

REPORT OF THE FINANCE COMMITTEE

Introduction

Per Town Code Chapter 19, Section 2: Town Finances, the Finance Committee presents its Report to the 2020 Annual Town Meeting (ATM). This Report includes the Committee's recommended Fiscal Year 2021 (FY21) Omnibus Budget, capital plan recommendations as well as general financial information, concerns and outlook.

To fulfill its responsibility, the Finance Committee strives to balance the goals, desires and limitations of a broad spectrum of residents in Wayland. Some residents struggle with property tax obligations and other fees the Town imposes while others demand more and better services from town government. The Town and its various committees are urged to balance the demand for services against the cost of delivering those services and to seek efficiencies, cost savings and benefit from innovations in town operations, budgeting and finances.

Budget Process

At the Financial Summit in September, the Town and School Department presented their FY21 committed costs and budget drivers. After the Summit, the Town Administrator, Finance Director and Finance Committee issued the FY21 budget methodology guideline memo to department heads and staff requesting budget submissions contain committed costs and to identify staff additions and new initiatives separately. In addition, the Finance Committee issued a separate financial guideline memo to the Town Administrator and Superintendent of Schools and their respective boards stating to avoid eroding the Town's unused levy capacity, the Town should continue its efforts to maintain year over year budget increases closer to those allowed under Prop. 2 ½ and recommended a 3.1% guideline, a year-over-year operating budget increase of \$2.7 million.

The FY21 draft operating budgets submitted in December reflected a \$4.7 million year over year increase or 5.69%. In January, after conducting its initial review and identifying adjustments in debt service and health insurance, the Committee requested the Town Administrator and Superintendent of Schools to develop a list of \$750,000 in additional adjustments. After making several adjustments, the Finance Committee voted a draft operating budget of \$86.3 million, a \$3.7 million year over year increase and \$1 million over the Finance Committee financial guideline. In February, \$200,000 of additional refinements to debt service and estimated health insurance costs were made and the Finance Committee voted to recommend an \$86.1 million operating budget. The FY21 budget represents a \$3.5 million or 4.23% year over year increase and is \$800,000 over the Finance Committee financial guideline.

As shown in Table 1, the estimated funding requirements include the expenditures under the operating budget and other requirements such as cash capital, Other Post-Employment Benefits (OPEB) and overlay. To support the \$87.6 million spending level, property taxes will increase by \$3.2 million to \$74.1 million. The other major sources of revenue are state aid (\$6.5 million) and local receipts (\$5.1 million) which have not significantly increased since last year.

Table 1

(\$ in 000's)	FY 19	FY20	FY21	FY 20 vs 21	
	<u>Actual</u>	<u>Budget</u>	<u>Proposed</u>	<u>\$ Difference</u>	<u>% Change</u>
Operating Budget	\$ 78,729	\$ 82,652	\$ 86,149	\$ 3,497	4.23%
Total Funding Requirements	80,952	84,227	87,640	3,413	4.05%
Taxation	68,278	70,950	74,134	3,185	4.49%
State Aid	5,676	6,408	6,515	107	1.66%
Local Receipts	5,059	5,000	5,100	100	2.00%
Estimated Tax Rate	\$ 18.28	\$ 17.76	\$ 18.10	\$ 0.34	1.94%

Table 1 further shows for FY21, the tax rate is estimated to increase \$0.34 from \$17.76 to \$18.10 per \$1,000 of valuation. This estimated tax rate is based on the assumptions that the Town's assessed property valuation increases by 2.5% (FY21 - \$4.1 billion vs. FY20 - \$3.9 billion) and has limited new growth. A home currently assessed at \$800,100 in FY20 will have an estimated assessed value of \$820,100 in FY21. The average residential real estate tax bill will increase by approximately \$630 from the current \$14,210 to \$14,840 in FY21. This estimate is only for the proposed Omnibus Budget (see Table 5). Any articles approved at the Annual Town Meeting and / or any Fall Special Town Meeting that are funded by FY21 taxation will increase the tax rate and tax bills.

FY21 Recommended Operating Budget

Table 2 presents the proposed expense budget for Town, Schools and Unclassified totaling \$86.1 million with Town and School budgets broken out between payroll and spending.

Table 2

Expense trends (\$ in 000's)	FY 19	FY 20	FY 21	FY20 vs 21	
	<u>Actual</u>	<u>Approved</u>	<u>Proposed</u>	\$	%
Town:					
Payroll	\$ 12,437	\$ 13,413	\$ 13,942	\$ 529	3.94%
Spending	<u>4,777</u>	<u>4,941</u>	<u>5,499</u>	<u>558</u>	11.29%
	17,214	18,355	19,442	1,087	5.92%
School:					
Payroll	33,263	34,838	35,602	764	2.19%
Spending	<u>7,241</u>	<u>7,082</u>	<u>7,189</u>	<u>107</u>	1.51%
	40,505	41,920	42,791	871	2.08%
Unclassified:					
Debt Service	7,219	6,815	6,875	60	0.88%
Retirement	4,649	4,863	5,182	319	6.57%
Health Insurance	7,953	8,636	9,212	576	6.67%
General Insurance	719	686	701	15	2.19%
Reserve for Salary Adjustment		25	1,000	975	N/M
Reserve Fund		250	250	-	0.00%
Stormwater		210	200	(10)	-4.76%
Employee Mitigation		340		(340)	N/M
Other	<u>470</u>	<u>553</u>	<u>496</u>	<u>(57)</u>	-10.31%
	21,010	22,378	23,916	1,538	6.87%
Total	<u>\$ 78,729</u>	<u>\$ 82,652</u>	<u>\$ 86,149</u>	<u>\$ 3,497</u>	4.23%

Note; N/M is not meaningful

The following reclasses have been reflected in the FY21 budget:

IT cost have been moved from the Schools to the Town budget	\$ 143
Misc. Committees (Other) was transferred to an article	51
Street Lights (Other) has been moved to the Town Budget	95
Town Meeting (Other) has been moved to the Town budget	155

The increase in the Town budget would be \$694,000 or 3.78% and the School budget increase would be \$1,014,000 or 2.42% if these reclasses had not been made. The reclasses were made to better align the costs with the department managing those cost. These Town and School budget increases do not reflect potential impact of contract negotiations which were ongoing at the time the Warrant went to print.

Budget Drivers

The largest annual budget driver is Personnel cost that represents close to 75% of the FY21 operating budget and is forecasted to increase by 5.1% or \$3.2 million. Personnel cost includes payroll and fringe benefits. Payroll cost increases in Table 2 above reflect only steps, lane changes and new staff. The FY21 budget adds eight FTE's (full-time equivalents): three in the Town's budget and five within the Schools. Included in the Town's new positions is a part-time Outreach Coordinator (\$22,000) in the Youth and Family Services Department which was previously funded through a grant as part of Wayland Cares. Additional FY21 budget drivers include increases in School Transportation and Utilities (\$281,000), Vocational Education (\$103,000) and Water charges (\$50,000).

By function, the FY21 operating budget breakdown appears in Table 3. The flat debt service reflects the benefit from refinancing debt in February 2020. Higher retirement and healthcare cost represent 25.6% of the budget increase.

Table 3
Expense Summary of General Fund by Function
(\$ in 000's)

Thousands of Dollars	FY 19	FY 20	FY 21	FY 20 vs FY 21	
	<u>Actual</u>	<u>Approved</u>	<u>Proposed</u>	\$	%
General Government	\$ 3,955	\$ 4,370	\$ 5,085	\$ 715	16.36%
Public Safety	6,409	6,900	7,014	114	1.66%
Land and Planning Use	631	705	727	22	3.15%
Schools	40,505	41,920	42,791	871	2.08%
Regional Vocational Schools	182	230	333	103	44.78%
Public Works	2,999	3,060	3,081	21	0.69%
Snow Removal	559	500	500	-	0.00%
Human Services	2,661	2,820	3,034	214	7.60%
Debt and Interest	7,219	6,815	6,875	60	0.88%
Retirement	4,649	4,863	5,182	319	6.57%
Health Insurance	7,953	8,636	9,212	576	6.67%
Reserve for salary adjustment		25	1,000	975	N/M
Unclassified	1,007	1,809	1,314	(495)	-27.37%
TOTAL - GENERAL FUND	\$ 78,729	\$ 82,652	\$ 86,149	\$ 3,497	4.23%

Revenue Sources

The projected FY21 revenue forecast as outlined in Table 4 details the funding sources that support the budget and other funding requirements (e.g. OPEB, cash capital and overlay). In Wayland, the primary revenue source is property tax which for FY21 is projected to be \$74.1 million, a 4.49% increase over FY20. Other sources of revenue are not projected to change significantly from FY20.

Table 4

Summary of General Fund Revenues

(\$ in 000's)	FY 19	FY 20	FY 21	FY 20 vs FY 21	
	<u>Actual</u>	<u>Approved</u>	<u>Proposed</u>	\$	%
Thousands of Dollars					
Property Tax Revenue	\$ 68,278	\$ 70,950	\$ 74,134	\$ 3,185	4.49%
State Aid	5,676	6,408	6,515	107	1.66%
Local Receipts	5,059	5,000	5,100	100	2.00%
Transfers from Funds	1,225	1,164	1,193	29	2.53%
Ambulance Receipts	635	630	627	(3)	-0.48%
Bond Premium	79	75	70	(5)	-6.49%
Total Revenue	<u>\$ 80,952</u>	<u>\$ 84,227</u>	<u>\$ 87,640</u>	<u>\$ 3,413</u>	4.05%

The total funding requirements of Wayland and related revenue sources are reflected in Table 5. The total spending includes the operating budget (\$86.1 million), the Water Enterprise Fund budget (\$4.0 million), the Wastewater Enterprise Fund budget (\$ 0.8 million), cash capital (\$0.6 million) and \$0.5 million for OPEB. Total spending is \$92.4 million which is a 3.83% year over year increase.

Table 5

Funding Requirements and Sources

(\$ in 000's)	FY 19	FY 20	FY 21	FY 20 vs FY 21	
	<u>Actual</u>	<u>Approved</u>	<u>Proposed</u>	\$	%
General Fund Budget	\$ 78,729	\$ 82,652	\$ 86,149	\$ 3,497	4.23%
Water Enterprise	3,619	3,997	3,983	(14)	-0.35%
Wastewater Enterprise	<u>761</u>	<u>788</u>	<u>794</u>	<u>6</u>	0.76%
Omnibus Budget	83,109	87,437	90,926	3,489	3.99%
Overlay	266	239	250	11	4.60%
State Assessment	235	122	122	0	0.26%
Cherry Sheet offset	18	18	19	1	4.48%
Cash Capital	600	695	600	(95)	-13.67%
OPEB	492	500	500		
Total Requirements	<u>\$ 84,720</u>	<u>\$ 89,011</u>	<u>\$ 92,417</u>	<u>\$ 3,406</u>	3.83%
Funding is as follows:					
Taxation	\$ 68,278	\$ 70,950	\$ 74,135	\$ 3,185	4.49%
State Aid	5,676	6,408	6,515	107	1.66%
Local Receipts	5,059	5,000	5,100	100	2.00%
Ambulance Fund	635	630	627	(3)	-0.41%
Water Enterprise Revenue	3,717	3,997	3,983	(14)	-0.35%
Wastewater revenue / R.E.	697	728	794	66	9.07%
Other	<u>1,304</u>	<u>1,298</u>	<u>1,264</u>	<u>(34)</u>	-2.63%
Total Revenue	<u>\$ 85,366</u>	<u>\$ 89,011</u>	<u>\$ 92,417</u>	<u>\$ 3,406</u>	3.83%

Note that the requirements for FY19 in Table 5 are the actual expenditures for the fiscal year. Taxation is based on the budget for FY19. The major reason for the difference is that actual expenses came in less than budget.

Budget Pressures

In addition to wage and salary pressures and escalating healthcare and pension benefits which are annual budget drivers, the Finance Committee notes that the budgets for FY22 and beyond will have the following budget pressures:

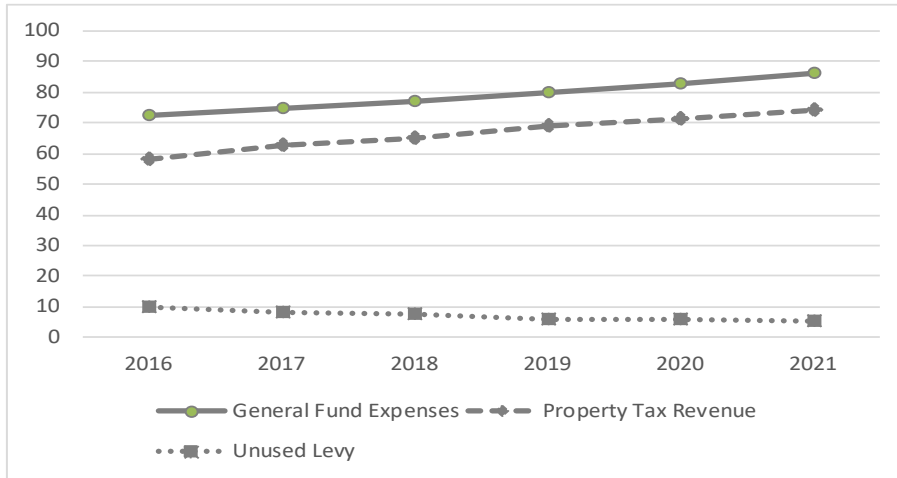
- Increasing cost to maintain the Town's infrastructure
- Implementing pay-as-you-go funding strategy for maintenance and recurring capital
- Increasing operating costs including debt service related to capital projects
- Maintaining unrestricted Fund Balance and overall debt and debt service levels to maintain Moody's Aaa bond rating
- Complying with new Federal stormwater regulations
- Legal and regulatory compliance surrounding public documents
- Potential cost of tying in Wayland's water system to the Massachusetts Water Resources Authority

Levy Capacity

During the financial guideline discussions and in its financial guideline memo, the Finance Committee continued to express concern that operating budgets in recent years have trended higher than its target. The Committee recommended efforts to be made to develop budgets with year over year increases that are closer to 3.1%. The FY21 year over year increase in taxation of 4.5% is 1.4% points higher than the Finance Committee target of 3.1%.

The following graph illustrates that when operating budgets increase, the amount of property taxes to support the budget also increases. At the same time, the graph shows that budgets that exceed Prop 2 1/2 limits erode unused levy capacity. Due to operating budgets that exceed the Prop 2 1/2 limits and increased borrowings for capital projects, the Town's unused levy capacity has decreased from \$10 million in FY2016 to \$6 million in FY2020 and is estimated to drop to \$5 million in FY 2021. Unused levy capacity gives the Town budgeting flexibility. If the Town were to exhaust its unused levy capacity, budget increases greater than allowed under prop 2/ 1/2 would require an operating override.

Wayland Budget Effects



The average property tax increase over the last 5 years has been 5% while the average expense increase has been 3.5%. Taxes increased at a higher rate than spending as other sources of revenue (state aid and local receipts) do not increase significantly year to year.

Fiscal Year	Percentage	
	Property Tax Chg.	Operating Budget Chg.
2017	7.4%	2.8%
2018	3.7%	3.3%
2019	6.0%	3.5%
2020	3.0%	3.5%
2021	4.5%	4.2%
Average	5.0%	3.5%

FY21 Capital Budget

In developing a capital budget recommendation, the Finance Committee begins with a review of prior year capital appropriations that have not been completed. As noted in Table 6, as of February 2020, \$5.9 million of Town and School capital projects have been approved in prior years but not been completed. This compares with \$9.5 million that was reported as of January 2019. Major efforts have been undertaken this year to complete projects and reduce backlog. It is anticipated that the majority of the projects in Table 6 will be completed within 18 months.

Table 6
(in 000's)

<u>Project</u>	<u>Capital</u>
TOWN CAPITAL	
FY 19 Munis Revenue Module	\$ 58
Dam Repairs	82
FY 19 Snake Brook River Dam	90
FY 18 Town Building Mech / Elect	75
FY 19 Window and Door Desg TB	65
FY 19 TB Interior Renovations	375
FY 17 Old DPW Demo	187
FY 19 Road Construction	279
FY 19 RT 20 South Laydown	142
FY 20 Road Construction	500
FY 20 Stonebridge Road Design	100
FY 20 Stormwater	250
FY 20 Compactor	55
FY 20 Backhoe P 55	125
FY 19 Concord Rd Culvert	150
FY 18 Transfer Station Access Rd	184
FY 16 COA Feasibility Study	76
FY 19 COA Study	470
Other	103
Subtotal	<u>3,366</u>
SCHOOL CAPITAL	
FY 17 Food Service Equipment	54
FY 18 Happy Hollow FS Equip	60
FY 19 Middle Sch Phone	60
FY 19 High Sch Wastewater Plan	285
FY 19 High School Field	1,178
FY 20 Comm Controls / Inter Syst	176
FY 20 Loker Roof and Insulation	313
FY 20 DW Core Network	215
FY 20 CH Food Serv Refrigerator	76
Other	145
Subtotal	<u>2,561</u>
Total Town and Schools	<u>5,927</u>
 WATER CAPITAL	
Pemberton Rd Upgrade	60
FY 16 Water Meter Replacement	200
FY 17 Water Meters	200
FY 17 Water Tank Cleaning	82
FY 17 Pump Station Upgrade	219
FY 17 Stonebridge Rd Water Main	77
FY 17 Water Main Replacement	247
FY 18 Water Main	244
FY 18 Pilot Study	89
FY 19 PLC Upgrades	65
FY 20 Automated Water Meters	1,300
FY 20 MWRA Connection Study	50
FY 19 Water Mains- Clean Water TST	561
Other	45
Subtotal	<u>3,439</u>
TOTAL	<u>\$ 9,365</u>

Part of the \$5.9 million of outstanding capital appropriations for the Town and Schools shown above includes projects that have been completed but not closed out. Closed out funds are returned to the

General Fund and/or deemed as surplus bonds that can be used to fund future projects. The Committee recommends developing a procedure to ensure timely turn backs of remaining funds from completed capital projects. In addition to the \$5.9 million of Town and School projects, there are \$3.4 million of Water enterprise projects previously approved but not completed as of February 2020.

Each capital improvement project summarized in Table 7 was evaluated to ascertain that both financial resources and staff availability will allow the project to be completed in a timely manner. In addition, the projects are evaluated as maintenance of assets, legal requirement, public safety and new initiative. For FY21, the Finance Committee recommends a \$4.2 million capital budget that supports 25 projects, the bulk of which focus on the maintenance of assets.

Table 7 presents a recap of the FY21 capital budget and associated funding sources.

Table 7

CAPITAL BUDGET - FISCAL 2021
(in 000's)

DPW	\$	2,054
Fire		795
School		430
JCC Departments		427
Information Technology		228
Facilities		177
DPW Water Enterprise Fund		75
TOTAL	\$	<u>4,186</u>
Funding Source		
Borrowing Exempt	\$	1,865
Free Cash		1,551
Cash Capital		600
Ambulance Fund		95
Water Capital		75
TOTAL	\$	<u>4,186</u>

In addition, the Town will be asked to approve articles including the Loker School roof (\$4.3 million) and Loker Turf field (\$3.4 million) which, if passed, would result in a total capital spend of almost \$12 million. This is significantly higher than the forecasted principal payments of \$6.1 million for FY21.

The Warrant also includes Community Preservation Act (CPA) funded projects for the Library (Americans with Disabilities Act improvements for \$110,000) and accessibility improvements for two playgrounds (\$417,000).

Debt Metrics

To help maintain the Town's current Moody's Aaa bond rating, the Finance Committee uses debt service and total debt to benchmark debt levels. In particular:

1. Debt service as a percentage of general fund expenditures should generally be less than 10%.
2. Total debt (all instruments that have a direct recourse to the General Fund) should generally be less than 100% of annual general fund revenue.

While the Finance Committee recommends that 10% of general fund expenditures as the cap for debt service expense, exceptions can be made for one-time large expenditures. The Town can decide to exceed

either of these benchmarks but should understand the potential financial impact of exceeding these benchmarks. For example, the higher the debt service in each year, the higher the tax rate to fund that debt service. A downgrade in the Moody's rating would result in higher debt service costs for new borrowings.

Table 8 shows the debt service against "Benchmark 1" as of and for the years ending June 30, 2019, 2020 and 2021. The improving % trend in "Benchmark 1" reflects lower debt service as the debt being repaid is at higher interest rates than the interest rate on new debt, the benefit of debt refinancing and the increasing rate of general fund expenditures other than debt service. "Benchmark 2" reflects the proposed debt level if the articles proposed are approved and the impact of previously approved projects for which the funds have not been borrowed yet.

Table 8
(\$ in 000's)

Benchmark 1 -

Debt service as a percent of general fund expenditures should generally be less than 10%:

	Actual		Projected	
	FY19	FY20	FY20	FY21
Debt service	\$ 7,219	\$ 6,815	\$ 6,815	\$ 6,875
General fund expenditures	\$ 78,729	\$ 82,652	\$ 82,652	\$ 86,149
Debt service as a % of general fund expenditures	9.17%	8.25%	8.25%	7.98%

Benchmark 2-

Total Debt should generally be less than 100% of annual general fund revenue

FY 21 general fund revenue \$ 87,640

	Debt Level	% of General Fund Revenue
Forecasted debt level of existing debt as of 6/30/2021	\$ 58,030	66.2%
Previously authorized but unissued debt as of 6/30/21	5,927	6.8%
Additional debt to be issued if 2020 ATM articles approved	9,765	11.1%
Debt level as a % of annual general fund revenue	<u>\$ 73,722</u>	84.1%

Note; Principal payments scheduled for FY21 are \$6.1 million.

The Town's bond rating was re-affirmed in February 2020 as Aaa with a stable outlook. Maintaining that rating continues to be of concern as Moody's has indicated the Town's indebtedness, fund balance, capability to fund future requirements and limited new growth are not in line with other Aaa rated communities. The Finance Committee continues to recommend town management implement a mechanism to ensure a minimum 20% fund balance is maintained.

The Capital required and related debt service in FY22 and FY23 for the proposed FY21 projects are shown in Table 9. It should be noted that debt service on a borrowing normally begins the year after a project is approved at Town Meeting. For example, a project approved at the 2020 ATM will be funded by borrowing in FY21 with the first debt service in FY22. As a result, the debt service will first be seen in the tax rate in FY22. Debt service from borrowings for the projects included in this year's Warrant and future major capital projects will significantly increase taxes unless projects are undertaken on a controlled basis as existing debt is repaid.

It should be noted that because Wayland has limited commercial business, the majority of the real estate tax burden is paid by the residents.

Table 9

Future Debt Service of Proposed Borrowings
 Dollars in Thousand except tax rate
 (Interest Rate assumption - 3.5%)

Project	Borrowing	Term	Debt Service		Est. Tax Rate Impact Per \$1K of Assessed Value		
			FY22	FY23	FY22	FY23	
Borrowing under Capital Plan:							
DPW Heavy Equipment	\$ 250	7	\$ 49	\$ 42	\$ 0.01	\$ 0.01	
Stonebridge Road Design Project	450	5	106	103	0.03	0.03	
High School Wastewater plant improvements	140	20	15	15	0.00	0.00	
Fire Pumper	700	10	95	92	0.02	0.02	
Old Sudbury Road Construction (RT 27)	<u>325</u>	<u>10</u>	<u>44</u>	<u>43</u>	<u>0.01</u>	<u>0.01</u>	
Subtotal	1,865	52	309	295	0.07	0.07	
Articles:							
Loker School Roof	4,300	20	366	358	0.09	0.09	
Loker Recreation Turf Field	3,400	15	349	341	0.09	0.09	
High School Athletic Complex Part 3	<u>200</u>	<u>5</u>	<u>47</u>	<u>46</u>	<u>0.01</u>	<u>0.01</u>	
Subtotal	7,900	40	762	745	0.19	0.19	
Total	<u>\$ 9,765</u>		<u>\$ 1,071</u>	<u>\$ 1,040</u>	<u>\$ 0.26</u>	<u>\$ 0.26</u>	

\$3.8 million of the \$4.3 million borrowing for the Loker School Roof project (the remaining \$500,000 will be levy debt) and the Loker Turf Field borrowing are proposed to be excluded debt. That is, a surcharge added to tax bills beginning in FY22 for the life of the project. The Finance Committee is concerned about the amount of debt, debt service and tax impact these projects and similar projects will have on future budgets. The FY22 impact of the debt service on the related borrowings on an \$840,600 home (assuming the home experiences a 2.5% valuation increase FY21 to FY22) if the three articles are approved at ATM would be \$59 for the Capital Plan items and \$160 for the Article borrowings, for a total impact of \$219.

Summary of the Five Year Capital Improvement Plan (CIP)

The Finance Committee is charged with preparing and presenting to Annual Town Meeting a five-year Capital Improvement Plan, which includes the construction and reconstruction of capital assets (such as municipal buildings, recreational facilities, roads and transfer station) and acquisition of land, equipment and vehicles and other personal property. The Finance Committee is also instructed to make recommendations to the appropriate authorities proposing such improvements. FY21 Capital budget includes 25 projects totaling \$4.2 million. A summary of Capital Projects for years 2-5 of the plan, that is FY22 - FY25 is shown in Table 10 below. A detailed project listing can be found on the Finance Committee's page on Town's website.

Resource Based Plan: The Finance Committee endorsed the adoption of a Resource Based Capital Plan in its 2019 report to Annual Town Meeting. In October, the Town Administrator and Finance Director presented a draft five-year Resource Based Capital Plan to the Finance Committee. A Resource Based Capital Plan evaluates every capital improvement project in terms of funds and manpower available to begin the project within the fiscal year of appropriation. Under this plan, construction and renovation projects follow a study, design, construct, operate and maintain schedule. An annual capital spending guideline was established as follows:

Cash Capital	\$600,000 - \$800,000
Free Cash	\$1.5 - \$2.0 million
Levy Borrowing	\$3 million
Ambulance Receipts	\$200,000
CPA	\$0 - \$500,000
Other	\$0 - \$200,000
Water Enterprise Funds	\$0 - \$300,000

FY21 marks a transition year. It is the first year of the Town's Resource Based Capital Plan, and the Committee recognizes it may take several years to transition from its current submission based capital plan to a resource based plan. Going forward, a draft five-year capital plan will be presented to the Finance Committee for its review. In addition, the Committee further recommends developing a list of potentially large capital projects that are on the 10-15 year horizon. Successful implementation of a long-term capital plan could level out annual capital expenditures provided capital funding requests are not submitted/approved other than at the ATM.

While significant progress was made for FY21, the Finance Committee has committed to seek recommendations from the finance team regarding years 2 -5 of the five-year capital plan and anticipates presenting that recommendation at ATM 2021.

The five-year capital plan includes \$ 43.6 million of projects for town and school and an additional \$10.7 million of projects for the water department as noted in Table 10. While the Town will likely choose not to do all these projects in the time forecasted, it is important to understand the nature and size of potential capital projects and the impact these projects can have on the Town's tax rate and Moody's bond rating.

Table 10

TOWN OF WAYLAND CIP SUMMARY						
SUMMARY BY DEPARTMENT (In 000's)	Fiscal Year					Years 1-5
	2021	2022	2023	2024	2025	Totals
GENERAL FUND:						
Conservation	\$ -	\$ 850	\$ -	\$ -	\$ -	\$ 850
DPW	2,054	1,285	2,180	1,725	1,245	8,489
Facilities	177	5,575	7,187	280	915	14,134
Fire	795	495	190	815	247	2,542
IT	228	567	255	215	180	1,445
JCC	427	150	150	150	100	977
Police		50		38	26	114
Recreation			300	1,345	1,465	3,110
Subtotal Town	3,681	8,972	10,262	4,568	4,178	31,661
School	430	5,340	3,155	961	2,025	11,911
Total General Fund	4,111	14,312	13,417	5,529	6,203	43,572
ENTERPRISE FUNDS:						
Wastewater Fund				150	200	350
Water Fund	75	800	3,540	2,200	4,095	10,710
Total Enterprise Funds	75	800	3,540	2,350	4,295	11,060
Grand Total	\$ 4,186	\$ 15,112	\$ 16,957	\$ 7,879	\$ 10,498	\$ 54,632

Outlook

Decisions made this year will significantly impact future Omnibus budgets. Looking forward to years FY22 and beyond, the Finance Committee wishes to note:

Expense Trend: In FY22, if expenses, other than debt service, increase by 3.5% and debt service increases by \$700,000 for the projects listed in table 9 (net of interest savings on principal payments on existing debt), the Town is facing a 4.1% tax increase before new initiatives or other spending changes.

Taxpayer Impact: The Finance Committee considerations include that many taxpayers will not receive an income tax benefit for any increase in real estate taxes. An additional consideration is the impact of higher taxes on an increasing portion of the Town's fixed income residents who may be house rich but have limited cash flow.

Debt Service: The Town is currently benefiting from being able to borrow at historically low rates. It is unknown how long those rates will remain as low. The Town faces increased cost for maintaining its aging infrastructure (e.g. roads, bridges, water mains and equipment) and Town and School buildings. At the same time, the Town is being asked to fund new projects such as the Council on Aging/Community Center and fields. Most of these projects will be funded by debt requiring a significant increase in debt service for an extended period of time.

Overlay Release: The Committee recommends and is willing to participate in a discussion with the finance team and Board of Assessors to evaluate adopting the practices as allowed under the recently enacted Municipal Modernization Act of using prior year surplus to fund current year Overlay.

Debt Exclusion: This year, as well as in 2019 and 2018, residents are being asked to consider funding capital projects with debt exclusion. Recognizing that debt exclusion is a surcharge, the Committee feels debt exclusion should only be used to fund large/new construction projects. To this end, the debt exemption threshold for new projects has been recommended to be increased to \$2.5 million.

Summary

In summary, to maintain services and strong financial health, the Town needs to:

- Manage Omnibus Budget decisions strategically
- Maintain Moody's Aaa rating
- Prioritize and schedule capital expenditures recognizing the impact on the taxpayer
- Manage staffing increases
- Seek out opportunities for raising revenue other than taxation
- Establish mechanism to maintain adequate Fund Balance
- Develop procedure to close out capital projects in a timely manner

The Finance Committee extends thanks and appreciation to the Town's employees, municipal and school department heads, and the various committees for their support during this year's budget preparation. Finally, we thank interested residents who provided timely advice and comments on how to make the budget and our budget processes better.

Respectfully submitted,

WAYLAND FINANCE COMMITTEE

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