

**Memorandum to Board of Managers from the Budget Committee  
December 8, 2011**

Over the past two months the Budget Committee has met to review the status of Village finances, update estimates of likely FY2012 results and consider general guidelines which might apply to the initial preparation of the Manager's FY2013 budget. It has done so in the context of an uncertain economic outlook and major uncertainties as to the sustainability of the revenue streams on which the Village now depends in FY2013 and the years beyond.

**1. Financial position and current estimate of FY 2012 results.** Village finances remain strong. Indeed, our current outlook is that fund balances as of 6/30/2012 will exceed those anticipated eight months ago, when the FY '12 budget was approved, despite action by the Board to accelerate sidewalk replacement by increasing the 2012 appropriation for this purpose from \$185K to \$622K. This outcome is a product of an increase in income tax revenue, reductions in on-going expenses levels as compared to the initially approved 2012 budget, and a continuing flow of Safe Speed funds. Our present estimate is that fund balances of \$5.6 million should be available at current year end as a base for FY 2013 and future year operations. This amount is composed of \$3,125K General Fund (including \$1 million set aside for working capital) and \$2,494K Safe Speed Fund.

<b>FY 12</b>				
(amounts in thousands)				
	Initial	Cur. Est.	Change	
<b>I. Revenue</b>				
Income Tax	\$1,500	\$1,920	\$420	
SafeSpeed	2,110	1,982	(128)	
Other	1,469	1,574	105	
<b>Total Revenue</b>	5,079	5,476	397	
<b>II. Expenses: On-going Programs</b>	4,802	4,492	(310)	
Revenue vs. On-Going Expense	277	985	708	
Capital Outlays & Special Projects	595	1,063	(468)	
<b>III. Net Draw on Reserves</b>	(318)	(79)	239	
<b>Estimate 6/30/12 Balances</b>	5,495	5,620	125	
Working Capital	1,000	1,000	0	
General Fund	1,565	2,125	560	
SafeSpeed Fund	2,930	2,494	(436)	

**2. Guidelines for initial FY 2013 budget preparation.** In looking forward, the committee has sought to identify an expense level for on-going activities which can be sustained through the inevitable economic cycles and also provide both a margin of comfort for dealing with unexpected developments and sufficient resources to meet capital investment needs. This endeavor is enormously complicated by the Village's dependence on two fund sources which it cannot directly control: i.e. the state income tax allocation and the *SafeSpeed* Program.

At present levels, revenues from these sources, together with property taxes, other governmental grants, investment income, etc., appear sufficient to fully cover all on-going operating expense with a healthy margin for equipment purchases, capital investment (including street repaving and sidewalk reconstruction) and other special projects. Going into FY 2013 we will undoubtedly face certain cost pressures and a likely further reduction in the number of issued *SafeSpeed* citations. Nonetheless, the committee believes that the current configuration of Village services is appropriate to its present situation, and therefore provides a good starting point for FY 2013 budget development.

Specific guidelines that we would suggest the Board provide the Village Manager for developing her initial 2013 budget draft are:

- the overall goal is to continue efforts to assure efficient and effective Village processes and services.
- the budget should assume present staffing and that present cost control measures will be continued.
- although the overall assumption will be a "no inflation" environment, an appropriate cost-of-living adjustment should be budgeted for staff salaries, a 5% cost increase recognized in health benefit and utility costs, and a 1% upward adjustment for general operating expense.
- the initial budget may assume renewal of step increases for employees meeting or exceeding their individual performance goals.

- in the initial draft budget, real property tax revenues will be entered at the constant yield level and income taxes at the \$1,840K level noted in the table inserted below. Other revenue lines will be based on 2012 experience, subject to adjustment to reflect any known change factors.
- the initial draft will make provision for the 2013 projects and equipment acquisitions identified in the CIP (The committee has not addressed the specific components of the CIP, but anticipates that this document will be used as the basis for the initial FY 2013 budget.
- the data shown in the table inserted below will be used as the "current year, current estimate" amounts. The table also shows the revenues and expenses which our analysis indicates would apply in 2013 as a consequence of the foregoing assumptions.

These 2013 estimates can serve as a reference point for further refinement and review of the 2013 budget. In preparing her initial 2013 proposal, the Manager should incorporate such adjustments as may be indicated by any new information which may become available.

**3. Procedures for 2013 budget review.** The Village Manager's initial budget will be prepared by mid-January and made available to interested committees for their comments. The budget committee also will be continuing its review of selective issues and will make a further report to the Board prior to its Work Sessions to address budget matters (planned for February). An appropriately revised budget will be presented for public comment in March prior to adoption at the Annual Meeting the following month.

**4. Outlook for future years.** The committee concludes that the central thesis for Village financial planning must be the capacity to adapt to the high degree of uncertainty which its revenue base entails. Income tax revenues, which in 2012 will provide 35% of Village income, typically vary year to year by plus or minus 20%. The Safe Speed revenue, which currently about equals income tax, is less variable on the upside but has the potential to diminish as time passes and drivers become more cautious. Should citations issued drop by more than 10% below their current 3600 per month level, the \$500K now being retained over program cost would be eroded. If the monthly volume were to drop below 2500, the Village would likely be unable fully to recover these program costs. Should the program rules change or speed camera use be suspended altogether, the financial impact could exceed a million dollars - a contingency which the committee believes needs be reflected in Village plans.

In conclusion, the committee notes that there are a number of questions relating to Village services and expenses that remain under discussion and stands ready to respond to any specific requests for advice or information which the Board may make of it.

*Submitted by:*

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<b>Consolidated Budget: Current Estimate and Implications for FY 13</b>			
	FY 12	FY 13	
	Cur	"Base"	Change
<b>I. Revenue</b>	Est.		
Income Tax	1,920	1840	(80)
Property Tax	1,152	1067	(85)
Other Gov't and Rents	380	372	(8)
Int. and Misc. Inc.	42	45	3
Current SS Fines to CCV*	1,950	1763	(187)
Safe Speed past Due Accounts	32	0	(32)
<b>Total Revenue</b>	<b>5,476</b>	<b>5087</b>	<b>(389)</b>
<b>II. Expenses: On-going Programs</b>			
Personnel Compensation	2,422	2591	169
Safe Speed Contract	940	750	(190)
Legal Services	200	160	(40)
Other Operating Expense	560	560	0
Infrastructure Maint. & Village Hall	370	374	4
<b>Total Expense</b>	<b>4,492</b>	<b>4,435</b>	<b>(57)</b>
<b>III. Income vs. On-going Expenses</b>			
	984	652	(332)