TOWN OF PAGOSA SPRINGS, COLORADO TOWN COUNCIL
RESOLUTION NO. 2012-19
A POLICY TO ENHANCE THE TOWN'S FINANCIAL STABILITY

WHEREAS, the national economy continues to experience volatility and uncertainty and the impact of these national changes have a negative impact on the Town of Pagosa Springs' economy; and

WHEREAS, the Town of Pagosa Springs is committed to provide an excellent return on the taxes its citizens invest in their government; and

WHEREAS, the Town's response to an economic downturn should be directly proportional to the reduction in revenue and the impact of the downturn on the Town's financial condition; and

WHEREAS, in the advent of revenue reductions, expenditure reductions should be consistent with the relative value of specific programs and services provided to the community.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF PAGOSA SPRINGS, COLORADO, as follows:

The Town Manager is instructed to:

1. Budget sales tax revenue for 2013 at the same level as 2012 actual sales tax revenue = $3,195,110. This budgeted amount shall be split equally between the General Fund and Capital Fund;

2. Continue town council budget actions of assigning up to 3% of the general fund estimated revenues to service organizations.

3. Postpone capital equipment purchases until the last half of 2013, unless approved by the Town Council;

4. Monitor the Town's revenues on an monthly basis and report fluctuations from prior months and prior year revenues to the Town Council;

5. Deploy a financial stability plan, reducing Town expenditures within two weeks of the advent of lower sales tax revenue over two consecutive months (or, two of three consecutive months) as compared to the averaged sales tax revenue levels of 2011, and 2012. The plan shall exclude the 2013 Department of Revenue Audit payments. Modification to expenditures may occur as early as mid-March 2013. For example: The March expenditure level will be based on the average of January and February 2012 revenue (or the average of December of 2011, January 2012 and February 2012 revenue). Using this method, the Town will not delay its response to changes in the revenue stream. The action plan will be deployed as follows:

a. To smooth out the impact of significant swings in sales tax collections, implement a monthly analysis that averages several months/years of revenue.

b. Whenever the percentage of sales tax revenues collected falls more than five percent (5%) below the average revenues collected for the same period in the preceding two fiscal years **and** the percentage of sales tax revenues collected in the previous month (or previous two months) falls five percent (5%) below the average revenues collected for the same periods in the preceding two fiscal years, the Town manager shall implement an seven percent (7%) reduction in sales tax related expenditures.

   Implementation shall include apprising department heads of the shortfall and working with department heads to conduct a review of all budgeted programs and services and categorize each into the following levels of service: 1) Essential Services; 2) Highly Desirable Services; and 3) Non-Essential Services. The town manager shall initiate budget cuts or expenditure freezes eliminating Non-Essential Services based on their priority ranking. The town manager shall review of departmental staffing patterns with primary focus directed toward reducing or eliminating part-time and temporary employment expenses. The town manager will determine which position will be filled on a case by case basis.

c. Whenever the percentage of sales tax revenues collected in the current month falls ten percent (10%) below the average revenues collected for the same period in the preceding two fiscal years **and** the percentage of sales tax revenues collected in the previous month (or previous two months) falls ten percent (10%) below the average revenues collected for the same periods in the preceding two fiscal years, the Town manager shall implement a twelve percent (12%) reduction in sales tax related expenditures.

   Implementation shall include apprising department heads of the shortfall and working with department heads to prioritize the Highly Desirable Services (personnel, commodities and contractual) based on their benefit to town residents. The town manager shall initiate budget cuts or expenditure freezes eliminating certain Highly Desirable Services based on their priority ranking. A review of departmental staffing patterns with primary focus directed toward workers in lower priority ranked services. With the exception of Essential Services, the town manager will implement a hiring freeze. These actions will be done in consultation with the Town Council.

d. Whenever the percentage of sales tax revenues collected in the current month falls fifteen percent (15%) below the average revenues collected for the same period in the preceding two fiscal years **and** the percentage of sales tax revenues collected in the previous month (or previous two

months) falls fifteen percent (15%) below the average revenues collected for the same periods in the preceding two fiscal years, the Town manager shall implement a seventeen percent (17%) reduction in sales tax related expenditures.

Implementation shall include apprising department heads of the shortfall and the town manager and department heads will implement a full hiring freeze. Town resources and departmental staffing patterns shall be focused on highest priority elements of the Highly Desirable Services and Essential Services. These actions will be done in consultation with the Town Council.

6. If this policy results in a reduction in expenditures and subsequently the Town's sales tax revenues reflect recovery and/or growth over a two month period, the town manager shall sequentially reverse the reductions and return to the Council approved budgeted expenditures.

ADOPTED by a vote of 7 in favor and 0 against, this 4 day of December, 2012.

TOWN OF PAGOSA SPRINGS

By: _____
Ross Aragón, Mayor

ATTEST:
By: _____
April Hessman, Town Clerk

PAGOSA SPRINGS SEAL COLORADO