$ 105,000.00	\$ 235,451.36
FY 2018	\$ 410,856.06	\$ 112,622.80	\$ 523,478.86	\$ 231,400.00	\$ 110,000.00	\$ 182,078.86
FY 2019	\$ 376,595.74	\$ 102,698.12	\$ 479,293.86	\$ 160,650.00	\$ 115,000.00	\$ 203,643.86
FY 2020	\$ 387,360.41	\$ 93,558.48	\$ 480,918.89	\$ 107,100.00	\$ 120,000.00	\$ 253,818.89
FY 2021	\$ 301,171.15	\$ 83,976.04	\$ 385,147.19	\$ 142,800.00	\$ 125,000.00	\$ 117,347.19
FY 2022	\$ 220,008.61	\$ 73,972.02	\$ 293,980.63	\$ 113,050.00	\$ 130,000.00	\$ 50,930.63
FY 2023	\$ 225,853.41	\$ 63,542.16	\$ 289,395.57	\$ 136,850.00	\$ 135,000.00	\$ 17,545.57
FY 2024	\$ 241,726.76	\$ 53,117.61	\$ 294,844.37	\$ 95,200.00	\$ 140,000.00	\$ 54,644.37
FY 2025	\$ 247,629.60	\$ 42,753.54	\$ 290,383.14	\$ 53,550.00	\$ 145,000.00	\$ 86,833.14
FY 2026	\$ 263,562.94	\$ 31,880.12	\$ 295,443.06	\$ 130,900.00	\$ 150,000.00	\$ 9,543.06
FY 2027	\$ 274,527.82	\$ 20,384.63	\$ 294,912.45	\$ 29,750.00	\$ 155,000.00	\$ 105,162.45
FY 2028	\$ 285,525.28	\$ 8,465.31	\$ 293,990.59	\$ 29,750.00	\$ 160,000.00	\$ 99,240.59
FY 2029	\$ 31,556.44	\$ 1,887.90	\$ 33,444.34	\$ 29,750.00	\$ 165,000.00	\$ (166,305.66)
FY 2030	\$ 32,622.43	\$ 821.88	\$ 33,444.31	\$ 29,750.00	\$ 170,000.00	\$ (171,305.69)



# FUNDING RESERVE ACCOUNTS

- ❑ **DEBT RETIREMENT:** large enough to pay off existing debt after available revenues are applied.
- ❑ **RAINY DAY FUND:** enables organization to remain fiscally stable during National Business Cycle. **5-10% of Operating Budget.**
- ❑ **90-DAY CASH ON HAND:** enables organization to have cash on hand for emergencies or collapse in revenues. **25% of Operating Budget.**
- ❑ **OPERATING CASH:** enables organization to not have to borrow funds during year when revenues have not caught up to spending, but are projected to (is replenished by end of FY). **10% of Operating Budget.**
- ❑ **HR FUND:** enables organization to withstand personnel shocks from short-term disability, turnover, extended leave, & allows surge capacity. **10-20% of Personnel Budget.**
- ❑ **3RM FUND:** for Repair, Renewal, Replacement, and Maintenance work. **TBD by Asset Management Plan.**
- ❑ **NEW CAPITAL FUND:** Amount of Availability Fees we get per year not allocated for debt retirement.



# FUNDING RESERVE ACCOUNTS

THE TOWN OF LOVETTSVILLE FY 16 BUDGET- RESERVE STRUCTURE (UTILITIES FUND)

RESERVE CATEGORY	TOTAL (as of 12/31/14)	FORECASTED TOTAL (7/1/15)	Target	\$ per Year to get to Target by 2030
DEBT RETIREMENT	\$ 1,164,047.00	\$ 1,643,894.00	\$ 3,412,448.51	\$ 117,903.63
RAINY DAY FUND	\$ -	\$ 30,000.00	\$ 150,000.00	\$ 8,000.00
90-DAY CASH ON HAND FOR EMERGENCY	\$ -	\$ 40,000.00	\$ 375,000.00	\$ 22,333.33
"3RM" FUND (Repair, Renew, Replace, Maintain)	\$ 400,000.00	\$ 150,000.00	TBD from Asset Mgt Plan	\$ 50,000.00
OPERATING CASH	\$ 100,000.00	\$ 100,000.00	\$ 150,000.00	\$ 3,333.33
HR FUND (TURNOVER, STD, VACATION, SURGE)	\$ -	\$ 30,000.00	\$ 88,000.00	\$ 3,866.67
NEW CAPITAL SPENDING	\$ 964,047.00	\$ 150,000.00	Availability Fees	Availability Fees
<b>TOTAL</b>	<b>\$ 2,628,094.00</b>	<b>\$ 2,143,894.00</b>	<b>\$ 4,175,448.51</b>	<b>\$ 205,436.97</b>

- ❑ Town does not currently delineate its reserves.
- ❑ Forecasted Total column is TM's recommended delineation of reserves.
- ❑ \$ Per Year column is what we need to budget per year to reach target reserve levels by 2030 (minus Debt Retirement where TM is recommending starting at \$100K and increasing by \$5K every year).



# FUNDING RESERVE ACCOUNTS

THE TOWN OF LOVETTSVILLE FY 16 BUDGET- RESERVE STRUCTURE (UTILITIES FUND)

RESERVE CATEGORY	TOTAL (as of 12/31/14)	FORECASTED TOTAL (7/1/15)	Target	\$ per Year to get to Target by 2030
DEBT RETIREMENT	\$ 1,164,047.00	\$ 1,643,894.00	\$ 3,412,448.51	\$ 117,903.63
RAINY DAY FUND	\$ -	\$ 30,000.00	\$ 150,000.00	\$ 8,000.00
90-DAY CASH ON HAND FOR EMERGENCY	\$ -	\$ 40,000.00	\$ 375,000.00	\$ 22,333.33
"3RM" FUND (Repair, Renew, Replace, Maintain)	\$ 400,000.00	\$ 150,000.00	TBD from Asset Mgt Plan	\$ 50,000.00
OPERATING CASH	\$ 100,000.00	\$ 100,000.00	\$ 150,000.00	\$ 3,333.33
HR FUND (TURNOVER, STD, VACATION, SURGE)	\$ -	\$ 30,000.00	\$ 88,000.00	\$ 3,866.67
NEW CAPITAL SPENDING	\$ 964,047.00	\$ 150,000.00	Availability Fees	Availability Fees
<b>TOTAL</b>	<b>\$ 2,628,094.00</b>	<b>\$ 2,143,894.00</b>	<b>\$ 4,175,448.51</b>	<b>\$ 205,436.97</b>

- Total Reserves have been on a large downward trajectory since 2010, declining by a 9% (\$280K) average per year.
- UF Reserves will decline from \$2.8M to \$2.1M from July 1, 2014 to June 30, 2015 (a \$700K decline).

**TM has delineated enough Reserves (without a cushion however) in Debt Retirement Fund to fully fund our existing debt as long as TM's annual recommended contribution of \$100K (increasing by \$5K per year) is approved.**



# UTILITY FUND DEBT MANAGEMENT SUMMARY

---

- Debt Retirement and Reserve Funds are currently not delineated- increasing financial risk exposure of town:
  - \$1.7M shortfall in debt retirement
  - Inability to equalize impacts of business cycle, preserve cash for emergencies, and fund Personnel impacts.
  
- TM recommends delineating Reserve Funds and making annual financial contributions as outlined in previous slide (\$87K per year) and in TM's Annual Contribution Plan for debt retirement (\$100K per year increasing by \$5K each year) to reduce financial risk exposure and to pay down our debt.



# DEBT/RESERVES SUMMARY FOR GENERAL & UTILITY FUND

- **PROBLEM:** \$1.7M UF Debt shortfall and potential shortfall in GF by 2021 if a debt retirement fund is not established with reserves set aside to fund it.
  - **SOLUTION:** TM recommends addressing debt retirement via reserve categorization strategy for the GF and UF and annual contributions for the UF (**\$100K** this year and increasing by \$5K per year after until 2030).
  
- **PROBLEM:** Reserve Fund Categories do not currently exist, and if they are created, are underfunded by \$305K for GF (not including 3RM & Capital Fund) and \$563K for UF (not including 3RM Fund) for a total shortfall of \$868K (not including 3RM & Capital Fund requirements).
  - **SOLUTION:** TM recommends categorizing reserve funds and making annual contributions to fully build funds over next 15 years- **\$45K** per year for GF and **\$87K** per year for UF. (**Note:** Includes 3RM and Capital contributions)

**TOWN HAS \$232K IN ANNUAL FUNDING REQUIREMENTS (DEFICIT)  
IN ORDER TO RETIRE DEBT AND BUILD RESERVE FUNDS**



---

# PRESENTATION OF BASE BUDGET

- GENERAL FUND
- UTILITY FUND



# GENERAL FUND INCOME STATEMENT

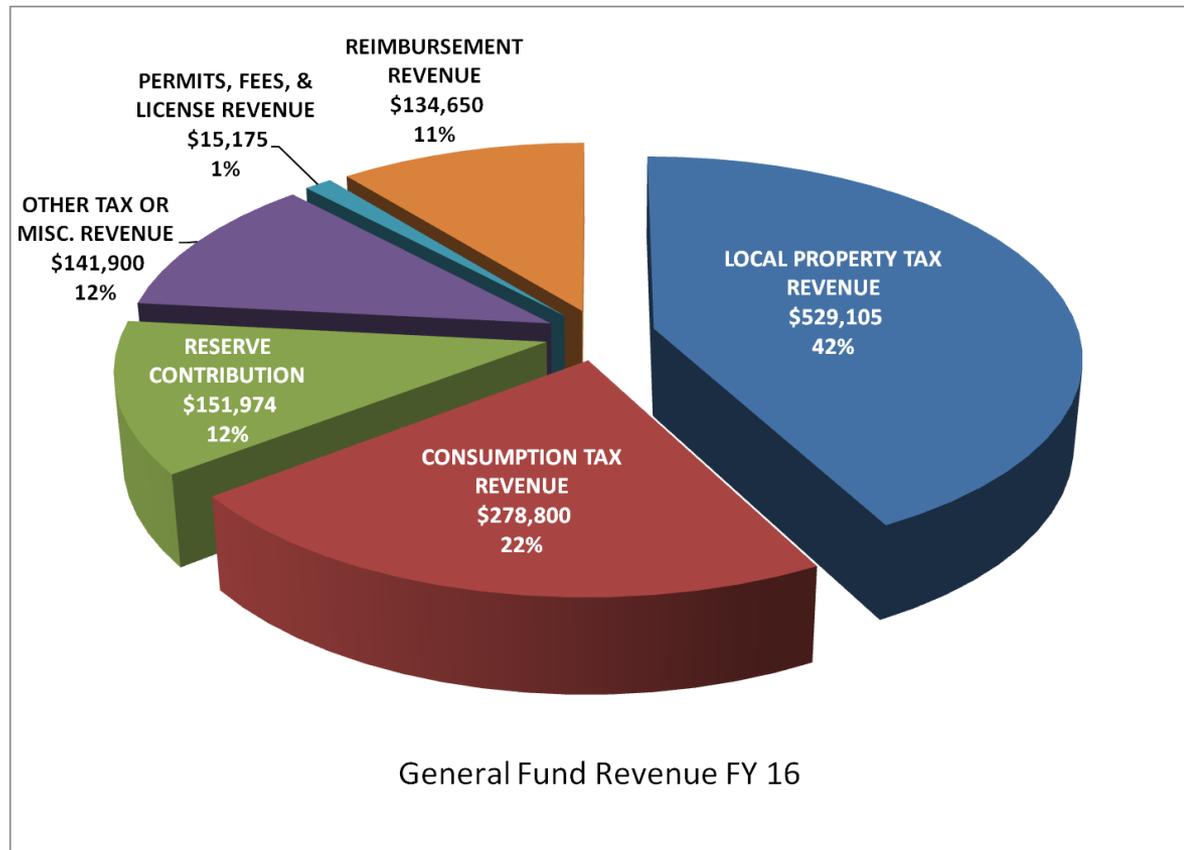
## Town of Lovettsville General Fund Budget

Revenue Category	FY 16	FY 15	Comment
LOCAL PROPERTY TAX REVENUE	\$ 529,105.32	\$ 500,000.00	4% Equalized Increase
CONSUMPTION TAX REVENUE	\$ 278,800.00	\$ 172,000.00	FY 15 did not show Meals and Cigarette Taxes
RESERVE CONTRIBUTION	\$ 151,974.40	0.00	Debt Retirement Contribution and Operating Cash
OTHER TAX OR MISC. REVENUE	\$ 141,900.00	\$ 123,000.00	Increase in Bank Franchise Revenue
PERMITS, FEES, & LICENSE REVENUE	\$ 15,175.00	\$ 14,700.00	
REIMBURSEMENT REVENUE	\$ 134,649.95	\$ 10,300.00	Includes a UF Reimbursement for GF Overhead
<b>TOTAL REVENUES</b>	<b>\$1,251,604.67</b>	<b>\$ 820,000.00</b>	\$375k of \$431K "increase" from Reserve contribution, GF Overhead to UF, and showing Meals/Cig. Rev.
Expense Category	FY 16	FY 15	Comment
<b>TOTAL ADMINISTRATIVE, HR, GENERAL, &amp; CUSTOMER SERVICES</b>	\$ 690,606.41	\$ 526,568.10	Legal Costs not forecasted accurately in FY15; STD/LTD costs; charging full PM Salary to GF; 2 new part-time employees; introduction of Performance Bonuses
<b>TOTAL CAPITAL, RESERVES, &amp; DEBT MANAGEMENT SERVICES</b>	\$ 296,107.73	\$ 18,256.90	FY 15 did not show debt payments and did not fund reserve categories
<b>TOTAL PUBLIC WORKS SERVICES</b>	\$ 195,250.00	215,000.00	10% cut in spending
<b>TOTAL PUBLIC SAFETY SERVICES</b>	\$ 14,200.00	12,000.00	Increase in State Funds for Fire Fighter Support
<b>TOTAL EVENTS &amp; ECONOMIC DEVELOPMENT SERVICES</b>	\$ 21,000.00	\$ 11,000.00	FY 15 did not forecast Event costs accurately
<b>TOTAL PLANNING AND ZONING SERVICES</b>	\$ 21,900.00	\$ 18,900.00	Moved Planning Commission training to this program
<b>TOTAL SOCIAL SERVICES</b>	\$ 1,750.00	\$ 1,500.00	50% cut in donations; addition of Utility Support Donation Forecast (no fiscal impact)
<b>TOTAL MISCELLANEOUS</b>	\$ 16,108.00	\$ 16,800.00	15% cut in spending
<b>TOTAL EXPENSES</b>	<b>\$1,256,922.14</b>	<b>\$ 820,025.00</b>	\$280K out of \$400K "increase" is from showing Debt Payments and Reserve Contributions. Rest is from accurately forecasting costs (events, legal, etc.), full PM budgeting, and 2 new part-time employees.
<b>NET INCOME (SURPLUS/DEFICIT)</b>	<b>\$ (5,317.47)</b>	<b>\$ -</b>	1% cut in comparable budget from last FY. Potential Sources for further Cuts: \$45K in "optional" expenditures from funding reserves. \$53K for part-time Events Coordinator and Office Assistant/Customer Service Rep. New Performance Bonuses.



# GENERAL FUND REVENUES

- FY 16 Budget shows all revenues including contributions from reserves (\$100K operating cash and \$52K from debt retirement fund).
- Other Tax/Misc. Revenue includes Business License Tax, Bank Tax, Decals, Utility and Commun. Tax, and State Fire Program Fund. Bank Tax seeing 127% increase.
- \$123K to GF from UF for Overhead Reimbursement as part of Reimb. Revenue.

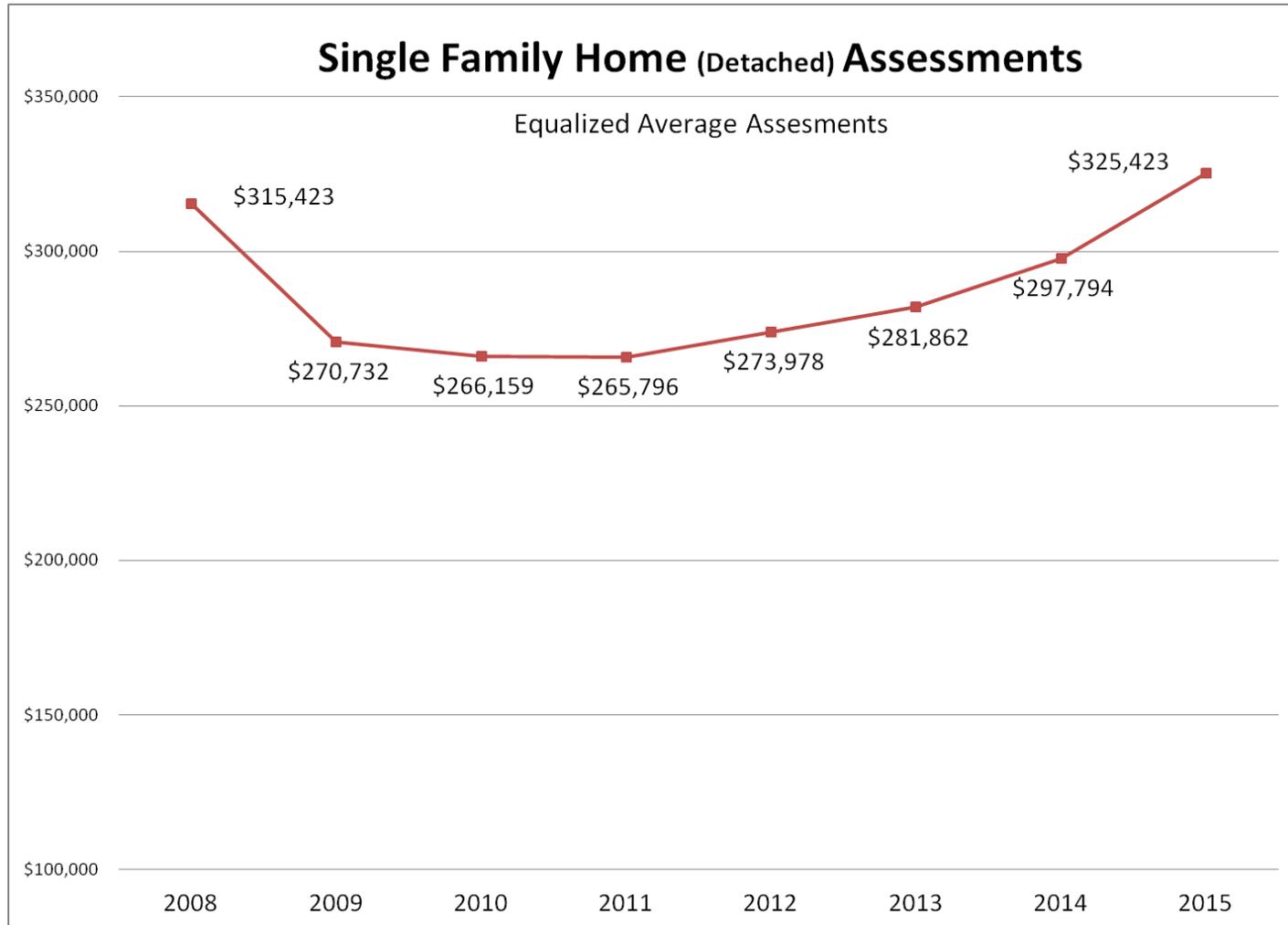


- Consumption Tax- Sales Tax and Meals & Cigar. Tax. Sales Tax expected to increase by 5% from what was budgeted last year.



# GENERAL FUND REVENUES- REAL ESTATE ASSESSMENT

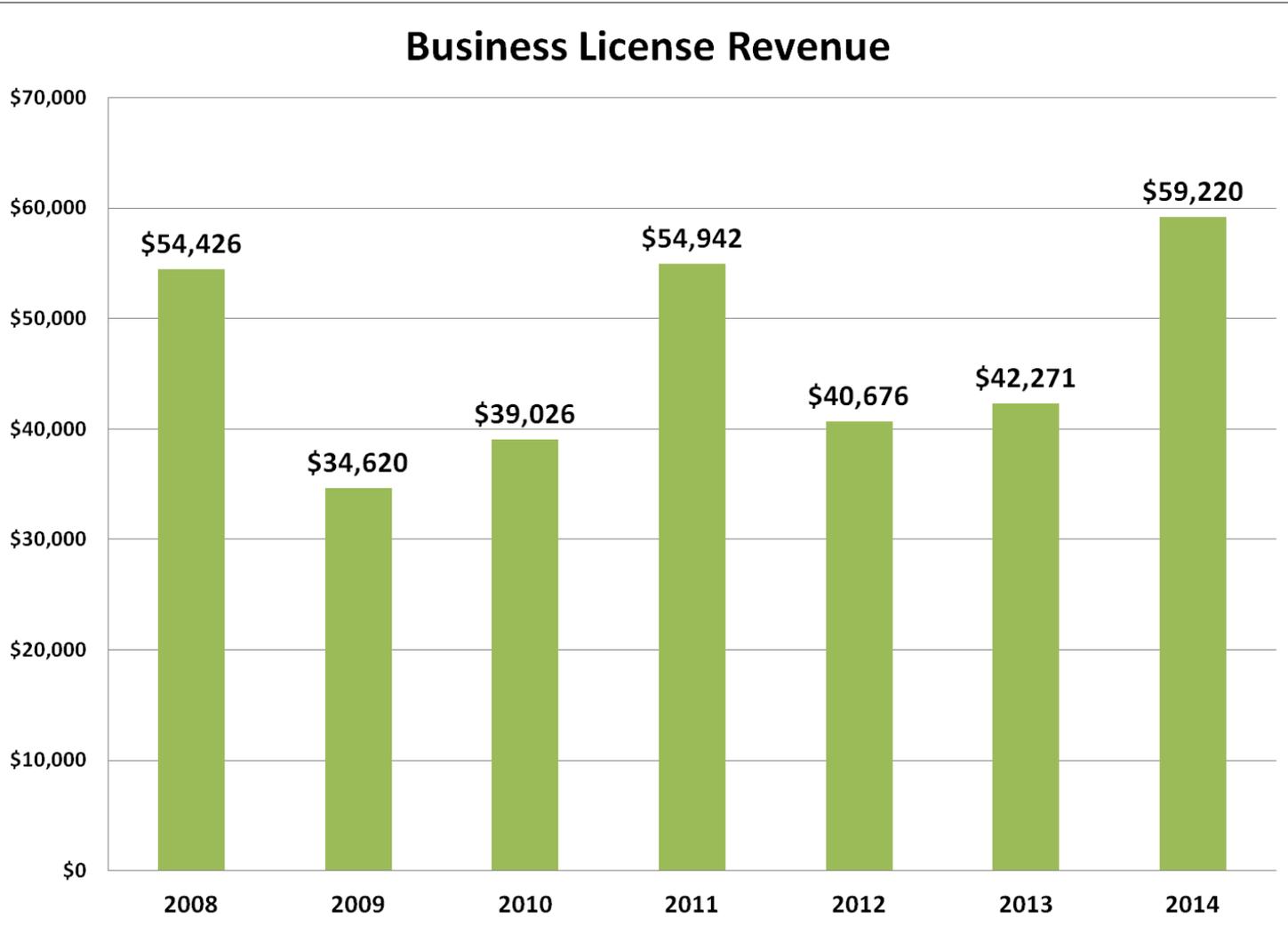
□ Town still largely dependent on Property Tax. Commercial Property only 3% of properties, but 5% of Revenue. Commercial has \$100K average higher per-unit revenue value.





# GENERAL FUND REVENUES- BUSINESS LICENSE REVENUES

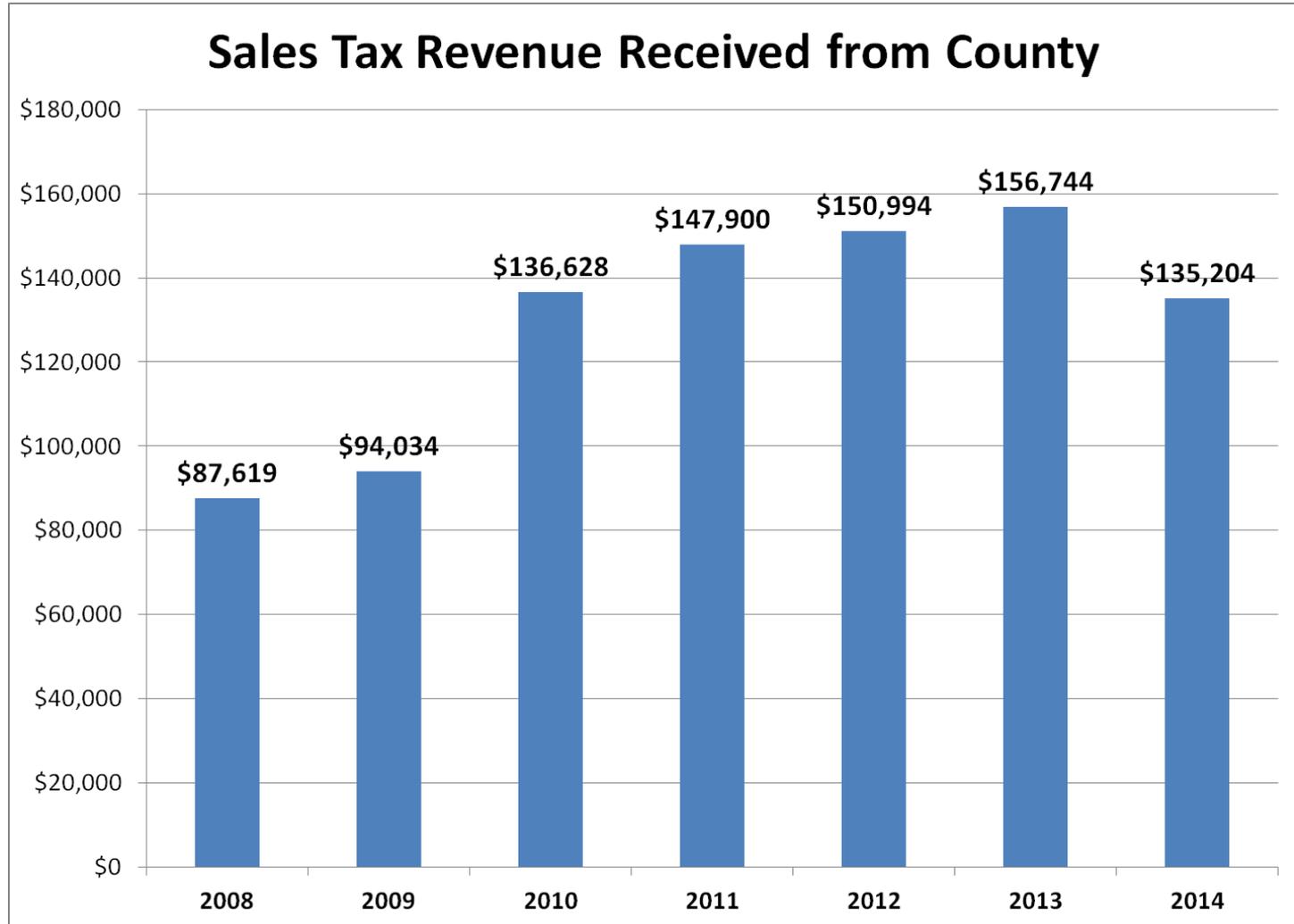
Business License Revenue forecasts declined by 40% in FY 15 to \$40K. This coming FY we are forecasting an increase for a total of \$45K, but are hopeful we see a larger jump once Town Center Commercial is built.





# GENERAL FUND REVENUES- SALES TAX REVENUES

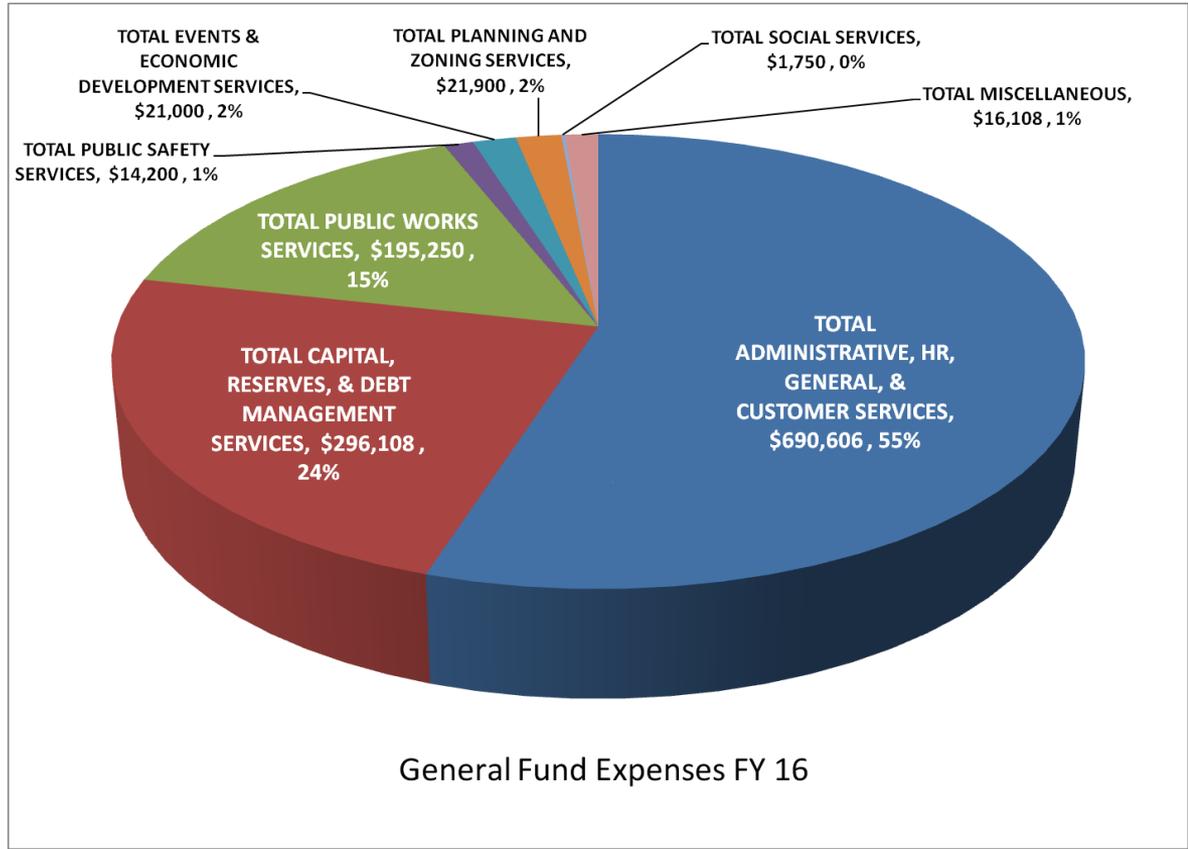
□ Sales Tax Revenue is expected to increase in FY 15 to over \$145K. For FY 16, we are expecting a 19% increase (to \$180K) in revenues based on latest County data showing our share of school age children increasing.





# GENERAL FUND EXPENDITURES

- FY 16 Budget shows all expenditures including Debt Payments.
- Two Part-time employee's budgeted (Events & Marketing Coordinator and Secretary) to ensure quality event and customer services for residents and to enable Town Clerk to perform HR Director and Operations Director role and functions.
- 1.75% COLA with Performance Bonus program funded- goal oriented (to be developed).



- A one percent cut in comparable spending from FY 15. Unable to do more due to forecasting shortfalls last budget.



# GENERAL FUND 15-YEAR CIP

Town of Lovettsville General Fund CIP out to 2031		
Revenue Category	Total \$	Comment
<b>NEW CAPITAL SPENDING FUND</b>	\$ 605,000.00	\$250K Reserve Fund + \$20K annual contribution
<b>3RM FUND CONTRIBUTION</b>	\$ 180,000.00	\$25K 3RM Fund + \$5K annual contribution
<b>BROADWAY LOAN</b>	\$ 1,060,000.00	Loan taken to pay for E. Broadway Streetscape
<b>TOTAL REVENUES</b>	<b>\$ 1,845,000.00</b>	
Expense Category	Total \$	Comment
<b>BROADWAY STREETScape</b>	\$ 4,660,000.00	Phase 1, Phase 2, and Street Lights
<b>SOUTH CHURCH ST IMPROVEMENTS</b>	\$ 1,000,000.00	Widening Church Street to E. BW, adding storm management, curb and gutter and sidewalk
<b>LOUDOUN ST STREETScape</b>	\$ 6,000,000.00	
<b>QUARTER BRANCH PARK</b>	\$ 521,500.00	Fence, Yard Hydrant, Gravel Trail Road, Barn Interior fit, Security Lock, 6 Fitness Stations, Kid Play Area, Art Display Area, and extra storage space.
<b>TOWN HALL</b>	\$ 1,040,000.00	Modular Building Option. Purchasing land and new Town Hall would be over \$4M
<b>INFORMATION PROJECTS</b>	\$ 10,000.00	Information Sign
<b>DRAINAGE DITCH PROJECT</b>	\$ 75,000.00	Junction Box/Drainage Ditch, Sidewalk, Bike Station
<b>TOWN GREEN PARK</b>	\$ 195,000.00	Shelter for Porta-Pot, Patio in front of Pavilion, Kids Play Area, Permenant Restroom/Concession, Pathways
<b>TOWN SQUARE PARK</b>	\$ 3,000.00	New Holiday Tree
<b>TOWN CENTER</b>	\$ 125,000.00	Clocktower
<b>DOWNTOWN PARKING LOT</b>	\$ 500,000.00	Land, Parking Lot, and Drainage to support E. Broaway Commerical Development
<b>Develop Asset Management Plan</b>	\$ 10,000.00	To determine 3RM Fund Size
<b>Economic Development Plan</b>	\$ 35,000.00	To gain market analysis and development strategy
<b>OTHER ITEMS (NO COST)</b>	\$ -	Bike Path, Community Center/Park, and Community Garden
<b>TOTAL EXPENSES</b>	<b>\$ 14,174,500.00</b>	
<b>NET INCOME (SURPLUS/DEFICIT)</b>	<b>\$(12,329,500.00)</b>	The amount we would have to borrow over the next 16 years to fully fund CIP.



# GENERAL FUND FY 16

## CAPITAL BUDGET

	CATEGORIES	BRIEF DESCRIPTION	TOTAL (FY 16)
<b>GF</b>	<b>FUNDING- GENERAL FUND</b>		
	NEW CAPITAL SPENDING FUND	How much we have allocated to cover new capital spending from	\$ 224,000.00
	3RM FUND CONTRIBUTION	Major Repair, Renewals, and Replacement projects (over \$5K)	\$ 11,500.00
	<b>BORROWED SOURCES</b>		\$ -
	BROADWAY LOAN	LOAN TAKEN OUT FOR BROADWAY \$2M Loan of which \$940K planned for FY 15.	\$ 1,000,000.00
<b>GF</b>	<b>TOTAL FUNDING AVAILABLE</b>		<b>\$ 1,235,500.00</b>
<b>GF</b>	<b>PROJECTS- GENERAL FUND</b>		
	<b>BROADWAY STREETScape</b>		
	PHASE 1 COMPLETION	Widening, storm management, curb and gutter, sidewalk from	\$ 1,000,000.00
	STREET LIGHTS		\$ 100,000.00
	<b>QUARTER BRANCH PARK - in order of Priority</b>		
	FENCE FOR BACK STORAGE AREA	Got quote so feel comfortable about this cost.	\$ 7,000.00
	YARD HYDRANT FOR COMMUNITY GARDEN	hydrant already purchased just needs to be installed at southwest corner of barn.	\$ 3,500.00
	<b>TOWN HALL</b>		
	MODULAR BUILDING OR TRAILER (TEMP.)	Architectural Evaluation (\$40,000)- Plus estimated \$1M for construction.	\$ 40,000.00
	<b>DRAINAGE DITCH PROJECT</b>		
	JUNCTION BOX & PATH IMPROVEMENTS	Cost is Town Match for grant money. Total cost for project estimated at \$177,250 (fully funded). Total we have to pay is \$40K- we have spent \$10K	\$ 35,000.00
	<b>TOWN CENTER</b>		
	CLOCKTOWER	Design Portion. We will need to get donations for clock.	\$ 5,000.00
	Develop Asset Management Plan	Inventory of equipment (including technology and communications) and determining Life Span so we can develop 3RM fund.	\$ 10,000.00
	Economic Development Plan	Develop Market Analysis and Development Strategy	\$ 35,000.00
<b>GF</b>	<b>TOTAL COST</b>		<b>\$ 1,235,500.00</b>
<b>GF</b>	<b>NET TOTAL (REVENUES - EXPENDITURES)</b>		<b>\$ -</b>



# UTILITY FUND INCOME STATEMENT

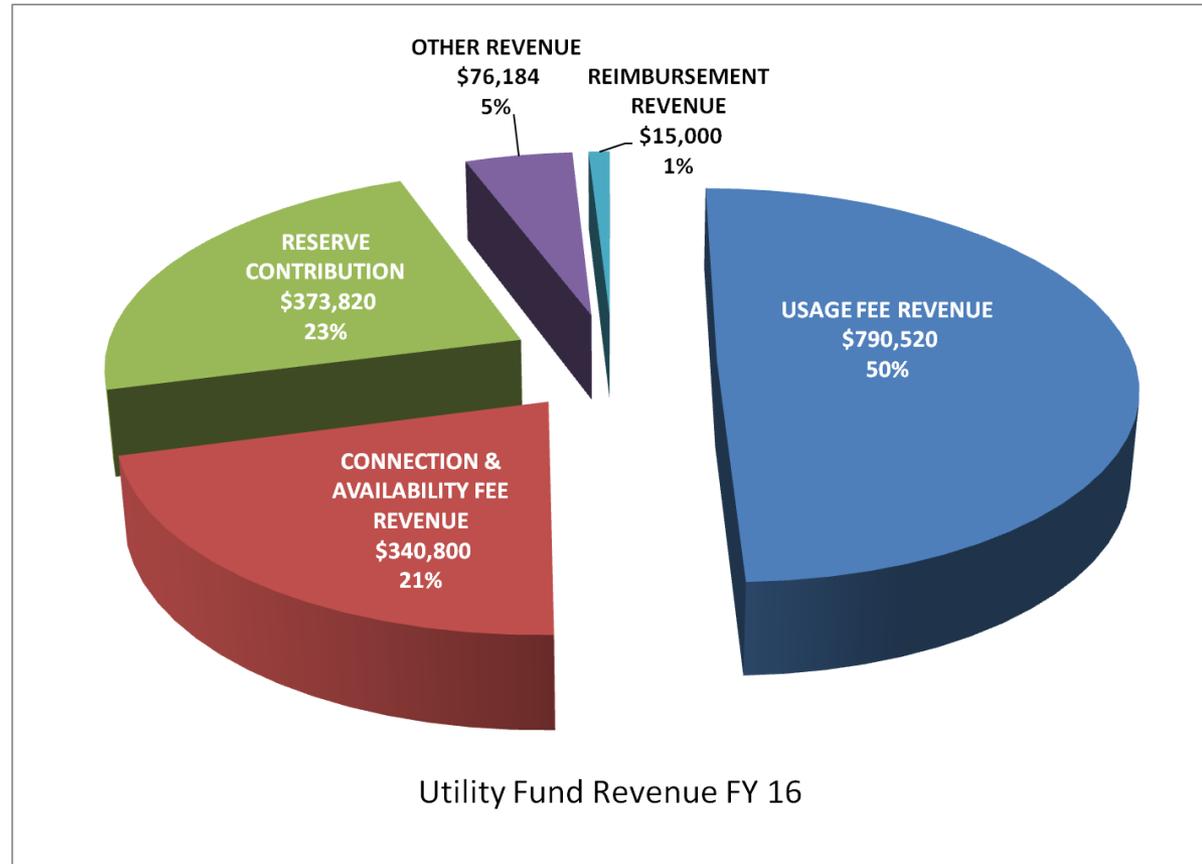
## Town of Lovettsville General Fund Budget

Revenue Category	FY 16	FY 15	Comment
<b>USAGE FEE REVENUE</b>	\$ 790,520.00	\$ 729,800.00	8% increase compared to 10% average increase in previous FY's
<b>CONNECTION &amp; AVAILABILITY FEE REVENUE</b>	\$ 340,800.00	\$ 56,030.00	\$20K decrease in connections fee's; shows availability fees, which was not done in previous FY's
<b>RESERVE CONTRIBUTION</b>	\$ 373,819.89	0.00	Debt Retirement Contribution and Operating Cash
<b>OTHER REVENUE</b>	\$ 76,184.18	\$ 70,400.00	Increase in Water Tower Lease Revenue
<b>REIMBURSEMENT REVENUE</b>	\$ 15,175.00	\$ 11,500.00	
<b>TOTAL REVENUES</b>	<b>\$1,596,324.07</b>	<b>\$ 867,730.00</b>	\$658k of \$728K "increase" from Reserve contribution and showing Availability Revenues.
Expense Category	FY 16	FY 15	Comment
<b>TOTAL ADMINISTRATIVE, HR, GENERAL, &amp; CUSTOMER SERVICES</b>	\$ 569,967.52	\$ 425,232.00	\$123K reimbursement to General Fund Overhead, rest from budgeting overtime (not done previously), 1 new part-time employee, and performance bonus.
<b>TOTAL CAPITAL, RESERVES, &amp; DEBT MANAGEMENT SERVICES</b>	\$ 864,153.22	\$ 64,368.00	FY 15 did not show debt payments and did not fund reserve categories
<b>TOTAL CONTRACTUAL SERVICES</b>	\$ 37,500.00	68,500.00	83% cut in spending (engineering costs and other contractors) thanks to our employees
<b>TOTAL UTILITY OPS/REPAIR/MAINTENANCE</b>	\$ 244,700.00	251,630.00	3% cut in spending thanks to our employees
<b>TOTAL UTILITY SUPPLIES &amp; EQUIPMENT</b>	\$ 40,950.00	\$ 30,700.00	Increased sampling costs to help avoid violations (related to English) + increased fuel prices projected.
<b>TOTAL MISCELLANEOUS</b>	\$ 22,368.00	\$ 21,300.00	33% cut in spending, however offset by showing credit card payment subsidy to residents, and more accurately projecting refunds.
<b>TOTAL EXPENSES</b>	<b>\$1,779,638.75</b>	<b>\$ 861,730.00</b>	\$800K out of \$918K "increase" is from showing Debt Payments and Reserve Contributions. Rest is from budgeting GF reimbursement (not done previous FY's)
<b>NET INCOME (SURPLUS/DEFICIT)</b>	<b>\$ (183,314.68)</b>	<b>\$ -</b>	13% cut in comparable budget from last FY. Potential Sources for further Cuts: \$87K in "optional" expenditures from funding reserves. \$34K for part-time instrumentation technician who is local for fast response. New Performance Bonuses.



# UTILITY FUND REVENUES

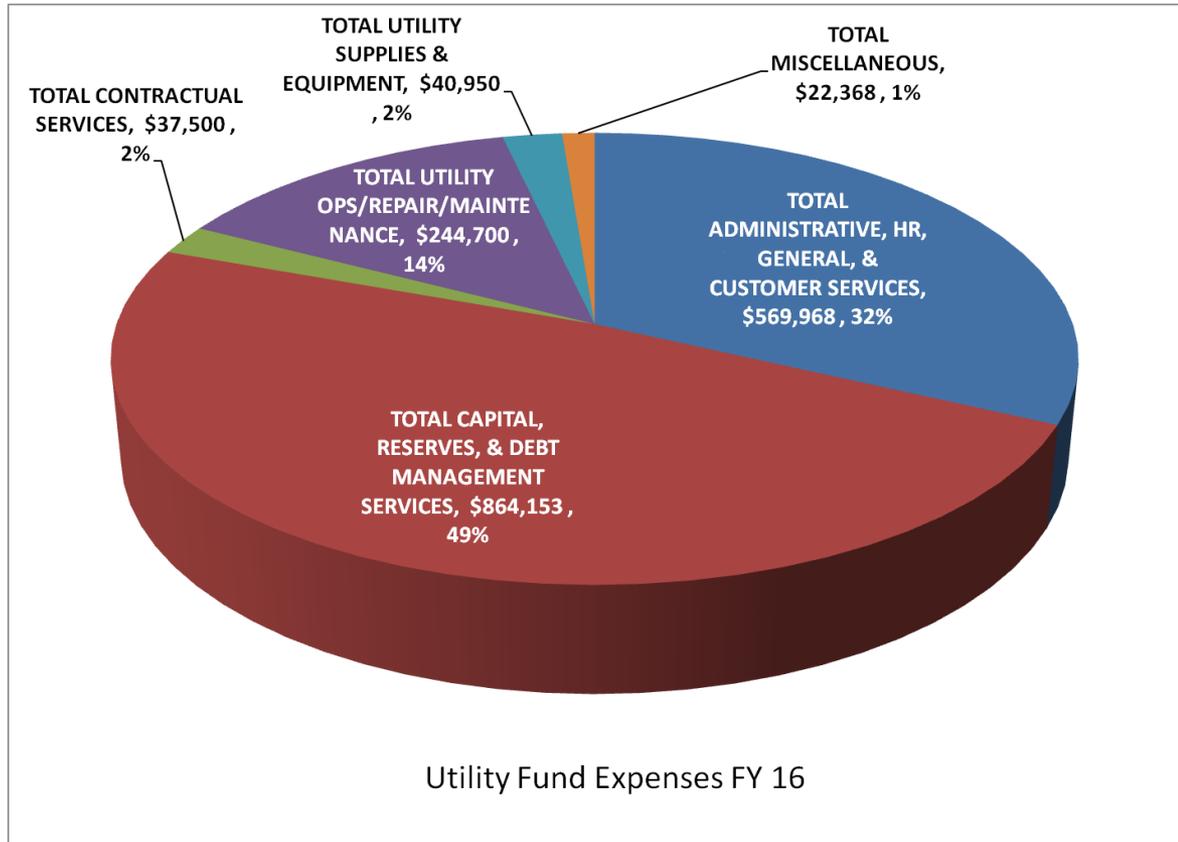
- FY 16 Budget shows all revenues including contributions from reserves (\$100K operating cash and \$274K from debt retirement fund).
- Assumes 19 new Water & Sewer Connection Fees , 5 Water Availability Fees, and 19 Sewer Availability Fees including two from Town Center Commercial at higher fee rates.
- Assumes continued 3% Water Rate increase and a 6% Sewer Rate increase for final 3 quarters of FY 16.





# UTILITY FUND EXPENDITURES

- FY 16 Budget shows all expenditures including Debt Payments.
- Overtime Budgeted.
- One Part-time employee budgeted (Instrumentation Technician) to provide technical expertise (for SCADA and WWTP controls) and to provide fast response to resident service requests (a Lovettsville resident).
- 3% COLA/Salary increase + Performance Bonus program funded.



- A 13% cut in comparable spending items despite having to increase spending in areas related to testing of WWTP (English issue).



# UTILITY FUND 15-YEAR CIP

Town of Lovettsville General Fund CIP out to 2031		
Revenue Category	Total \$	Comment
<b>NEW CAPITAL SPENDING FUND</b>	\$ 150,000.00	From Reserve Fund
<b>3RM FUND CONTRIBUTION</b>	\$ 950,000.00	\$150K 3RM Fund + \$50K annual contribution
<b>WATER AVAILABILITY CONTRIBUTIONS</b>	\$ 1,271,700.00	Available for new water capital only
<b>SEWER AVAILABILITY CONTRIBUTIONS</b>	\$ 1,493,700.00	Available for new sewer capital only
<b>TOTAL REVENUES</b>	<b>\$ 3,865,400.00</b>	
Expense Category	Total \$	Comment
<b>WWTP DEFICIENCY CORRECTIONS</b>	\$ 2,153,000.00	EQ Basin and other corrections (English Issue)
<b>RADIO READ METER CHANGE OUT</b>	\$ 150,000.00	Replace Large Meters, 5/8 meters, and install antenna for remote reading
<b>WWTP IMPROVEMENTS</b>	\$ 40,000.00	INSTALL A NEW VFD AT KR AND RV
<b>GIS UPDATE &amp; WATER MODEL CALIBRATION</b>	\$ 17,000.00	To have better field data.
<b>NEW ELEVATED WATER TANK</b>	\$ 1,200,000.00	
<b>WATER LINE REPLACEMENT</b>	\$ 1,346,000.00	For E. Broadway Phase 1 and 2, Loudoun street and S. Church Street
<b>Develop Asset Management Plan</b>	\$ 15,000.00	To determine 3RM Fund Size
<b>Digging Bucket for Tractor</b>	\$ 10,000.00	Attachment for tractor that would allow the operators to dig up and possibly repair some of minor breaks.
<b>TOTAL EXPENSES</b>	<b>\$ 4,931,000.00</b>	
<b>NET INCOME (SURPLUS/DEFICIT)</b>	<b>\$ (1,065,600.00)</b>	The amount we would have to borrow over the next 16 years to fully fund CIP.



# UTILITY FUND FY 16 CAPITAL BUDGET

CATEGORIES	BRIEF DESCRIPTION	TOTAL (FY 16)
<b>FUNDING- UTILITIES FUND</b>		
NEW CAPITAL SPENDING FUND	How much we have allocated to cover new capital spending from our existing reserves.	\$ 150,000.00
3RM FUND CONTRIBUTION	Major Repair, Renewals, and Replacement projects (over \$5K)	\$ 149,600.00
WATER AVAILABILITY CONTRIBUTIONS	Annual Availability Fee Contribution	\$ 78,400.00
SEWER AVAILABILITY CONTRIBUTIONS	Annual Availability Fee Contribution	\$ 150,000.00
<b>TOTAL FUNDING AVAILABLE</b>		<b>\$ 528,000.00</b>
<b>PROJECTS- UTILITIES FUND</b>		
<b>WWTP Deficiency Corrections</b>		
Consulting Services	Legal \$20K, Engineering \$70K, Strategy \$10K	\$ 100,000.00
Sludge Pumping Modifications	Still in discussion	\$ 200,000.00
<b>Waterline Replacements</b>		
Broad Way between Park Place and Comm Center	Total of \$285K of which \$100K will be spent in FY15	\$ 185,000.00
Replace Saddles on S. Berlin Pike Waterline	As part of Bike path project.	\$ 11,000.00
<b>RADIO READ METER CHANGE OUT</b>		
REPLACE LARGE METERS		\$ -
<b>DEVELOP ASSET MANAGEMENT PLAN</b>	Inventory of equipment and determining Life Span so we can develop 3RM fund.	\$ 15,000.00
<b>GIS UPDATE &amp; WATER MODEL CALIBRATION</b>		
WATER MODEL CALIBRATION	The water model will not calibrate right now. Thus the model cannot properly predict what will occur in the field. We will need model calibrated if VDH makes us review our new development plans for suitable water line size, looping, etc.	\$ 12,000.00
GIS UPDATE	Incorporated newly located data from new subdivisions into the GIS layers.	\$ 5,000.00
<b>TOTAL COST</b>		<b>\$ 528,000.00</b>
<b>NET TOTAL (REVENUES - EXPENDITURES)</b>		<b>\$ -</b>



# LONG-TERM CHALLENGE OF FUNDING CAPITAL PROJECTS

---

- While UF has larger challenges with paying off current debt, availability fees allow the Town to cover a large portion of new Capital needs and thus decrease amount needing to be borrowed (\$1M).
- While GF is able to pay off current debt with some budget adjustments, it currently is unable to support adding new debt until either the Town pays off E. Broadway loan, identifies a new source of dedicated revenues, and/or cuts current services in exchange for freeing funds for financing new capital borrowing.

***Town is not likely to be able to borrow \$12M to finance GF Capital needs. Town will need to focus on outside funding (e.g. grants), economic growth, a new dedicated revenue source, and prioritizing Capital needs and timing of projects.***



# BASE BUDGET SUMMARY FOR GENERAL & UTILITY FUND

---

- Mayor/Council asked TM to achieve 5% reductions in spending from FY 15 Budget. The Town Staff was able to make a combined 7% reduction in equivalent spending items from last year's budget despite items being under-forecasted and increased requirements from English WWTP issue.
- Both GF and UF budgets fully fund TM's recommended annual reserve fund contributions and current service-level capacity. However this, along with the \$100K required debt contribution in the UF, comes at a cost:
  - ❑ **Problem:** \$5.3K GF Deficit
    - ❖ **Cause:** Result of fully funding reserve accounts (\$45K) and/or adding two new part-time employees (\$53K).
  - ❑ **Problem:** \$183.3K UF Deficit
    - ❖ **Cause:** Result of \$100K required contribution to debt payment, fully funding reserve accounts (\$87K), and/or adding one new part-time employee (\$34K).



# OVERALL SUMMARY OF WHERE WE ARE SO FAR

---

- ❑ **DEBT:** \$1.7M UF shortfall; GF shortfall without a Debt Retirement Fund.
- ❑ **RESERVES:** \$868K combined shortfall (not including 3RM and Capital Fund shortfalls) and “reserves” are currently not delineated.
- ❑ **STRUCTURAL ANNUAL DEFICIT:** \$232K combined shortfall (\$187K from UF) to be able to pay off debt and fund reserves.
- ❑ **ACTUAL ANNUAL DEFICIT IN FY 16 BASE BUDGET:** Base budget reduces this structural deficit to \$188.6K via 7% reduction in equivalent items from FY 15 Budget. *However, Town still faces a \$188.6K total budget deficit (\$183.3K from UF) that requires balancing.*

***TOWN NEEDS A STRATEGY FOR ADDRESSING ITS DEBT/DEFICIT SHORTFALLS WHILE RESPONSIBLY FUNDING OUR RESERVE FUNDS AND CURRENT SERVICE-LEVEL CAPACITY.***



# PRESENTATION OF THREE BUDGET BALANCING STRATEGIES

---

- EXPENDITURE OPTION
- REVENUE OPTION
- MIXED OPTION



---

BALANCED BUDGET STRATEGY OPTION 1-  
**EXPENDITURE CUTS ONLY**  
**OPTION**



# GENERAL FUND EXPENDITURE CUTS

---

1. **Events & Marketing Coordinator:** Position eliminated
  - **Savings:** \$35K
  
2. **Office Assistant/Customer Service Rep:** Position eliminated
  - **Savings:** \$19.1K
  
3. **Performance Bonuses:** Cut by 50%
  - **Savings:** \$5.9K
  
4. **Reserve Funds:** All fund contributions cut to \$0 minus 3RM, New Capital, and Operating Cash Funds (balanced out)
  - **Savings:** \$20K

**Total Savings- \$80K:** with \$5.3K to balance GF Budget and \$74.7K sent to UF as subsidy.



# UTILITY FUND EXPENDITURE CUTS

---

- 1. Instrumentation Technician:** Position eliminated
  - **Savings:** \$34.5K + \$8.3K Overtime
- 2. Performance Bonuses:** Cut by 50%
  - **Savings:** \$3.7K
- 3. Reserve Funds:** All fund contributions cut to \$0 minus 3RM Fund (\$25.8K contribution instead of \$50K), New Capital (from Availability Fees), & Operating Cash Fund (balanced out)
  - **Savings:** \$62K

**Total Savings- \$108.5K:** with all of the savings being applied to balance UF Budget.



# IMPACT ON CIP/CAPITAL BUDGET

---

- No impact on GF CIP
- UF CIP revenue declines from \$3.8M to \$3.4M and the Town has 43% less revenue in its 3RM funds- increasing risk of exposure to system damages or failures.
- UF CIP deficit increases from \$1M to \$1.4M.
- No impact on UF FY 16 Capital Budget.



# COSTS AND BENEFITS OF STRATEGY

---

## □ COSTS

- Reduction in service capacity for events, economic development, professional management, customer service, in-town utility response time, and technical expertise (utility technology systems).
- Increased future fiscal risk due to unfunded reserve accounts and lack of extra debt cushion.
- Weakened Bonus incentive.
- General Fund continues to subsidize Utility Fund.
- Negative impacts to UF CIP (increases amount needing to be borrowed).

## □ BENEFITS

- Balances the budget without raising taxes and/or user fees.
- Enough savings achieved to enable paying off of debt.



---

BALANCED BUDGET STRATEGY OPTION 2-  
**REVENUE INCREASES ONLY**  
**OPTION**



# GENERAL FUND REVENUE INCREASES

---

1. **Property Tax:** One cent increase per \$100, raising rate to 22 cents per \$100 of property value.
  - **Savings:** \$25.5K
2. **Trash User Fee:** Town only subsidizes 1/3 of Trash Costs instead of 100%, with residents paying \$8+ per month (or \$25 each utility bill) and the Town paying \$4+ per month (or \$12.50 each utility bill) for Trash Collection.
  - **Savings:** \$75K

**Total Savings- \$100.5K:** with \$5.3K to balance GF Budget and \$95.2K sent to UF as subsidy.



# UTILITY FUND REVENUE INCREASES

---

- 1. Water User Charge:** raised by xx percentage points (TBD by MFSG to get to savings below).
  - **Savings:** \$25K
- 2. Sewer User Charge:** raised by xx percentage points (TBD by MFSG to get to savings below).
  - **Savings:** \$63.1K

**Total Savings- \$88.1K:** with all of the savings being applied to balance UF Budget. Water and Sewer revenues have increased an average of 10% over the last 5 years. With these proposed rate increases, revenues will increase by 17%.



# IMPACT ON CIP/CAPITAL BUDGET

---

**NONE-** increased revenues allow for full funding of base budget CIP and Capital Budget and will enable increased future GF borrowing once Utility Rates fully fund UF Operating Budget (i.e. no more GF subsidy).



# COSTS AND BENEFITS OF STRATEGY

---

## □ COSTS

- Balances the budget by raising revenues.
- Ends 100% Trash Subsidies for residents.
- Continues to provide GF subsidy to UF until rates catch up.

## □ BENEFITS

- Fully funds reserve accounts thus decreasing financial risk to town while building extra cushion for debt.
- Enough savings achieved to enable paying off of debt.
- Current service-level capacity funded.
- No impact to CIP or Capital Budget.
- Extra GF Revenues can be dedicated towards new capital, part-time police, expanded DPW service, increased consulting support, and/or returned to residents in future when utility rates catch up.



---

BALANCED BUDGET STRATEGY OPTION 3-  
**MIXED OPTION**



# GENERAL FUND REVENUE & EXPENDITURE ADJUSTMENTS

---

1. **Trash User Fee:** Town only subsidizes 1/3 of Trash Costs instead of 100%.
  - **Savings:** \$75K
2. **Performance Bonuses:** Cut by 50%.
  - **Savings:** \$5.9K
3. **Reserve Funds:** Reserve fund ratios decrease: Rainy Day Fund at 5% instead of 10% of budget, 30-Day Cash on Hand instead of 90-Day (8% instead of 25% of budget), HR Fund at 10% instead of 20% of personnel budget.
  - **Savings:** \$19.2K

**Total Savings- \$100.1K:** with \$5.3K to balance GF Budget and \$94.8K sent to UF as subsidy.



# UTILITY FUND REVENUE & EXPENDITURE ADJUSTMENTS

---

1. **Utility User Charge:** water raised by x percentage points and sewer raised by x percentage points (TBD by MFSG to get to savings below).
  - **Savings:** \$31K
  
2. **Performance Bonuses:** Cut by 50%.
  - **Savings:** \$3.7K
  
3. **Reserve Funds:** Reserve fund ratios decrease: Rainy Day Fund at 5% instead of 10% of budget, 30-Day Cash on Hand instead of 90-Day (8% instead of 25% of budget), HR Fund at 10% instead of 20% of personnel budget. Also reduces 3RM Fund contribution to \$20K from \$50K.
  - **Savings:** \$54.6K

**Total Savings- \$89.3K:** with all of the savings being applied to balance UF Budget (\$800 surplus). With these proposed rate increases, revenues will increase by 11% instead of the normal 10% average.



# IMPACT ON CIP/CAPITAL BUDGET

---

- No impact to GF CIP or Capital Budget.
- UF CIP revenue declines from \$3.8M to \$3.38M and the Town has 64% less revenue in its 3RM funds- increasing risk of exposure to system damages or failures.
- UF CIP deficit increases from \$1M to \$1.54M.
- No impact on UF FY 16 Capital Budget.



# COSTS OF STRATEGY

---

## □ COSTS

- Raises revenues (but not as much as revenue only option and without increasing taxes - only user fees).
- Ends 100% Trash Subsidies for residents.
- Continues to provide GF subsidy to UF until rates catch up.
- Moderate future fiscal risk due to lower ratios for funding reserve accounts (however might be a manageable risk).
- Weakened Bonus incentive.
- Negative impacts to UF CIP.



# BENEFITS OF STRATEGY

---

## □ BENEFITS

- Does not rely solely on increasing revenues (57% of savings) or cutting expenditures (43% of savings).
- Partially funds reserve accounts thus decreasing financial risk to town while building extra cushion for debt.
- Enough savings achieved to enable paying off of debt.
- Current service-level capacity funded.
- Extra GF Revenues can be dedicated towards new capital, part-time police, expanded DPW service, increased consulting support, and/or returned to residents in future when utility rates catch up.
- No impacts to GF CIP and Capital Budget.



---

# TOWN MANAGER'S RECOMMENDED STRATEGY OPTION

MIXED OPTION



# TOWN MANAGER'S JUSTIFICATION FOR RECOMMENDATION

---

- ❑ Mixed approach has almost all of the benefits of the Revenue Only and Expenditure Only options.
- ❑ While Mixed approach has almost all of the costs of the Revenue Only and Expenditure Only options, the degree of negative impacts is not as great as each of these other options.
- ❑ Increased Revenues from Revenue Only option may be considered unacceptably high.
- ❑ The amount of service-level cuts and reserve fund depletion in the Expenditure Only option may be considered unacceptably high/risky.

***The Mixed approach is the only option that funds all of the Reserve Funds and funds current Service-level Capacity while not raising taxes on residents (only user fees- but smaller increases than revenue only option).***



## NEXT STEPS

---

1. Town Council reviews options and determines which option to adopt.
2. Public Input Session next Council meeting- 23 April.
3. Town Council makes adjustments to selected option based on it's priorities (e.g. adjusting revenue increases or expenditure cuts).
4. Town Council instructs Town Manager to adjust selected option based on budget working session outputs.
5. Town Council sets tax and user fee rates, approves operating budgets, and approves CIP's & Capital Budgets.



---

**THANK YOU!**

**QUESTIONS?**

**DISCUSSION**

