

BOARD OF ALDERMEN

ITEM NO. D(2)

AGENDA ITEM ABSTRACT

MEETING DATE: June 1, 2004

TITLE: Final Budget Instructions to Town Manager for FY2004-05 Budget

DEPARTMENT: Town Manager	PUBLIC HEARING: YES ____ NO _x_
ATTACHMENTS: A: Resolution B: Draft Budget Ordinance	FOR INFORMATION CONTACT: Steve Stewart. Town Manager L. Bingham Roenigk, Assistant Town Manager

PURPOSE

The purpose of this agenda item is to complete budget discussions and to approve a resolution instructing the Town Manager to develop a final draft of the budget for adoption by the Board on June 15.

INFORMATION

The Board of Aldermen held two budget work sessions at which the Manager and departmental staff responded to questions from the Board on the recommended budget.

In addition to receiving feedback from the Board on preparing the final budget, the Town Manager would like to make some changes to the budget ordinance to provide budgetary flexibility and to streamline administrative processes to conduct routine budget transactions. Attached is a draft budget ordinance to illustrate the changes desired. The policy changes are highlighted within the budget ordinance with an arrow. Descriptions of the proposed changes follow:

- 1.) On the revenue side, it is proposed that the revenue stream be analyzed and approved in the same manner as the audit report. The reasons are two-fold: standardized reports are available that facilitate data entry for analyses and the proposed categories will enable the Town to monitor various revenues, particularly sales taxes, intergovernmental revenues, and various local governmental revenues, in a more detailed and meaningful fashion (Section 2, Schedule A – General Fund).
- 2.) A second proposed policy change is to allow the Town Manager to transfer to departments for pay plan adjustments, service level benefits, and health benefits. Pay adjustments approved in the adopted budget are budgeted within the nondepartmental category and later transferred to departments once pay adjustments such as dependent health insurance, service level benefits, and other pay incentives are awarded (see Section 5a of the proposed ordinance). The Board retains control by having already authorized the total appropriation.
- 3.) Third, it is proposed is that operating funds encumbered and fund balance designated on the financial records as of June 30, 2004 be re-appropriated to FY2004-05 without requiring a formal

amendment to the budget mid-year. Year-end encumbrances, noted within the audit report as “reserved for encumbrances,” represent the portion of fund balance available to pay for any commitments related to purchase orders and contracts which remain unperformed at the June 30th year-end. Similarly, funding for items set aside at June 30th, noted in the audit report as “designated for project expenditures,” represent expenditures that were intended in the current fiscal year but for which the Town had not completed the project to enable spending. The Board is typically presented with an agenda item at the last meeting in the fiscal year identifying these funds to be designated within fund balance. The dollar amounts re-appropriated in the new fiscal year are confirmed within the June 30th previous year annual audit report (see Section 5b of the proposed ordinance).

4.) The fourth modification represents a slight change to the capital projects ordinance policy. Currently, the Town Manager is allowed to transfer up to \$10,000 between line items without action by the Board over the life of the capital project which can stretch several years. The Board is requested to allow the Town Manager to transfer up to \$10,000 between line items on an annual basis to provide budget flexibility and for ease of administrative monitoring (see Section 5e).

ADMINISTRATION’S RECOMMENDATION

Complete budget discussions and approve a resolution instructing the Town Manager to develop a final draft of the budget for adoption by the Board on June 15 and provide direction to staff on requested changes to the FY04-05 budget ordinance.