

Subject: Recommendations regarding the FY 2022 budget
Attachments: Strategic Priorities - FY 2022.pdf; Town Manager Budget Recommendations - FY 2022.pdf

From: Phil Koen <pkoen@monteropartners.com>

Sent: Sunday, May 9, 2021 9:53 AM

To: Ron Dickel; Kyle Park; ricketinsley; loreen@huddleston; stacey.del; Rob Rennie; Matthew Hudes

Cc: Laurel Prevetti; Arn Andrews; jvannada; Lee Fagot; Catherine Somers; Jim Foley; Rob Stump

Subject: Recommendations regarding the FY 2022 budget

Dear Finance Commission Members,

Attached please find the Strategic Priorities for FY 2022 as established by the Town Council and the Town Manager's FY 2022 budget recommendations. I would like to offer different recommendations for the Finance Commission's consideration.

- Use the budget stabilization reserve to fund the \$1.9m to balance the FY 2022 budget and backfill economically sensitive revenues which have been impacted by COVID during FY 2021 and FY 2022.
- Place the \$5.7m received from ARPA (FY 2021 and FY 2022) in a **new committed reserve** which would provide the Council the time and flexibility to determine the most appropriate use of the funds over the next two and a half years. The Treasury Department has yet to publish definitive guidelines as to appropriate use of these funds and more public input is needed to develop an approach to invest these funds. The Council will always have the option to use the ARPA funds to replenish the budget stabilization reserve if ultimately required. Avoid an urge to "rush to spend". Rather, be strategic, targeted, and thoughtful in the use of the ARPA funds.
- Defer the transfer of \$23,346 from the Capital/Special Projects Reserve to the Budget Stabilization Reserve or the Catastrophic Reserves. Combined, these reserves currently far exceed GFOA guidelines and precious dollars should not be taken away from the only reserve the Town has to fund future capital requirements.
- Transfer \$500,000 to the GFAR from the Surplus Property Reserve (sale of Winchester property) to increase funding for project 0130 – roadside fuel reduction. This is a high priority unfunded capital project and is consistent with the Council's FY 2022 Strategic Priorities. We are approaching fire season and there is an urgent need to continue to reduce the heavy fire fuel load along the hillside roads. There is no guarantee that FEMA Grant money will be received, let alone in the time frame needed.
- Transfer the remaining \$700,000 in the Surplus Property Reserve to the Capital/Special Projects Reserve to continue to build resources for future capital projects and backfill the \$550,000 transferred from the Capital/Special Projects Reserve for FY 2022 GFAR funding. This would fully allocate the proceeds from the sale of the Winchester property.
- Defer for one year \$350,000 of the \$474,455 budgeted for fixed asset expenditures in the Equipment Replacement Fund (Fund 631) and direct the \$350,00 to the GFAR to fund the following high priority unfunded capital projects - \$250,000 for security enhancements at the Civic Center and \$100,000 to replace fan coil units at the Adult Rec Center. Over the past three years (including FY 21) the Equipment Replacement Fund has spent \$2.7m in fixed asset expenditures. The Town as of June 30, 2020 had a total net investment in equipment and vehicle of \$2.7m. Essentially the Town has replaced its entire net investment in this fixed asset classification over the past three years. Deferring \$350,000 in additional vehicle and equipment fixed asset expenditures so these two critical capital projects can be funded is a better use of these funds.
- Reallocate up to \$1.5m from the Information Technology Fund (Fund 621) projected \$2.7m undesignated fund balance to the Capital/Special Project Reserve. The Information Technology Fund is an Internal Service sub-fund, and the undesignated fund balance has excess reserves which have been growing over the past 10 years and not

fully transparent to all. By reallocating up to \$1.5m to the Capital/Special Project Reserve transparency will improve and more importantly additional funds will be made available for future Capital Projects. If the Town determines that an investment in IT infrastructure is required (it was not noted on the Staff memo outlining high priority unfunded capital projects) the funds can always be transferred back the fund 621.

- Workers' Compensation Fund (Fund 612) needs to be fully examined to understand the dramatic 39% increase in operating expenses from FY 2018. In FY 2018 CAFR it was reported that total workers' compensation operating expenses were \$1,279,708 which was comprised of \$597,424 for insurance expenses (i.e. claims) and \$682,283 for services and supplies. The FY 2022 budget includes \$1,782,569 for total workers' compensation operating expenses with no detail. If the increase is being driven by a projected increase in claims, the Town needs to fully understand the root cause of the increase in claim loss and implement appropriate safety programs to reduce future claims. This increase is also driving the growth in internal service charges reflected in the general fund FY 2022 budget.

Thank you for considering my recommendations.

Phil Koen

STRATEGIC PRIORITIES FY 2021-2023



CORE GOALS: COMMUNITY CHARACTER • GOOD GOVERNANCE • FISCAL STABILITY • QUALITY PUBLIC INFRASTRUCTURE • CIVIC ENRICHMENT • PUBLIC SAFETY

ONGOING PRIORITIES

SAFETY

Emergency Preparedness

- CERT Recruitment and Training
- EOC Readiness and Emergency Plan Development

Fire Protection

- Vegetation management
- Implementation of Ad Hoc Wildfire Mitigation Plan

QUALITY OF LIFE

Community Vitality

- Diversity, Equity and Inclusion Efforts
- Engaging Seniors
- Events and Other Town-wide Efforts
- Community Engagement

Economic Vitality

- Policies and Ordinances

Land Use Planning

- Housing Element
- Potential Area Plans and rezoning to implement General Plan

TRAFFIC/TRANSPORTATION

Comprehensive Parking Study

- Short, Medium, and Long Term Actions

Transportation Demand Management

- Develop Measure B Transportation Projects
- Install Bicycle and Pedestrian Improvements
- Community Shuttle
- Summer/Rush Hour/School Traffic

PRUDENT FINANCIAL MANAGEMENT

Address Pension and OPEB Obligations

Explore New Revenue Opportunities

Sell or Lease Certain Town Properties

IN PROGRESS

General Plan 2040

- Objective Standards
- Environmental Sustainability/Climate Resiliency

Vehicle Miles Travelled Policy

Regional Transportation Issues

Dittos Lane Affordable Housing

Pandemic Recovery

Police Reforms

Inclusive Community Efforts

RECENTLY COMPLETED

Streamline regulations to enhance Town businesses

EOC Communication and Situational Awareness Upgrades

Leased Tait and Forbes Mill

Ad Hoc Wildfire Mitigation Plan

SMALL TOWN SERVICE, COMMUNITY STEWARDSHIP, FUTURE FOCUS

For Council’s consideration, staff is recommending the following allocations:

- \$1,903,988 from the American Recovery Act (ARPA) to balance the budget and provide previously approved rent forgiveness to non-profit organizations, increase grants for semi-permanent parklets, and assist with Conditional Use Permit costs to facilitate economic recovery. The unallocated ARPA funds are recommended to be placed in a new ARPA Reserve. This creates flexibility for the Town Council to determine the most appropriate use of the funds based on the eligibility criteria contained in the Act.
- \$550,000 from the General Fund Capital/Special Projects Reserve to fund to the proposed Capital Improvement Program.
- \$23,346 from the General Fund Capital/Special Projects Reserve to the Budget Stabilization and Catastrophic Reserves to maintain the required 25% funding level of the proposed Operating Budget consistent with the General Fund Reserve Policy.
- \$1.2 million from Winchester property sale remain in the Surplus Property Reserve as additional contingency to maintain service levels if economic impacts continue to have a negative impact on the Town’s primary revenue sources.

If the Town Council does not agree with these proposed recommendations, the Council should provide specific guidance as to the allocation of these funds.

General Fund

The General Fund pays for core services such as public safety, community development, parks and public works, library, and other services. The revenue used to pay for these services comes primarily from local taxes such as property tax, sales tax, transient occupancy tax, franchise fees, licenses and permits, Town services, fines and forfeitures, and a variety of other sources. As illustrated in the chart below, the majority of General Fund revenue supports the services provided by Police, Parks and Public Works, Community Development, and Library.

