

MEMORANDUM

TO: Town Council
FROM: Fred Carpenter, Town Manager 
SUBJECT: FY 06/07 Draft Budget Preview
DATE: May 30, 2006

The purpose of this memo is to provide the highlights of our FY 06/07 draft budget. We apologize for the lateness of distribution of the budget packet - concern over the election as regards home rule prevented finalizing the numbers until this week.

Adoption of the annual budget sets the upper limit on expenditures for the Town for the new fiscal year, which starts July 1. Under the Town's local alternative expenditure limitation, the Council annually sets the upper limit when they adopt the final budget in August. Essentially, the Town determines how much it wants to spend, in light of the revenues we expect to receive, and that becomes the legally adopted Home Rule alternative expenditure limitation for the year. Attached are two summary charts covering the source of revenues and allocation of all funds by use. In addition to other budget summary sheets, we will also prepare a chart of operational expenditures by functional classification

In accordance with the Town Code, it is the duty of the town manager to present you a balanced budget for consideration. The draft budget you are receiving with this memo fulfills that requirement.

Getting to this point is a rather lengthy process and it may be revealing to provide you with a review of the process to date. The starting point for the budgetary process is the chief fiscal officer's notification to all departments to put together their requests for the ensuing fiscal year. In the draft budget worksheets included in your packets, the last three columns relate to the coming fiscal year. To create the column headed "department", Glenn Smith compiles columns exactly as requested by the various departments (with the exception of the personnel section, which are developed by the Finance Department). The next column to the right with the

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heading "manager" results from the series of budget meetings Glenn and I hold with each department. You will note in comparing these two columns that most often the "manager" column is lower than the "department" column. The final column headed "Council" is currently blank and represents the changes you make during your review.

In preparation for this year's budget, we have already held three budget study sessions:

- March 20, in which we reviewed capital improvements, CSP initiatives, proposed consultant studies and impact fees;
- April 6, in which we reviewed the Water Department Capital Improvement budget and provided an update on the C. C. Cragin Reservoir pipeline project;
- April 20, in which we reviewed the Public Sector Personnel Consultant study, proposed new positions and potential funding for non-profit organizations

Two more study sessions are planned, the first on June 6th, the second on June 15th. Both would be at 5:00 pm. If necessary, we could schedule one more. The goal is to adopt the tentative budget at the July 13 regular meeting. The tentative budget is then published for two weeks, leading to final budget adoption on August 4 and tax levy on August 11. Beginning with July 13, the dates are mandated by State statutes in order to meet the August 11 tax levy deadline.

In preparing the draft budget, staff utilized two baseline criteria: providing the Town Council with a \$300,000 rainy day fund (formerly called contingency) and maintaining a general fund reserve of 8% of the total general fund budget, which this year equals \$1,030,999.

The overall budget includes partial implementation of the recent market rate analysis, as follows:

- Salary adjustments to bring all employees to the minimum of their job classification ranges as recommended by the Public Sector Personnel Consultants study, at a cost of \$66,148;
- 2% reclassification increases for all employees below the mid point of the ranges recommended by the PSPC study, at a cost of \$236,722;
- 3% merit increases for all classifications based on their annual performance reviews, at a cost of \$186,470.
- No new positions.

Other highlights include:

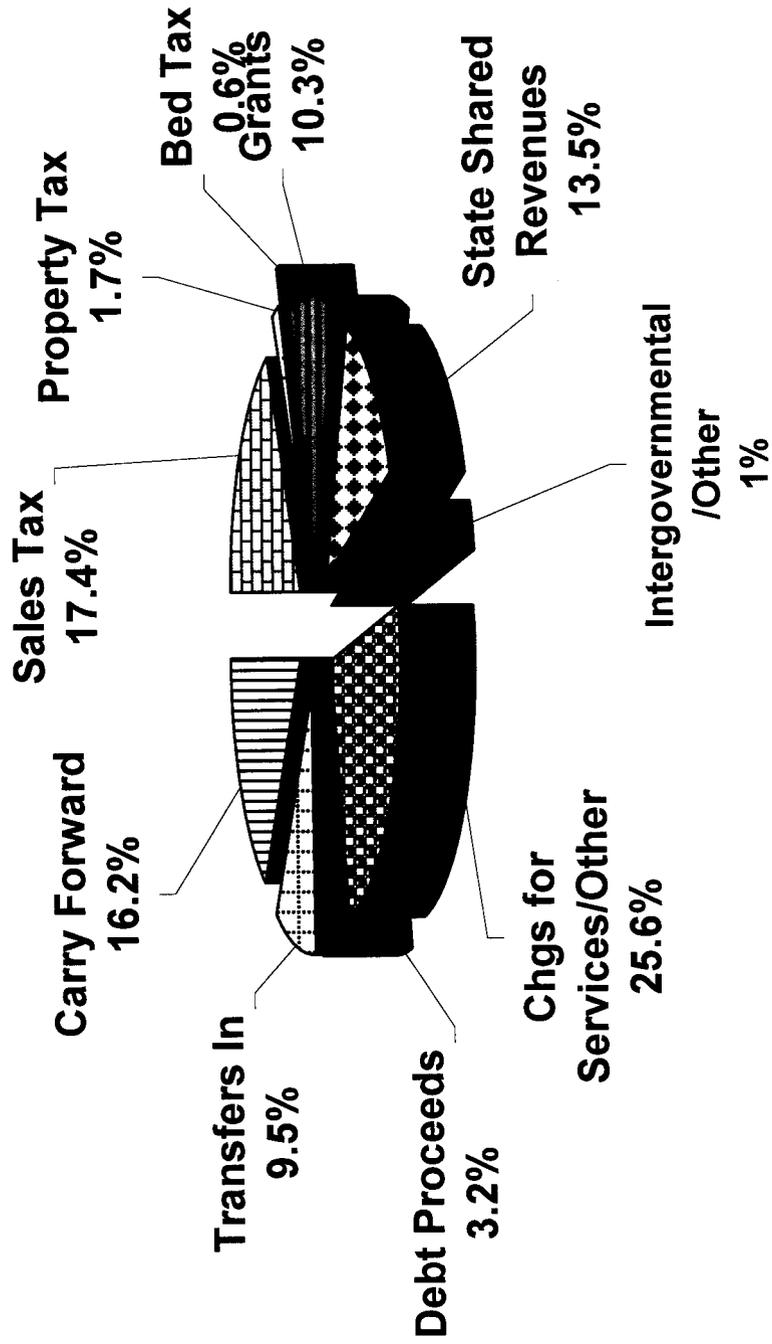
- \$902,587 for general street improvement projects. This line item includes about \$525,000 for the annual slurry seal overlay maintenance program; other specific uses are currently not detailed
- \$205,000 to match State grants for the Airport/SR 87 traffic signal and \$225,000 to match HURF exchange funding for St. Phillips reconstruction
- \$49,632 as matching shares of \$1,505,270 worth of airport projects, including expansion of Echo Ramp taxiway, relocation of Bravo Taxiway, environmental studies for future land acquisitions and master plan update
- Funds have been left in at last year's levels for:
 1. Payson Regional Economic Development Corporation support - \$53,000
 2. Rim Country Regional Chamber of Commerce support - \$76,000
 3. \$75,000 in unallocated non-profit organization support

Due to excellent experience with the Town's partially self-funded health insurance plan, for the second year in a row there will be no increase in employee or Town premiums during FY 06/07.

Means of Financing the Budget

FY 2006/2007

\$38,936,029



**All Funds - Expenditure By Use
FY 2006/2007
\$38,936,029**

