



STAFF REPORT

AGENDA ITEM #: 22-42
COUNCIL MTG OF: April 5, 2022
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 recognize department inventory levels.

TOWN ADMINISTRATOR COMMENTS

The Council is encouraged to revise its Fund Balance Policy.

BACKGROUND

In 2018 and 2021 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 in the potential absence of additional Meals and Rooms revenues. The Council is being requested to revise the allocation of authorized transfers to various Capital Reserve and Trust Funds (CRF). This revision does not alter the appropriation mechanisms for the funds and focuses upon the use of Unallocated Fund Balance (UFB) to provide for a more stable revenue stream to the various CRF. Current policy transfers 15% of available funding to the Expendable Trust Fund for Buildings and Grounds, with the balance allocated between Fire, Information Technology, Police and Public Works based upon the value of the improvements included in the six-year Capital Improvements Plan window. It is recommended that a set amount of 5% be allocated to the IT CRF (and maintain the 15% allocated to Buildings and Grounds), with the balance allocated proportionally to Fire, Police and Public Works based upon the respective value of each department's inventory subject to CRF funding.

DISCUSSION

We have found that the previous method of allocation relied upon a rather narrow six year window of proposed acquisitions and replacements, created instability with individual CRF cash flows, and wasn't representative of the true needs of each department if department inventories were utilized. With this revised method, the current allocation distribution would reflect the following:

IT	5%
Buildings and Grounds	15%
Police	11%
Public Works	28%
Fire	41%

FISCAL IMPACT

This action will not have any fiscal impact on the projected tax rate or the Town's UFB as the same amount of dollars would be dedicated to UFB; rather the allocation among CRF would be adjusted.

RECOMMENDED ACTION BY COUNCIL

It is recommended that the Council adopt Resolution #2022-026 (Please see Resolution).