



## **Discussion Forum**

# **FY2013 Omnibus Budget Proposal: Operating and Capital Budgets**

Wayland Finance Committee  
February 13, 2012



## Presentation Outline

- FinCom Mission and Budget Process
- FY2013 Financial Strategy and Budget Challenges
- Proposed FY2013 Operating Budget
- Proposed FY2013 Capital Budget
- A Look Forward --Preview of FY2014



## Finance Committee's Mission Statement

- The mission of the Wayland Finance Committee is to define a financial strategy for the Town and to use this strategy as the basis for recommending to the Town a fiscally responsible operating and capital spending plan.
- In implementing this strategy, ...the Finance Committee seeks to balance the demand for services against the ability of residents with a broad range of financial situations to afford those services.



## Budget Process

The Finance Committee considers many factors when setting the guideline and putting together the budget, including

- The economic environment
- Requests by departments and boards/committees
- Requests by residents who represent various constituencies in Wayland, and
- Information from meetings with Town departments and boards.



## Budget Process Timeline

- FinCom issued Budget Guideline on September 26, 2011
- Departments/boards developed budget based on business plan, new initiatives, reviewing actuals; FinCom liaisons worked with departments
- Capital budgets
  - Due to Finance on October 27, 2011
  - Finance Director reviewed with town departments
  - FinCom received capital budget requests on December 5, 2011



## Budget Process Timeline (continued)

- Operating budgets
  - Due to Finance on November 22, 2011
  - Finance Department reviewed with town departments
  - FinCom received operating budget requests on December 12, 2011
- FinCom held 14 budget work sessions, September 2011 – February 2012
- Town Meeting will review and vote budgets in April 2012



## Financial Strategy

The Finance Committee's financial strategy for FY2013 included

- Keep operating budget increase within Prop 2 ½
- Continue to address long term liabilities of pension and OPEB and to control healthcare costs
- Target year-end givebacks at no greater than 2% of the budget
- Estimate local receipt revenues within 10% of actuals
- Develop a capital budget to address infrastructure needs and planning without adding debt
- Maintain free cash at a target of 7.5% of the operating budget for future flexibility
- Use cash judiciously to mitigate tax impact and maintain bond rating



## FY2013 Budget Challenges

- Explanation of salary changes from FY2011
- Tightening of line items to drive down turnbacks with the understanding that this reduces flexibility in the municipal budget
- Uncertain tax growth and local receipts given economic environment
- Estimation of June 2012 free cash balances and appropriate level of usage
- Respectful of pressure not to increase tax rate while maintaining level services
- Balancing new initiatives with estimated costs/affordability





# **FY2013 Proposed Operating Budget**



## FY2013 Operating Budget Guidelines

**The Finance Committee anticipates balancing the budget within the constraints of Proposition 2 ½ and, therefore, will not seek an override for FY2013.**

Guidelines:

Allow step/lane increases

Include other required/contractual increases

Adjust utility accounts as needed

Other accounts flat

Budgets due on November 22, 2011



## FY2013 Operating Budget Review Strategy

- Maintain service levels
- Recognize the direction the Town communicated at last ATM and November 2011 STM
- Maintain strategy of using cash to offset operating budget shortfalls
- Scrutinize budget requests
  - Receive budget write-ups with drivers, FTE info
  - Match proposed appropriation to actuals
  - Understand new initiatives/requests
  - Develop ownership of the budget at department level
  - Implement annual budget reports



## FY2013 Operating Budget Drivers Overview

- Overall Omnibus Budget increase of 3%
- Unclassified: overall reduction
  - Expiring debt on debt exclusion borrowings
  - Increases in Healthcare and Town Meeting expenses
- Retirement/pension one-time prepayment of \$1 million
- Salaries line item
  - FY12 increase was carried in Unclassified because contracts had not yet all settled
  - FY13 is trued up – FY12 increase applied to depts and then increased by 2.5% for negotiated amounts for FY2013

**Estimated tax increase of 5.6% is within Prop 2 ½ levy.**



## FY2013 Operating Budget Drivers Line Item Review

- Elections: \$11,250 increase due to presidential election. Does not include additional work from any ATM article proposed elections.
- Facilities: Utilities: estimated \$169,000 decrease in utility costs due to recently negotiated contracts.
- Miscellaneous Committees: increase is due to \$30,000 seed funding for the 375<sup>th</sup> Celebration.
- Schools: \$400,000 in new initiatives within original budget guideline amount with a 2.35% increase after adjusting for salaries.



## FY2013 Operating Budget Drivers Line Item Review (continued)

- Snow: \$50,000 increase to bring account into line with annualized maintenance level.
- BoH: \$15,000 new initiative for health “nuisances”, \$8,000 increase in HRS contract and \$12,000 in additional mosquito control
- Veteran’s Services: Moving to a regional model with more hours results in the \$11,650 increase.
- Debt Service: Decreasing by \$110,495 with proposed budget.
- Retirement: \$1 million one-time prepayment of unfunded liability.



## FY2013 Operating Budget Drivers Line Item Review (continued)

- Unclassified: total category decreasing by \$685,000. Healthcare holding at a 5% increase, Town Meeting costs increased to reflect the cost of electronic voting (\$50,000); other categories decreasing.
- Water: Increased cost of supplies/chemicals (\$75,000)
- WWMD: Increase in purchase services (\$20,000) and contingency (\$15,000) while new plant opens and runs parallel with existing plant; built in allocation of Town staff's time.



## Proposed FY2013 Operating Budget Summary

Estimated Revenues – G/F \$ 67,420,000

Estimated Revenues – Enterprise \$ 4,175,000

Estimated Expenditures – G/F \$ 71,100,000

Estimated Expenditures – Enterprise \$ 4,175,000

**Adjusted Budget Deficit \$ 3,680,000**

Use of Ambulance Receipts \$ 360,000

Use of Bond Premium \$ 120,000

Use of Free Cash \$ 3,200,000

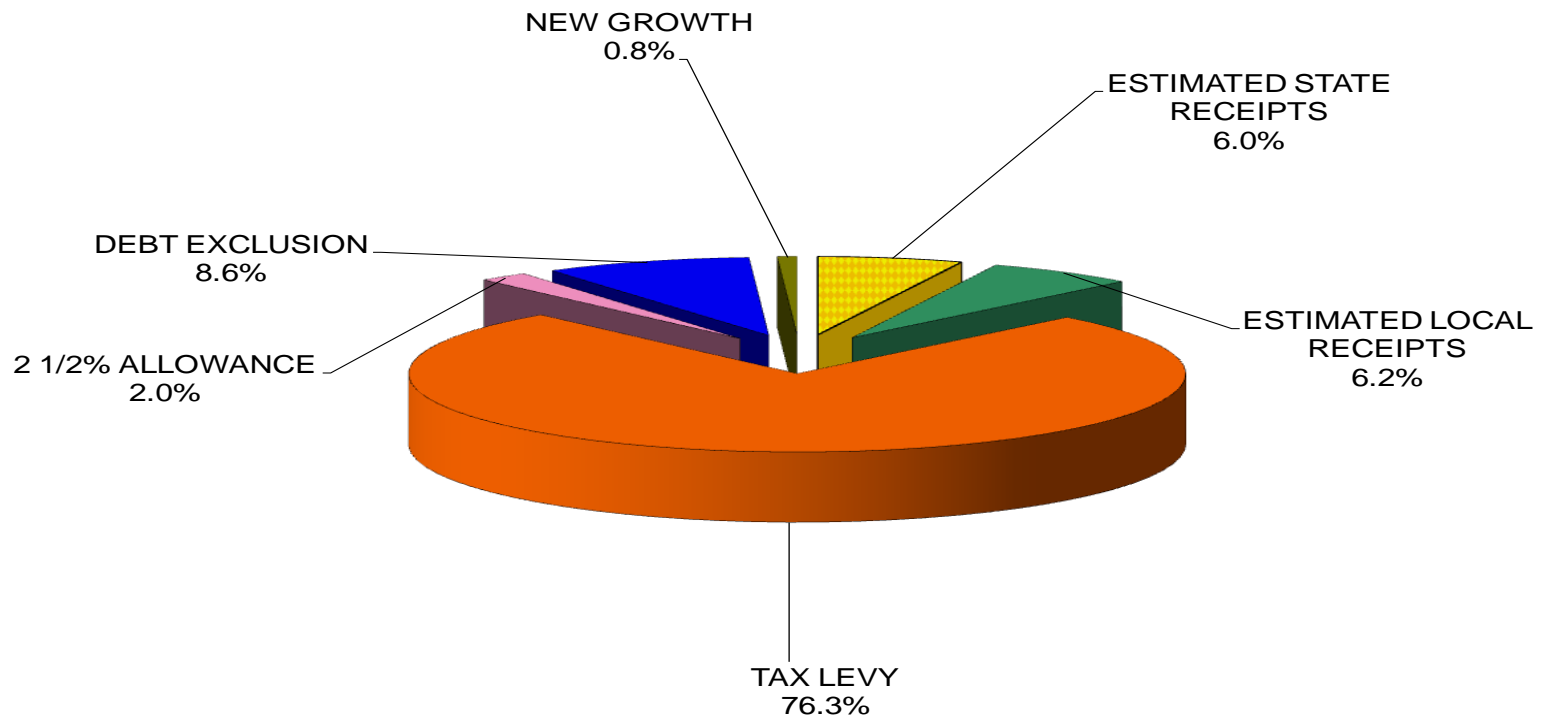
**Balanced Budget \$ 0**





## FY2013 Estimated Revenues by Source General Fund Only

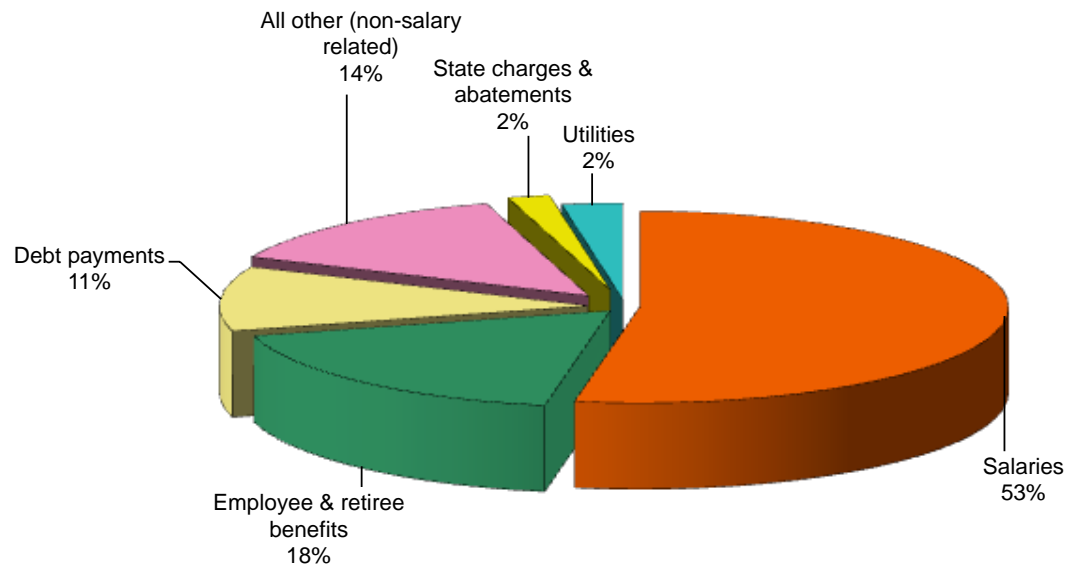
**Total Revenues of \$67.42 million**





## FY 13 Estimated Expenditures By Category General Fund Only

**Total Expenditures of \$71.1 million**





# **FY2013 Proposed Capital Budget**



## FY2013 Proposed Capital Budget Guideline

- Submissions due on October 27, 2011
- All requests went through the CIP process; DPW building submitted as separate warrant article
- For FY2013, the Finance Committee has again **selected funding sources to minimize tax payer impact rather than following published debt guidelines** (details on next slides)



## FY2013 Capital Budget Review Strategy

- Projects must be ready for ATM presentation
  - Stage projects if necessary
  - Support of sponsoring board/committee
- Fund capital within the tax levy or with cash
- Understand impact of delaying infrastructure maintenance/repair work



## FY2013 Capital Budget Changes

- Original capital budget totaled \$ 7,645,000
- Proposed capital budget totals \$ 5,400,000
- Capital items were adjusted as follows:
  - removed for further study or because other funding sources are being explored
  - reduced because of efficiencies or to meet budget
  - deferred for project timing or funding reasons
  - increased for efficiencies of timing or scale



## FY2013 Capital Budget Summary

<b>Total Recommended Capital</b>	<b>\$5,400,000</b>
Cash Capital	\$535,000
Free Cash – No Impact on Tax Levy	\$1,700,000
Non-Exempt Capital (Operating)	\$1,605,000
Exempt Capital (Debt Exclusion)	\$0
DPW Dept (Water) – No Impact on Tax Levy	\$1,560,000



## FY2013 Capital Budget - Cash Capital Items

- Regularly occurring, replaceable equipment and vehicles with a short lifespan (< 5 years).
- No impact on tax rate
- CIPs for all items available on Town website

Technology (School and JCC)	\$85,000
Vehicles (DPW (4) and School )	\$340,000
School equipment/furniture	\$110,000
<b>TOTAL</b>	<b>\$535,000</b>





## FY2013 Capital Budget – Free Cash Items

- Extraordinary item funded from the Town's cash reserve (Free Cash)
- No impact on tax rate
- CIPs for all items available on Town website

Middle School Roof Repairs	\$1,500,000
DPW Road Reconstruction	\$200,000
<b>TOTAL</b>	<b>\$1,700,000</b>



## FY2013 Capital Budget – Non-Exempt Items

- Regularly occurring, replaceable equipment and vehicles < \$100,000
- Number of items limited to capacity within existing debt service
- No impact on tax rate
- CIPs for all items available on Town website

Trucks & Equipment (DPW)	\$295,000
Building Repairs (Town and School)	\$720,000
Equipment/Network (IT)	\$185,000
Field Renovations (DPW)	\$75,000
Cemetery Expansion/Improvement (DPW)	\$200,000
Beach Improvements (Recreation)	\$130,000
<b>Total</b>	<b>\$1,605,000</b>



## FY2013 Capital Budget – Debt Exclusion Items

- All major renovations and repairs
- Equipment & vehicles > \$100,000
- Temporary increase in tax rate
- CIPs for all items available on Town website

None for FY2013

\$0



## FY2013 Capital Budget – Water Items

- Capital items proposed by DPW related to the Water Department
- Debt service paid through water revenues
- Some items paid through accumulated water reserves (no impact on water rates)
- No impact on tax rate
- CIPs for all items available on Town website

Distribution system upgrade – Pemberton Rd area		\$500,000
Pump station upgrades	<i>Water Reserves</i>	\$100,000
Vehicles (2)	<i>Water Reserves</i>	\$120,000
Backhoe	<i>Water Reserves</i>	\$140,000
Network Meter Reading System*	<i>Water Reserves</i>	\$700,000
<b>TOTAL</b>		<b>\$1,560,000</b>



## Estimate of Free Cash Level

- Balance after November STM    \$6,304,704 or 8.5%
- Estimated additions before June 30, 2012    \$4,990,000\*
  - FEMA and other reimbursements    \$ 750,000
  - Overlay    \$ 922,000
  - Unused capital funds    \$ 668,000
  - Local receipts/dept givebacks    \$2,350,000
  - Chapter 90 reimbursement    \$ 300,000
- Proposed cash usage with the FY2013 budget    \$5,911,000
  - To balance operating budget    \$3,200,000
  - To fund capital budget    \$1,700,000
  - To fund ATM articles, if passed    \$1,011,000
- **Estimated ending cash balance June 30, 2012 (range)**  
**\$2,200,000 - \$5,400,000 or 3.2% - 7.7%**

\*Some funds dependent on other boards' votes or timing of reimbursements. Does not include the School revolving funds of approximately \$700,000 pending a legal opinion.



## A Look Forward -- Preview of FY2014

- Budget challenges will include capital maintenance needs and significant request for a DPW building
- Unknown outcome of contract negotiations for FY2014 and beyond
  - 5 of 9 union contracts to be negotiated for FY2014
- State aid unlikely to recover to previous levels
  - Over \$1 million less than high in 2003
- Expectation for continued emphasis on cost savings initiatives through efficiencies, collaboration and/or consolidations
- Balance budget within constraints of Prop 2 1/2
- Anticipation of having significantly smaller amount of free cash to use to offset tax increase
- Continuation of improved budget reporting



# Questions On FY2013 Omnibus Budget