

Town Of East Greenwich

Finance Department

Memorandum

TO: ANDREW E NOTA, TOWN MANAGER
FROM: PATRICIA A. SUNDERLAND, FINANCE DIRECTOR *pas*
SUBJECT: YEAR END RESERVE FUND TRANSFERS
DATE: JUNE 4, 2024

Based on a June 3, 2024 year to date budget review it is estimated that the Town will finish the fiscal year with a General Fund budgetary surplus in excess of \$1,900,000. Revenues greater than budgeted amounts were a significant factor in generating the surplus due to consistent collection practices on delinquent accounts, continued uptick in departmental revenues associated with building permits and rescue billing, and, of course, due to the mild weather throughout the fiscal year, meals & beverage pass thru taxes continue to increase. Most significantly is a continued uptick in investment earnings as we continue to take advantage of short-term certificate of deposits averaging 5%. Of this budgetary surplus, approximately \$350,000 is generated by savings on the expenditure side of the ledger due to vacancies (salary and benefit savings), a mild winter thus a decrease in expenses associated with snow storms, as well as a small savings in fire overtime due to maintaining minimum manning levels and a move to 24-hour shift. Based on the projected surplus within the General Fund Budget, I am recommending that the Town Council transfer \$1,030,000 to seven different capital reserve funds, one special revenue fund and the Debt Service Fund to fund various capital projects to help minimize future budget expenditure increases by funding necessary expenditures with the current fiscal year anticipated surplus, as follows:

1. Transfer up to a maximum \$25,000 to the Municipal Planning Reserve Fund. This budget transfer from the General Fund, Planning Department, to this Capital Reserve will reserve the 2024-2025 budgeted funds earmarked for the Parking Study.
2. Transfer up to a maximum \$100,000 to the Public Works Improvement Fund. This transfer will allow the Town to continue to with the pavement management program as presented in the 2024-2025 Capital Improvement Program and provide set aside funds for future infrastructure improvement projects.
3. Transfer up to a maximum of \$100,000 to the Capital Equipment Replacement Fund – Public Works Department. This transfer will support the replacing of the aging Vac-All Truck which is required for catch basin cleaning and is anticipated to be funded over 2 years. Setting this funding aside will accelerate the purchase of this truck and avoid future cost escalation. This transfer is consistent with the 2024-2025 Capital Improvement Program.
4. Transfer up to a maximum \$100,000 to the Capital Equipment Replacement Fund-Police Department. This transfer will help aide in the aging fleet ultimately reducing the annual vehicle maintenance expenses. This transfer is consistent with the 2024-2025 Capital Improvement Program.
5. Transfer up to a maximum of \$200,000 to the Capital Equipment Replacement Fund – Fire Department. This transfer will support the planned replacement of Engine 2 which is anticipated to be funded over 3 years. Setting this funding aside will accelerate the purchase of this Engine, provide safe transportation to the Fire Department employees manning this Engine and avoid future cost escalation. This transfer is consistent with the 2024-2025 Capital Improvement Program.
6. Transfer up to a maximum of \$130,000 to the Capital Equipment Replacement Fund-Technology. This transfer will facilitate the move to Microsoft Office 365 as well as replace the virtual servers. This transfer is consistent with the 2024-2025 Capital Improvement Program.
7. Transfer up to a maximum of \$25,000 to the East Greenwich Cemetery Fund for future maintenance initiatives.

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In closing, I strongly recommend that all General Fund transfers be made in order to provide as much financial flexibility for the anticipated costs associated with these projects. The transfers will help to minimize future budget expenditure and property tax increases by funding necessary expenditures with the current year projected surplus.

Two Additional transfers are recommended should a greater surplus be projected, as follows:

- A transfer of \$200,000 from Miscellaneous Tax Transfer account, #0101- 01036, to the Capital Reserve Fund - Town Hall Improvement Fund, to supplant the funding advanced from the unassigned fund balance for the LED conversion/upgrade of the town's street light inventory and,
- A transfer of \$150,000 from Miscellaneous Tax Transfer account, #0101-01036, to the Debt Service Fund to be set aside until such time as the \$150,000,000 School Bonds are issued to help defray the increase in the anticipated tax increase at that time

It should be noted that it is management's objective to maintain an operating surplus equal to the amount of unassigned fund balance being forwarded to the General Fund each fiscal year in order to maintain an Appropriate Level of Unrestricted Fund Balance.

If you agree with the above recommendation I would request the following resolutions be placed on the Town Council's June 10, 2024 agenda.

Reserve Fund Transfers from General Fund

BE IT RESOLVED that program balances identified below in the 2023-2024 fiscal year appropriations for General Fund (0101) shall be transferred to the following Reserve Funds in the corresponding not-to-exceed amounts:

Object Code	Expenditure Description	Transfer Total	Reserve Fund
014215*	Information Technology	130,000	Information Tech Cap Equip Repl Fund
014320*	Police Department	100,000	Police Cap Equip Repl. Fund
014451*	Public Works	100,000	Public Works Improvement Fund
014451*	Public Works	100,000	Public Works Cap Equip Repl. Fund
014610*	Planning Department	25,000	Municipal Planning Reserve Fund
014610*	Planning Department	25,000	E G Cemetery Special Revenue Fund
014910*	Fire Department	200,000	Fire Dept Cap Equip Repl. Fund
	Total Expenditure Transfer	\$680,000	
Object Code	Revenue Description	Transfer Total	Reserve Fund
01036	Misc Tax Transfer	\$200,000	Town Hall Improvement Fund – LED
01036	Misc Tax Transfer	\$150,000	Debt Service Fund
	Total Tax Transfer	\$350,000	
	Total General Fund Transfers	\$1,030,000	

FURTHER RESOLVED: That the Town Finance Director, with the advice and consent of the Town Council, is hereby permitted to invest the funds at any time in said savings accounts or certificates of deposit of commercial or savings banks, or trust companies, or in obligations of the United States or its agencies, or in any other short-term investment as would be made by prudent persons of discretion and intelligence.