

AGENDA ITEM #: 21-118
COUNCIL MTG OF: September 21, 2021
FROM: David Caron, Town Administrator
OFFERED BY: Administration
PREPARED BY: Administration
SUBJECT: To Revise the Town's Fund Balance Policy.

PURPOSE

To further revise the Town's Fund Balance Policy to account for additional Meals and Rooms revenues.

TOWN ADMINISTRATOR COMMENTS

The Council is encouraged to revise its Fund Balance Policy.

BACKGROUND

In 2018 the Council revised its fund balance policy to establish new retention limits and set the amount of Unallocated Fund Balance (UFB) to be used to stabilize the tax rate. Further, the Council revised the amount of authorized transfers to various Capital Reserve and Trust Funds. This revision does not alter the appropriation mechanisms for the funds and focuses upon the use of Unallocated Fund Balance (UFB) to stabilize the annual tax rate. UFB is primarily a situational revenue (dependent upon the prior FY results); prior to the Pandemic the Town could rely upon a set amount being available for tax stabilization. The Town is scheduled to receive additional Meals and Rooms revenue beginning in 2021 which will approximate the amount of UFB applied to the operating budget; the Legislature has crafted the legislation whereby it is expected to remain sustainable year after year.

DISCUSSION

With fluctuating revenues anticipated as the economy recovers from the Pandemic, the potential for a shortfall in UFB for budget stabilization is possible, particularly as a certain amount of UFB is required to satisfy the Town's lease obligations within the Capital Improvements Plan. The Legislature has crafted a plan whereby M&R revenues are placed in a trust fund to be disbursed to cities and towns under a formula which allocates 30% of receipts to localities.

For FY22 (2021 tax rate), the Town is anticipated to receive \$579K in additional M&R revenues, which will increase to and stabilize at \$655K for FY 23 and beyond. The Council is requested to adjust the amount of UFB to be used to stabilize the tax rate to an amount necessary to reach the \$650K threshold after including available additional Meals and Rooms revenues.

FISCAL IMPACT

This action will not have any fiscal impact on the projected tax rate as the offsetting revenues to be applied remain the same, although there are changes between the anticipated revenue sources.

RECOMMENDED ACTION BY COUNCIL

It is recommended that the Council adopt Resolution #2021-061.

RECOMMENDED MOTIONS:

See Resolution #2021-061