



## RURAL SERVICES

A Division of  
FNSB Public Works

January 2012

# WHAT YOUR SERVICE AREA NEEDS TO KNOW

## OVERVIEW OF THE BUDGET PROCESS

Proposed FY 2012-13 service area budgets will be mailed out the first week of February. This flyer will address some of the basics about what the budgeting process entails, but note that this information will be covered in more detail at the upcoming training session scheduled for January 25, 2012.

When you receive your budget you will note that your budgeted expenditures for this next fiscal year will always equal, never exceed, your budgeted revenues. In addition to the property tax revenue under your tax cap, your service area also earns income from interest earned on your current year's operating account and on what your service area has accumulated in its fund balance (savings) over the years. When your commission receives your service area budget, it will reflect the amount of property taxes expected to be collected in the next fiscal year, as well as an estimate of the interest your operating and savings balance accounts may earn. The interest amount on your budget is only an estimated amount, as actual interest rates in the future cannot, obviously, be predicted.

Your proposed service area budget will also reflect your estimated expenditures, including your "Direct Cost". This represents the annual cost of operating the Rural Services office, and is allocated between all service areas. The direct cost is based on a flat \$500 base fee per service area, plus a prorated amount of the average of all service area operating expenditures over the previous five years. Therefore, your service area's operating expenditures, available for general maintenance of your roads, is the difference between your total budgeted revenue and this direct cost.

It is important that your commission share your proposed service area budgets with your residents at a legally advertised public meeting. Your commission can vote to approve the budget as is, or modify it to accommodate the needs of your service area. You can modify your budget and supplement your operating expenditures by transferring money from your savings. Or if your service area needs to provide a 10% match for a grant-funded capital project, or anticipates a costly future project, setting aside part of your budgeted tax revenue funds to make a contribution directly to your fund balance, or to a capital project account, might be a smart move.

The timeline for commissions to receive, discuss and return their budgets is short. Commissions will receive their budgets the first week of February. Budgets will be due back to Rural Services by 5:00 pm on Monday, February 27, 2012. Given the short turnaround, it is imperative you know the time constraint, and plan your service area meetings to discuss your budget accordingly.

### PREPARING FOR YOUR FIRST QUARTER MEETING

Your first quarter meeting should focus on budget planning. This does not preclude you from discussing other items as needed at your meeting. However, giving proper attention to budget considerations at this meeting will ensure both the present, and future, safety of your service area roads.

Your first quarter meeting should be scheduled between 2/6/2012 and 2/26/2012. Use the "Meeting Advertising Notice", located on our website at [http://co.fairbanks.ak.us/Rural Services/Forms/](http://co.fairbanks.ak.us/Rural%20Services/Forms/), and return to April to have your meeting properly advertised. If you do not have a legally advertised meeting to discuss your budget, Rural Services has no option but to recommend the budget as is, regardless of any changes voted on in a meeting. It should be noted at this time that if a service area does not have a meeting, the budget will default to the recommended budget and changes cannot and will not occur.

Remember that a little pre-planning now will make this budget meeting a success.

(Article updated and reprinted from 2009 brochure)

## BUDGET ITEMS TO BE DECIDED AT YOUR FIRST QUARTER MEETING

Budgeting involves planning. By looking ahead to consider what your service areas' needs will be, not only in the year ahead, but five and ten years down the road, your commission can make certain that funds are available to keep your roads in a safe condition for many years to come. As a commission, a long-term plan of maintenance and repair should be established as part of your annual budgeting. This long-term plan should be flexible, and adjusted as needed as time moves on, and discussed at your annual budget meeting. Included in our forms directory on our website are a couple of spreadsheets that will help you plan your maintenance needs: [http://co.fairbanks.ak.us/Rural Services/Forms/Annual Road Maintenance](http://co.fairbanks.ak.us/Rural%20Services/Forms/Annual%20Road%20Maintenance), and [Forms/Cost Spreadsheet](http://co.fairbanks.ak.us/Rural%20Services/Forms/Cost%20Spreadsheet).

Part of this long-range focus of the budgeting process has to do with ensuring the availability of funds for future work. This would be a good time to discuss the needs and use of your \$2K per mile funds available for **improvement work** (NOT routine maintenance). These funds are set to expire June 30, 2013, so must be encumbered, spent and paid by June 30, 2013. Your commission should consider that your service area may need to finance its road work from its own tax revenue. Planning for future work may include considering future tax cap increases before the work will actually be needed or possibly borrowing from the Revolving Loan Fund. Unfortunately, by the time the budget cycle begins, deadlines to apply for these two options have passed. If you are interested in either option for the next budget cycle, please give us a call and we can walk you through the process.

For the next fiscal year (July 1, 2012—June 30, 2013), service areas can still maintain and repair their roads using tax revenues and/or their fund balance (savings).

Remember, that in order for Rural Services to act on the commissions decisions regarding the budget, a legally advertised meeting must be held and minutes reflecting the discussions and votes by the commissioners must be turned in by the budget deadline of February 27, 2012.

### SERVICE AREA COMMISSIONER TRAINING

On

### BUDGET PREPARATION AND SUBMITTAL

Wednesday, January 25, 2012 6:00 pm –7:30 PM

Borough Administrative Center, FNSB Assembly Chambers

We encourage all service area commissioners to attend!

### 1st Quarter Service Area Meetings should be scheduled between February 6th and February 26, 2012

#### Suggested 1st Quarter Meeting Topics:

- Short-term planning-Maintenance needs, Summer 2012
- Long-Term Planning-Summer 2013 (or later) capital Projects
- Service Area Budget

Be sure to fill out a "Meeting Advertising Notice" and return to our office to schedule your meeting.

Be sure to turn in your meeting minutes by the deadline (February 27th) for your budgets

## TAX CAP DECREASE?

A service area can reduce the amount collected from taxes without a formal election. During the annual budget process in February, the commission can submit a budget request at a lower rate of funding than the current level. The commission must have a legally advertised public meeting to discuss lowering the tax cap, and must forward the meeting minutes with vote by commission to Rural Services. This budget request is then forwarded to the Mayor for consideration. If your service area is considering lowering the tax cap, there are a few things to consider:

By lowering the tax cap, will the commission be able to fulfill the general responsibilities required: To protect the safety of the public, and preserve the areas' capital assets in a fiscally prudent manner?

Will the service area be able to maintain and repair their roads?

By lowering the tax cap, will the commission be able to maintain their service area with the funds available?

If the service area is planning on maintaining services by relying on their savings, will they be able to do that for an extended period of time?

If the service area votes to reduce their tax cap, once it is lowered, a new (lower) tax cap has been set. If the service area realizes that they need to increase the amount they tax themselves in future years, it can only be raised by a formal vote—even if they want to return to the previous level of funding.