



- 1) Further Discussion of the Town's 2012-13 Budget***
- 2) Update on the MLLA Judgment and Mediation***
- 3) Discussion of the Town's Spending Priorities and Possible Balancing Measures for Fiscal Year 2012-13***

May 2, 2012
Town Council meeting

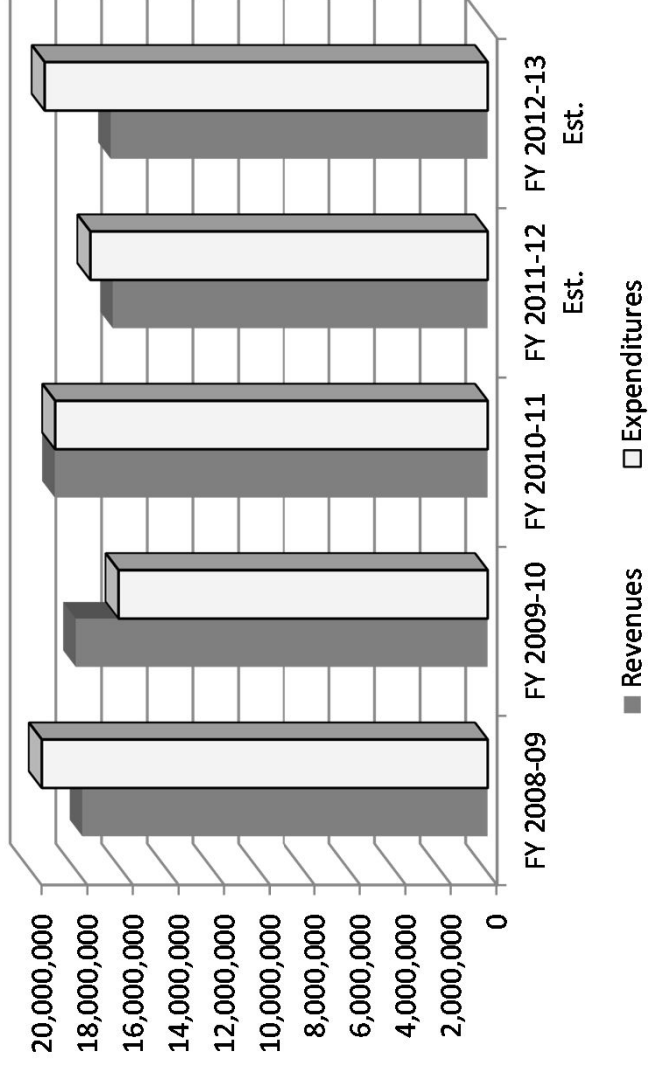
ITEMS IN THIS PRESENTATION

- Continuing presentation of “Town Budget 101”:
composition of the Town’s budget, where we get money and how we spend it.
- Discussion of fiscal realities and what measures have been taken to date.
- Status of mediation with the Town’s creditors.
- Plan to present the “restructuring plan” and long-term projections.

Why the Town Has Fiscal Issues, and Where They are Concentrated

- The Town's available revenues are insufficient to pay for all of the Town's expenses and obligations.
- The issue is mainly within the General Fund.

History of General Fund Revenues and Expenditures



FY 2011-12 Issue

- Current projection of the FY 11/12 budget gap is \$0.9 million.
- The deficit is almost solely due to the unprecedented dry winter and low snowfall - the Town will utilize the Reserve for Economic Uncertainty (REU) to bridge the gap.

	Nov 2011 Budget FY 2011-12	Revised Year-End Estimate FY 2011-12
<i>Beginning REU</i>	1,350,938	1,408,271
Surplus / (Shortfall)	99,708	(894,702)
Payments from Airport on Terminal Debt	825,000	1,265,000
<i>Ending REU</i>	2,275,646	1,778,569

FY 2012-13 Issue

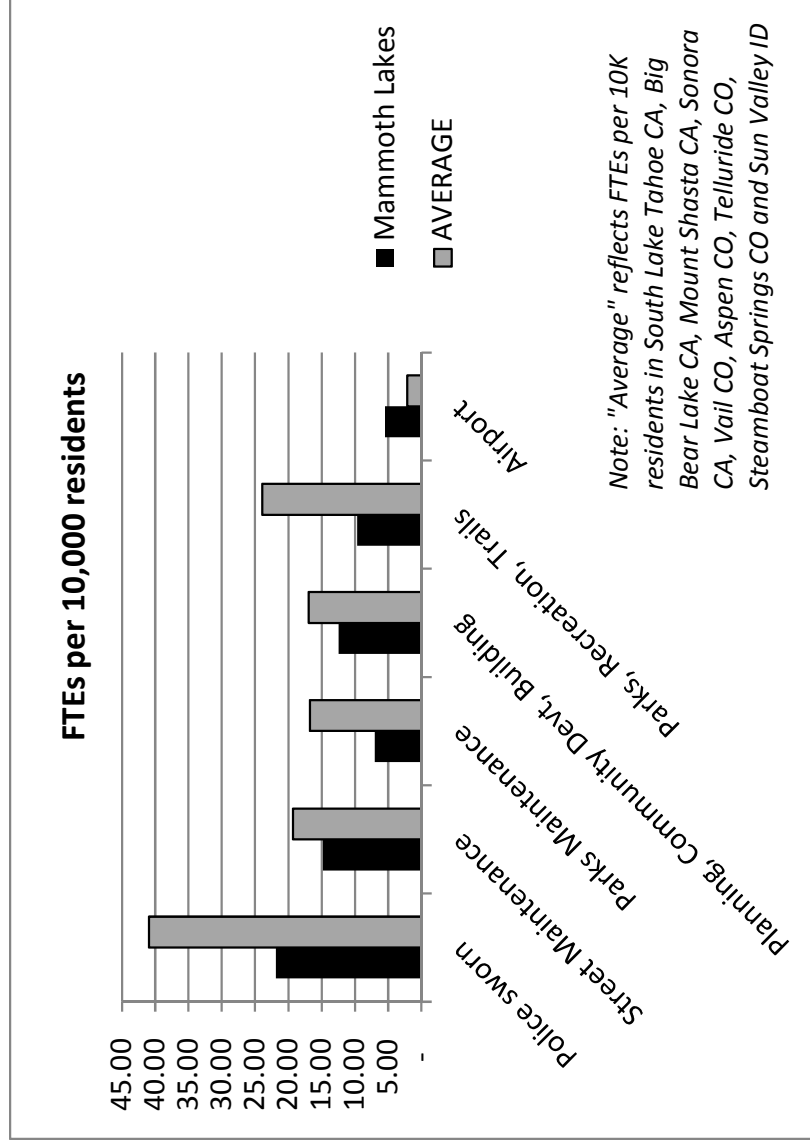
- Current projection of the FY 12/13 budget gap is \$2.8 million.
- The deficit does not take into account the MLLA judgment.

Has the Town Done Enough to Address Its Expenses?

- **FY 09-10:** cut 17 positions, eliminated or reduced non-essential expenditures, and employee concessions.
- **FY 10-11:** eliminated 6 positions, suspended Ice Rink operations, used \$577K debt reserve, additional employee concessions.
- **FY 11-12:** balanced a \$2.7 million gap through: further employee concessions; position eliminations, using dedicated Measure A and T funds and other non-GF money, reducing contractual spending, and deferring road repair and maintenance.

The result is an organization that is significantly reduced

- **Town's staffing levels reduced from 130 to 80. Police went from 27 to 21 today.**



The result is an organization that is significantly reduced

- *Road rehabilitation, repair and maintenance are grossly inadequate: We spend \$500K / year, but need at least \$1.5 mill / year to keep the Town's roads in their current condition.*
- *Vehicle replacement has been deferred, increasing vehicle repair and maintenance costs, and increasing the risk of essential equipment failure.*
- *No funding for maintenance of critical assets, nor for new facilities / amenities. Unaddressed need to "invest in those facilities, amenities and trappings needed to attract the wider base", to dramatically upgrade the public infrastructure, and create a Main Street / Town Center as a place defining the community.*

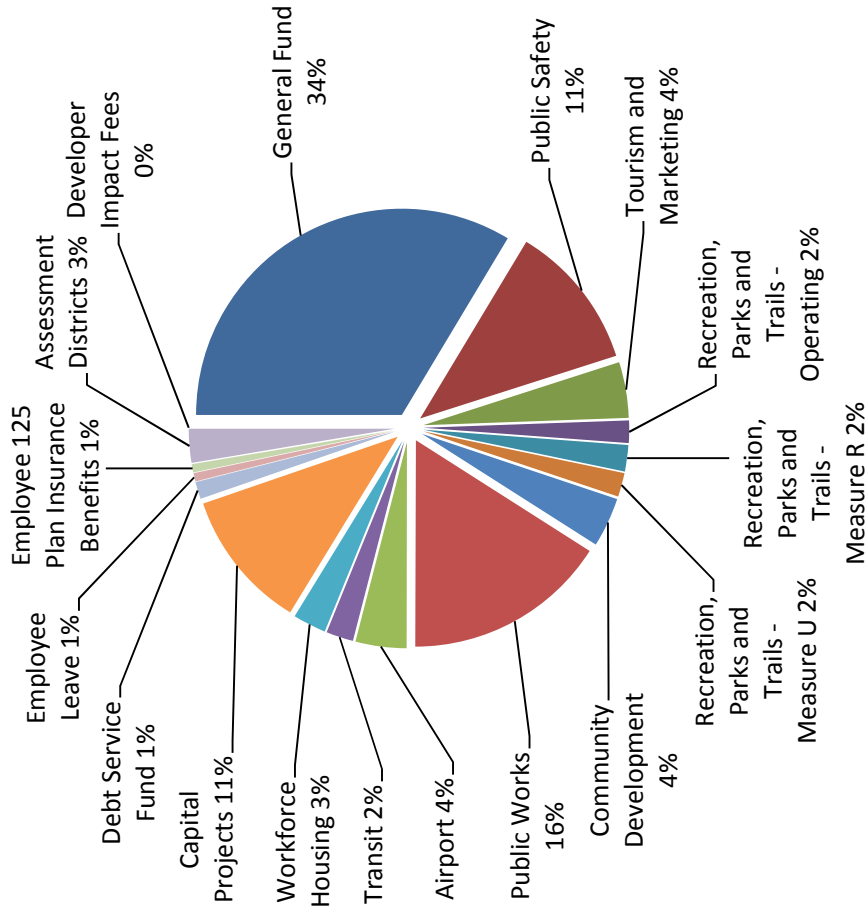
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- *The Town's reserve levels are insufficient: REU needs to be at 25%, but we are at 10%. No reserves for working capital, etc.*

How the Town Spends Its Money

- Town's various revenues and expenditures are accounted for in various "funds", similar to bank accounts. The largest fund is the General Fund.

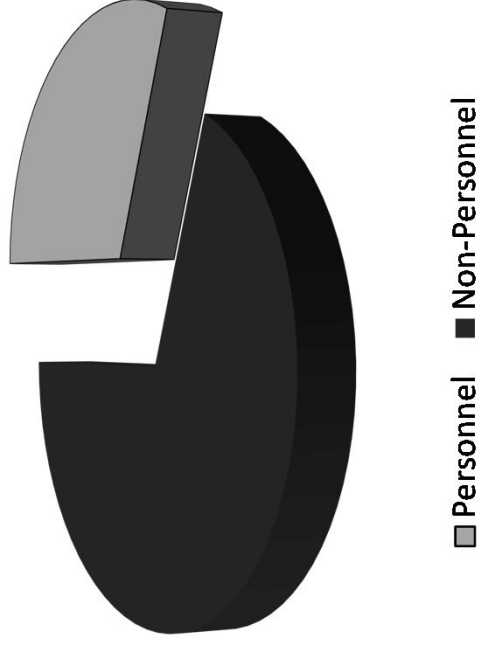
FY 2012-13 Revenues by Fund



The Town Spends Little on Personnel

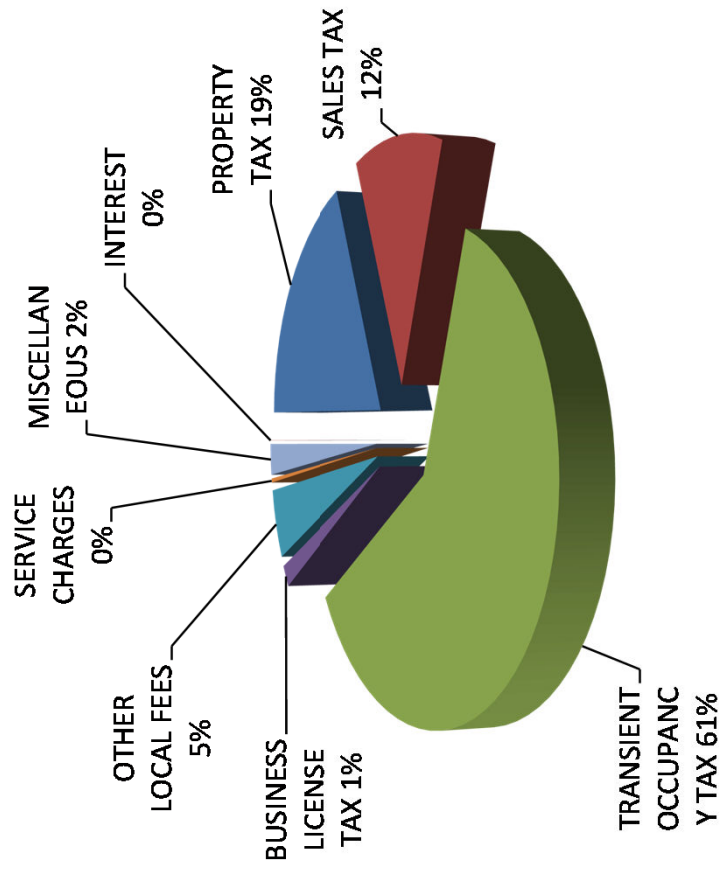
Personnel expenses included in the FY 2012-13 baseline budget

Salaries	6,625,506
Retirement	2,135,144
Health benefits	1,310,964
Workers compensation insurance	347,266
Other personnel expenses	325,051
	10,743,931
Total FY 12/13 baseline budget (excluding transfers)	34,547,670
Personnel costs as percentage of total budget	31%



General Fund Revenues

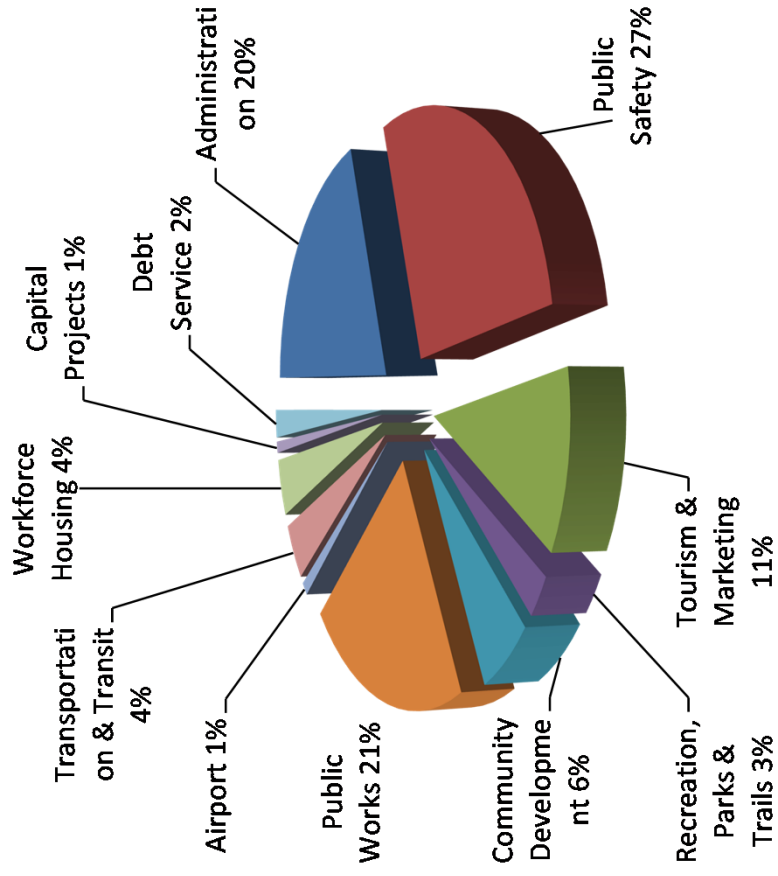
FY 2012-13 General Fund Revenues



General Fund Spending

Department / Function	FY 12/13 base
Public Safety	5,295,183
Public Works	4,113,650
Tourism and Marketing	2,155,620
Community Development	1,188,680
Finance	1,029,556
Legal Services	937,890
Transportation/Transit	775,417
Workforce Housing	775,417
Town Management	682,245
Recreation, Parks and Trails	560,649
Debt Service Fund	380,120
Town Council	377,981
Risk Management	252,831
Town Clerk	200,650
Information Systems	194,161
Airport	185,838
Personnel Services	178,672
Capital Projects	73,262
Facilities Maintenance	11,000
Total General Fund spending	19,368,821

FY 2012-13 General Fund Expenditures



What could be done to address the shortfall and the MLLA judgment?

- Ongoing development of a balancing plan that would be:
 - *holistic*: sufficient to balance the baseline budget shortfall of nearly \$3 million, but also address the outstanding MLLA judgment;
 - *sustainable*: able to pass the test of time and not lead the Town to a financial disaster in the foreseeable future.
- Financial consultant FTI is assisting with a long-term fiscal projection that will show current status, and projected finances with the balancing plan in place.

Long-Term Outlook

- The Town has maintained for quite some time that its fiscal future is challenging.
- The Town has very minimal available resources, has reduced staffing and spending significantly, and already underfunds road rehabilitation and maintenance, vehicle replacement, and capital projects.
- Our reserves are under-funded (REU) or non-existent.
- In future years, baseline General Fund revenues will likely be insufficient to cover baseline General Fund expenses. This is the trend nationwide.
- The Town's retirement and medical costs will continue increasing.

What could be done to address the shortfall and the MLLA judgment?

- To balance the baseline shortfall of \$2.8 million will require critical decisions.
 - The Town cannot raise taxes without voter approval.
 - Further reductions to spending, on the other hand, are going to be increasingly difficult.
 - **If we cut across the board – EVERY GENERAL FUND PROGRAM would be reduced by 14%.**

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Mediation Status

- May 8 special meeting: Both the forecast and the plan may be available for public discussion.
- Week of May 7: Mediation may begin. Hon. David H. Coar is our mediator.
- MLLA has now twice refused to participate in the mediation. The Town is, however, hopeful that they will reconsider.