



Town of Wayland  
Massachusetts

# Financial Plan: Fiscal 2007 Budget 2008 - 2010

Finance Committee  
February 2006



# Outline

1. Objectives of the Financial Plan
2. Comparing Wayland to peer towns
3. The revenue and expense drivers
4. Fiscal 2007 Budget
5. 2008 – 2010
6. Long-term Capital planning



# Guidelines

- Maintain appropriate level of services.
- Balance services against affordability.
- Have appropriate infrastructure (buildings, etc.) to support level of services.
- Free cash levels sufficient to maintain favorable bond rating.



## Peer Town Comparison

### Towns used in for Comparison

- BELMONT
- CONCORD
- DOVER
- HARVARD
- LEXINGTON
- LINCOLN
- NEEDHAM
- NEWTON
- SHERBORN
- SUDBURY
- WAYLAND
- WELLESLEY
- WESTON
- WINCHESTER

✓ ***Wayland compares favorably***

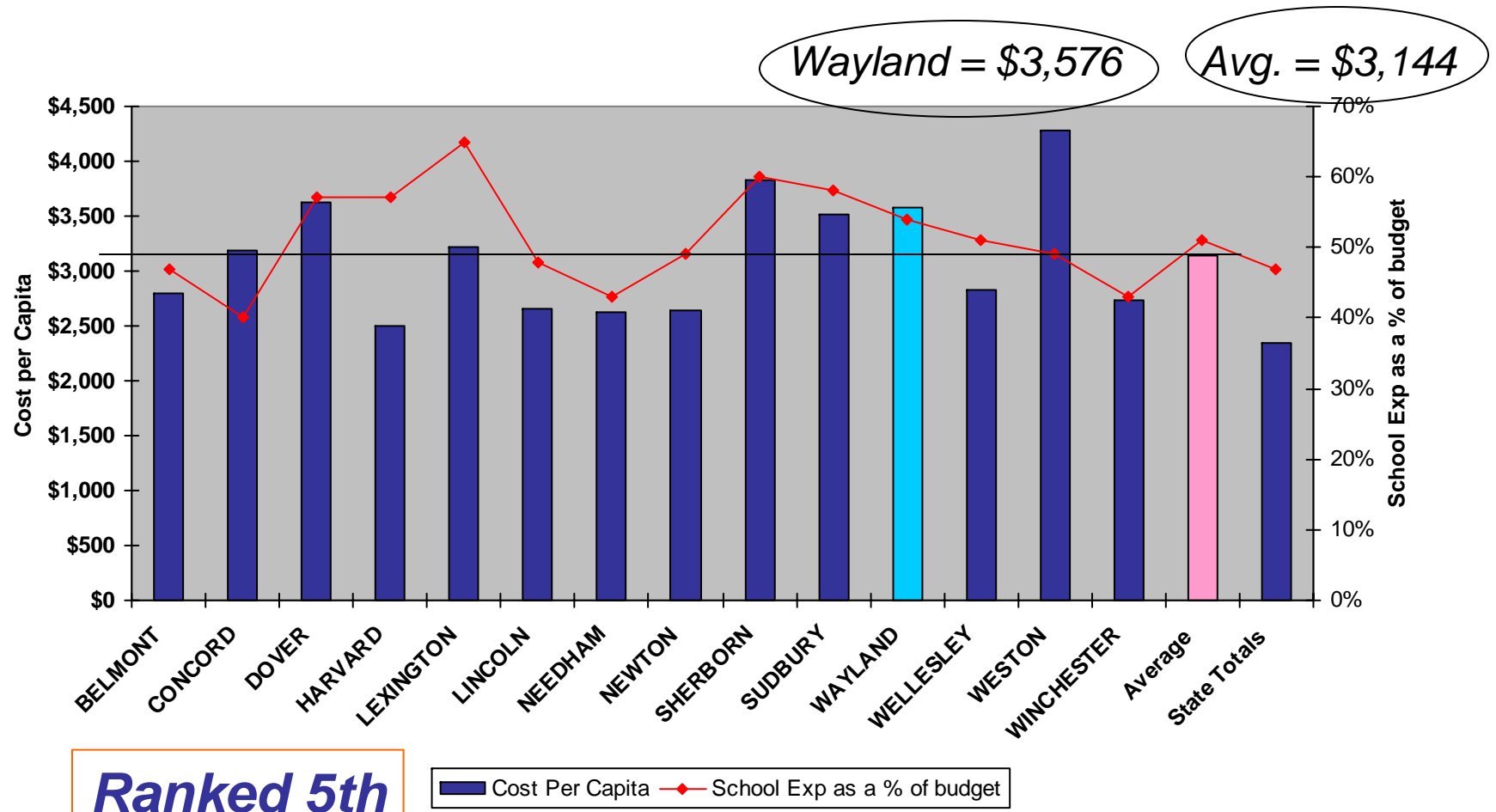
✓ ***Generally in the middle of the 14-town averages***

**Source of town comparison data: MA DOR, Municipal Databank and MA DOE regarding school data – generally 2005 Data**



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# Expenditures per Capita



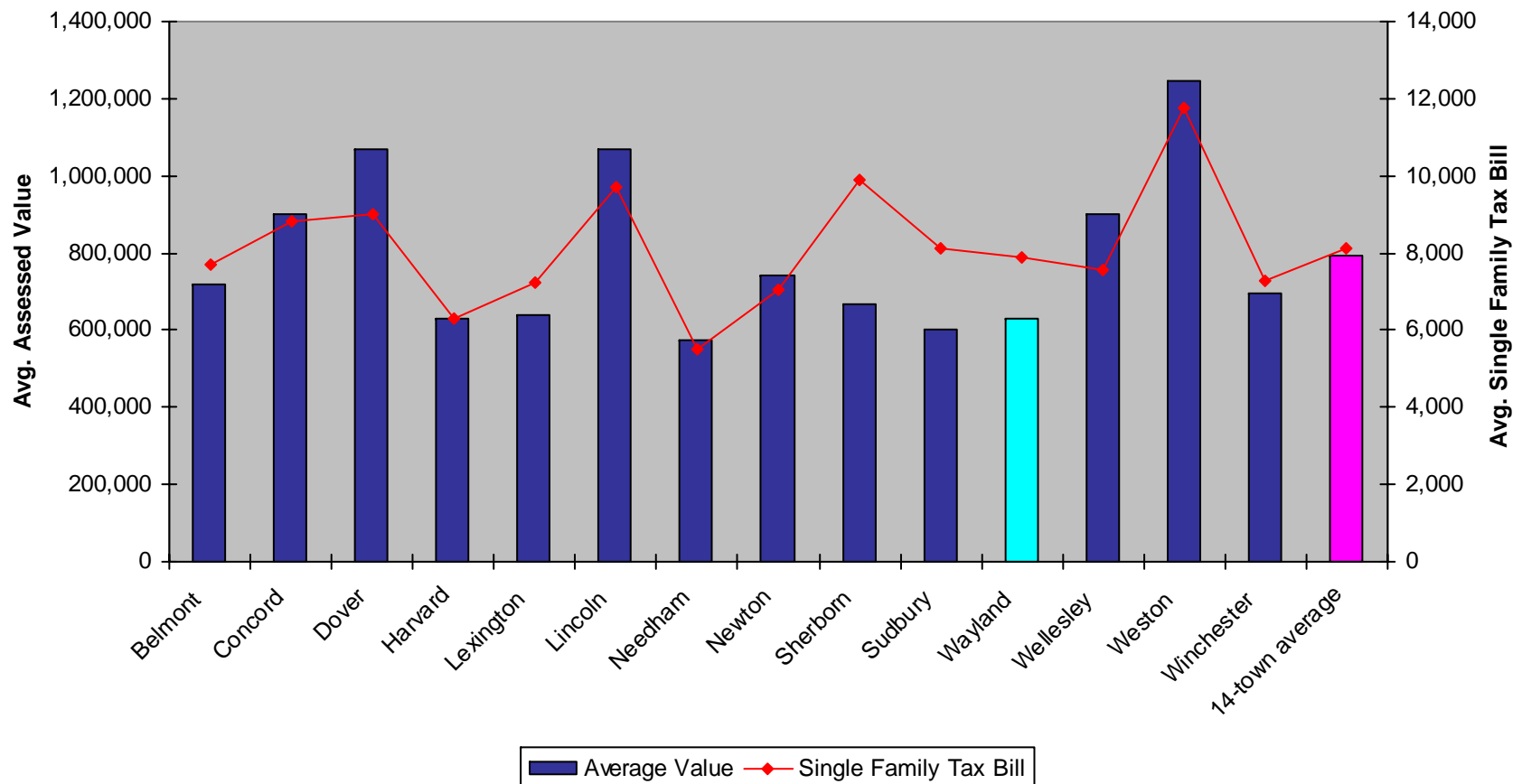
54% of expenditures go to School vs. 52% average



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# Assessed Value vs. Tax Bill

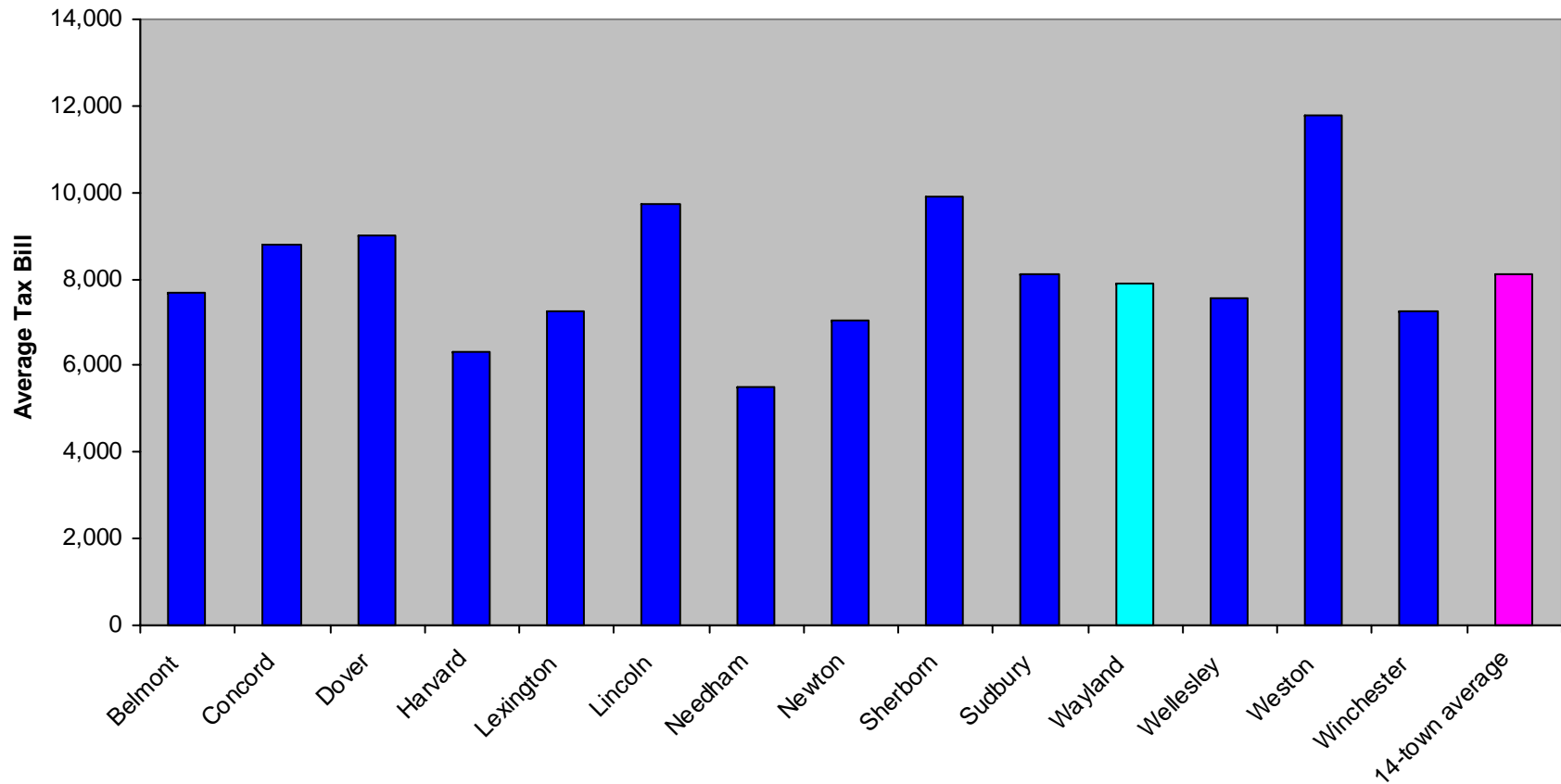
**Wayland avg. residential tax bill of \$7,904 vs. 14-town avg. of \$8,131 ranked 8<sup>th</sup> of the 14**





# Average Tax Bill

**Wayland avg. residential tax bill of \$7,904 vs. 14-town avg. of \$8,131  
ranked 8<sup>th</sup> of the 14**

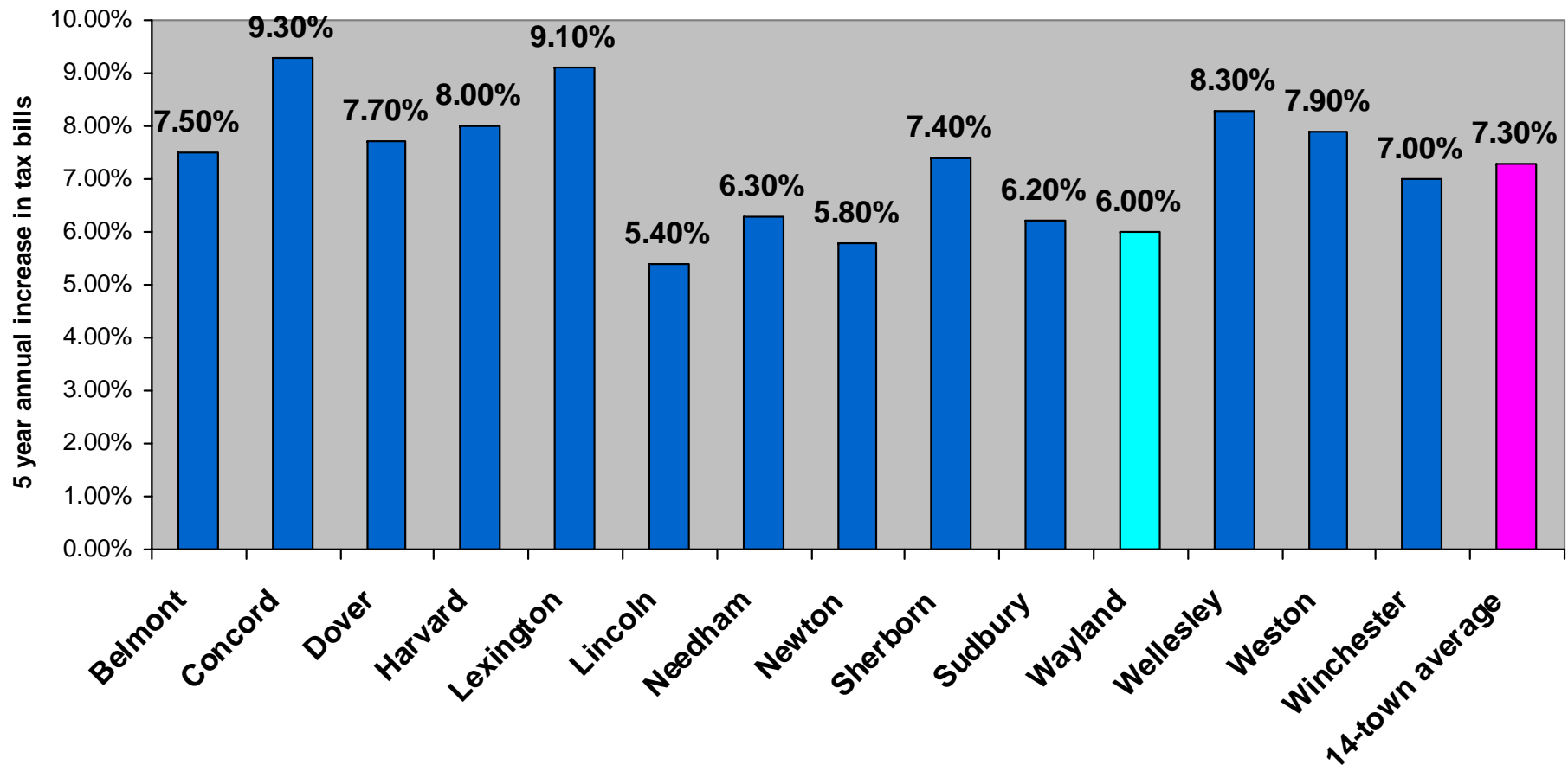




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# 5 year average annual tax increase

**Wayland increase in tax bill 6.0% vs. 7.3% for 14 town average**  
**3<sup>rd</sup> lowest of the 14 towns**

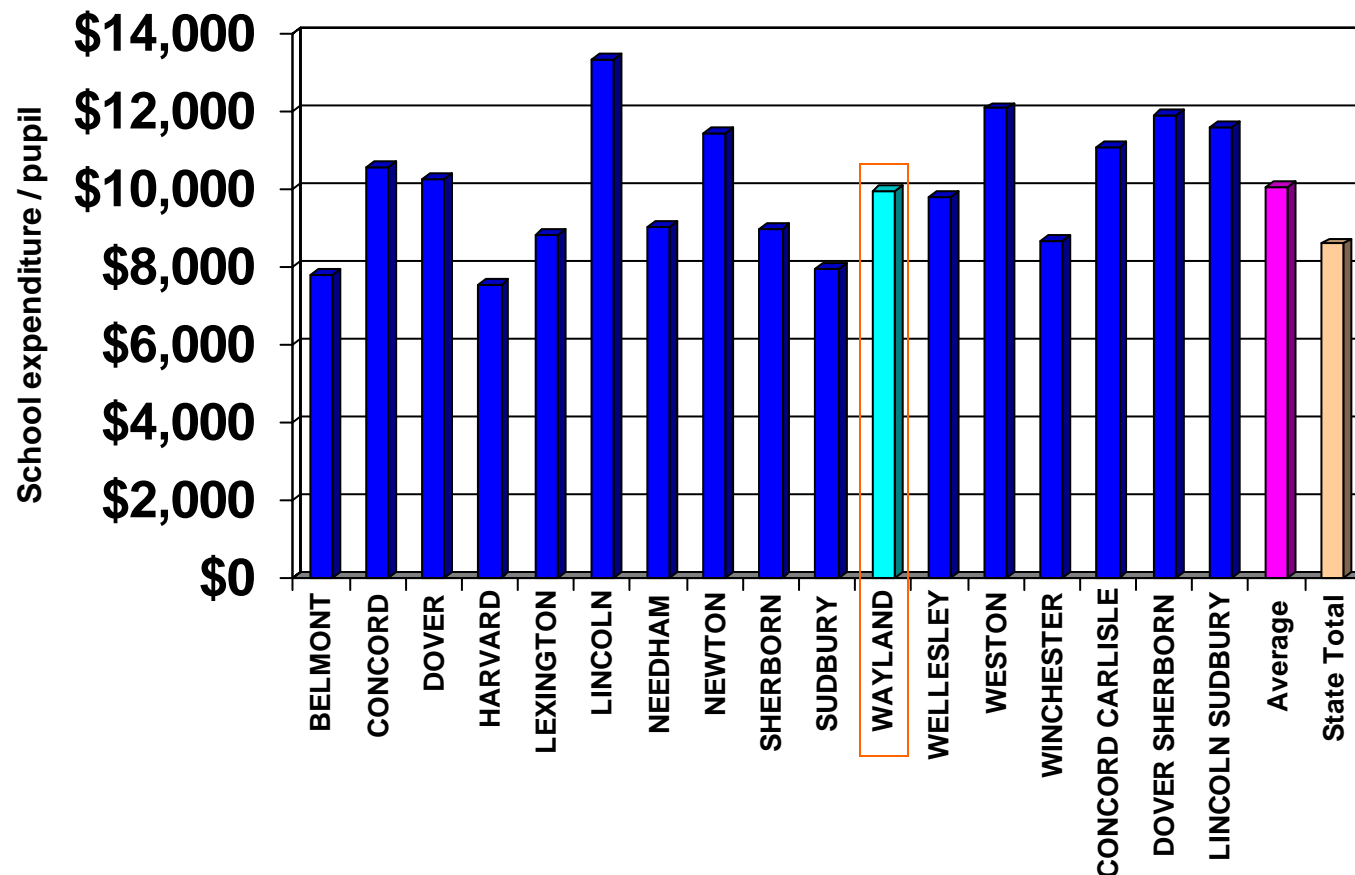






## School Expenditures per Pupil

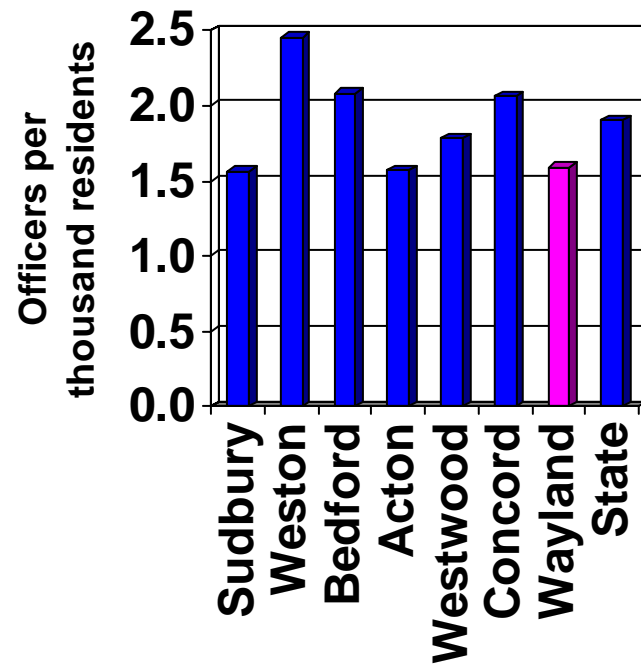
- **Wayland: \$9,944 vs. avg of \$9,902**
- **Ranked 9<sup>th</sup> in spending vs. 17 systems**
- **SPED 17% of expenditures vs. 15% avg and State avg. of 18%**
- **Without SPED costs Wayland below 14-town average**



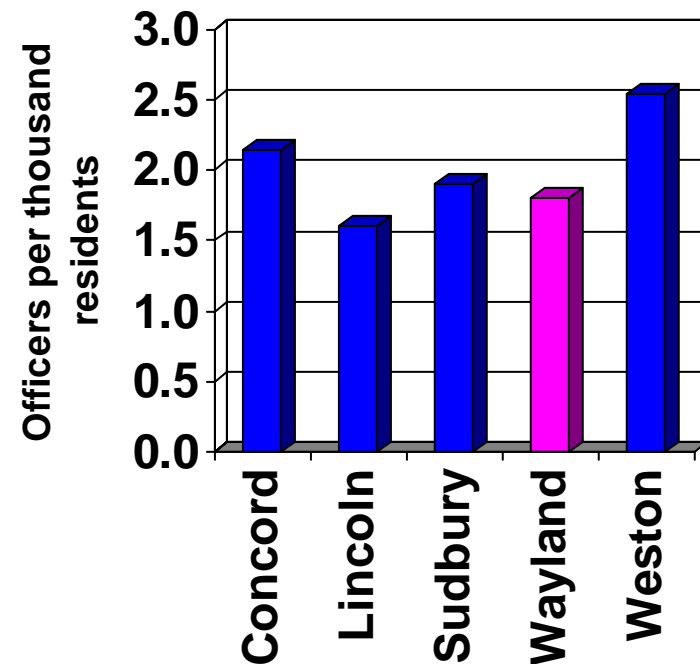


## Public Safety – how we compare

### Police

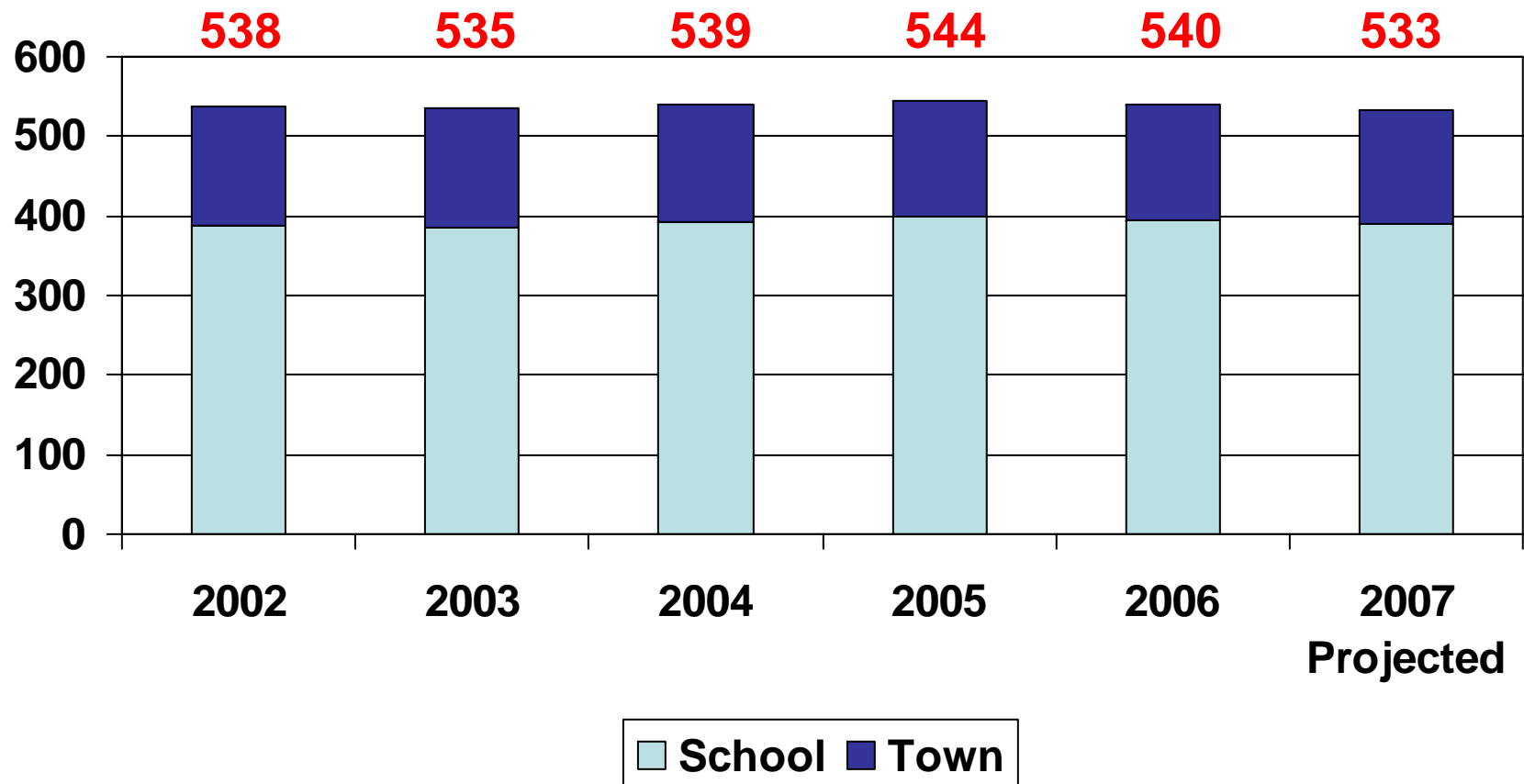


### Fire





## Town Employment

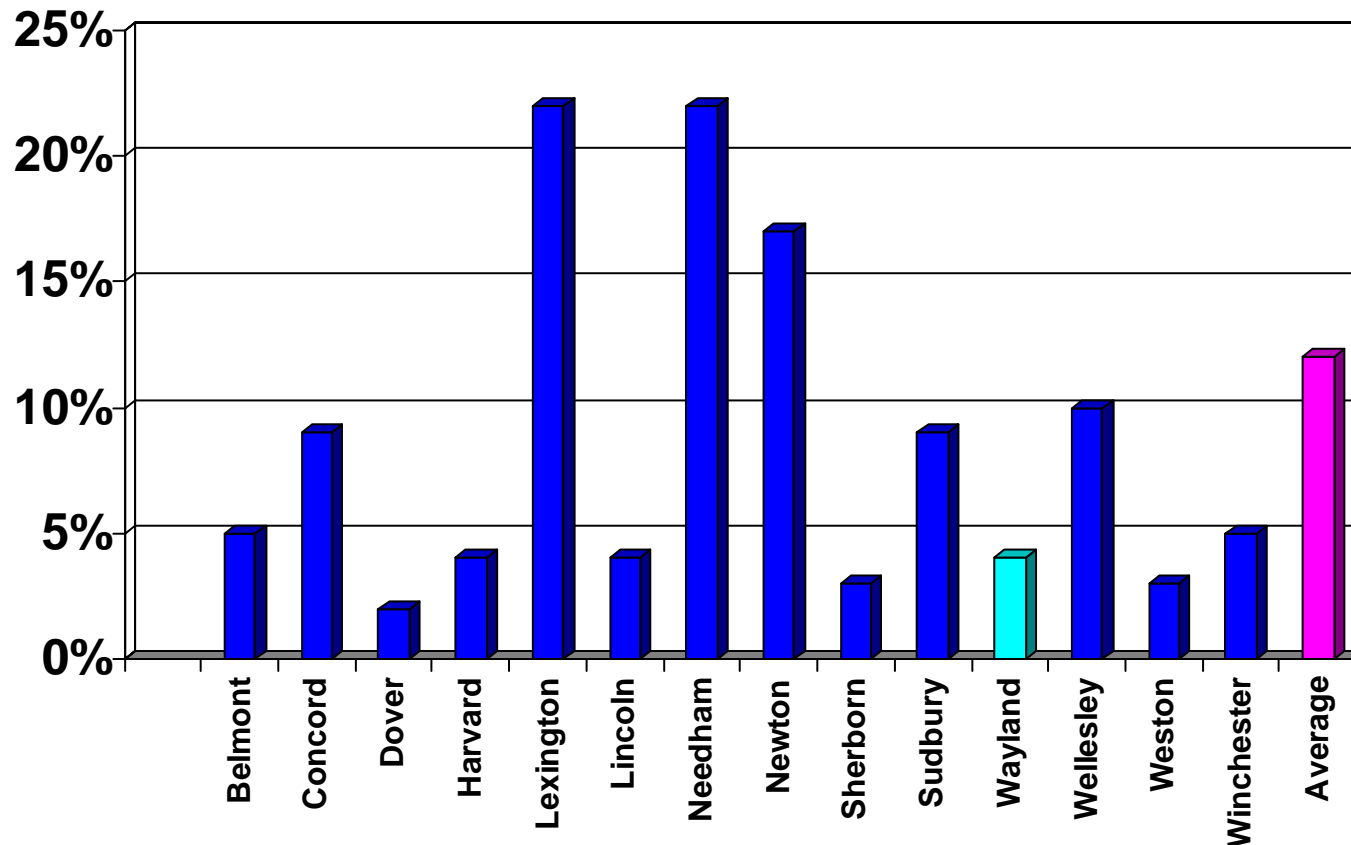




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# Commercial / Industrial Taxes as a % of total taxes

***Wayland 4% versus average of 12%***



***If commercial base was at the average it would equate to an additional \$3.2 million annually in revenue or decline in residential tax bill of 8% (avg. tax bill would be \$7,300).***

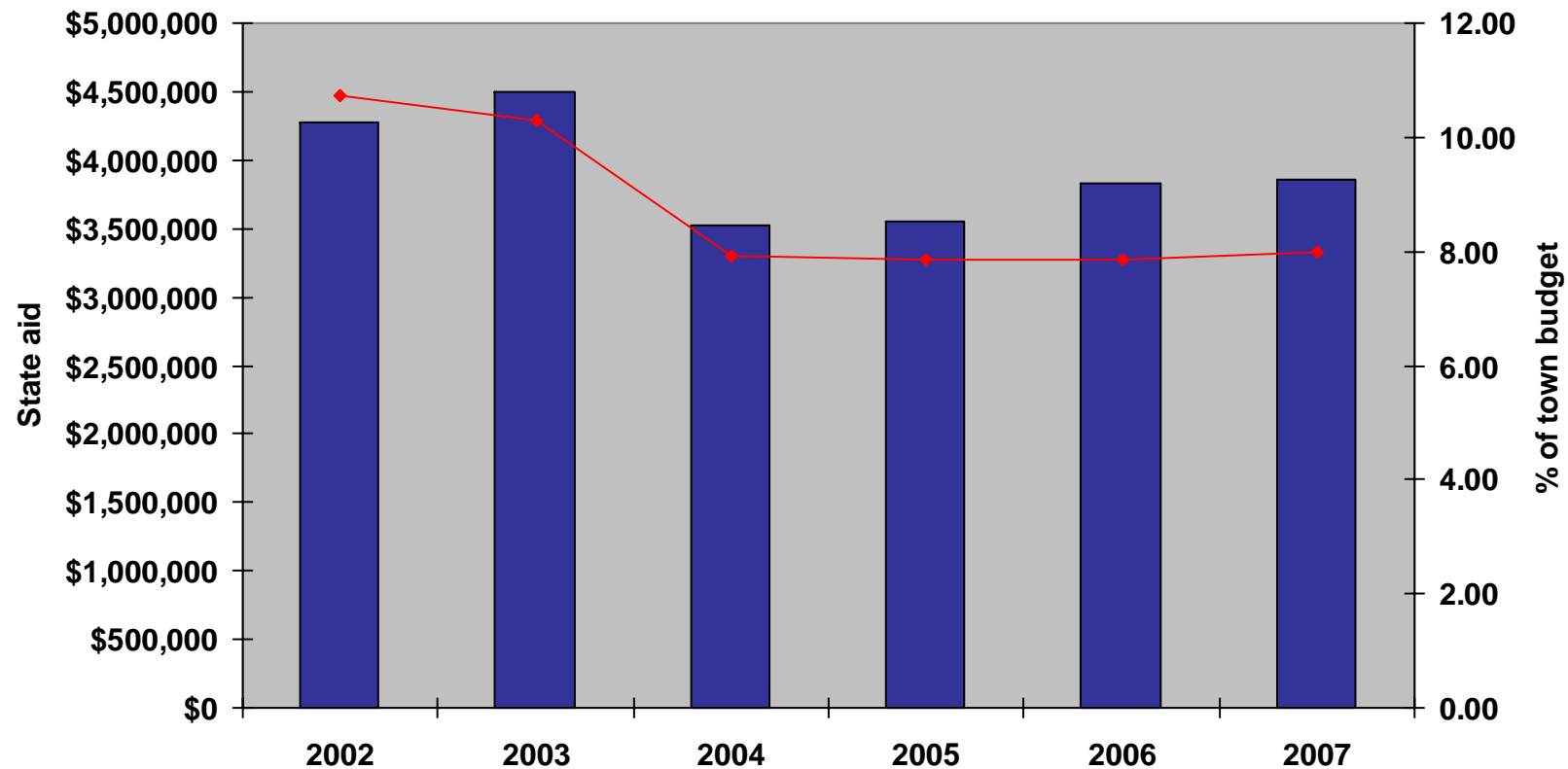


## What's causing the problem?

- Changes outside the control of the Town:
  - State Aid
  - Increase in Health Care Costs
  - Increase in Pension Costs
  - Utility costs



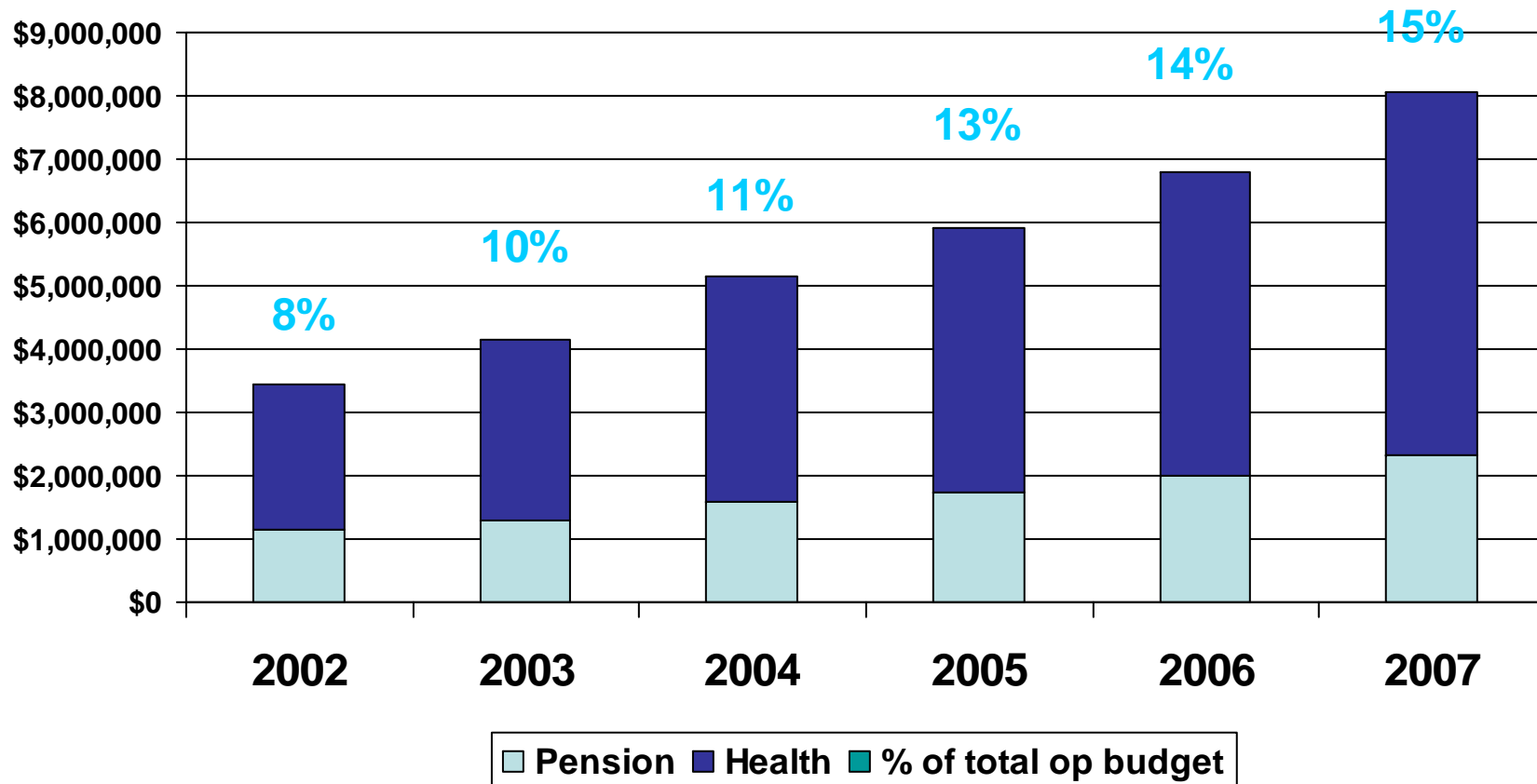
## Net State Aid



- *\$1million reduction between 2003 and 2004;*
- *State aid declined from 11% of budget to approx. 8%; hasn't kept up with inflation.*
- *On average state aid provides 24% of municipal budgets.*



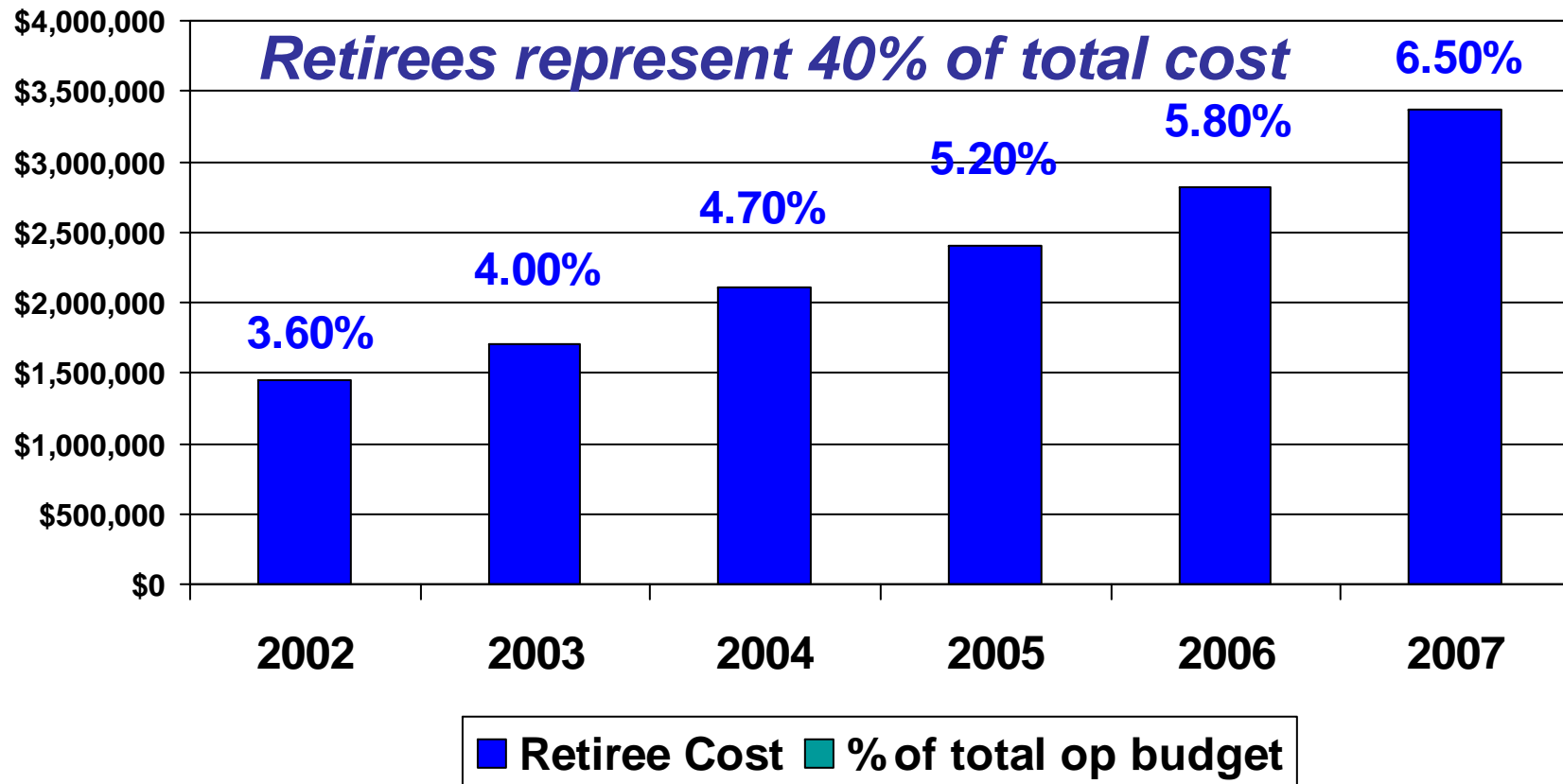
## Cost of Health and Pension



- **Over \$8 million cost in 2007**
- **Over \$4 million cumulative increase in past 5 years**
- **134% increase since 2002**
- **Over past 5 years 40% of increase in operating budget to health/pension**



## Cost for Health and Pension for Retirees



- ***\$3.4 million cost in 2007***
- ***Over \$2.1 million cumulative increase in past 5 years just for retirees***
- ***Over past 5 years 17% of increase in operating budget to retirees – Outside the control of the Town***





## Prop 2 ½ doesn't even fund increases in health and pension!

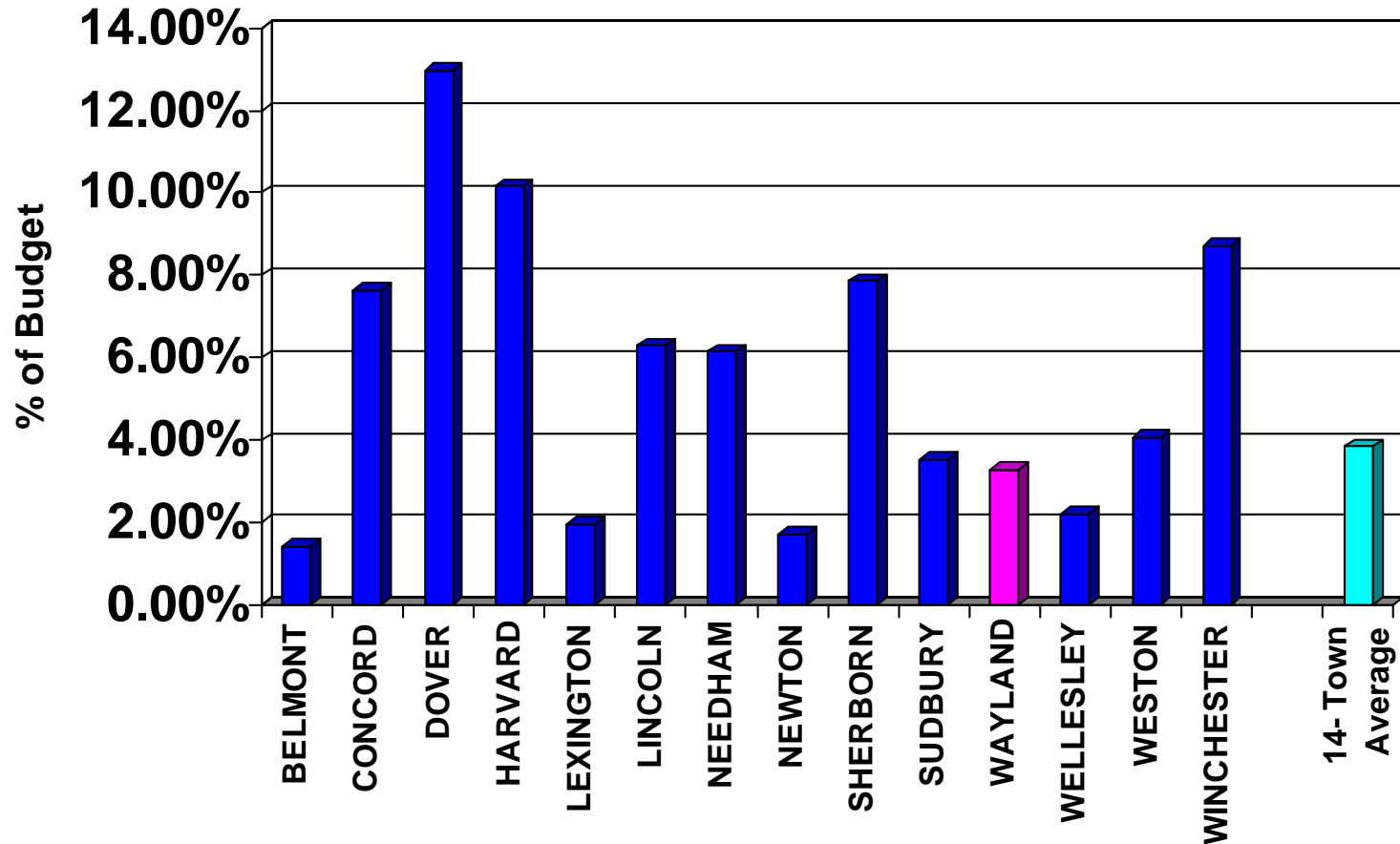
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Total</u>
Proposition 2 1/2 tax increase	<u>762,425</u>	<u>828,860</u>	<u>880,400</u>	<u>911,861</u>	<u>1,009,000</u>	<u>4,392,545</u>
Non-Controllable expenses:						
Increase in Health insurance	555,000	713,139	600,790	620,071	867,000	3,439,000
Increase in Pension Expense	<u>153,129</u>	<u>294,811</u>	<u>146,670</u>	<u>258,706</u>	<u>317,459</u>	<u>1,170,775</u>
	708,129	1,007,950	747,460	878,777	1,184,459	4,609,775
Available / (shortfall)	54,296	(179,090)	132,940	33,084	(175,459)	(217,230)



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## Financial Flexibility

*Excess levy capacity, free cash and stabilization funds as a percent of operating budget*



- **Wayland 2004 = 2.94%    2006 ~ <2%    Desired level ~5%**
- **Requires an increase of \$1 million over next 3 years to reach approx. 3%**



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# 2007 Budget Overview



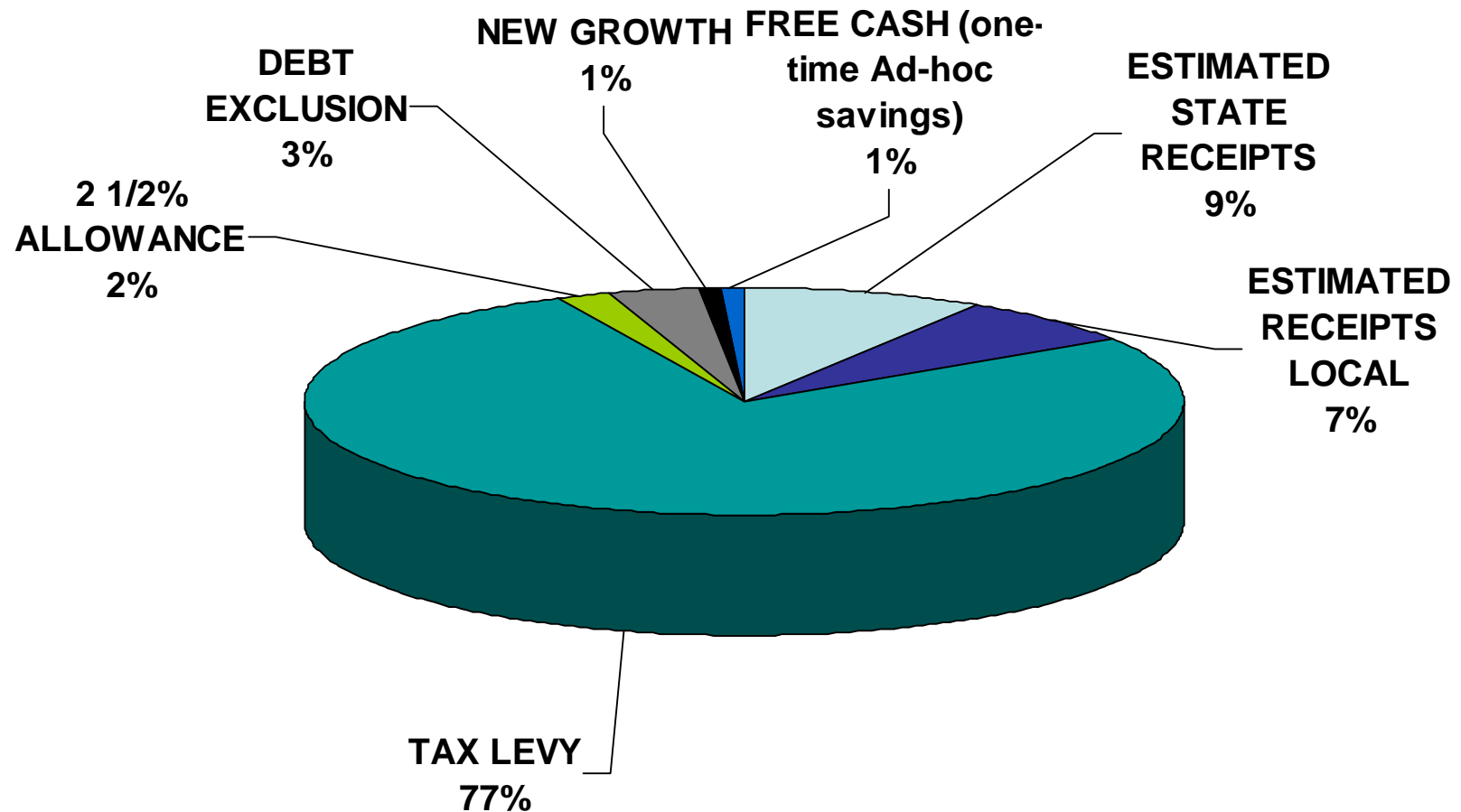
## 2007 Estimated shortfall

- Revenues \$52.2 million
- Expenditures \$55.2 million
- Shortfall (\$ 3.0 million)
  - Use of available funds: .9 million
    - Sale of real estate
    - Ambulance
    - Other
- Shortfall / Recommended Override (\$2.1 million)

*Represents approximately 5% increase to tax bill*

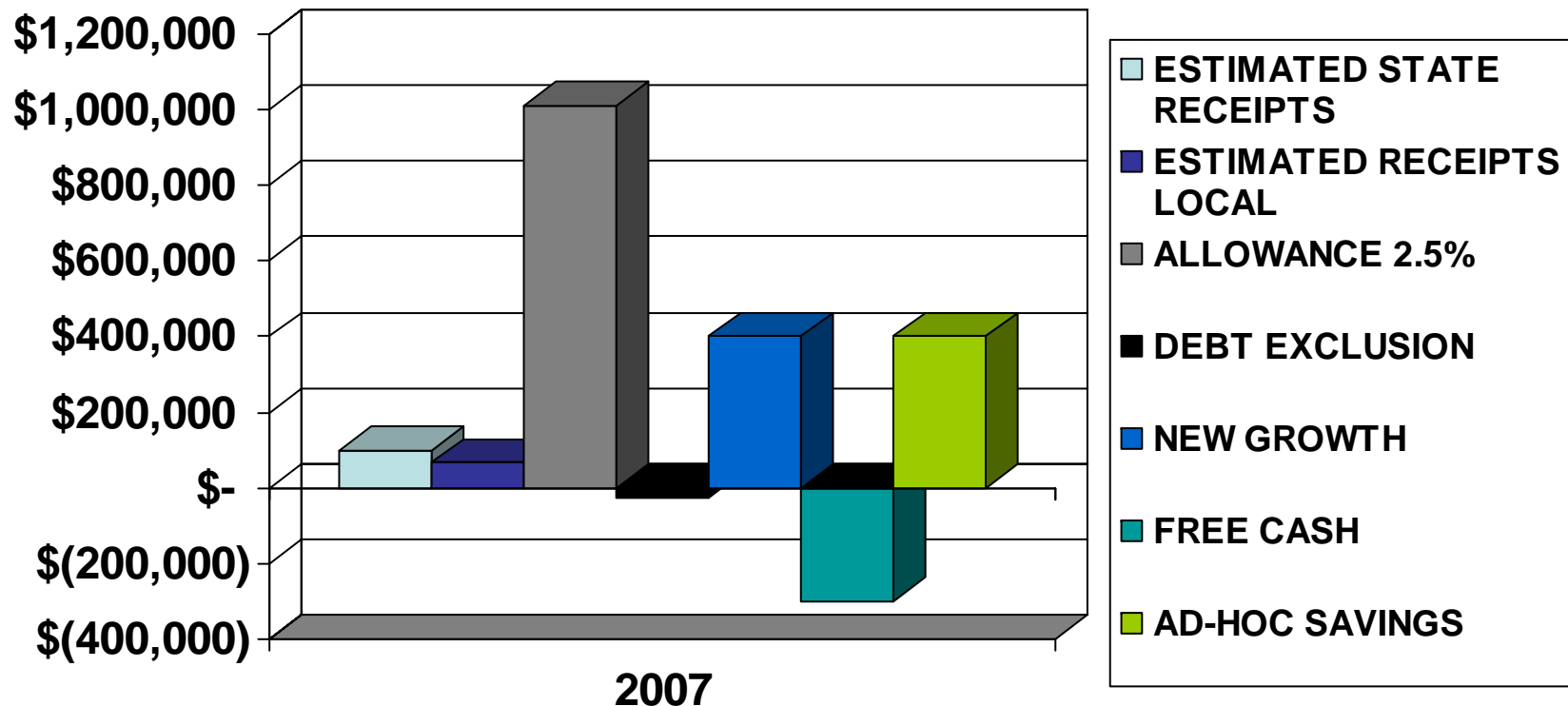


## 2007 Est. Revenues (before override) \$52.2 million





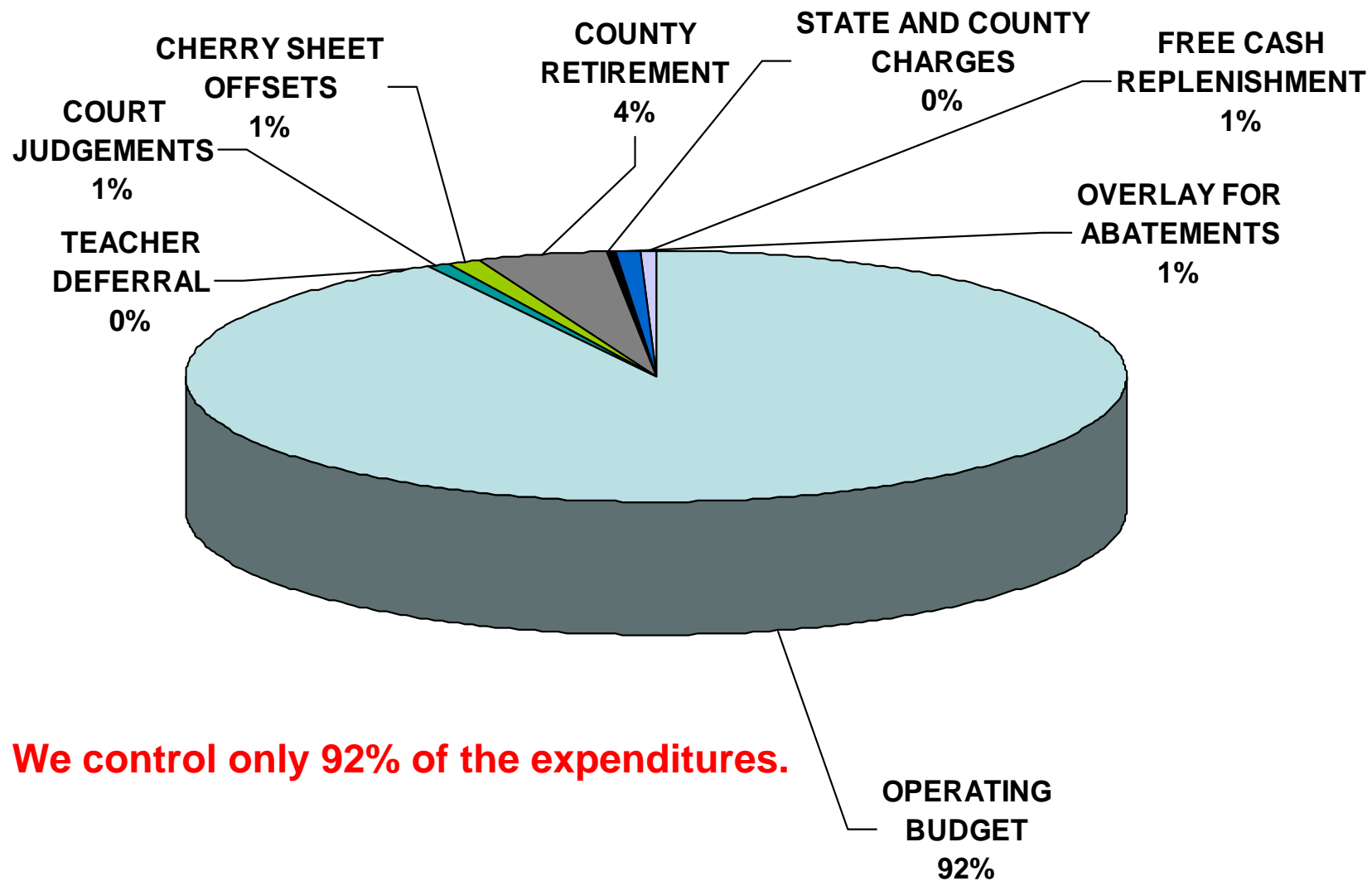
## Revenue increases 2006 to 2007 estimated to be \$1.7 million





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## 2007 Estimated Expenditures - \$55.2 million





**2006 to 2007**

**Estimated Expense increases \$3.6 million or 7.0%**

**Expense category:**

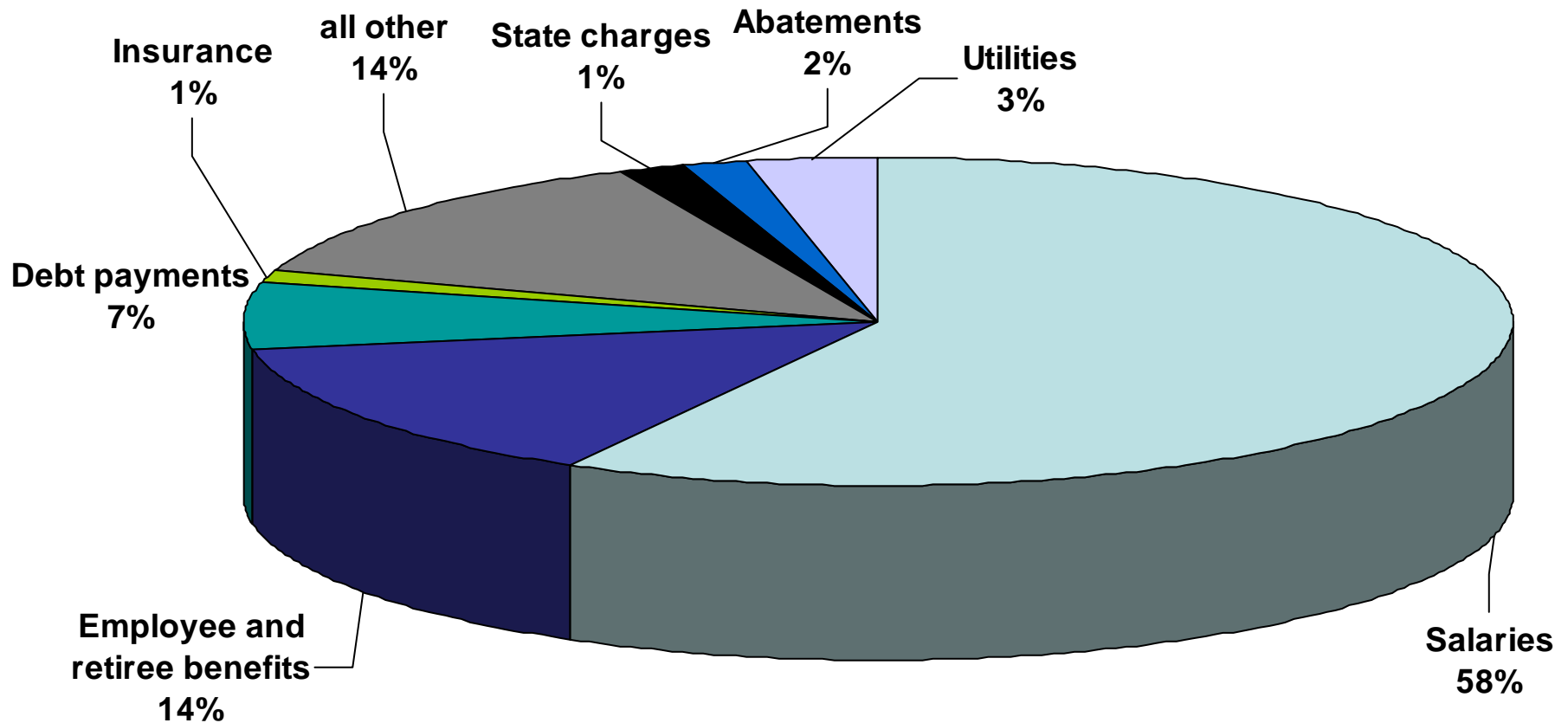
<b>Salary and step increases</b>	<b>\$</b>	<b>877,000</b>
<b>Health Care</b>		<b>867,000</b>
<b>Pension Costs</b>		<b>317,459</b>
<b>Utility costs and other expenses</b>		<b>673,000</b>
<b>Free cash replenishment</b>		<b>325,000</b>
<b>State and County Charges</b>		<b>52,137</b>
<b>Cherry Sheet Offsets</b>		<b>24,093</b>
<b>Overlay for abatements</b>		<b>87,371</b>
<b>Raytheon Tax Abatement</b>		<b>441,000</b>
<b>Total Expenditures</b>	<b>\$</b>	<b>3,664,060</b>





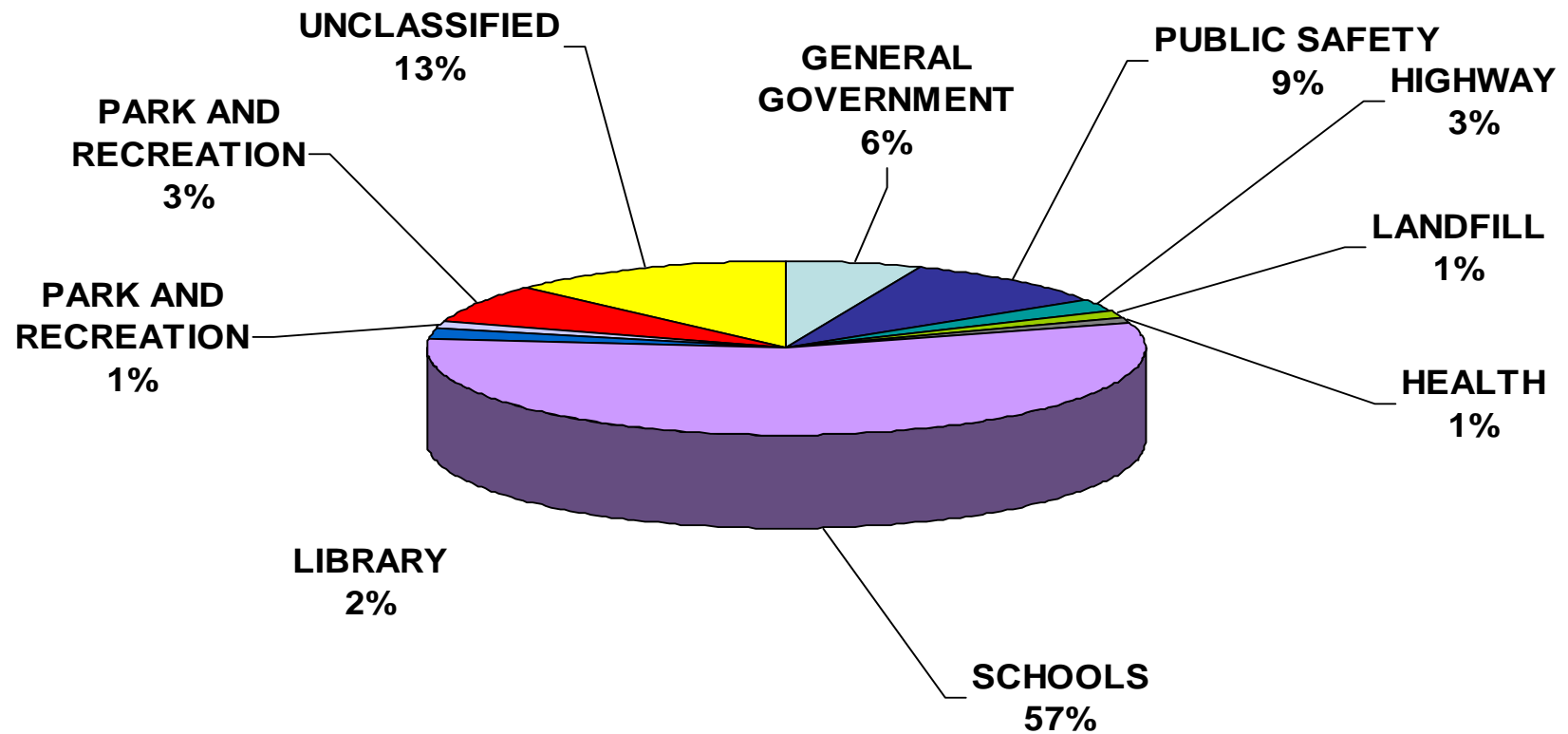
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## Where does the \$55.2 million of expenditures go?





## Budget allocation



Preliminary, based on 2006



## Actions to reduce original guideline shortfall

Original Estimated Shortfall (based on budget guidelines)	\$3,300,000
Raytheon tax abatement	\$441,000
Additional abatement expense	50,000
<b><i>Revised shortfall</i></b>	<b>\$3,791,000</b>

### **Actions to reduce Shortfall:**

#### **Ad-hoc Savings:**

One-time savings	400,000
Recurring expense reductions	247,000
School Committee Reductions and fee increases	331,000
Other Town Savings	72,000
Healthcare adjustment	150,000
Sale of real estate to offset Raytheon abatement	441,000
Additional revenue - local fees less add'l state charges	50,000
	<b>1,691,000</b>

***RECOMMENDED OVERRIDE***

<b>\$2,100,000</b>
--------------------



What happens if no override?

***\$2.1 million in expense reductions!***

- School programs:
  - Eliminate librarians, extracurricular activities, eliminate 7-12 athletics.
  - Kindergarten: morning and afternoon sessions.
  - Increase class sizes across schools.
- Public Safety:
  - Police:
    - Eliminate two police officers.
    - Eliminate traffic guards.
  - Fire:
    - Eliminate two firefighters/EMT positions.
    - Eliminate “on call” firefighters.
    - Close Cochituate Station when ambulance leaves town.
  - Joint Communications:
    - Eliminate 1 dispatcher - will result in single coverage.



What happens if no override?  
***\$2.1 million in expense reductions!***

- Council on Aging:
  - Reduce transportation and work off program.
- Library – further reduction in library hours.
- All other town departments would take approximately 5% reduction.



## 2007 Capital Expenditures

- Total capital requested: \$2,295,000.
- FINCOM recommendation:
  - Non-exempt operating capital: \$630,000
  - Debt Exclusion of \$1,665,000
    - Consists:
      - Happy Hollow roof repairs
      - Library roof repairs
      - Town Building roof repairs
      - Fire Truck



## Recommended Debt Exclusion of \$1,665,000

- Town-wide vote
- Cost per household approximately \$48 per year
- However, this offsets retiring exempt debt so net impact per household is essentially zero.



## Definitions

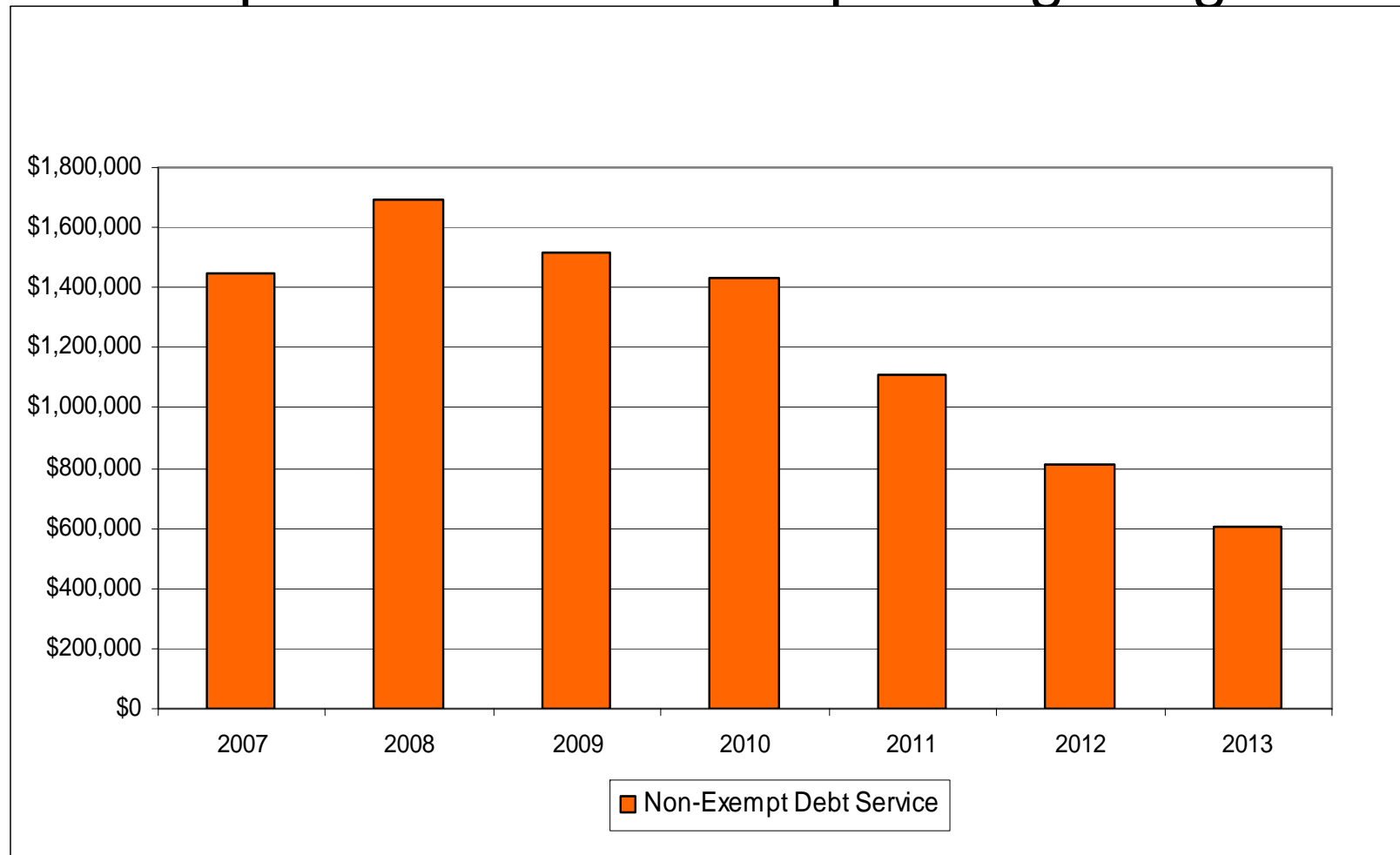
- Exempt debt:
  - Traditionally used for major capital expenditures, such as buildings and building improvements.
  - Approved by town-wide vote as a debt exclusion vote.
  - Cost of exempt debt is above the Prop. 2 ½ limitation  
→ added to tax rate.
- Non-exempt debt:
  - Used to fund recurring capital expenditures, such as new equipment, refurbishments, etc.
  - Annual debt service cost is included in the operating budget and subject to the Prop. 2 ½ limitation.
- All borrowing requires two-thirds vote at town meeting.





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## Annual Non-Exempt Debt Service Impact on the annual operating budget



***Traditionally, the decline in debt service  
determines the level of new capital expenditures.  
The increase in 2008 requires lower levels of new capital***



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2008 - 2010

What should we expect?



# Objective

- Objective / target: What does it take to achieve balanced budgets in 2008 to 2010 without operational overrides?



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*If nothing changes in the revenue and  
expense drivers, then we will continue to  
face tough budget cycles!*



## If nothing changes, we can expect....

- *Increases in annual revenues.*
  - *No significant change in State revenue.*
  - *Local fees relatively flat.*
  - *New growth – slight increase for known projects.*
  - *Prop 2 ½ still only significant source of revenue.*
- *Increases in annual expenses:*
  - *Pension and Health care.*
  - *Negotiated salary increase and new labor contracts.*
  - *Utilities.*
  - *Non-exempt debt service.*
  - *Continue to increase Free Cash to acceptable levels.*



So, how do we balance budgets without overrides?

*Actions requiring immediate attention to avoid future overrides:*

- ✓ *Modify our health care programs.*
- ✓ *Adopt Medicare coverage for retirees.*
- ✓ *Control salary increases of new labor contracts.*
- ✓ *Re-think school structure relative to declining enrollment.*
- ✓ *Expand our commercial base ~ eg: Town Center Project.*

*Continued.....*



So, how do we balance budgets without overrides?

*Actions requiring immediate attention to avoid future overrides (continued):*

- ✓ *Look for efficiencies in town operations: Possible:*
  - ✓ *DPW.*
  - ✓ *Re-rationalize town operations and combine certain functions.*
  - ✓ *Consolidate support organizations across town and school departments.*



# So, how do we balance budgets without overrides?

## *Other Actions:*

- ✓ *Investigate zoning changes that encourage new growth in the tax base.*
- ✓ *Need to influence state:*
  - ✓ *to increase state aid.*
  - ✓ *provide more flexibility to towns; such as health care and pension.*





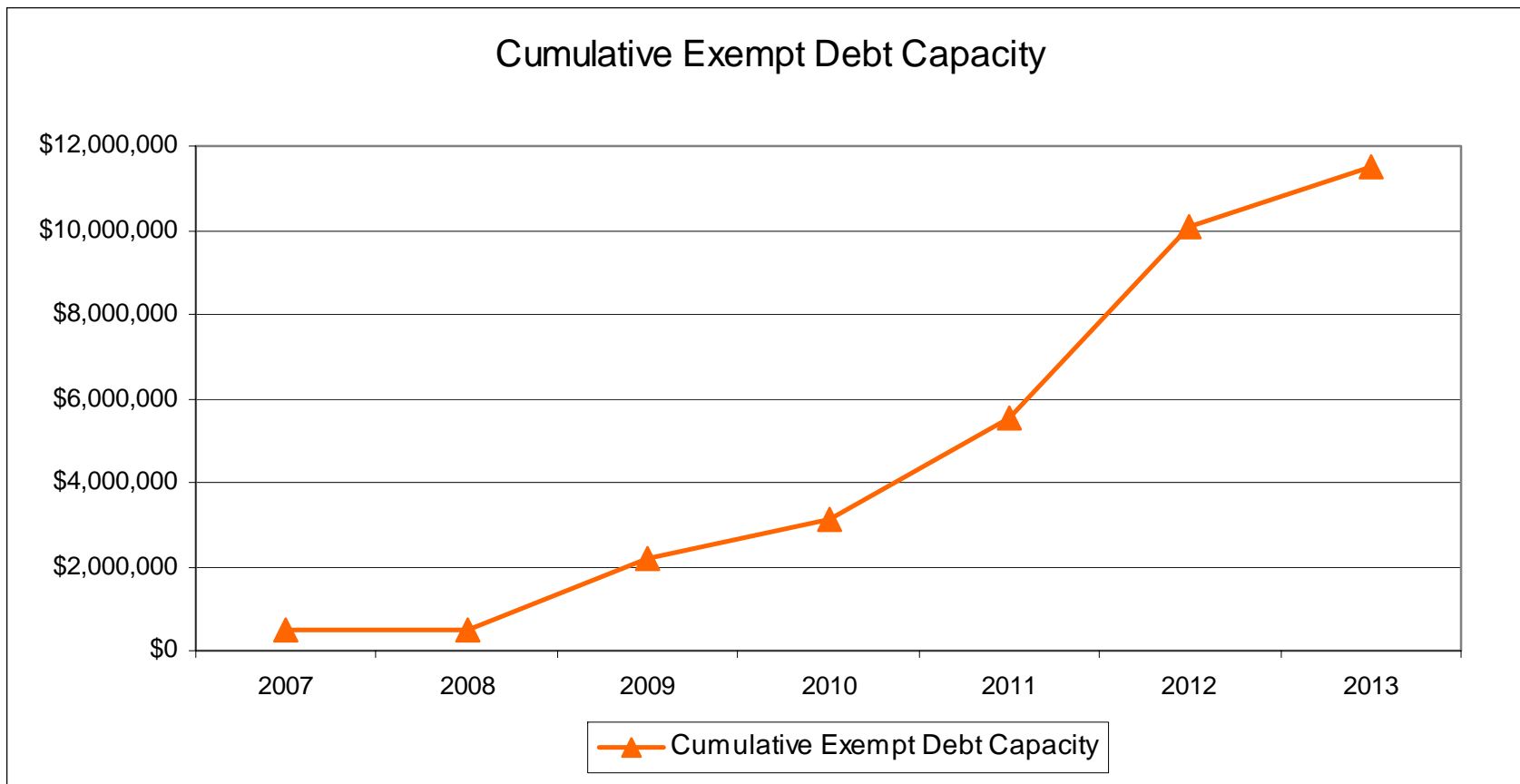
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# Long-term Capital Planning



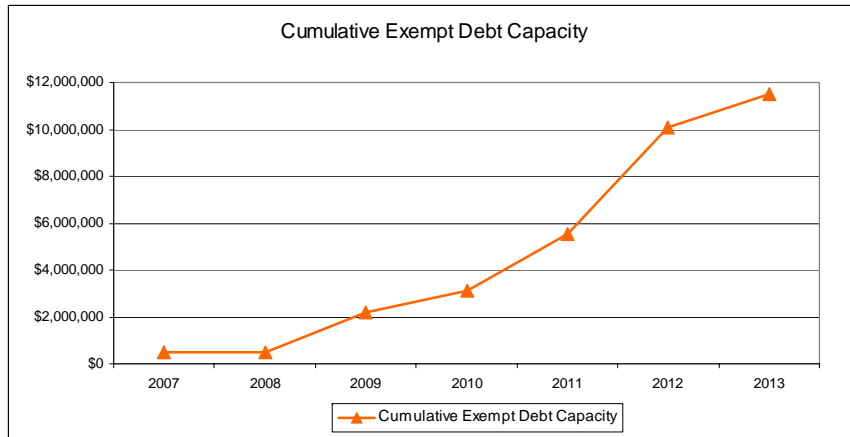
# Cumulative Exempt Debt Capacity

*Amount the Town can borrow as debt exclusion  
without increasing taxes.*





## Planned Capital Projects and Exempt Debt Capacity



**~ \$ 12 million in available debt capacity  
Without increasing taxes**

Future Projects: total in excess of \$60MM

1. Library
2. Highway / Park & Rec Garage
3. High School

- How do we fund these projects?:
  - Debt exclusion, meaning additional taxes.

Potentially, offset by:

- Sell town owned real estate.
- Private contributions.
- State funding and grants.