



Staff Report

Agenda Item: **FISCAL YEAR 2012-2013 PRELIMINARY BUDGET – Discussion and Consideration of the adoption of a Preliminary Budget for Fiscal Year 2012-2013.**

Staff Contact: Kathy Bainbridge, Town Clerk/Finance Director

Meeting Date: June 26, 2012

Background: At the May 1st and May 8th, 2012 Council Meetings, presentations of the 2012-2013 Fiscal Year Preliminary Budget were reviewed for the Major Operational Funds of the General Fund, HURF (Streets) Fund, Wastewater Fund, Sanitation Fund, Water Fund, Cemetery Fund, and Capital Improvement Fund. There were also budget presentations for the additional Non-Operational Funds of the Wastewater Plant & Equipment Improvements, Water Capital Improvements, Development Reimbursement Fund, Impact Fees, Wastewater Development Projects, Grant Fund and Donation Fund.

The Council identified three priority goals for focus during the March 15, 2012 Strategic Planning Workshop: 1) Workforce/Human Capital; 2) Deferred Maintenance; 3) Economic Development. The 2012-2013 Preliminary Budget reflects incorporation of the following objectives towards those goals:

Workforce/Human Capital:

Attract and Retain a Qualified and Competent Workforce in Order to Provide High Quality Services to Residents

- Reinstatement portions of 2009 furlough.
 - 10% salary reinstatement for eligible non-exempt, certified PD employees.
 - 5% salary reinstatement for all eligible exempt employees.
 - 5% salary reinstatement for all eligible non-exempt employees (keeping workweek at 36 hours).
 - Reclassify selected job positions to reflect current assignments.

Deferred Maintenance and Fund Balance:

Maintain the Value of our Capital & Factor True Costs Into Asset Management Practices (Deferred Maintenance, Depreciation, etc.)

Establish and Maintain an Unreserved Fund Balance in the General Fund by dedicating a portion of fund balance to address deferred maintenance and build/maintain unreserved fund balances in the General Fund.

- Deferred Maintenance - Two servers and 12 computer stations (1/3 of rotation) purchased from proposed 2011-2012 fund balance instead of budgeting for in 2012-2013.
- Deferred Maintenance – Additional budgeting for buildings in 2012-2013 budget.
- Deferred Maintenance - Propose transfer of 75% of 2011-2012 General Fund remaining fund balance to Streets for 2013 projects.
- Depreciation – Additional budgeting of \$40,000 from water surcharge for depreciation.
- Diversion of capital monies from Sanitation Capital Fund to Street Fund

At that time, the Preliminary Budget Assumptions were:

- Change in ASRS contribution rates from 53%-47% back to 50%-50% which is a raise of 1.28% for employer contributions.
- 5% health insurance premium increase.
- Workers Compensation Experience Modification increased from 1.75 to 2.22.
- 21% Increase in State Shared Income Tax.
- 1.71% Increase in Motor Vehicle Tax.
- 13.43% Increase in State Sales Tax.
- 3.18% Increase in HURF Tax
- 21.17% Increase in Local Sale Tax.
- 120% Increase in Construction Tax - Construction tax funding of Capital Projects Fund leaves a fund balance of \$17,000 for future projects.

During those worksessions, the Council requested the following changes:

- Not to seek a property tax levy increase for the upcoming fiscal year based on increased revenue projections.
- To continue the transfer of capital monies from the Sanitation Capital Fund to the Street Fund in the amount of \$40,000.

Projections were fine tuned as we continued to receive additional information over the last two months. The attached “Budget Changes After May 1st Preliminary Budget to Council” shows the detail of changes that were made. The major changes required were:

1. Annual contribution rate of the Public Safety Personnel Retirement System for Police Officers rose from 16.80% to 20.16% with a budget impact of \$13,830.00.
2. Worker’s Compensation included an additional 1.25% rating factor in their final premium with a budget impact of \$20,193.00. Their total premium is \$93,173.
3. Adjustment of the Liability Insurance to clarify the premium dividend with a budget impact of \$10,620.00.
4. Additional Administration Fees reflecting changing budgets with a budget impact of \$10,961.64.

5. Elimination by the State of the ADWR fee with a budget impact of \$5,303.00.
6. Sanitation Capital Fund transfer to Street Fund with a budget impact of \$40,000.00.
7. Elimination of the transfer from HURF State revenues to the Motor Vehicle Division with a budget impact of \$16,903.00.
8. Additional funding of street improvements in the HURF fund due to the Sanitation Capital Fund transfer and additional HURF State revenues with a budget impact of \$46,346.00.
9. Inclusion of all designated funds to the budget as detailed on the attached "Designated Funds – Preliminary". Some of the designated funds were already included in the 5/1 Preliminary Budget.
10. Decreasing the Property Tax Levy back to the 2011-2012 levy of 412,391.02 with a budget impact of \$18,169.00.

The Town of Clarkdale had a 18% decrease in their Net Assessed Values from the previous year reflected in the Net Assessed Values decreasing from \$37,661,550 to \$30,930,102 this year. The current Property Tax Levy is \$412,395, reflected in a tax rate of 1.095. The Town's current allowable levy limit is \$448,486. Due to discussions held regarding the property tax levy during Strategic Planning, there was a proposal during the May 1st budget worksession to set the property tax levy at \$430,564, which would have been an increase of about \$18,000, and would have a property tax rate of \$1.40. During the May 1st budget worksession, the Council made a decision to hold the tax levy the same. The final Preliminary Budget has the tax levy just a few dollars lower than last year at \$412,391, which reflects a property tax rate of \$1.3333. While many people look at the tax rate as an indicator of their property taxes, it is really the tax levy that determines whether or not there is a tax increase. The tax rate just adjusts depending on the assessed valuation of properties. So while there will be a change in our tax rate to \$1.3333 this year, the amount Clarkdale is levying in property taxes is virtually the same as last year.

Operational Budgets:

Fund	5/1 Preliminary Budget	6/28 Preliminary Budget
■ Streets	\$ 358,096.60	\$ 680,783.10
■ Sanitation	\$ 259,923.60	\$ 276,500.00
■ Water	\$ 1,377,500.00	\$ 1,376,089.30
■ Cemetery	\$ 38,500.00	\$ 42,195.09
■ General	\$ 2,845,604.00	\$ 2,932,050.84
■ Capital Imp.	\$ 638,073.00	\$ 650,463.00
■ Wastewater	\$ 554,632.00	\$ 334,431.23*

* Debt Service for the new WWTP was moved from Wastewater Operation & Maintenance budget to the Wastewater Plant & Equipment Improvement budget

The attached 2012-2013 Proposed Budget Summary shows each Fund of the Town along with their budgeted expenses and revenues compared to the adopted 2011-2012 Budget, and with the percentage of change. The total 2012-2013 budget expenses are expected to be \$27,549,484.38 which is 10.98% less than the 2011-2012 total budgeted expenses of \$30,947,366.95. There is an additional line on that document that shows the amount of designated funds (carryover) included in each budget which is detailed on the Designated Funds – Preliminary document attached.

The preliminary budget must be fully itemized in conformance with forms supplied by the Arizona Auditor General's Office and entered as a public record in the council meeting minutes when it is adopted.

As part of the required State budget adoption process, the Town will publish the preliminary budget in the local newspaper and have the budget available for public viewing before the final budget hearing and approval on July 24th. Though not required by the State, we will also have the adopted preliminary budget posted on our website. After the preliminary budget is approved, adjustments may still be made prior to when the Final Budget is adopted, but only if those adjustments reduce revenues and/or expenditures. In light of that, the adoption of the Preliminary Budget sets the expenditure limitation for the Town of Clarkdale for FY 2012-2013.

The Preliminary Budget on the State Auditor General forms and a PowerPoint presentation are expected to be completed by Monday, June 25th. As soon as the budget forms are complete, staff will email the forms to the Council and post them as a link on our website. We will provide hard copies of the budget forms and PowerPoint at the Council meeting.

Recommendation: Staff recommends that the Council adopt the Preliminary Budget for Fiscal Year 2012-2013 as presented.

Budget Changes After May 1st Preliminary Budget to Council

General Fund		Expenses	Revenues
Salary & Benefits	Reduced	-\$3,541.83	
DWR Fee	Deleted	-\$5,303.00	
PPTax	Per Council		-\$18,169.00
PW Phone		\$500.00	
Workers Compensation	Added Premiums	\$8,684.70	
General Miscellaneous		-\$2,140.00	
Travel & Training		-\$3,600.00	
Legal - Court		-\$1,000.00	
Office Supplies		-\$1,000.00	
IT Repairs		-\$1,000.00	
Safety		-\$1,000.00	
Website		-\$1,000.00	
Bank Charges	Adjustment	\$800.00	
Publications	Adjustment	-\$1,000.00	
Liability Insurance	Adjustment	-\$10,620.00	
PSPRS Retirement(PD)	New Rate 20.16%	\$ 13,830.00	
Animal Shelter	New rate	\$ 311.00	
Street Admin Fee	Adjust from Budget		\$4,598.00
Flood Grant Admin Fee	Not in before		\$6,363.64
Water Admin Fee	Adjustment		\$128.23
NET ADJUSTMENTS		-\$7,079.13	-\$7,079.13

Street Fund			
HURF Tax	State modificatoin		\$16,903.00
Sanitation Transfer	Per Council		\$40,000.00
Workers Comp	Added Premiums	\$6,329.00	
Wage & benefits		-\$1,270.00	
Phone	Joe	\$900.00	
Street improvements		\$46,346.00	
Street Admin Fee		\$4,598.00	
NET ADJUSTMENTS		\$56,903.00	\$56,903.00

Water Fund			
Workers Comp	Added Premiums	\$ 3,024.70	
Engineering		\$ (2,300.00)	
Admin Fee		\$ 128.23	
NET ADJUSTMENTS		\$ 852.93	

Sewer Fund			
Workers Comp	Added Premiums	\$ 2,241.32	
Fisher House		\$ (2,000.00)	
Admin Fee		\$ (241.32)	
NET ADJUSTMENTS		\$ -	

2012-2013 Proposed Budget Summary	2011-2012 Budget	2011-2012 Projected YE	2012-2013 Budget	Change	Notes
General Fund Total Expenses	\$2,759,404.30	\$2,488,524.74	\$2,932,050.84	6.26%	Wage reinstatement, reclassification, workers comp, health, retirement increases
General Fund Total Revenues	\$2,759,404.34	\$2,587,311.07	\$2,932,050.84	6.26%	
Designated Funds Included in Budget	\$259,340.85		\$151,940.85		
HURF Fund Total Expenses	\$724,378.01	\$507,510.65	\$680,783.10	-6.02%	Street sweeper paid, less DF
HURF Fund Total Revenues	\$724,378.00	\$537,638.00	\$680,783.10	-6.02%	
Designated Funds Included in Budget	\$383,283.00		\$265,783.00		
Wastewater Operation & Maintenance Expenses	\$328,700.00	\$329,849.82	\$334,431.23	1.74%	6 months of \$5 increase for debt service+ 6 months of \$10 increase
Wastewater Operation & Maintenance Revenues	\$328,700.00	\$408,412.00	\$476,976.58	45.11%	
WW Plant & Equipment Improvement Expenses	\$1,861,200.00	\$1,502,000.00	\$6,708,345.35	260.43%	WWTP Borrowing for construction = \$4,500,000 and debt service = \$220,045
WW Plant & Equipment Improvement Revenues	\$1,861,200.00	\$1,513,243.00	\$6,565,800.00	252.77%	
Designated Funds Included in Budget	\$1,826,200.00		\$1,826,200.00		
Sludge Removal Expenses	\$30,333.63	\$0.00	\$40,649.23	34.01%	Large project in 2011 left negative DF now building fund balance again
Sludge Removal Revenues	\$30,333.63	\$30,300.00	\$40,649.23	34.01%	
Designated Funds Included in Budget	-\$29,470.92		\$10,349.23		
WW Line Replacement Expenses	\$393,008.92	\$0.00	\$427,925.84	8.88%	Additional Revenue for DF
WW Line Replacement Revenues	\$393,008.92	\$30,800.00	\$427,925.84	8.88%	
Designated Funds Included in Budget	\$362,642.58		\$397,125.84		
WW Development Project Expenses	\$552,401.61	\$0.00	\$395,608.87	-28.38%	50 new homes not, 100 budgeted for
WW Development Project Revenues	\$552,401.61	\$19,415.00	\$395,608.87	-28.38%	
Designated Funds Included in Budget	\$325,136.74		\$345,008.87		
WW Lift Station Replacement Expenses	\$52,337.00	\$0.00	\$52,502.89	0.32%	
WW Lift Station Replacement Revenues	\$52,337.00	\$50.00	\$52,502.89	0.32%	
Designated Funds Included in Budget	\$52,337.44		\$52,452.89		
Water Operation & Maintenance Expenses	\$1,380,200.00	\$1,264,263.51	\$1,376,089.30	-0.30%	
Water Operation & Maintenance Revenues	\$1,380,200.00	\$1,312,190.00	\$1,376,089.30	-0.30%	
Water Capital Improvement Total Expenses	\$1,435,809.76	\$612,435.00	\$1,349,334.55	-6.02%	Water Bond funds spent, less DF
Water Capital Improvement Total Revenues	\$1,435,809.76	\$707,602.00	\$1,349,334.55	-6.02%	
Designated Funds Included in Budget	\$1,511,730.83		\$1,129,674.55		
Sanitation Fund Expenses	\$275,500.00	\$255,417.54	\$276,500.00	0.36%	
Sanitation Fund Revenues	\$275,500.00	\$279,500.00	\$276,500.00	0.36%	
Sanitation Capital Fund Expenses	\$137,145.82	\$40,000.00	\$137,698.98	0.40%	
Sanitation Capital Fund Revenues	\$137,145.82	\$153,042.00	\$137,698.98	0.40%	
Designated Funds Included in Budget	\$137,109.12		\$121,109.12		
Cemetery Fund Expenses	\$40,140.00	\$43,776.00	\$42,195.09	5.12%	Wage reinstatement
Cemetery Fund Revenues	\$40,140.00	\$48,825.00	\$42,195.09	5.12%	
Perpetual Care Fund Expenses	\$195,643.54	\$15,500.00	\$71,985.00	-63.21%	Large transfer in 2011 so less DF
Perpetual Care Fund Revenues	\$195,643.54	\$2,000.00	\$71,985.00	-63.21%	
Designated Funds Included in Budget	\$191,093.00		\$67,485.00		
Capital Projects Fund Expenses	\$639,510.00	\$39,610.00	\$650,463.00	1.71%	Construction Tax revenue increase
Capital Projects Fund Revenues	\$639,510.00	\$52,000.00	\$667,390.00	4.36%	
Designated Funds Included in Budget			\$12,390.00		
Development Reimbursement Fund Expenditures	\$2,178,530.00	\$132,016.15	\$1,406,030.00	-35.48%	Did not have to budget for MG settlement
Development Reimbursement Fund Revenues	\$2,178,530.00	\$3,700.00	\$1,406,030.00	-35.48%	
Designated Funds Included in Budget	\$306,030.00		\$306,030.00		
Court Enhancement Fund Expenses	\$2,645.00	\$1,500.00	\$2,856.00	7.98%	
Court Enhancement Fund Revenues	\$2,645.00	\$1,500.00	\$2,856.00	7.98%	
Designated Funds Included in Budget	\$145.00		\$356.00		

2012-2013 Proposed Budget Summary	2011-2012 Budget	2011-2012 Projected YE	2012-2013 Budget	Change	Notes
Grant Fund Expenses	\$16,654,775.63	\$697,922.00	\$9,926,819.00	-40.40%	No SRO & less ARRA Grants budgeted
Grant Fund Revenues	\$16,654,775.63	\$439,285.18	\$9,926,819.00	-40.40%	
Designated Funds Included in Budget	\$186,384.89		\$62,091.00		
Impact Fee Fund Expenses	\$977,390.18	\$0.00	\$34,278.16	-96.49%	Only Designated Funds Budgeted
Impact Fee Fund Revenues	\$951,464.40	\$25,376.10	\$34,278.16	-96.40%	
Designated Funds Included in Budget	\$25,869.19		\$34,278.16		
Donation Fund Expenses	\$328,313.55	\$25,918.30	\$702,937.95	114.11%	Larger General Donation budgeted
Donation Fund Revenues	\$328,313.55	\$14,743.70	\$702,937.95	114.11%	
Designated Funds Included in Budget	\$73,813.55		\$55,437.95		
Total Fund Expenses	\$30,947,366.95	\$7,956,243.71	\$27,549,484.38	-10.98%	\$16,927 Difference due to CP raising fund balance
Total Fund Revenues	\$30,921,441.20	\$8,166,933.05	\$27,566,411.37	-10.85%	
Designated Funds	\$5,425,260.38		\$4,837,712.46		

