

**PRINCETON COUNCIL MEETING**  
**January 27, 2014 Amended**

A meeting of the Mayor and Council was held on this date at 7:00 p.m. in the Main Meeting Room in the municipal complex, 400 Witherspoon Street, Princeton, NJ 08540.

**NOTICE OF MEETING**

The Clerk read the following statement.

The following is an accurate statement concerning the providing of notice of this meeting and said statement shall be entered in the minutes of this meeting. Notice of this meeting as required by Sections 4a, 3d, 13 and 14 of the Open Public Meetings Act has been provided to the public in the form of a written notice. On January 24, 2014 at 3:15 p.m., said schedule was posted on the official bulletin board in the Municipal Building, transmitted to the Princeton Packet, the Trenton Times, the Trentonian, the Town Topics, and filed with the Municipal Clerk.

**ROLL CALL**

The Municipal Clerk then called the roll.

Present: Mesdames Butler, Crumiller, Howard (6:00 p.m.) and Messers Liverman, Miller and Simon and Mayor Lempert (6:00 p.m.).

Absent: None.

Also Present: Ms. Monzo, Mr. Kiser, Capt. Sutter and Mr. Schmierer.

**(5:00 p.m.) 14-28 CLOSED SESSION RESOLUTION**

Brad Middlekauf was present for Negotiations, Princeton University. Ms. Howard and Mayor Lempert were present at 6:00 p.m. for the Litigation discussion.

**RESOLUTION**

TO GO INTO CLOSED SESSION  
(Open Public Meetings Act Sec.3)

BE IT RESOLVED by the Mayor and Council of Princeton:

1. This body will now convene into a closed session that will be limited only to consideration of an item or items with respect to which the public may be excluded pursuant to section 7B of the Open Public Meetings Act.

2. The general nature of the subject or subjects to be discussed in said session is as follows:

**Negotiations – Princeton University  
Litigation – Henderson and Papp Lawsuit**

3. Stated as precisely as presently possible, the following are the time when and the circumstances under which the discussion conducted at said session can be disclosed to the public:

Within 90 days or upon settlement of litigation, if applicable

The above referenced issues were discussed by the Princeton Council.

**(7:00 p.m. Open Session) PLEDGE OF ALLEGIANCE**

The Pledge of Allegiance was led by Riverside School Students, Rubie Voge, Julia Troilo, Amit Bhattacharjya, Nate Howard and Sara Woodfield

**COMMENTS FROM THE PUBLIC**

Carolyn Barnshaw, Terhune Road, asked if a study could be done regarding speed limits on Terhune Road. She said that it was a speedway and that the present speed limits are not consistent with other Princeton streets. Ms. Crumiller said that Ms. Barnshaw's concerns were legitimate and should be addressed.

Marco Gutardis, asked that when Avalon Bay begins work, that the character of Harris Road be retained.

**PROCLAMATION – Walter Harris Day**

Mayor Lempert presented the family of former Borough police officer Walter Harris a proclamation in honor of Mr. Harris' service to Princeton.

**WORK SESSION  
Financial Policy (Citizens Finance Advisory Committee)**

Scott Sillars, Citizens Finance Advisory Committee reviewed with Council a power point presentation regarding surplus policy recommendations. He said that the objective was to establish a policy for the level of current fund balance (surplus) to maintain and establish policies to manage our finances to maintain that level of surplus.

Mr. Liverman thanked Mr. Sillars for his presentation adding that he thought that this seemed like a good problem.

Ms. Butler questioned if we run the risk of this coming back to bite us if we set policy at 15% for surplus. Ms. Howard wondered if there was a risk as the state enters into a difficult budget year. Mayor Lempert said that the municipality wanted to plan for the future in the best way possible.

Peter Marks said that the presentation was a nice clear analysis and asked if the interest rates between AAA and AA were considered when making the proposal.

(Presentation attached to this set of minutes)

### **Avalon Bay Developers Agreement**

John Vogel, Avalon Bay discussed with Council the proposed developer's agreement and the demolition of the former Princeton hospital site. It was determined that Avalon Bay must ensure that the old medical incinerator is properly removed and questions from the municipality appropriately answered before final approval of the demolition plan would be given. Mr. Vogel said that certain issues for the developer's agreement were still in negotiation and that the language of the development plan would be attached to the developer's agreement. Mr. Schmierer said that approval is a contract spelling out items that need to be done and the municipality having every right to enforce.

Avalon Bay will need to determine if there is any asbestos on the outside of the building and if there is, they will need to explain how they plan to remove and dispose of it.

Mr. Simon asked if the hospital provided documents regarding environmental testing at the hospital site. Mr. Vogel said that they did not and that was why they were doing their own testing. Mr. Simon asked if we had checked with DEP to make sure that we were complying with all requirements. Mr. Kiser said that Princeton received answers to our questions this past Friday.

Andrew Robbins said that in regard to cleaning up industrial sites, the Industrial Site Recovery Act forces companies to do the investigation work into the site cleanup.

Ken Paul, Ecological Sciences, said that there was no evidence of any incinerator ash or by product at the site. With many concerns by the public, John Mucha, Yannuzzi Wrecking said that the demolition would start from the east side or Harris Road side of the facility and a dust monitoring system would be placed downwind.

Areta Pawlynski, Harris Road expressed concern about sewer discharges. Mr. Paul said that during Phase II, testing were done in two spots in the sewer line and all samples came back clean and the volatile organic compound (VOC) testing was also clean. He said the lines were not tested for mercury and other heavy metals. Mr. Paul said that Phase II was limited because they were instructed to do so. Ms. Crumiller expressed concern and said that we should not have Avalon Bay tell us what is safe and what is not.

Tesh Patel, Henry Avenue asked why no questions were being asked and said that there was a need for an independent consultant to ensure the health and safety of the neighborhood. He said that it was about principal and that this is what the Mayor and Council were tasked with.

Mr. Simon said that new information indicates that the incinerator was not part of the planning process and asked that the hospital provide an affidavit that medical records were the only things destroyed in the incinerator and if they won't provide it then we should have an independent review. Mr. Vogel said that they will not get such an affidavit.

Ms. Crumiller asked if the municipality would consider hiring our own environmental consultant. Ms. Butler said that she didn't see why we shouldn't go this extra step to protect our best interests, noting that this is just good process. Mr. Kiser said that it certainly couldn't hurt. After discussion by Council, Ms. Butler offered a motion to authorize hiring and environmental consultant, not to exceed \$5,000. Mr. Miller seconded the motion which was carried unanimously.

Sue Nemeth, 196 Bayard Lane thanked Council for authorizing an independent consultant as we need proof that the site is clean and that we should look for the highest standards when it comes to public safety.

Peter Marks said that it was significant that no one knew that there was an incinerator on the site. He said that he felt that the independent consultant should be paid for by Avalon Bay.

Yaron Inbar, 93 Harris Road said that according to research at least three air monitors would be needed instead of just one as proposed, and that there would be a need for base sampling one month in advanced.

Dr. Marco Gottardis, Cancer Researcher said that it was critical to get an independent consultant to do soil and groundwater testing at the site. He said that he was shocked with the municipality's

cavalier attitude and that the municipality did not know about the incinerator. Dr. Gottardis said that there are numerous hospital sites that are brown fields and that he gave Mr. Kiser a list.

Evan Yassky, 254 Hawthorne Avenue said that the incinerator on the site was not disclosed until a citizen found out about it through an OPRA request in August 2013 and not acknowledged at the Planning Board hearings. He also spoke about the way letters from Avalon Bay have been written, that hinted but did not commit to more inspection of concealed asbestos.

Minnie Craig, 173 Witherspoon Street requested that neighborhood meetings be held to keep the residents updated on the project.

Mary Clurman, 121 Harris Road spoke to Council about the dangers of lead paint becoming airborne dust if it is not removed completely before demolition takes place.

Lyndon Estes spoke about sensitivity to particulate matter. He said that EPA research shows a minimum of four air monitors are necessary on the project site.

Mayor Lempert asked if we should limit testing to the incinerator. Ms. Crumiller said that she would like to see a wider scope of testing.

## **REPORTS**

Ms. Howard reported that the Police Accreditation process was very positive and moving along well.

Ms. Butler said that the opening of the Alexander Road roundabout has been delayed until February 9.

Benjamin Stentz, Recreation Director said that ice skating on Lake Carnegie is not safe due to the snow.

Mayor Lempert commended the staff for cleanup of the snow.

## **Opinion of Counsel – Committee Assignments**

Discussion of this issue has been tabled until a future Council meeting.

## **RESOLUTIONS**

14-29 Authorizing Click Fix Mobile Application Software, Not to Exceed \$9,000. Annual Cost and \$2,000. Onetime Setup Cost.

Ms. Butler offered a motion to approve resolution 14-29 as presented. The motion was seconded by Mr. Liverman and carried unanimously.

14-30 Appointments Boards and Commissions.

Ms. Howard offered a motion to approve resolution 14-30 as presented. The motion was seconded by Ms. Crumiller and carried unanimously.

14-31 Approving Planning Board Attorney, Allen D. Porter, Esq., Not to Exceed \$7,500.

Ms. Howard offered a motion to approve resolution 14-31 as presented. The motion was seconded by Ms. Crumiller and carried unanimously.

14-32 Approving Special Conflict Council to Planning Board, Karen L. Cayci, Esq., Not To Exceed \$7,500.

Ms. Howard offered a motion to approve resolution 14-32 as presented. The motion was seconded by Ms. Crumiller and carried unanimously.

14-33 Approving Zoning Board Attorney, Karen L. Cayci, Esq., Not to Exceed \$20,000.

Ms. Howard offered a motion to approve resolution 14-33 as presented. The motion was seconded by Ms. Crumiller and carried unanimously.

14-34 Adoption of 2014 Leaf, Brush and Branch Collection Schedule.

Mr. Miller offered a motion to approve resolution 14-34 as presented. The motion was seconded by Ms. Crumiller and carried unanimously.

14-35 Approving Amended Budget Calendar.

Ms. Butler offered a motion to approve resolution 14-35 as presented. The motion was seconded by Mr. Liverman and carried unanimously.

(Resolutions Appended To This Set of Minutes)

**ORDINANCE INTRODUCTIONS**

**Alexander Street Parking**

Mayor Lempert read by title on first reading a proposed ordinance entitled AN ORDINANCE BY PRINCETON REGULATING PARKING ALONG PORTIONS OF ALEXANDER STREET, WITHIN THE ALEXANDER STREET COMMUTER LOT AND THE ALEXANDER STREET RETAIL LOT AND AMENDING THE "CODE OF THE BOROUGH OF PRINCETON, NEW JERSEY, 1974".

John Heilner said that he thought that it was a great first step, but that it wouldn't solve the whole problem. He said that he expected that the town would hold Princeton University accountable.

Ms. Howard offered a motion to approve the proposed ordinance on first reading. Mr. Liverman seconded the motion, which was carried unanimously. The public hearing was set for February 18, 2014.

#### **Handicapped Parking Space, Jefferson Road**

Mayor Lempert read by title on first reading a proposed ordinance entitled AN ORDINANCE BY PRINCETON DESIGNATING A HANDICAPPED PARKING SPACE ON JEFFERSON ROAD AND AMENDING THE "CODE OF THE TOWNSHIP OF PRINCETON, NEW JERSEY, 1968".

Mr. Miller offered a motion to approve the proposed ordinance on first reading. Ms. Crumiller seconded the motion, which was carried unanimously. The public hearing was set for February 18, 2014.

#### **CONSENT AGENDA**

##### a. Bills and Claims

b. 14-36 Banner Request for Community Options announcing Cupid's Chase 5K Race, to be hung over Washington Road, February 3-10, 2014.

c. 14-37 Banner Request for Bryn Mawr Wellesley announcing the 82<sup>nd</sup> Book Sale, to be hung over Washington Road, March 17-24, 2014.

d. 14-38 Banner Request for Princeton Glee Clubs announcing the Walter Noller Memorial Concert, to be hung over Washington Road, April 14-21, 2014.

e. 14-39 Resolution Approving Motion Picture Theatre License for the Garden Theatre.

Mr. Miller offered a motion to approve the consent agenda items "b-e. as presented. The motion was seconded by Ms. Howard and carried unanimously.

Mr. Simon offered a motion to approve item "a" Bills and Claims as presented. The motion was seconded by Ms. Butler and carried unanimously.

(Resolutions appended to this set of minutes.)

#### **14-40 CLOSED SESSION RESOLUTION**

RESOLUTION  
TO GO INTO CLOSED SESSION  
(Open Public Meetings Act Sec.3)

BE IT RESOLVED by the Mayor and Council of Princeton:

4. This body will now convene into a closed session that will be limited only to consideration of an item or items with respect to which the public may be excluded pursuant to section 7B of the Open Public Meetings Act.
5. The general nature of the subject or subjects to be discussed in said session is as follows:

**Personnel - Attorney Selection**  
- Administrator Annual Review  
- Personnel Committee Update

6. Stated as precisely as presently possible, the following are the time when and the circumstances under which the discussion conducted at said session can be disclosed to the public:

Within 90 days or upon settlement of litigation, if applicable

The above referenced issues were discussed by the Princeton Council.

There being no further business the meeting was adjourned at 12:20 a.m.

Linda S. McDermott  
Municipal Clerk



## Princeton Police Department

1 Valley Road

Princeton, NJ 08540

609-921-2100 Ext 1879

609-924-8197 Fax

Email: [tmurray@princetonnj.gov](mailto:tmurray@princetonnj.gov)

<http://www.princetonnj.gov>

Sergeant Thomas R. Murray III

Traffic Safety Bureau Supervisor

11/22/13

To the members of the Traffic and Transportation Committee,

The following information is in reference to the continued expressed requests made by Mrs. Carolyn Barnshaw and some neighbors for lowering the speed limit on Terhune Road between Harrison Street and Meadowbrook Road from the current posted 30 MPH limit down to a posted 25 MPH limit.

Changes to posted speed limits are often considered as a cure for a community's traffic safety concerns. Citizens frequently request speed limit reductions as a means of providing a fix to complicated traffic problems (which are most usually the result of volume based issues). Research has shown that the majority of drivers operate their vehicles at speeds which they feel are reasonable for the surrounding conditions. Research has also shown that emotionally or politically motivated changes in the posted speed limit actually have little to no impact upon the actual operating speeds of the motoring public.

Within the State of New Jersey, the ultimate authority to determine speed limits on all roads is the Commissioner of Transportation. R.S. 39:4-8 provides that "No ordinance...shall be of any force or effect unless it is approved by the Commissioner of

Transportation.” Changes to this law over the years have resulted in local authorities having greater say regarding speed limits on their roadways but the Commissioner still has the ability and right to reject speeds that are not established in accordance with reasonable standards (R.S. 39:4-8b). The statute also provides, “The Commissioner shall not be required to approve any such ordinance, resolution or regulation, unless, after investigation by him, the same shall appear to be in the best interest of safety and expedition of traffic on the public highways.” The Commissioner’s designee for this approval authority is the Manager of the Bureau of Traffic Engineering and Safety Programs. Please note the words, “Expedition of traffic” as the goal of traffic safety is to move the motoring public as safely AND efficiently as possible because creating undue delay eventually results in contributing to aggressive driving habits which eventually leads to a conflict in the form of a motor vehicle accident.

The State of New Jersey, along with all of the other states, bases its speed regulations on what is referred to as the Basic Speed Law. This law provides that “No person shall drive a vehicle...at a speed greater than is reasonable or prudent...and in no event at a speed which endangers the safety of persons or property.” In addition, R.S. 39:4-98 provides for Statutory Speed Limits (ie, 25 MPH for business or residential districts, 35 MPH for suburban residential districts, 50 MPH in rural areas). It further provides that “Whenever it shall be determined upon the basis of an engineering and traffic investigation that any speed hereinbefore set forth is greater or less than is reasonable or safe under the conditions found to exist ..the Commissioner of Transportation..County or Municipal Authority..(may) designate a reasonable and safe speed limit. Please keep in mind that although we are granted the right to recommend and/or eventually designate this limit (w/ approval of NJDOT) it must not only be based upon factual engineering and traffic studies (i.e, formal speed counts and NJTR-1 investigation studies) but also be ‘reasonable’ in nature.

Engineering surveys to determine appropriate speeds include an analysis of roadway

conditions, accident history records and a sampling of the prevailing speed of traffic. The industry accepted standard is to set the speed based on the speed at or below which 85% of the free flow of traffic is traveling. Posting of appropriate speed limits not only eliminates undue delay but also assists law enforcement agencies when it comes to enforcement itself. Blatant speeders are easily spotted, safe drivers are not unduly penalized with increased traffic time (and for being required to travel at a speed which is less than reasonable), and the law enforcement agency is not put in the untenable position of having to enforce and defend a law which is unrealistic and arbitrary (and, more importantly, not based upon the aforementioned engineering and traffic studies).

A previous study completed for the Federal Highway Administration, "Effects of Raising and Lowering Speed Limits on Selected Roadway Sections", which included several sections of roadways within New Jersey, revealed that neither raising nor lowering the posted speed limit had much effect on actual vehicle speeds. Two key indicators of speed, mean speed and 85<sup>th</sup> percentile speed, did not change more than 1 to 2 miles per hour, even for a speed limit changes of up to 15 MPH. Once again, this tells us that the majority of the motoring public will continue to travel at speeds which they believe are reasonable.

The key to successful speed zoning is compromise. It must be remembered that the most vocal group(s) when it comes to expressed speeding concerns will be the residents of the area themselves while the unrepresented majority are the roadway users. It is the balance of the ideas that this roadway is my front yard and where my reality meets the rest of the world, and the roadway serving a part of a larger transportation network that provides mobility and access to an area or region. Given the projected volume studies that have recently been published in regard to the traffic volume doubling within Princeton within the next 15 years, it is our duty to help keep traffic flowing as safely AND efficiently as possible. This is the balance that must be achieved in order to gain compliance from the motoring public when it comes to speeding concerns.

Throughout the years, the Bureau of Traffic Engineering and Safety Programs' philosophy on speed zoning has changed. When the function was in the Division of Motor Vehicles, up until 1969, the standard was to determine the 85<sup>th</sup> percentile speed and then round up to the next 5 MPH increment to establish the posted speed. When the function was later transferred to the Department of Transportation, this position was softened and the 85<sup>th</sup> percentile speeds were rounded down. Time has tempered this stance even further and an additional 5 MPH reduction is, in certain instances, applied when it is determined to be appropriate because of surrounding conditions or roadway features (i.e, lack of sidewalk system in an area, sight distance concerns, established motor vehicle accident history w/ speeding as the primary contributing factor, ...etc).

According to the results submitted by Atlantic Traffic Engineering on 11/5/13, the documented 85<sup>th</sup> percentile speed was determined to be 39.6 MPH (which was within plus/minus 1.6 MPH of the results of my informal study conducted just months prior which revealed an estimated 85<sup>th</sup> percentile speed of 38 MPH). Given the information in the previous paragraph, this would set the correct limit (at least in the eyes of the NJDOT) at 35 MPH. Given the above mentioned allowance for an additional 5 MPH, this would allow for a posted speed limit of 30 MPH which is the current posted speed limit in the area. Given the results of the study conducted by Atlantic Traffic and Design Engineers , coupled with our knowledge of the Motor Vehicle Accident history in the area, I recommend that we keep the current posted speed limit at 30 MPH.

Now that the aforementioned speed and volume study has been completed, the Princeton Police Department will once again focus on speed enforcement in this area via the use of decoy car and speed trailer deployments in concurrence with increased selective Police enforcement details in order to address the speeding concerns brought to the attention of the Traffic and Transportation Committee by Mrs Barnshaw and neighbors.

On a final note, after a re-evaluation of the location(s) of the respective posted speed limit

signs in this area, I also recommend that the current 35 MPH Speed Limit sign currently located just east of Meadowbrook Road (denoting the beginning of the 35 MPH speed limit zone on Terhune/VanDyke Road from Meadowbrook Rd to Snowden Lane) be relocated further east on Terhune Road in order to avoid any potential confusion as to exactly what the posted speed limit is within the area located between North Harrison Street and Meadowbrook Road. Although we are legally bound to place this sign in close proximity to the beginning of an increased speed zone, I feel that there is some flexibility when it comes to the effective placement of this sign and that its relocation further east may help with speed control within the posted 30 MPH area.

Respectfully submitted,

Sgt. Thomas R. Murray III  
Traffic Safety Officer  
Princeton Police Department

# CITIZENS FINANCE ADVISORY COMMITTEE

Presentation to Princeton Council  
Surplus Policy Recommendations

January 27, 2014

FINAL, as presented

- **Objective:** Establish (1) a policy for the level of Current Fund Balance (Surplus) to maintain and (2) policies to manage our finances to maintain that level of Surplus
- **Fund Balances** are the accumulation of prior years' revenues in excess of appropriations
- It is critical to maintain an adequate Current Fund Balance for 'rainy day' purposes
  - Emergency appropriations (Sandy, Consolidation)
  - Statutory year-end reserves for receivables, etc.

## Recommendations:

1. Establish a target range for Current Fund Balance (Surplus)  
Available Fund Balance is to be maintained at 15 – 20% of Budgeted Appropriations  
(Available FB = Total FB – Appropriated FB)
2. Establish an accurate forecast of surplus (beginning-of-year and end-of-year) as part of the budget process
3. Monitor & manage the Current Fund budget to keep the surplus within the target range
4. Insist on transparency in budget reserves and contingencies; close out unutilized reserves and contingencies (before introduction of budget?) (by end of budget year?). Budget using conservative reserves consistent with our AAA-rating.

# Why adopt this policy

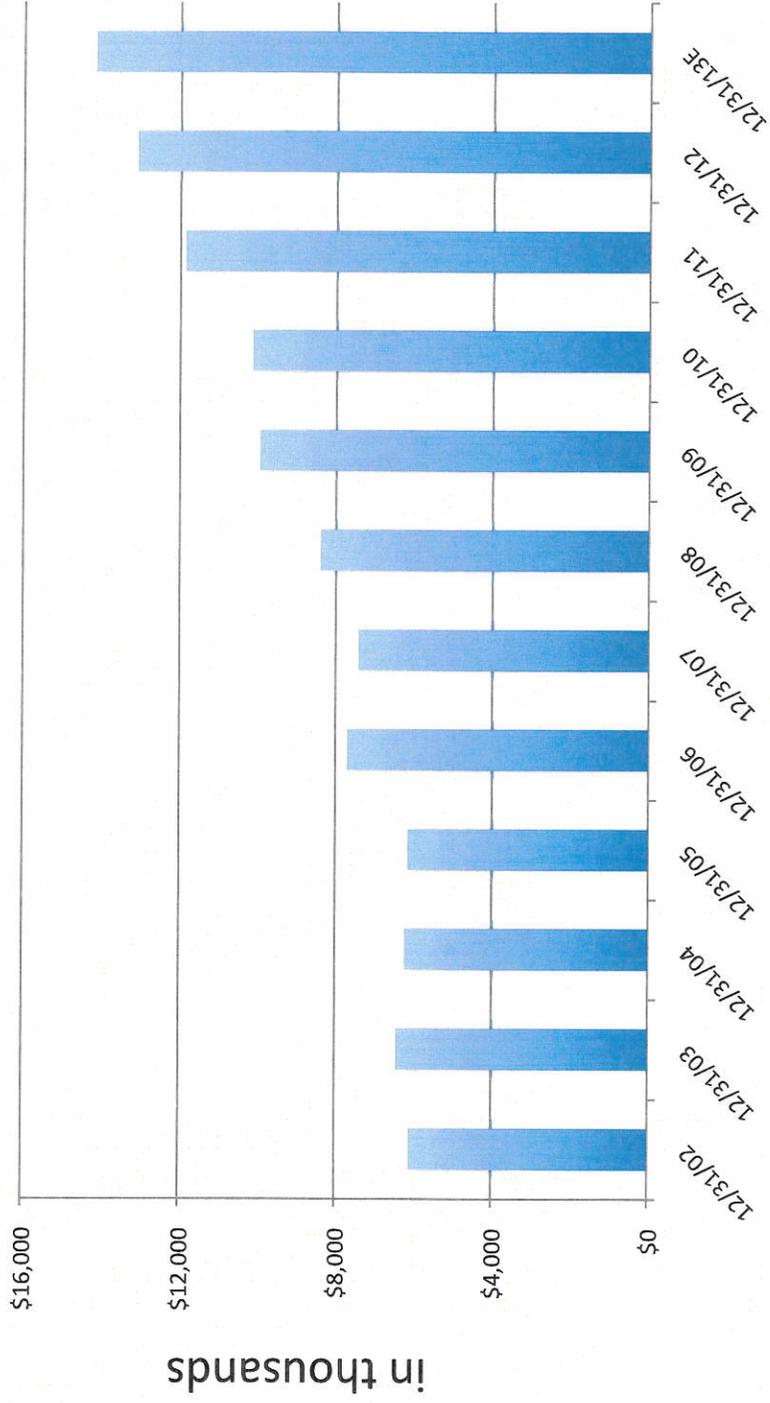
- Ratings agencies ascribe much importance to maintaining a strong surplus
  - S&P
  - Moody's
  - Increased emphasis being placed on written policies
- State-mandated budget process does not focus on entire fiscal picture
  - Managing for long-term results requires greater diligence
  - State-mandated caps limit short-term flexibility
- Failure to manage all elements of budget can lead to poor short-term decisions
  - Inappropriate tax rates
  - Inappropriate spending decisions
  - Loss of future flexibility

# Benchmarks vs Other AAA—Rated NJ Municipalities

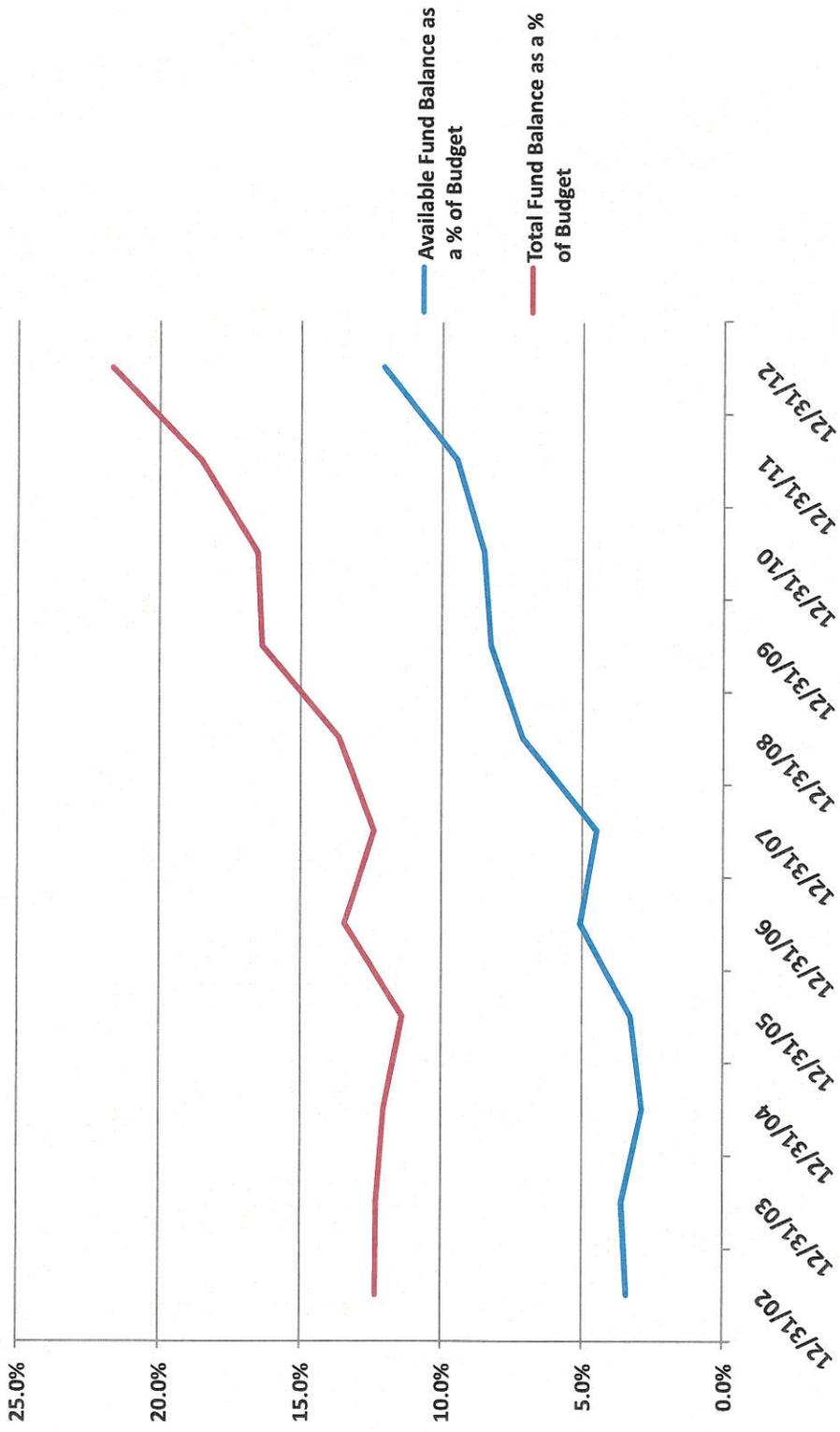
	% of Appropriations	
	Total Fund Balance	Available Fund Balance
<b>Princeton</b>	<b>20%</b>	<b>11%</b>
Mahwah Twp	17%	6%
Randolph Twp	26%	17%
Ridgewood Village	9%	3%
Summit	17%	4%
West Windsor	19%	7%

# Current Fund Balance Trend

Princeton's Current Fund Balance is healthy and growing

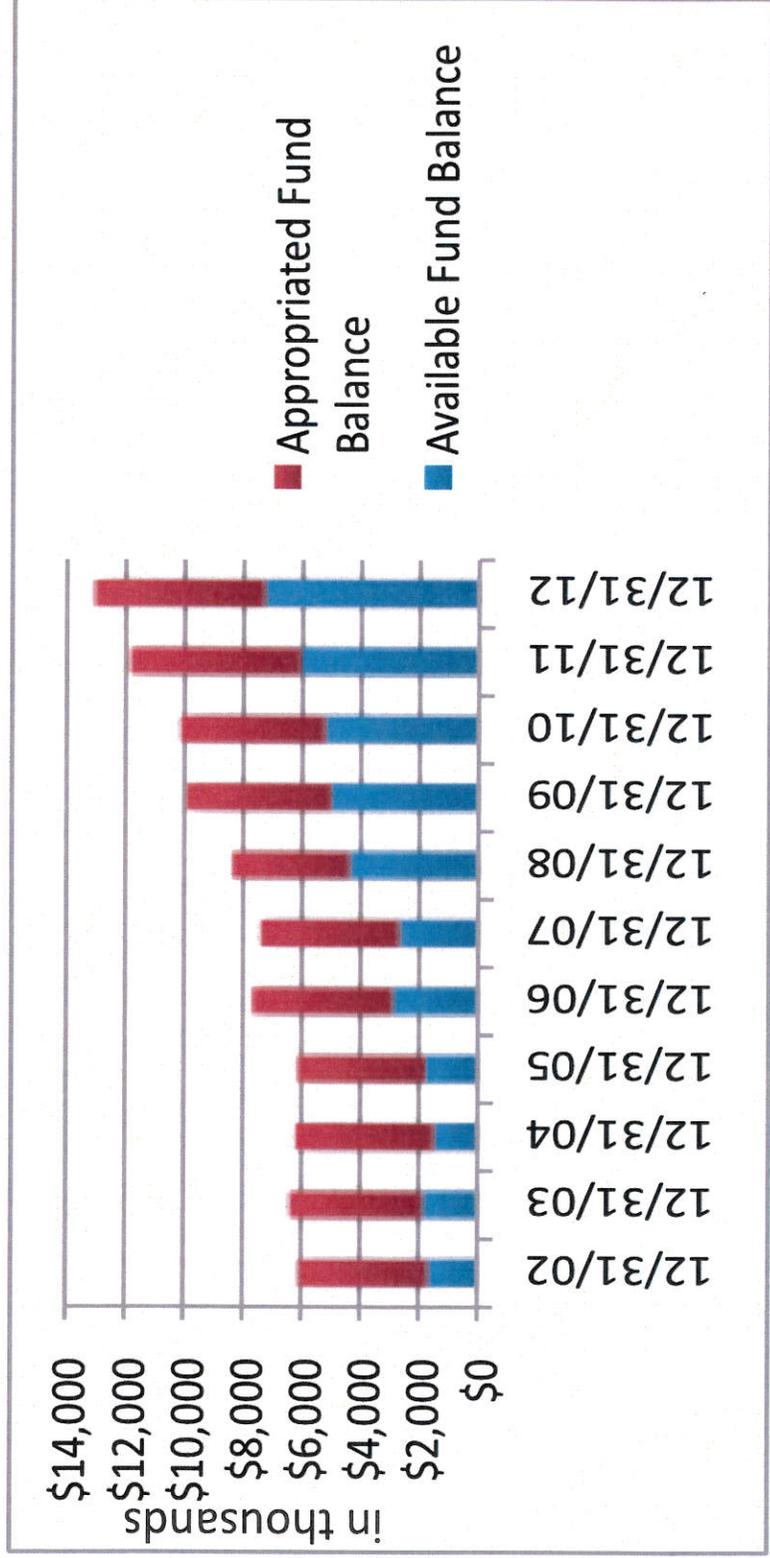


# Current Fund Balance Trend



## Current Fund Balance Trend

- Fund Bal. – Appropriated Fund Bal. = Available Fund Bal.
- Princeton appropriates but does not use a significant portion of its Fund Balance



# What impacts surplus?

- A very preliminary 2013 estimate:

	(\$ in thousands)		
	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Appropriated fund balance	\$ 5,800.0	\$ 5,800.0	
Current taxes	30,514.0	28,858.1	(1,655.9)
<i>collection rate</i>	<i>100.0%</i>	<i>98.8%</i>	
Delinquent taxes	1,553.0	1,695.3	142.3
Other budgeted revs	22,551.4	22,210.8	(340.6)
Non-anticipated revs		785.5	785.5
Lapsed approp reserves		4,457.7	4,457.7
<b>Total Revenues</b>	<b>60,418.5</b>	<b>63,807.4</b>	<b>3,388.9</b>
<b>Appropriations*</b>	<b>60,418.5</b>	<b>56,935.2</b>	<b>3,483.3</b>
	\$ -	\$ 6,872.2	\$ 6,872.2

\* Difference is Reserve for Uncollected Taxes, where a 97.5% collection rate is assumed

<b>Beginning Fund Balance</b>	<b>\$13,092.0</b>	<b>\$13,092.0</b>
Appropriated Fund Balance	(5,800.0)	(5,800.0)
<b>Other impacts to FB</b>	<b>-</b>	<b>6,872.2</b>
<b>Ending Fund Balance</b>	<b>\$ 7,292.0</b>	<b>\$14,164.2</b>

# Our budget factors in large contingencies

- Sources of variance to Budget:

	(\$ in thousands)
Uncollected taxes	\$ 1,827.4
Up to Cap reserve	3,004.3
Other approp variances	1,453.4
Non-anticipated revs	785.5
Other revenue variances	<u>(198.3)</u>
	\$ 6,872.3

memo: Fund Bal Appropriated \$ 5,800.0

# We can improve Surplus ratios simply by reducing our budget for contingencies

- 2 versions of 2013 Budgeted Appropriations:

	(\$ in thousands)	
	<u>Budget</u>	<u>Alternative</u>
<b>Core budget</b>	<b>\$ 56,213.1</b>	<b>\$ 56,213.1</b>
Contingencies budgeted for uncoll taxes & up-to-cap	<u>4,205.4</u>	<u>3,430.0</u>
<b>Total budgeted appropriations</b>	<b>60,418.5</b>	<b>59,643.10</b>
<b>Fund balance appropriated</b>	<b>\$ 5,800.0</b>	<b>\$ 3,800.0</b>
Remaining (available) fund balance	7,292.0	9,292.0
<b>Avail FB as a % of Approps</b>	<b>12.1%</b>	<b>15.6%</b>
<b>Total FB as a % of Approp</b>	<b>21.7%</b>	<b>22.0%</b>

## How to manage for a surplus target as part of the budget process (process is iterative)

1. Close out prior year to determine starting Fund Balance
2. Develop core budget (budget before contingencies)
3. Establish appropriate contingencies
4. Create forecast for current year (misc revenues not anticipated, tax collection rates, other variances to budget)
5. Establish use/(source) for Current Fund surplus/(deficit)
6. Determine correct Fund Balance to appropriate as Revenue (Surplus Anticipated)
7. Re-forecast current year's ending Fund Balance

## Possible actions when Fund Balance deviates from Policy Targets

- Evaluate whether deviation is long-term-structural
  - Yes: Expect to change tax rates and/or spending, and...
  - No...
- Positive deviations:
  - Increase portion of capital spending financed from Current Fund (reduce borrowing for capital projects)
  - Temporarily reduce the tax rate
  - Fund one-time expenditures
- Negative deviations:
  - Minimize spending from Current Fund
  - Temporarily fund from other sources
    - Taxes
    - Other funds

## Caution!

- Be careful not to fool ourselves in managing Fund Balance
  - 2% tax cap and 3½% spending cap demand that budgets (and taxes) be managed for the long-term
  - Negative trends may be very difficult to correct
  - Bond ratings may be impacted
- Insist on following policy steps to ensure Fund Balance is maintained within parameters

## Recommendations:

1. Establish a target range for Current Fund Balance (Surplus)  
Available Surplus is to be maintained at 15 – 20% of Budgeted Appropriations
2. Establish an accurate forecast of surplus (beginning-of-year and end-of-year) as part of the budget process
3. Monitor & manage the Current Fund budget to keep the surplus within the target range
4. Insist on transparency in budget reserves and contingencies; close out unutilized reserves and contingencies (before introduction of budget) (by end of budget year). Budget using conservative reserves consistent with our AAA-rating.

Difference between “close out reserves and contingencies (before introduction of budget) (by end of budget year)”

### By end of Budget Year:

We should be able to identify budgeted contingencies that were not used during the year and close them out prior to year – end through Council resolution

This would accelerate realization of Lapsed Appropriation Reserve—and increase Surplus—by roughly \$3 – 4 million (presently hidden in financial statements), a one-time gain to Surplus

Pros: Higher Fund Balance

Cons: Failure to create & adopt resolution prior to year-end will have a significant negative impact on Surplus

Difference between “close out reserves and contingencies (before introduction of budget) (by end of budget year)” (continued)

### Before Introduction of Budget:

We know with certainty what our Revenues from Lapsed Appropriation Reserves will be when creating our forecast of Surplus for the year

We keep in mind that we have this “hidden” Surplus (~5% of Appropriations) in our financial statements when viewing the 15 – 20% Surplus range

Pros: No risk of inaction at year-end

Cons: Roughly \$3 – 4 million of Surplus is hidden and not available

**No decision needs to be made at this moment**

# Conclusions

- Recommend adoption of the Current Fund Balance (Surplus) policies
- More discussion on establishment of adequate budget contingencies, Fund Balance to appropriate, etc. will take place in conjunction with 2014 budget discussion
- Our Fund Balances are in excellent shape
  - Current Fund
  - Capital Fund (more on this next time)
- Next steps:
  - Review long-term capital spending plan (& associated debt service & bonding needs)
  - Integrate plan into 2014 Budget
  - Create long-term projections to help guide budget process