



**Agenda Item No. 10i.**

**Staff Report**

**Date:** August 11, 2022

**To:** Mayor Kuhl and Council Members

**From:** Christa Johnson, Town Manager

**Subject:** Budget Adjustment for Fiscal Year 2021-22

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**Recommendation**

It is recommended that the Town Council approve an adjustment to the Fiscal Year 2021-22 (FYE22) budget adjusting the transfer from the Operating Fund to the Facilities and Equipment Fund from a previously approved amount of \$1,150,000 to \$2,650,000.

**Background and discussion**

The Town Council approved the FYE22 budget on June 10, 2021. Included in that budget was a \$550,000 transfer from the Operating Fund to the Facilities and Equipment Fund to provide for current and future capital expenditures. At the May 12, 2022 Council meeting, the Town Council approved an additional \$600,000 to be transferred from the Operating Fund to the Facilities and Equipment Fund for a total of \$1,150,000. The additional transfer was made possible by the positive change the federal American Rescue Plan funds had on the Operating Fund budget.

During recent strategic planning and budget workshops held this past spring, the Town Council and staff discussed the need for future significant resources to modernize the functionally obsolete and structurally deficient Town facilities. In response to this need, the Town Council gave direction to staff to strive to increase the Facilities and Equipment Fund which is the Town's "savings account" so that the Town will be in a better position to be able to complete necessary facilities modernization in the future.

Due to an increase in property tax revenue and reduced expenditures in FYE 22 due primarily to persistent staffing vacancies, staff recommends the FYE 22 budget be amended to increase the transfer from the Operating Fund to the Facilities Fund by \$1,500,000 to a total of \$2,650,000. With this transfer, the year-end Operating Fund balance at June 30, 2022 is projected to be \$3.8 million which is a sufficient amount in reserves to support the FYE 23 cash flow needs of the \$9.5 million Operating Fund budget and the reserve policy requirement of \$3 million (30% of operating expenses). The Facilities and Equipment Fund balance is estimated

to be \$8.6 million at June 30, 2022 after the transfer. Estimated costs to update the Town facilities was last reported in an April 8, 2021 staff report, to be \$14.6 million. The estimated costs will be updated as part of the forthcoming development of a Facilities Master Plan.

There are no restrictions on transferring money back into the Operating Fund if needed other than Town Council approval.

**Alternative actions**

The Town Council could choose to not approve the recommended budget amendment which would result in an increase in the fund balance in the Operating Fund.

**Environmental review (if applicable)**

N/A

**Attachment**

None