

**Proposal for a Capital, Maintenance and Repair Fund for the Village of Arden,
Budget Committee, June 28, 2010**

Purpose:

As a municipality with public areas and community structures to maintain, the Budget Committee is recommending the creation of a “Capital, Maintenance and Repair Fund”. The purpose of this fund is two-fold:

- 1) provide a funding source for **non-budgeted emergency repairs** that could, if not responded to quickly, result in an injury or significantly more damage, and
- 2) provide a funding source for **future capital and large maintenance projects** that could be approved through a town approval process.

Large maintenance projects are defined as one-time operating maintenance that exceeds \$10,000. This fund would differ from the town's prudent reserve in that the prudent reserve's sole function is to cover cash flow issues during a fiscal year close and is not to be spent on budget overruns, emergency repairs, or capital projects. It differs from the contingency fund in that the contingency is there to cover budget overruns and at present is renewed every year without carry over. A more complete description of each fund is described below.

Capital, Maintenance, and Repair Fund is used to acquire or upgrade physical assets such as buildings and machinery. An example is installation of a new bathroom or fixtures in an existing bathroom, (but not their repair).

Contingency Fund is monies that can be used when certain conditions are met, emergency conditions exist, or to cover incidental expenses that were not foreseen in the budget process. An example would be extreme snowfall requiring more than budgeted labor for its removal.

Prudent Reserve Fund is established for a financial reserve—a proverbial “rainy day fund”—to see the short-term cash flows through any difficult times. An example of this would be use of prudent reserve funds to pay taxes to the municipality that raises taxes after a collection has occurred. The money is available for such unforecasted events and are considered more extraordinary than contingency. Prudent reserve funds are saved over years, whereas contingency funds, when unused, are typically not "rolled over to future years."

Appropriation of Funds

Emergency Repairs: Emergency repairs are defined as items that need to be addressed in a timeframe of less than 3 months. A repair would be deemed an emergency if it was considered a safety issue that could result in bodily harm or increased physical or structural damage. In such an event, appropriation of funds would require approval of 2 of 3 of the following: town chair, treasurer, or advisory chair (Note: what about secretary or chair of safety?) In the case of such an event, the town would be informed during the ensuing town meeting.

Capital and Maintenance Fund: Appropriation of funds for capital projects would be completed through a proposal/approval process at two town assemblies: In the first, a written proposal for capital funds – not exceeding the amount available – would be presented by the committee wishing to spend capital funds. This would be the first hearing of the proposal and would be published in the minutes. The proposal would be presented in the following town meeting and voted upon. After the second town meeting, the committee that has provided the proposal will be authorized to spend capital up to and not exceeding the amount approved by the second town meeting. All other Arden expenditure processes will need to be followed (voucher process, competitive bidding, etc.).

Recommendation:

Budget Committee recommends that the fund be started in fiscal 2011-2012 with \$10,000. The town would continue to collect \$10,000 increments in the years to follow until the targeted amount of the fund is reached. If the fund gets used, then the town will continue to budget money for this fund to maintain the targeted amount. The amount that can be collected in any one year should not either exceed \$10,000/year nor should it be in an amount to exceed the targeted amount. Budget Committee is recommending a \$50,000 target.