



AGENDA TOWN FINANCE COMMITTEE

Wednesday – April 24, 2024

Hybrid

6:00 P.M.

LINK TO PARTICIPATE REMOTELY:

<https://scarboroughmaine.zoom.us/j/83862297984>

TO VIEW MEETING ONLY:

<https://www.youtube.com/channel/UCD5Y8CFy5HpXMftV3xX73aw>

Item 1. Call to Order.

Item 2. Those Present.

Item 3. Approval of Minutes: Not available.

Item 4. Discussion on FY2025 Municipal/School Budgets.

- A. Review Recommended Adjustments Scorecard
- B. Fund Balance History/Rating Agency Factors

Item 5. Public Comments.

Item 6. Adjourn.

FY25 Budget**GOAL: Reduce Net Budget by at least \$1,200,000****Finance Committee Recommended Adjustments 4.18.24**

		Expense Increase (Reduction)	Revenue Increase (Reduction)	Net Appropriation Increase (Decrease)
<u>School</u>				
	Updated Medical Insurance Premiums	(335,000)		(335,000)
	Updated Retirement/Projected Savings	(22,620)		(22,620)
	Delta Dental Rates	669		669
	Flexible Spending Plan Administrative Fee Increase	1,600		1,600
	Subtotal			
	Adult Education	(229)		(229)
	School Nutrition	(12,536)		(12,536)
	Subtotal			
	School Total	(368,116)	-	(368,116)
<u>Town</u>				
<u>Operating:</u>				
	Legal Review Fees (Planning)	(5,000)		(5,000)
	Propane (Fire)	(11,000)		(11,000)
	NEW - Increase in GA State Reimbursement- Revenue		37,500	(37,500)
	NEW - Investment Income - Revenue		100,000	(100,000)
	NEW - Excise Tax - Revenue		200,000	(200,000)
	NEW - Alger Hall Operating Costs	(7,000)		(7,000)
	NEW - Tri Gen Decommissioned	(30,000)		(30,000)
	Operating Total	(53,000)	337,500	(390,500)
<u>Capital:</u>				
	Sawyer Street- Grant Local Match - TIF		75,000	(75,000)
	AED Replacement (Fire) - TIF		65,000	(65,000)
	Radio Study (Police) - TIF		50,000	(50,000)
	NEW ADD- UPS for PSB - TIF		70,000	(70,000)
	Pickup Truck (CS) - Beach Reserves		57,000	(57,000)
	Capital Total	-	317,000	(317,000)
	Total Adjustments 04-18-2024	(421,116)	654,500	(1,075,616)



Items Under Consideration

Potential CIP Changes

Long Range Planning (School) - Capital Reserves	(585,000)
Bleacher Replacement (CS) - School Capital Reserve	(24,000)
Running Hill Road Master Plan - Defer	(100,000)
Facilities Assessment - Defer	(100,000)
NEW ADD Stormwater Utility Feasibility Study	50,000

Items in Motion

Shared Librarian- Library/Wentworth
Mower - CS/School
Additional School Fund Balance
Adjustments due to Tax Rate estimate (BETE, Homestead, TIF/CEA)
Expanded Eligibility of Senior Property Tax Relief
Athletics Equipment (Track) - Voter Approval?
Worker's Compensation (School)
MSMA Group Life & Disability (School)
Adjustments to Paid Family Medical Leave (Town/School)

Unfunded Finance Committee Proposals - (to revisit)

Financial Budgeting Software	37,000
Information Technology Position (Town/School)	TBD
Engineering and Technical Position (Town)	TBD
Speech Pathologist (School)	94,000

Tax Increment Financing Revenue

Updated Adjustments as of 4/18/24

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FY25 PROPOSED BUDGET

DOWNTOWN TIF

Sources	Projected FY24 Ending Balance	\$184,338	}	\$3,154,338	
	Estimated FY25 TIF Revenues	\$2,970,000			
Proposed Uses	OPERATING COSTS:				
	Public Safety Building Debt Service (100%)	(\$1,207,225)			
	<u>Personnel Costs:</u>				
	Environmental Infrastructure	(\$150,500)			
	TIF Administration	(\$122,910)			
	Economic Development	(\$82,200)			
	<u>Operating Expenses:</u>				
	Street Sweeping	(\$62,000)			
	Permitting/Licensing Software	(\$40,000)			
	Legal Services	(\$25,000)			
	Transit Dues	(\$25,000)			
	Catch Basin Cleaning	(\$35,000)			
	Traffic Calming	(\$25,000)			
	Operating Subtotal →		(\$1,774,835)		
	CAPITAL INVESTMENTS:				
	Subsurface Drainage	(\$300,000)			
	Rte. 1 Greening Initiative	(\$275,000)			
	Sidewalk Paving	(\$180,000)			
	Transportation Study Project Design	(\$150,000)			
	Sawyer Street - Grant Local Match	(\$75,000)			
	NEW - UPS for PSB	(\$70,000)			
	AED Replacement (Fire)	(\$65,000)			
	Radio Study (Police)	(\$50,000)			
	Climate Action Plan	(\$50,000)			
	Complete Streets Manual	(\$40,000)			
	Trail Development - Larrabee Farm	(\$10,000)			
	Capital Subtotal →		(\$1,265,000)		
					<u>TOTAL USES</u>
					(\$3,039,835)

Est FY25 Ending Balance → \$114,503

HAIGIS TIF

Sources	Projected FY24 Ending Balance	(\$1,619,681)	}	\$20,319
	Estimated FY25 TIF Revenues	\$1,640,000		
Proposed Uses	Deficit Reduction (Haigis Pkwy Debt: \$1,323,922)	see above	}	(\$316,078)
	SEDCO Costs (100%)	(\$316,078)		

Est FY25 Ending Balance → (\$295,759)

Tax Increment Financing Revenue

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FY24 RECAP

DOWNTOWN TIF

Sources	FY23 End of Year Balance	\$58,653	}	\$1,937,829
	FY24 TIF Revenues	\$1,879,176		
Uses	Public Safety Building Debt Service (75%)	(\$928,491)	}	(\$1,753,491)
	CAD Replacement	(\$825,000)		
FY24 Projected Ending Balance →				\$184,338

HAIGIS TIF

Sources	FY23 End of Year Balance	(\$2,785,219)	}	(\$1,335,169)
	FY24 TIF Revenues	\$1,450,050		
Uses	Deficit Reduction (Haigis Pkwy Debt: \$1,165,538)	see above	}	(\$284,512)
	SEDCO Costs	(\$284,512)		
FY24 Projected Ending Balance				→ (\$1,619,681)

Town of Scarborough
Five Year Fund Balance History and Projection

	FY19	FY20	FY21	FY22	FY23	Projected FY24	Projected FY25
Revenues	90,776,202	94,004,857	98,215,569	101,527,517	108,522,407	115,517,721	122,801,054
Total Unrestricted Fund Balance Per ACFR	11,127,667	11,472,538	11,908,600	13,276,040	14,276,916	15,442,454	15,780,871
Unrestricted Fund Balance Percentage of Revenues	12.26%	12.20%	12.12%	13.08%	13.16%	13.37%	12.85%
Minimum	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Target	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Unassigned Fund Balance Per ACFR	8,211,760	7,701,960	7,453,447	9,933,328	10,549,179	11,714,717	12,053,134
Budgeted Operating Expenses (prior year)	83,673,671	88,086,163	94,056,204	98,931,048	102,765,326	106,198,551	110,391,764
Fund Balance as % of Prior Year Budgeted Operating Expenditures	9.81%	8.74%	7.92%	10.04%	10.27%	11.03%	10.92%
Minimum	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%
Target	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%

Haigis Parkway TIF	GF Advance	IMPACT ON FUND BALANCE	
		Restricted Fund Balance	Unassigned Fund Balance
General Fund Receivable From Haigis Parkway TIF 6/30/2023	2,785,219	4,974,393	10,549,179
FY24 TIF Revenues to Repay Receivable	(1,165,538)	(1,165,538)	1,165,538
FY24 Estimated Balance	1,619,681	3,808,855	11,714,717
FY25 TIF Revenues to Repay Receivable (net of SEDCO expenses)	(1,323,922)	(1,323,922)	1,323,922
General Fund Receivable From Haigis Parkway TIF - FY25	295,759	2,484,933	13,038,639

FY24 Estimated After Collection of Haigis Advance:	
FY24 Estimated Unassigned Fund Balance	11,714,717
Fund Balance as % of Prior Year Budgeted Operating Expenditures	11.40%
FY25 Estimated After Collection of Haigis Advance:	13,038,639
Fund Balance as % of Prior Year Budgeted Operating Expenditures	12.69%

PROJECTED USE OF UNASSIGNED FUND BALANCE:

	Budgeted Overlay	Actual Expended	Remainder to Fund Balance
Overlay History:			
FY22	492,729	(49,602)	443,127
FY23	333,952	(32,815)	301,137
FY24	256,425	(15,184)	241,241
			985,505

FY24 Estimated After Use of Fund Balance Generated from Overlay:	
Fund Balance as % of Prior Year Budgeted Operating Expenditures	11,714,717
FY24 Estimated Unassigned Fund Balance	11.40%
FY25 Estimated After Use of Fund Balance Generated from Overlay:	
Fund Balance as % of Prior Year Budgeted Operating Expenditures	12,053,134
Fund Balance as % of Prior Year Budgeted Operating Expenditures	11.73%

Scarborough – Fund Balance Discussion



Credit strengths

- » Above average resident wealth and incomes
- » Low fixed costs

Credit challenges

- » Elevated debt burden with additional debt expected
- » Reserve position is below average for the rating category

Rating outlook

Moody's does not usually assign outlooks to local government credits with this amount of debt outstanding.

Factors that could lead to an upgrade

- » Large increase in liquidity and reserves
- » Continued growth in the tax base and/or improvements in resident wealth and incomes

Factors that could lead to a downgrade

- » Trend of operating deficits resulting in reserve declines
- » Trend of tax base declines or deterioration of the demographic profile
- » Material growth in debt burden

Exhibit 8
Scarborough (Town of) ME

	Measure	Weight	Score
Economy			
Resident income ratio	150.9%	10.0%	Aaa
Full value per capita	255,861	10.0%	Aaa
Economic growth metric	1.3%	10.0%	Aaa
Financial Performance			
Available fund balance ratio	13.3%	20.0%	Baa
Liquidity ratio	30.0%	10.0%	A
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	129.4%	20.0%	Aa
Fixed-costs ratio	7.0%	10.0%	Aaa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa2
Assigned Rating			Aa3

The complete list of outstanding ratings assigned to the Scarborough (Town of) ME is available on their [issuer page](#). Details on the current ESG scores assigned to the Scarborough (Town of) ME are available on their [ESGView page](#).
Sources: US Census Bureau, Scarborough (Town of) ME's financial statements and Moody's Investors Service

Scarborough – Fund Balance Discussion

S&P Global

Outlook

The stable outlook reflects S&P Global Ratings' view that Scarborough will likely produce, at least, balanced * operations, allowing the town to maintain very strong reserves while its tax base and local economy continue to grow.

Downside scenario

We could lower the rating if budgetary performance were to deteriorate, leading to weaker budgetary flexibility.

Upside scenario

We could raise the rating if reserves were to improve further to levels we consider consistent with higher-rated peers and if the town were to implement additional long-term financial planning and other credit factors, coupled with the strong debt-and-liability profile remaining constant.

Scarborough Town, Maine key credit metrics

	Most recent	--Historical information--		
		2022	2021	2020
Very strong economy				
Projected per capita effective buying income (EBI) (%) of U.S.	151.8			
Market value per capita (\$)	227,293			
Population		21,946	21,180	20,792
County unemployment rate(%)		2.4		
Market value (\$000)	4,988,177	4,845,683		
10 largest taxpayers as a % of taxable value	7.4			
Strong budgetary performance				
Operating fund result as a % of expenditures		0	0.7	(1.0)
Total governmental fund result as a % of expenditures		(0.5)	0.6	(0.3)
Strong budgetary flexibility				
Available reserves as a % of operating expenditures		12.3	10.4	11.4
Total available reserves (\$000)		12,709	10,201	11,018
Very strong liquidity				
Total government cash % of governmental fund expenditures		20.6	18.0	17.9
Total government cash % of governmental fund debt service		389.9	304.8	294.0
Strong management				
Financial Management Assessment	Good			
Very strong debt and long-term liabilities				
Debt service as a % of governmental fund expenditures		5.3	5.9	6.1
Net direct debt as a % of governmental fund revenue	74.5			
Overall net debt as a % of market value	1.8			
Direct debt 10-year amortization (%)	69.5			
Required pension contribution as a % of governmental fund expenditures		2.0		
Other postemployment benefits actual contribution as a % of governmental fund expenditures		0.1		
Strong Institutional Framework				

Data points and ratios may reflect analytical adjustments.

HOW DOES SCARBOROUGH MEASURE UP?

Household/Per Capita Effective Buying

Low	Below 65%
Adequate	65%-90%
Good	90%-110%
Strong	110%-130%
Very strong	Above 130%

149%

Available Fund Balance

Low	Below 0%
Adequate	1%-4%
Good	4%-8%
Strong	8%-15%
Very strong	Above 15%

11.53%

Market Value Per Capita

Low	Below \$35,000
Adequate	\$35,000-\$55,000
Strong	\$55,000-\$80,000
Very strong	\$80,000-\$100,000
Extremely strong	Above \$100,000

\$227,358

Debt Service As % Of Expenditures

Low	Below 8%
Moderate	8%-15%
Elevated	15%-20%
High	Above 25%

11.54%

Top 10 Taxpayers

Very diverse	Below 15%
Diverse	15% - 25%
Moderately concentrated	25% - 40%
Concentrated	Above 40%

6.62%

Overall Net Debt Per Capita

Very low	Below \$1,000
Low	\$1,000-\$2,000
Moderate	\$2,000-\$5,000
High	Above \$5,000

\$4,433.16

Overall Net Debt As % Of Market Value

Low	Below 3%
Moderate	3%-6%
Moderately high	6%-10%
High	Above 10%

1.77%

SOURCE: Public Finance Criteria: Key General
Obligation Ratio Credit Ranges - Analysis Vs. Reality
(Standard & Poor's , April 2, 2008)



MOORS & CABOT INVESTMENTS

To: Tom Hall, Town Manager
Fr: Joe Cuetara
Date: April 9, 2024
Re: Town of Scarborough and Use of Fund Balance

Tom, you have asked me my view of the rating implications of use of Fund Balance. Pursuant to your Financial and Fiscal Policy adopted in 2018, as amended in 2019, *"The Town's goal is to maintain a level of unassigned fund balance in an amount equal to 10% of the Town's Operating Budget for the prior fiscal year and not to fall below 8.3% (or 1/12th) of its operating budget. Once the Town achieves an unassigned fund balance equal to 10% of the Town's Operating Budget, any excess above 12.0% may be re-assigned"*

Notwithstanding the following general discussion, Fund Balances that exceed a stated policy may typically be re-assigned if (i) it is for a reasonable purpose and (ii) it is for a one-time or seldom-used event. Any time that this occurs, however, this should be notated in any financial presentation that explains why this is an anomaly, not an institutional change, and that *re-affirms* policy, and adherence thereto. For example, should fund balance continually exceed a 10% threshold and exceeds a 12% max goal then this would be considered a re-aligning to adhere to the policy. This is similar to re-balancing a portfolio that was originally 50% stocks and 50% bonds that, due to market changes is now 70%/30%, re-balanced to 50%/50%.

View of Fund Balance

The rating review process *specifically emphasizes* a municipal government's ability to bridge the timing differences between its receipts and its disbursements ... as a measure of its liquidity vis-à-vis ability to meet its obligations in a timely manner. As in any business, and the Town is a business, you should (must?) have sufficient funds to meet all expenditures at the first of the month should revenues not be available until the end of the month. The fund balance position is a measure of an issuer's financial flexibility to meet essential services during periods of limited liquidity. *The rating agencies consider an adequate fund balance to be a credit strength.*

Rating agencies believe that careful, *institutionalized policies and adherence thereto*, contribute to an issuer's ability to withstand unforeseen downturns without compromising recurring structural balance (annual revenues equal to or greater than annual expenditures). Formal policies are viewed more favorably because they minimize political considerations of adequate reserve levels and keep the municipalities more focused on providing structural balance in their operations. For example, recessions have demonstrated how municipal budgets can be hurt by declines in economically sensitive revenues (e.g., sales taxes, income taxes, interest income, property taxes), and unanticipated cuts in state revenue sharing funds.

And, maintaining adequate reserves has several internal and external benefits. *Internally*, reserves can provide for cash flow needs until major revenues are received, reducing or eliminating the need for cash flow borrowing; provide funds to leverage state or federal grants; and provide for the unexpected. *Externally*, reserves tend to be viewed favorably by investors, rating agencies, and local banks with which the Town does business, thus benefiting ratings and the potential need for lines of credit. Each positions the Town as a *going concern*.

Rating agencies views credits which adhere to a fund balance strategy as being more pro-active and reflecting positively on management. *A formalized Fund Balance Policy is an indication of "good" Management. It also exists as a positive discipline ... that may be politically hard to implement when most needed!*

A caution however, use of Fund Balance, especially if it dips below policy guidelines, solely for *tax-payer relief* is discouraged and viewed as a credit-negative in that it demonstrates that the entity is living beyond its capabilities.

This all being said, I believe that re-aligning Fund Balance in this case would have minimal impact and would not put pressure on the Town's ratings.

Mr. Anderson asked if I could “provide recent examples where other Town's [City's] tapped into their unassigned fund balance to limit the tax rate”. I have experienced communities whereby Fund Balance was actually used specifically for tax-payer relief. Fortunately, this only elicited comment and even Negative Outlooks but rarely resulted in a downgrade. However, I was retained by the City of Auburn, in 2004, to assist in institutional changes in policy and financial direction. While use of Fund Balance, per se, did not result in negative rating action(s) ... by instituting and implementing procedures the following shows the process for upgrades:

- **Policy was > 8.3%**

Fund Balance as % Revenues

Fiscal Year ended June 30,:	Audited				Unaudited	Budgeted
	2004	2005	2006	2007	2008	2009
Unreserved General Fund Balance	\$2,703,072	\$4,653,474	\$6,938,376	\$9,600,796	\$11,427,367	\$11,777,000
Total Revenues (Current Year)	63,962,033	64,317,061	71,778,213	71,865,087	73,075,600	72,000,000
Fund Bal as % Prior Years' Revenues	4.23%	7.24%	9.67%	13.36%	15.64%	16.36%
Undesignated General Fund Balance	2,215,528	3,587,200	5,088,428	7,898,295	9,236,866	9,586,000
Total Revenues (Current Year)	63,962,033	64,317,061	71,778,213	71,865,087	73,075,600	72,000,000
Fund Bal as % Prior Years' Revenues	3.46%	5.58%	7.09%	10.99%	12.64%	13.31%

Moody's comment: The negative outlook reflects reduced financial flexibility as a result of three consecutive years of fund balance declines due to using General Fund balance as a budgetary source for recurring operating expenditures.

- **Since adoption on June 7, 2021 no less than 10%**

General Fund Balance as % Expenditures (per City's Policy)

Fiscal Year ended June 30,	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Unrestricted General Fund					
Balance	\$10,099,340	\$11,515,913	\$15,143,586	\$15,601,896	\$20,315,182
Total GF Expenditures	85,338,641	88,377,858	89,653,702	96,700,591	100,497,590
Fund Balance as % Expenditures	11.83%	13.03%	16.89%	16.13%	20.21%
Unassigned General Fund Bal	\$8,065,076	\$9,862,432	\$13,192,192	\$13,064,546	\$17,777,832
Total GF Expenditures	85,338,641	88,377,858	89,653,702	96,700,591	100,497,590
Fund Balance as % Expenditures	9.45%	11.16%	14.71%	13.51%	17.69%

S&P Comment: The city has reported three consecutive audited general fund surpluses, largely the result of conservative budgeting practices and strong revenue increases associated with recent growth in the city. Officials attribute the healthy surpluses in recent years to an intentional effort to improve the general fund reserve position

Rating History

Rating History					
Auburn	08/17/04	A3/A	Auburn	02/24/16	Aa3/AA-
Auburn	09/08/04	A3/A	Auburn	11/01/16	Aa3/AA-
Auburn	10/18/05	A3/A	Auburn	10/24/17	Aa3/AA-
Auburn	10/17/06	A3/A	Auburn	10/24/18	Aa3/AA-
Auburn	12/04/07	A2/A+	Auburn	10/02/19	Aa3/AA-
Auburn	09/23/08	A2/A+	Auburn	10/02/19	Aa3/AA-
Auburn	10/14/09	A2/A+	Auburn	10/27/20	Aa3/AA-
Auburn	10/19/10	Aa3/AA-	Auburn	04/14/21	Aa3/AA-
Auburn	10/25/11	Aa3/AA-	Auburn	09/15/21	Aa3/AA-
Auburn	09/13/12	Aa3/AA-	Auburn	04/12/22	Aa3/AA-
Auburn	11/06/13	Aa3/AA-	Auburn	09/20/22	Aa3/AA-
Auburn	10/15/14	Aa3/AA-	Auburn	10/04/23	Aa3/AA-
Auburn	10/21/15	Aa3/AA-			

SECTION III. FUND BALANCE

The Fund Balance Policy is intended to provide guidelines during the preparation and execution of the annual budget to ensure that sufficient reserves are maintained for unanticipated expenditures or revenue shortfalls. It also is intended to preserve flexibility throughout the fiscal year to make adjustments in funding for programs approved in connection with the annual budget.

The Fund Balance Policy should be established based upon a long-term perspective recognizing that stated thresholds are considered minimum balances. The main objective of establishing and maintaining a Fund Balance Policy is for the Town to be in a strong fiscal position that will allow for better position to weather negative economic trends.

The Fund Balance consists of five categories: Non-spendable, Restricted, Committed, Assigned, and Unassigned.

- **Non-spendable** Fund Balance consists of funds that cannot be spent due to their form (e.g. inventories and pre-pays) or funds that legally or contractually must be maintained intact.
- **Restricted** Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.
- **Committed** Fund Balance consists of funds that are set aside for a specific purpose by the Council. Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.
- **Assigned** Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the Council. Assigned funds cannot cause a deficit in unassigned fund balance.
- **Unassigned** Fund Balance consists of excess funds that have not be classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.
- **Unrestricted** Fund Balance is the combination of the Committed, Assigned and Unassigned fund balance.

OPERATING BUDGET

The total General Fund Budget, are all budgets, including amendments, as adopted by the Town council. The General Fund Budget shall include all budgets included in funds 1100 and 7100:

Municipal Gross Budget
Education Gross Budget
Adult Learning
Community Services- All Divisions
Capital Equipment
Debt Service
County Assessment

Non-spendable and Restricted Funds. Non-spendable funds are those funds that cannot be spent because they are either:

- Not in spendable form (e.g. inventories and prepaids)
- Legally or contractually required to be maintained intact

It is the responsibility of the Town Manager or their designee, to report all Non-spendable Funds appropriately in the Town's Financial Statements.

Restricted funds are those funds that have constraints placed on their use either:

- Externally by creditors, grantors, contributors, or laws or regulations or other governments
- By law through constitutional provisions or enabling legislation.

It is the responsibility of the Town Manager, or their designee, to report all Restricted Funds appropriately in the Town's Financial Statements.

CLASSIFYING FUND BALANCE AMOUNTS

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it. When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last; unless the Town Council has provided otherwise in its commitment or assignment actions.

AUTHORITY TO COMMIT FUNDS

The Town Council has the authority to set aside funds for a specific purpose. Any funds set aside as Committed Fund Balance requires the passage of a resolution by a simple majority vote. The passage of such action must take place prior to June 30th of the applicable fiscal year. If the actual amount of the commitment is not available by June 30th, the resolution must state the process or formula necessary to calculate the actual amount as soon as information is available.

AUTHORITY TO ASSIGN FUNDS

Upon passage of the Fund Balance Policy, authority is given to the Town Manager to assign funds for specific purposes. Any funds set aside as Assigned Fund Balance must be reported to the Town Council. The Town Council has the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as Assigned Fund Balance requires a simple majority vote and must be recorded in the minutes. The same action is required to change or remove the assignment.

UNASSIGNED FUND BALANCE

Unassigned Fund Balance is the residual amount of Fund Balance in the General Fund. It represents the resources available for future spending. An appropriate level of Unassigned Fund Balance should be maintained in the General Fund in order to cover unexpected expenditures and revenue shortfalls.

In the event of projected revenue shortfalls, it is the responsibility of the Town Manager to report the projections to the Town Council's Finance Committee on a quarterly basis and will include an outline of recommended Management actions to address any shortfall.

The Town has set a goal, through this Fund Balance Policy, to maintain the level of Unassigned Fund Balance equal to 10.0% of the Town's Operating Budget for the prior fiscal year and to not fall below 8.33% (or 1/12) of the Town's Operating Budget.

Once the Town achieves an unassigned fund balance equal to 10.0% of Scarborough's Operating Budget, any excess above 12% must be assigned by any combination to one of the following:

- Retained in non-spendable and restricted accounts that offset unfunded liabilities, and/or

- Retained in assigned accounts that may be used in future budget cycles as a property tax rate stabilization; available for use during a catastrophic event, and/or
- Funding future capital expenditures and/or projects, and/or
- Retirement of debt, and/or
- Taxpayer refund.

In the event that the balance drops below the established minimum level, the Town Council will develop a plan to replenish the fund balance to the established minimum level within two years.

Policy statement: Unrestricted Fund Balance as a Percentage of Revenues: The level of unrestricted fund balance will not be allowed to drop below 8% of annual revenues with a goal of building unrestricted fund balance to 12% of annual revenues.

REPORTING

Annually the Town Manager shall report to the Town Council's Finance Committee the Statement of Activity of all fund balances that will include the beginning year's balances, gross adjustments in and out of each account during the reporting period and final report period ending balances. Such report shall occur following receipt of the audited financial statements.

REPEAL OF PRIOR TOWN COUNCIL FUND BALANCE POLICY.

This section repeals the Town Council Fund Balance Policy adopted by the Town Council on September 17, 1997, as amended on January 20, 2010 and replaces it this document adopted by the Town Council on November 2, 2016.

SECTION IV. CAPITAL PLANNING

PURPOSE

As a way of structuring the review and funding of capital improvement projects competing for economic resources, the Town of Scarborough looks at long-term capital planning and budgeting. This policy sets forth comprehensive guidelines for the determination and prioritization of capital asset purchases and improvements. It is the objective of this policy to:

- Determine the physical assets to be renovated or replaced;
- Document the decision-making process;
- Demonstrate a commitment to long-term financial planning objectives;
- Annually prioritize those physical assets to be included in the Capital Improvement Plan;
- Utilize debt financing only when desirable;
- Identify capital planning objectives for staff to implement;
- Understand how the operating budget will be impacted by the completion of the capital project;
- Ensure that the useful life of the asset or project equals or exceeds the payout schedule of any debt the Town assumes for the project. This allows for a closer match between those who benefit from the asset and those who pay for it.

Capital projects may involve the following:

- Purchasing Land