



# Fiscal Year 2008-09 Budget

March 5, 2008

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# Purpose

- Review Budget Process
- Identify Key Budget Issues for FY09
- Get Feedback on Process & Calendar

# Budget Process

- Council's Budget Goals & Strategic Planning
- Public Hearing & Goal Setting
- Development of Departmental Base Budgets and new Initiatives
- **Advisory Board Presentations**
- **Preliminary Budget Presentation**
- Budget Status Report
- Budget Work Sessions
- Public Hearing
- Budget Adoption & Feedback

# Budgetary Pressures

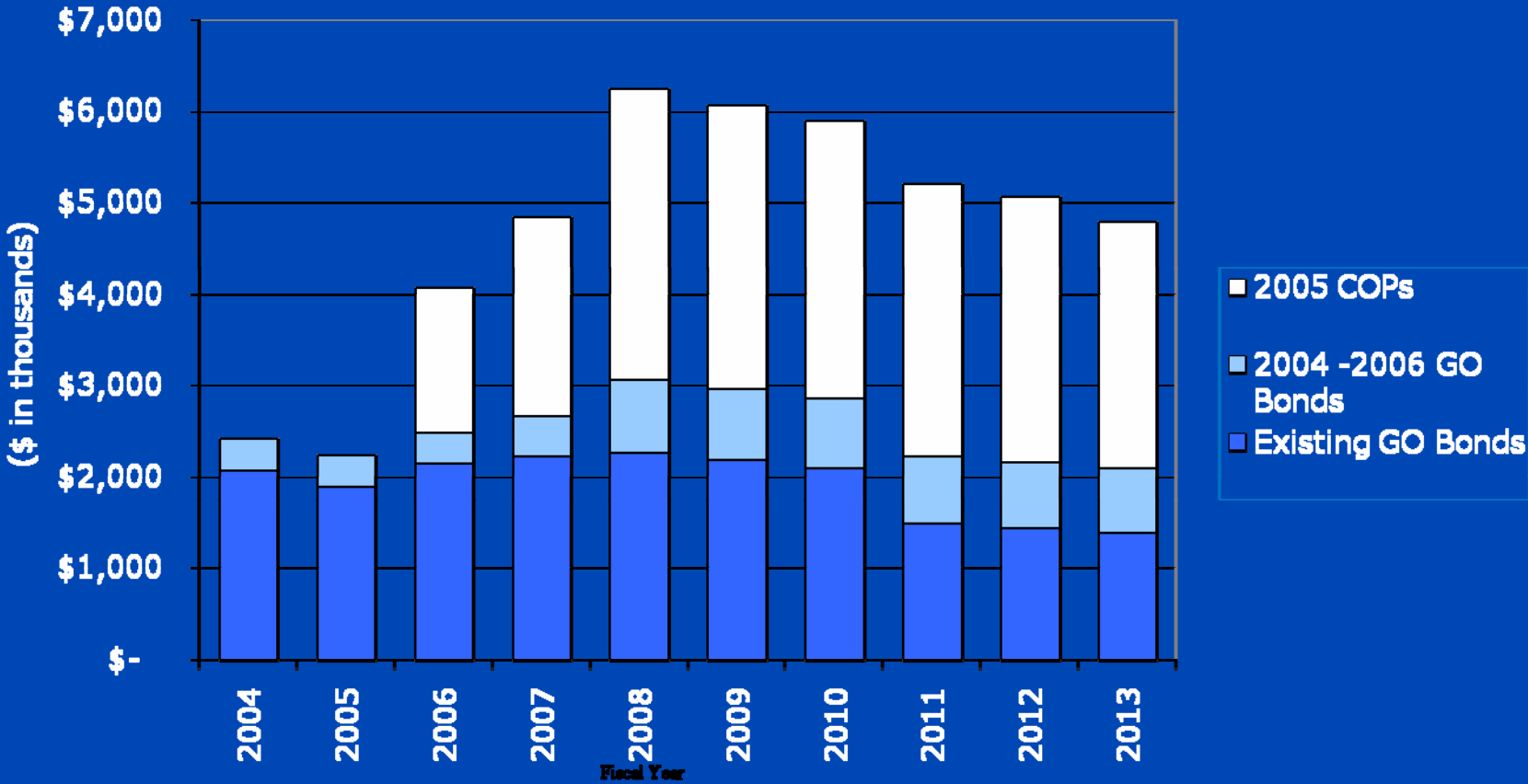
- Debt Service
- OPEB (Other Post Employment Benefits)
- Fund Balance Reduction
- Slow Revenue Growth
- Reduction in Interest Earnings
- New Facilities
- Operating Cost Increases
- Capital Maintenance Needs

# Outstanding Debt

- In 2005, outstanding debt increased from \$32 million to \$70 million.
- Between 2004 and 2008, annual payment of principal and interest on outstanding debt, rose from \$2.4 million to more than \$6 million.
- General Fund transfers from Fund Balance were used to pay debt service

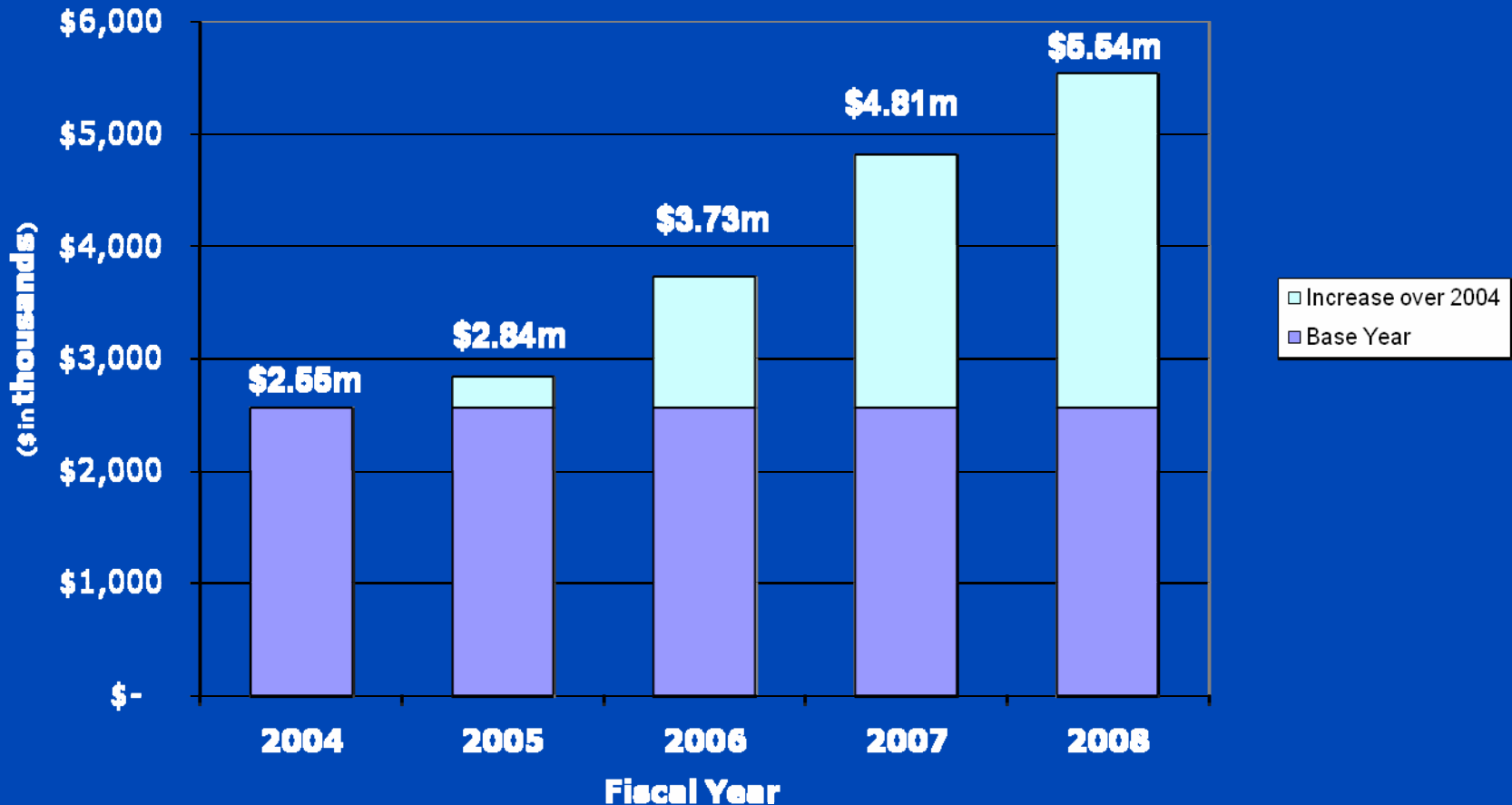
# Existing Debt Service

(2004 though 2013)



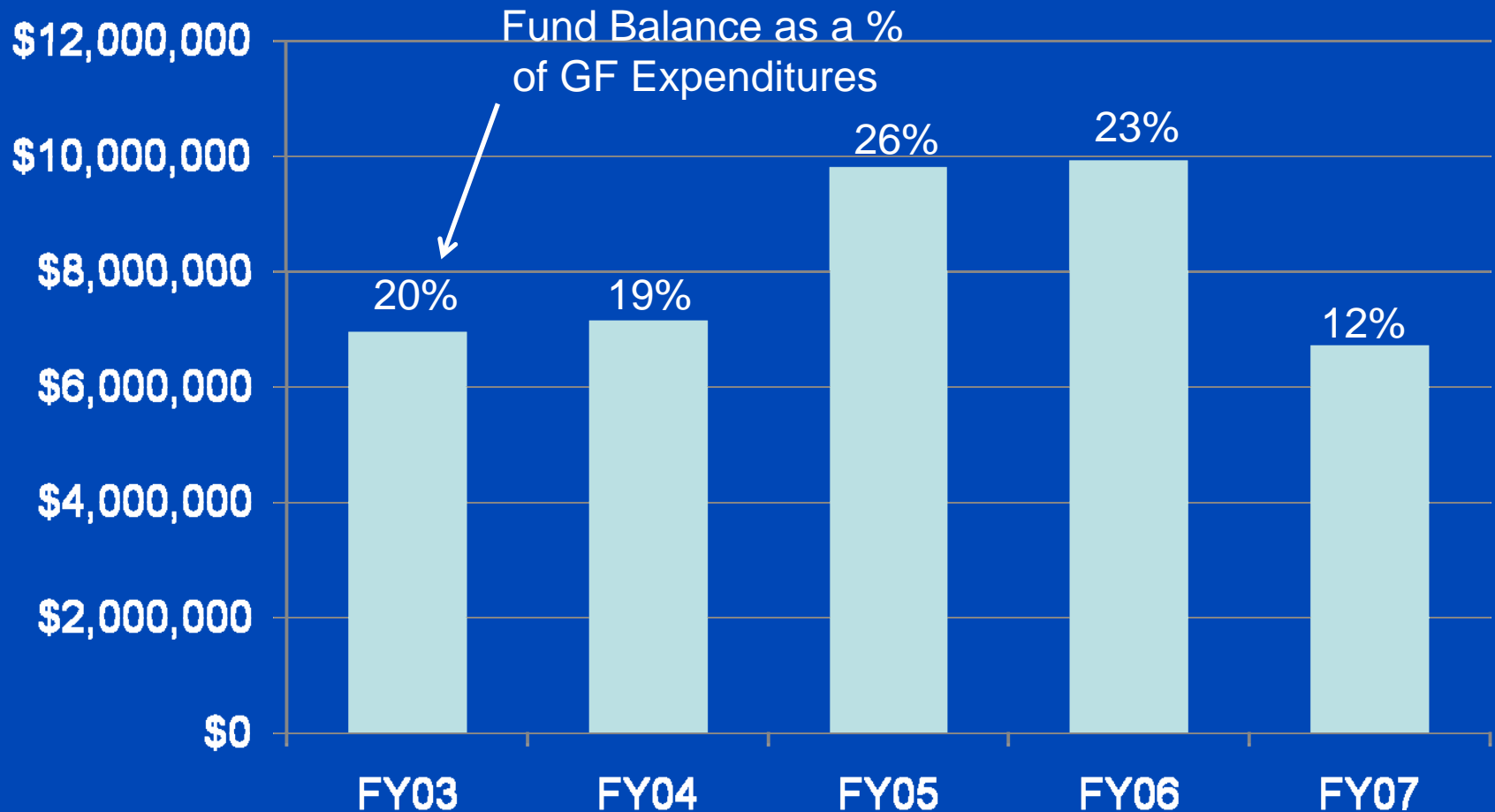
Includes Debt Service on CIP Financings

# Increase in Transfer for Debt Service



The Transfers from GF for Debt Service are Depleting Fund Balance

# Undesignated Fund Balance

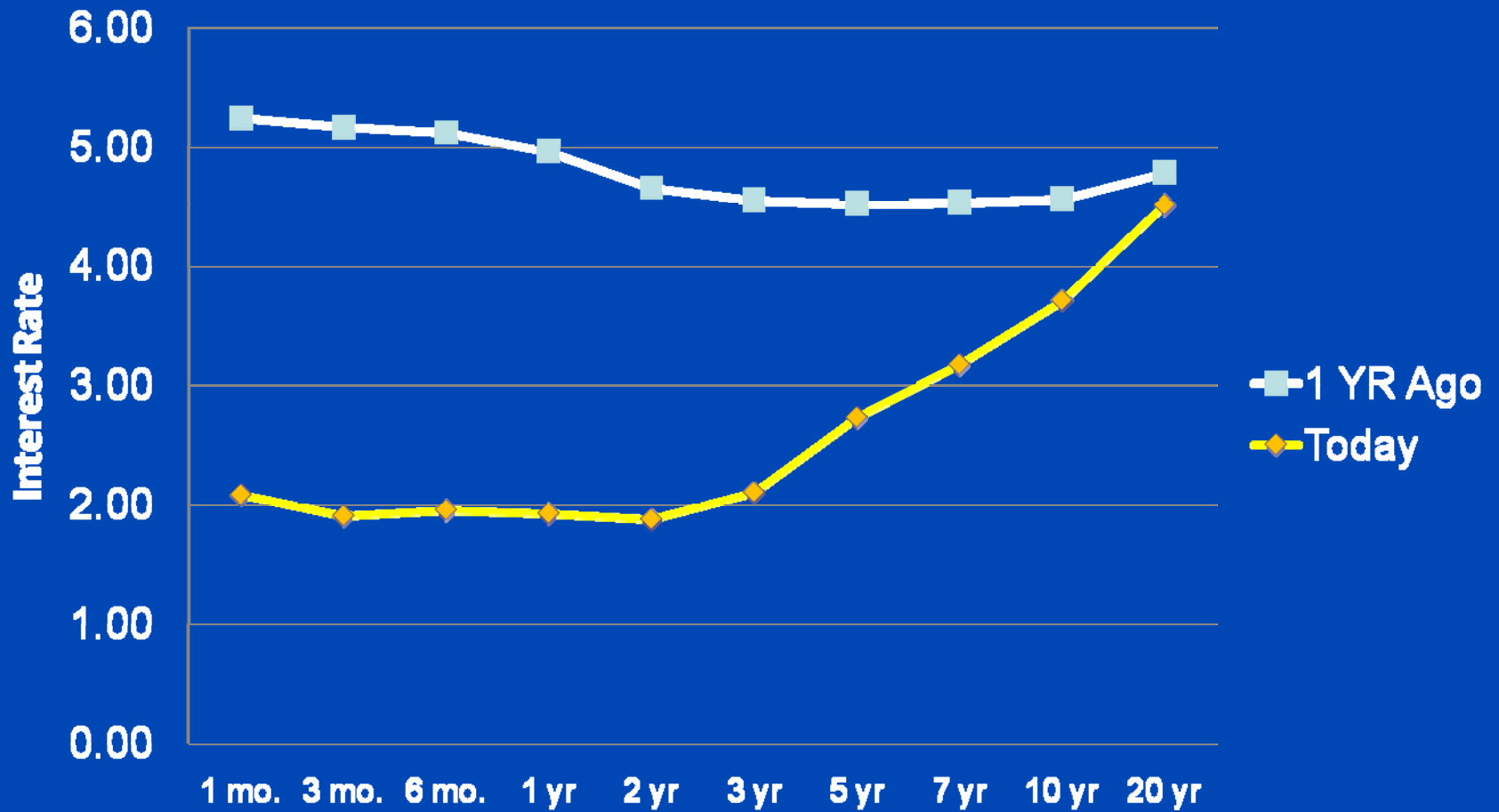


Undesignated Fund Balance Dropped \$3.4 million from FY06 to FY07



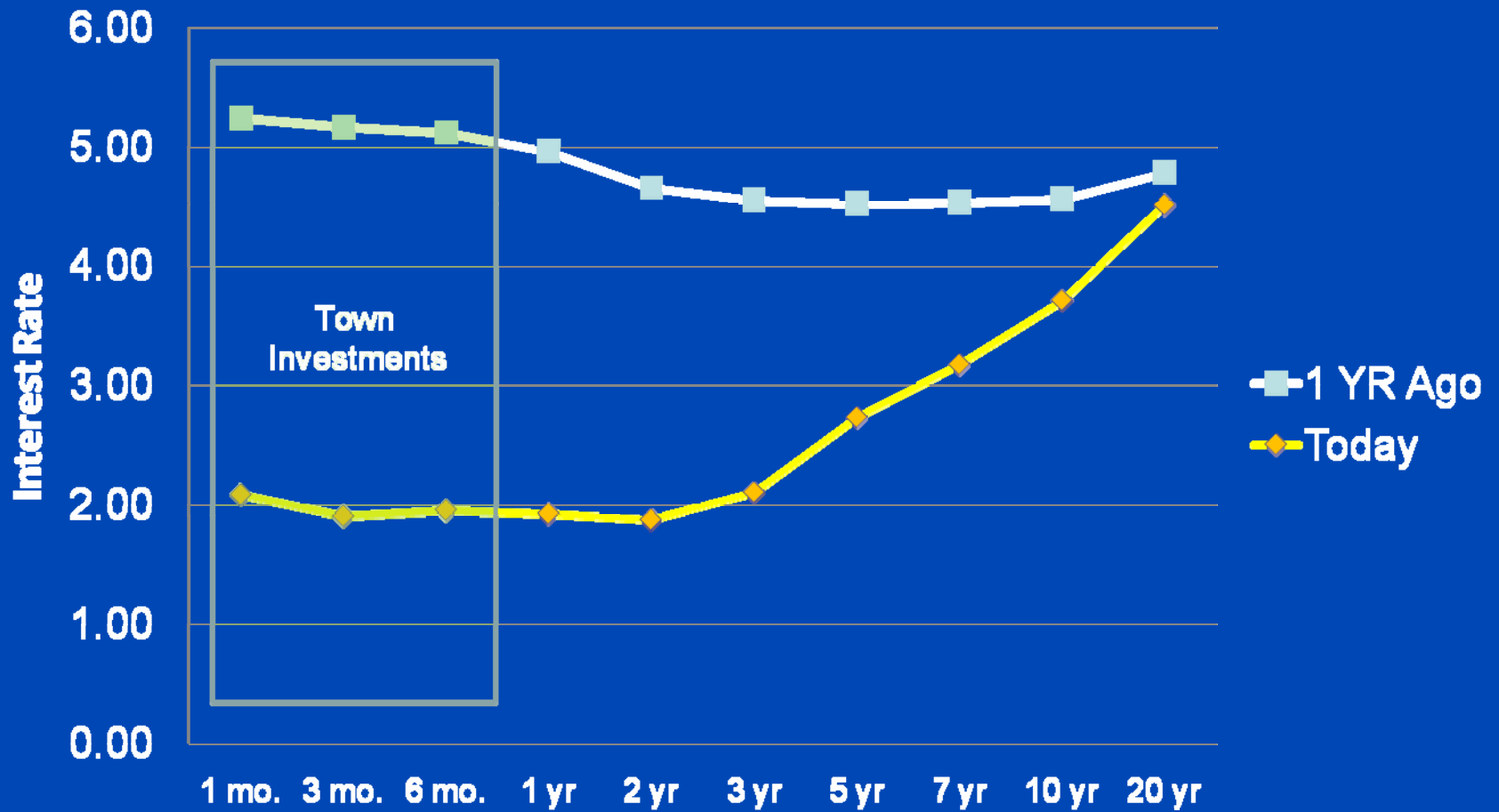
# Treasury Yield Curve

## Today & One Year Ago



# Treasury Yield Curve

## Today & One Year Ago



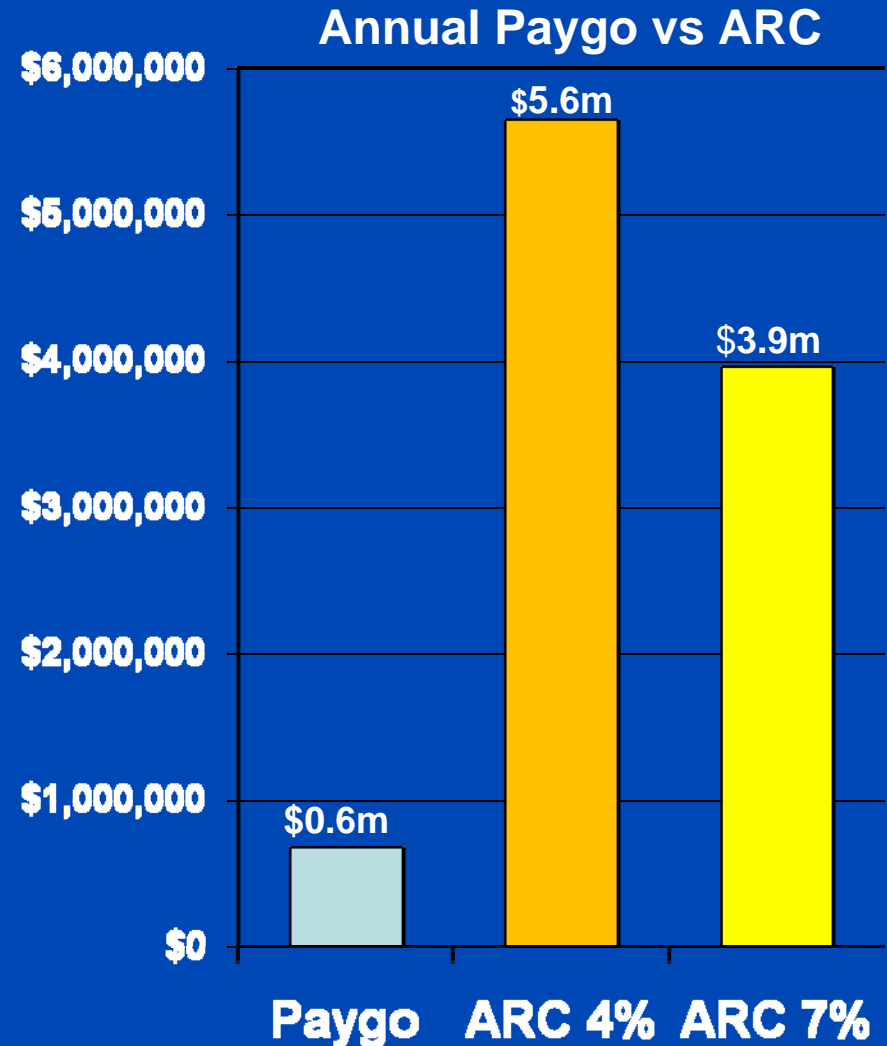
Reduction in short-term interest rates will reduce interest earnings in FY09

# OPEB Funding Requirements

- GASB 45 - Requires that all governments treat OPEB in the same manner as pension fund obligations beginning FY08
- The Town's Liability is \$45 million
- Annually required contribution (ARC) will be determined by actuarial study and reported starting in FY08
- Currently we are handling OPEB expenses on a pay-as-you-go basis (\$655,000 per year)
- Based on current benefit levels and a conservative interest rate assumption ARC payments will be \$5.6 mil per year.

# Future OPEB Liability

- Amount needed to fund OPEB on an actuarially sound basis will exceed our current funding level by more than nine times the current pay-as-you-go cost

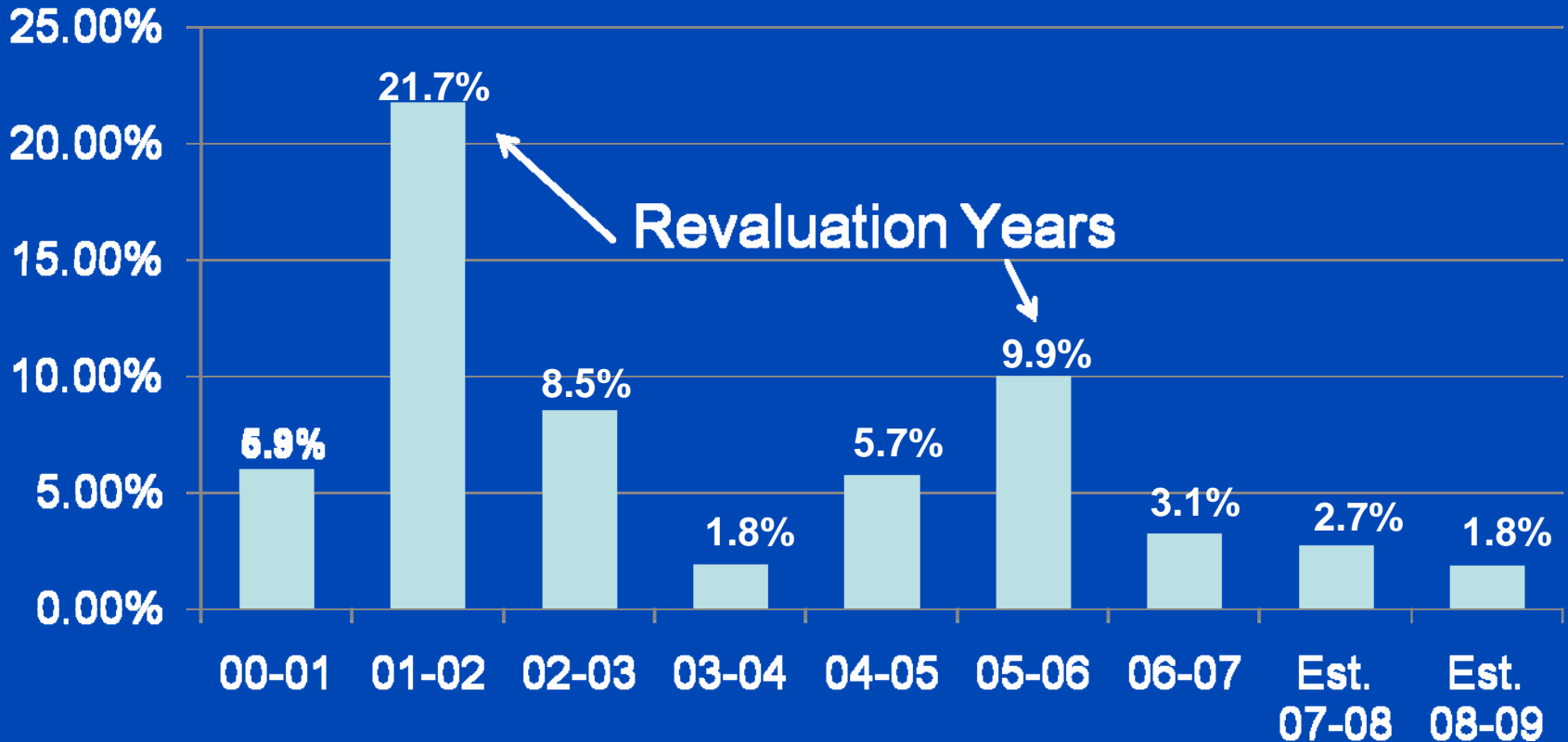


# New Facilities

- Aquatics Center
  - Additional operating expenses FY09 (\$500k)
  - Cost of filling pool (\$40k)
- Library Expansion
  - Additional operating expenses after renovation (FY2010)
  - Cost of maintaining operations during construction

# Property Tax Base Growth

## Percent Increase in Tax Base



# Cost Issues

- Energy Costs are uncertain due to volatility in markets
- Cost of employee Health care expected to increase by 15%
- Numerous Town Facilities are in need of major maintenance (CIP)

# Budget Calendar

- Mar 26 - Budget Status Report to Council
- April 16 – Budget Work Session
- April 28 – Public Forum - Manager’s Recommended Budget
- May 7- Budget Work Session \*
- May 14 – Public Hearing
- May 21 - Budget Work Session \*
- June 4 - Budget Work Session \*
- June 9 - Budget Adoption

\* *As needed*