

BOARD OF ALDERMEN

ITEM NO. E(2)

AGENDA ITEM ABSTRACT

MEETING DATE: March 26, 2002

TITLE: A Request to Approve the Budget Format for FY02-03 Recommended Budget

DEPARTMENT: n/a	PUBLIC HEARING: YES ____ NO <u>X</u>
ATTACHMENTS:	FOR INFORMATION CONTACT: Robert Morgan, 918-7315

PURPOSE

As the Mayor and Board of Aldermen are aware, the Town, due to the poor state economy and the continued withholding of revenues by the Governor, is facing one its most challenging budgets ever. The purpose of this agenda item is to present a proposed format for the 2002-2003 Recommended Budget Document.

INFORMATION

First, it is very likely that the Town will adopt only an interim budget by June 30, 2002. The Governor and the legislature will make decisions over the next several months that might have tremendous budgetary impact on the Town. The League of Municipalities is recommending that the Town adopt an interim budget to enable local jurisdictions to react to state decisions about revenues affecting local governments. At that time, perhaps the Town will also have a better understanding of the economy and its impacts on our revenues.

As the Town Administration reviews its budgetary needs and revenue stream, it is clear that the Town has few options other than identifying additional revenue sources to fund services and to limit expenditures. All existing salary, operating, and capital costs are under review in developing a recommended budget for FY02-03. Additional revenue sources will also be proposed.

In previous years the Town Manager has proposed an annual budget that includes a continuation budget and a proposed change budget. In attempt to keep things simple in a complicated year, this format should still work with some minor adjustments in definitions. The "continuation budget" model that is proposed is austere in nature. It maintains personnel costs, limits operating expenses and restricts the Town's replacement schedule for major equipment and vehicles. Debt service will be limited to those projects authorized by the Mayor and the Board of Aldermen in this year's amended budget. Although budgetary expenditures will be seriously curtailed it will

be necessary to consider new revenue sources as well as increase existing ones. It will also be necessary to adjust the current policy of maintaining 22.5% undesignated fund balance to a lower level than in recent years. The degree of increase required in revenue sources will depend on the Governor's and the State Legislature's commitment to reinstate local revenues collected by the State.

If a no-tax increase budget option is desired, the Board is requested to provide specific direction on services or programs it is willing to consider for elimination or reduction. Please understand these service cuts will need to be substantial to cover the projected loss of State collected revenues of approximately \$775,000 as well as decreases in other revenues.

A format for the recommended budget is proposed as follows:

- Redefine the "continuation budget". The continuation budget will continue present service levels with the same number of personnel and limit operating expenses to essential needs. Equipment purchases large and small will be significantly curtailed.
- The column in the budget document that identifies "proposed changes" will be used as in the past to identify new initiatives. However, these initiatives will be limited to those that honor commitments made by the Board or ones the staff feels has long- range implications for the Town. No new positions are considered.

In addition to this information, the Town Manager will provide an appendix to the budget that sets priorities for the items that should be considered for funding if the Town were to receive any or all of the revenues from the state, including pay plan adjustments and equipment replacements.

This proposed format gives the Board three funding levels to consider: an austere continuation budget, a proposed change budget, and a state revenue budget.

ADMINISTRATION'S RECOMMENDATION

The Town Administration recommends that the Board stay with the budgetary format used in previous budgets with a continuation budget and a proposed change budget