

Finance Committee Annual Report 2017

The mission of the Wayland Finance Committee is to ensure a town operating budget and a capital spending plan that balances the demand and need for services and infrastructure with the ability of residents across a broad financial spectrum to afford these services. To fulfill this mission, the Finance Committee defines a financial strategy for the Town, recommends a fiscally responsible operating budget and capital spending plan in accordance with that strategy and provides factual and relevant information to residents so they can make informed decisions at Town Meeting.

FY 2018 Budget Guideline: To moderate the pace of expenditures, avoid future overrides and minimize the tax rate increases, the Finance Committee issued an FY 2018 Operating Budget Guideline requesting a maximum General Operating Budget increase of 2.5%.

Operating Budget: The Finance Committee recommended and Annual Town Meeting approved an FY2018 Operating Budget of \$77.1MM. The approved FY 2018 budget represents an increase of 2.71% in Town expenses and a 3.80% increase in School expenses over FY 2017 for an overall increase of 3.27%. The FY2018 budget included an \$1.7M increase in payroll, 16 new full time equivalent School resources and \$0.6MM for the Assessor's Overlay.

Total revenue from property taxes, local receipts, and state aid for FY 2018 were estimated to be approximately \$74.1 MM. To fund the operating deficit of \$3MM, the Committee recommended the use of \$0.5MM from free cash reserves, \$0.615MM in ambulance receipts, \$0.085MM in prior year bond premiums, \$0.5MM from prior year Overlay Surplus and \$1.3MM in transfers from other funds.

Capital Budget: Town boards and departments initially submitted \$8.3MM in capital requests. Of these requests, the Finance Committee recommended and Town Meeting approved \$2.98MM in capital expenditures. In addition, the Finance Committee recommended and Annual Town Meeting approved \$1.7MM for the Transfer Station Access Road and \$0.5MM for six capital appropriations recommended by the Community Preservation Committee (CPC) for a total FY 2018 capital budget of \$5.2MM.

The capital budget recommendation was driven, among other things, by the Finance Committee's policy to maintain General Fund debt service under 10 percent of the operating budget. To fund FY 2018 capital projects, the Finance Committee recommended \$3MM in new borrowing. The funding sources for the \$2.2MM balance included capital surplus, cash capital, ambulance receipts, the cemetery fund, CPC funds, recreation revolving fund and water surplus.

Free Cash: The Finance Committee recommended and Town Meeting approved using \$0.5MM of free cash to offset the FY 2018 operating budget. This represents a \$1MM reduction from FY 2017. The Finance Committee's goal is to limit the use of free cash to fund one time expenditures and eliminate the use of free cash to fund deficits in the operating budget by FY 2019. The Finance Committee also recommended and Town Meeting approved \$0.2M of Free Cash to fund the Town's annual OPEB contribution and \$0.2MM to fund capital expenditures.

Outlook: The FY 2018 budget represented an increase of 3.30%. The Town's diversified community demands that services remain predictable and affordable. It is important that the

growth of the General Fund expenses and associated personnel costs are controlled so spending does not reach a level that cause overrides and unsustainable real estate tax increases.

Capital items for FY 2019 through FY 2022 as presented in the Annual Town Meeting Warrant were not formally presented by departments or approved by the Finance Committee and were included in the 5-Year Capital Plan for planning purposes only. Significant capital projects listed on the five-year plan include a new Council on Aging/Community Center, updating the High School Campus and construction of a new Library. These proposed projects, if approved by Town Meeting will significantly impact future debt service expense and increase operating expenses.

The ongoing costs of maintaining the town's existing assets, roads and increasing role of Information Technology will continue to grow. The Finance Committee believes there may be risks associated with not providing an appropriate level of support for these capital initiatives, maintenance projects will most likely reduce the amount of funds available for new capital programs.

The Town of Wayland remained financially strong during FY17 as confirmed by Moody's affirmation of the Town's Aaa rating on February 24, 2017. However, the rating was modified from Aaa with "stable outlook" to Aaa with "negative outlook". Key factors to eliminating the negative outlook in future reviews will include the elimination of free cash to fund operating expenses, increasing the Town's Fund Balance and taking measures to ensure debt service does not exceed 10% of General Fund Revenues.

WAYLAND FINANCE COMMITTEE (as of June 30, 2017)

Gordon Cliff (through 4/30/17)
NancyFunkhouser
Jen Gorke
Carol Martin (Vice Chair)
Klaus Shigley
George Uveges
Dave Watkins (Chair))