

IMPACTS TO THE VEHICLE AND EQUIPMENT REPLACEMENT AND FACILITES INTERNAL SERVICE FUNDS

Vehicle and Equipment Replacement Fund

The table below shows the impacts to annual charges and fund balance due to the draft recommendation to reduced internal service fund charges to the Vehicle and Equipment Replacement Fund in FY 2026-27 by \$1.5 million. As shown in the table below, even with reduced funding, ending cash balance or retained earnings remain at an average amount of \$4.3 million and charges to department are normalized to \$1.6 million annually.

You can also note that expenses vary each year depending on the vehicles and equipment that are projected to be replaced. Large projected expenses in FY 2027-28 (FY 2028) are due the anticipated completion of the vehicle and equipment audit and the replacement of several vehicles and equipment that have been deferred for last few years.

Categories	Estimate	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Beg cash balance	3,893,502	4,861,460	5,202,577	3,107,326	3,927,383	3,537,270	4,002,027	4,742,209	5,114,190	4,927,324	4,664,141
Revenues	1,187,544	679,960	1,591,333	1,591,333	1,591,333	1,591,333	1,591,333	1,591,333	1,591,333	1,591,333	1,591,333
Expenses	219,586	338,843	3,686,584	771,276	1,981,446	1,126,577	851,151	1,219,353	1,778,199	1,854,517	2,105,447
Ending cash balance	4,861,460	5,202,577	3,107,326	3,927,383	3,537,270	4,002,027	4,742,209	5,114,190	4,927,324	4,664,141	4,150,027

The appropriate fund balance level for this and all ISF's will be reviewed in FY 2026-27, with any recommended changes being made as part of the FY 2027-28 Proposed Budget. Further, the Town will be conducting a vehicle and equipment fleet audit which may result in changes to the fleet. As a result, these changes will be considered in revising the ISF Equipment schedule and may further refine the resources necessary to cover future expenses.

Facilities Fund

The facilities fund has historically been fully funded with charges for services equaling expenses in this fund. Over the years this fund has retained earnings of \$822,019 due to actual expenses coming under budget. Staff are recommending that if Vehicle and Replacement Fund charges are reduced that \$922,500 of those reduced charges be added to the facilities fund. This additional funding would be used for various repairs as identified in facilities assessments for various town buildings.

The current facility assessments, escalated to 2024 dollars, show \$3.4 million and \$3.3 million annual needs for 2025-26 and 2026-27, respectively. Future annual needs are in the range of \$1.4 million to a high of \$2 million for 2027-28 through 2031-32. Clearly, deferred maintenance has been delayed and continues to be the case due to lack of resources. The additional of the \$922,500 is helpful to increase the fund balance to \$1.75 million, but it is still significantly below the projected need.

Impact of Internal Service Fund Charges Changes

Should Council approve the recommendation to reallocate Internal Service Fund charges. The net impact to the General Fund would be a reduction in expenses of \$579,027, resulting in a FY 2026-27 General Fund budget with a minor surplus of \$29,705.