

# TOWN OF SOUTHERN SHORES

## CIP and BUDGETING PRINCIPLES – Adopted January 20, 2009

### 1. **Balanced Budget**

- ✓ Projected operating and capital expenditures cannot exceed expected revenues.
- ✓ Projected expenditures include contributions to reserves and contingencies to maintain appropriate levels.
- ✓ Reserves and contingencies cannot be used to balance the proposed budget.

### 2. **Maintain Appropriate Operating and Capital Reserves and Contingencies**

- ✓ Determine a minimum reserves and contingencies requirement as a percent of annual operating and capital expenditures (e.g., 75%).
- ✓ When reserves and contingencies exceed the minimum requirement, additional contributions are optional.
- ✓ Designate separate reserves and contingencies for specific needs (e.g., disaster recovery, maintenance and repairs, revenue shortfalls, critical project cost overruns).

### 3. **Develop a Range of Revenue Projection Scenarios**

- ✓ Project revenues by source of revenue (e.g., property taxes, occupancy taxes, etc.)
- ✓ Revenue projections should clearly state assumptions (e.g., expected 2% increase in property tax receipts) underlying each revenue source.
- ✓ Develop a “best case”, “worst case” and “probable case” projection for each source of revenue.

### 4. **Develop Separate Operating and Capital Budgets**

- ✓ Operating budget to include both recurring and nonrecurring programs, services and activities exclusive of capital asset acquisition and maintenance.
- ✓ Capital budget should include expenditures for fixed and moveable capital assets (i.e., >\$10,000 & useful life of at least 10 years).

Examples – road repair and construction, canal dredging and maintenance, facilities maintenance, new construction and land acquisition.

### 5. **Identify “Core” Operating Budget Components**

- ✓ The “Core” operating budget is defined as expenditures for essential programs, services, functions and activities.
- ✓ The Core budget is the highest priority for expenditures and takes precedence over all other operating and capital needs.
- ✓ Core budget programs, services, functions and activities are by definition recurring expenditures.
  - Examples: police and fire protection, essential staff functions such as code enforcement and permitting, finance and overall management.
- ✓ Budgetary constraints may require adjusting the level and scope of Core budget priorities and spending.
- ✓ Budgetary constraints may require reductions in the number or service level of municipal services
- ✓ Maintaining a minimum level of reserves and contingencies is considered part of the Core budget.

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**6. Determine Operating and Capital Budget Priorities Based on Approved Long-Range and Comprehensive Plans**

- ✓ Link budget needs and priorities to approved planning documents:
  - Municipal Services Plans (Police, Fire, Waste Management, etc.)
  - Infrastructure Plans (Roads, Bridges, Canals)
  - Parks/Recreational “Joint” Plan with SSCA
  - Stormwater Management Plan
  - Hazard Mitigation Plan
  - Emergency Mgmt/Disaster Recovery Plan
  - Land Use Plan (LUP)
  - Capital Improvement Plan (CIP)
- ✓ Rank order all proposed programs/projects from approved LR Plans
  - Allocate funds starting with highest priority program/project
  - Set aside funds for the entire program/project (i.e., set aside funds for however many years the program/project will take to complete)

**7. Develop expenditure budgets consistent with revenue projection scenarios (“best case”, “worst case” and “probable case”).**

- ✓ Core and Non-Core spending based on approved operating and capital budget priorities
- ✓ Expenditure priorities guided by approved planning documents.
- ✓ Reserves and contingencies are designated for specific purposes and cannot be used to as a revenue source to balance the budget.

**8. Operating and Capital budgets should be projected for a 2-3 year time frame and updated annually.**

- ✓ Revenues and expenditures should be projected for a 2-3 year period and re-projected annually.
  - Revenue projection assumptions should be clearly stated.
  - Operating and capital expenditure projections should be linked to identified spending priorities.
- ✓ Capital budget priorities should be driven by the Capital Improvement Plan (CIP).
  - CIP projects rank-ordered by year.

**9. The budget represents an approved spending plan based on revenue assumptions.**

- ✓ Quarterly budget reporting needed to monitor variances of actual revenue and expenditures versus the budget.
- ✓ Unforeseen conditions may require mid-year budget corrections and adjustments.
  - Actual revenue collections may be below or above the budgeted amount.
  - Critical new programs/projects may need to be funded
  - Consequently, alterations in budgeted expenditures may be necessary.
- ✓ Emergency situations may arise (e.g., storms) necessitating the use of reserves and contingencies.

**10. Transparency: The budget process represents a series of choices, openly debated and ultimately based on the perceived and expressed needs of the community.**

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- ✓ The citizens of Southern Shores should be encouraged to be actively engaged in the budget planning and development process.
- ✓ Spending priorities must be justified and understood by the citizens.
- ✓ Community workshops are conducted at each decision point in the annual cycle (setting reserve levels, prioritizing proposed projects, determining the appropriate tradeoff between municipal service levels & tax rate) to facilitate citizen input
- ✓ Planning & budgeting DRAFTS will be published on the website prior to each community workshop or Town Council meeting