

# **FY18 BUDGET**

## **Data Analysis – Considerations**

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**TOWN OF WAYLAND**  
**Debt Management Policy**

**Purpose:**

- To establish a criteria for the issuance of debt obligations so as not to exceed acceptable levels of indebtedness,
- To provide consistency and continuity to public policy development through the Town's Capital Improvement Plan, a mechanism that provides evidence of a commitment to meet infrastructure needs through a planned program of future financing,
- To transmit a message to investors and rating agencies who value such evidence of a community's commitment to financial management, and
- To state the guiding principles and general policies related to debt management.

1. Capital items must be \$10,000 or greater to issue debt to finance the project.
2. Debt will not be issued for a term longer than the expected useful life of the asset.
3. Total net debt service should not exceed ten percent of the total general fund expenditures.
4. On an overall basis, all general obligation debt should be structured to retire approximately seventy five percent of the Town's indebtedness within 10 years.
5. All street reconstruction, building repairs, improvements, design and related expenditures should be subject to a debt exclusion vote.
6. All land purchases from the general fund should be subject to a debt exclusion vote.
7. All equipment purchases/repairs \$100,000 or greater should be subject to a debt exclusion vote.
8. Other items will be reviewed on an individual basis to be considered for inclusion in a debt exclusion vote.
9. All police cruisers are deemed to be operating expenditures, not capital.
10. All passenger vehicles and small ticket equipment should be financed with cash capital and not financed by issuing debt (for example, inspection or other staff vehicles).
11. In order to maintain the highest bond rating, AAA, general fund reserve levels should be in the range of 5-10 % of operating expenditures.

*Debt Policy - Town of Wayland 1-22-08*

Wayland Finance Committee

Free Cash Policy

June 17, 2015

The Massachusetts Department of Revenue defines Free Cash as follows:

Definition of Free Cash

*Remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax recapitulation sheet, and unspent amounts in budget line-items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. The calculation of free cash is based on the balance sheet as of June 30, which is submitted by the community's auditor, accountant, or comptroller. Important: free cash is not available for appropriation until certified by the Director of Accounts*

The Town of Wayland policy on Free Cash is to maintain Certified Free Cash at an amount between 5% to 10% of the next fiscal year's general fund budget. Generally, Free Cash is appropriated by annual Town Meeting to support next year's General Fund operating budget, capital expenditure, articles, and current year transfers for contingencies and unexpected expenses.



## CREDIT OPINION

25 January 2016

### New Issue

#### Contacts

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## Wayland (Town of) MA

### New Issue - Moody's assigns Aaa to Wayland MA's GO Bonds

#### Summary Rating Rationale

Moody's Investors Service has assigned a Aaa rating to the Town of Wayland MA's \$3.1 million General Obligation Municipal Purpose Loan of 2016 Bonds (Bank Qualified). Concurrently, we have affirmed the Aaa rating of \$76.8 million of outstanding general obligation (GO) debt. The outlook is stable.

The Aaa rating reflects a stable tax base with strong socio-economic indicators, satisfactory financial position, and manageable debt and pension burdens. The rating also incorporates the town's comprehensive fiscal management that includes aggressive funding of long-term liabilities.

#### Credit Strengths

- » Comprehensive fiscal management
- » Stable tax base with strong wealth and income levels
- » Aggressive funding towards OPEB liability

#### Credit Challenges

- » Recent use of reserves to balance operations
- » Limited revenue flexibility given the tax levy limitation of Proposition 2 1/2
- » Above average debt burden

#### Rating Outlook

The stable outlook reflects the positive trend in valuation of the tax base and above average socio-economic indicators of taxpayers that bolster the town's financial operations. While the town has relied more on reserves to balance operations in recent years, we expect budgeted operations to return to a more structurally balanced position over the near term. Although failure to achieve balanced operations could lead to downward rating pressure.

#### Factors that Could Lead to a Downgrade

- » Fiscal 2016 and 2017 operating deficits
- » Trend of available general fund balance below 20% of revenues
- » Material increase in the debt burden

## Key Indicators

Exhibit 1

Wayland (Town of) MA	2011	2012	2013	2014	2015
<b>Economy/Tax Base</b>					
Total Full Value (\$000)	\$ 3,288,025	\$ 3,288,025	\$ 3,103,339	\$ 3,103,339	\$ 3,174,626
Full Value Per Capita	\$ 253,042	\$ 247,499	\$ 230,834	\$ 230,834	\$ 236,137
Median Family Income (% of US Median)	N/A	239.9%	239.9%	239.9%	239.9%
<b>Finances</b>					
Operating Revenue (\$000)	\$ 71,963	\$ 70,731	\$ 67,655	\$ 70,052	\$ 70,407
Fund Balance as a % of Revenues	29.8%	26.9%	22.8%	18.6%	21.3%
Cash Balance as a % of Revenues	111.6%	32.2%	28.1%	23.7%	26.8%
<b>Debt/Pensions</b>					
Net Direct Debt (\$000)	\$ 62,422	\$ 66,996	\$ 70,189	\$ 76,821	\$ 77,611
Net Direct Debt / Operating Revenues (x)	0.9x	0.9x	1.0x	1.1x	1.1x
Net Direct Debt / Full Value (%)	1.9%	2.0%	2.3%	2.5%	2.4%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	N/A	0.7x	1.2x	1.3x	N/A
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	N/A	1.6%	2.6%	3.0%	N/A

Fiscal year end June 30

Source: Moody's Investors Service

## Detailed Rating Considerations

## Economy and Tax Base: Stable Residential Valuation with Strong Wealth Levels

Wayland's \$3.2 billion (2016 equalized value) tax base will remain healthy given its desirable location 18 miles west of Boston (Aaa stable), strong housing values and affluent population. The fiscal 2016 assessed value reflected a 3.9% increase, bringing the five year compound annual growth to 1.8%. Year growth in 2016 increased by \$974,000 representing the strongest year of growth in recent history attributed to the town center project including new condos coming online. Wealth levels in the town are strong with median family income equal to 256% of the US median and full value per capita of \$236,137. The unemployment rate of 3.3% (November 2015) continues to trend below the commonwealth (4.5%) and US (4.8%).

## Financial Operations and Reserves: Increased Appropriations of Reserves Uncharacteristic of Rating Category

The town's financial position has been reduced in recent years after three consecutive years (fiscal 2012-2014) of operating deficits attributed to the reliance on free cash to balance operations. While the position remains relatively healthy, it is uncharacteristic of towns within the highest rating category. We expect this trend to stabilize over the near term given the town's history of conservative fiscal management. The fiscal 2015 audited financials reflect a \$1.4 million operating surplus (net of bond premium) due to positive variance in both revenues and expenditures. The surplus helped to improve the available general fund balance (committed, assigned and unassigned) to \$15 million or 21.3% of revenues including transfers. The primary revenue source is property taxes (84% of 2015 revenues) with strong collection rates, while the largest cost is education (51% of 2015 expenditures).

The fiscal 2016 budget increased by 3% over 2015 driven by education and health insurance costs. The budget is balanced with a reduction of 1.9% in the tax levy and increased free cash appropriations of \$4.5 million for operations and an additional \$300,000 towards capital expenditures. Year-to-date revenues and expenditures are trending positive, but given the increased use of free cash compared to 2015 (\$2.3 million), management does not expect to fully replenish the appropriations and could end the year with an estimated \$2.2 million operating deficit. The deficit could reduce available general fund balance to below the 20% of revenues threshold.

Over the next two to three years we expect the town to reduce annual free cash appropriations for operations and return reserve levels to above 20% of revenues. Wayland has \$10.1 million of unused levy capacity in 2016, which could provide additional revenue.

This publication does not constitute a credit rating action. For any credit ratings referenced in this publication, please see the rating table in the related report on [www.moody.com](http://www.moody.com) for the most updated credit rating action information and rating history.

flexibility. We expect this capacity to be tapped as the town's budget projects for fiscal years 2017 through 2020 indicate only \$1.5 million in free cash appropriations. A continued trend of reducing reserves in fiscal 2017 and beyond could lead to downward rating pressure.

#### LIQUIDITY

Cash and investments at the end of fiscal 2015 represented \$18.9 million or a healthy 26.8% of revenues including transfers.

#### Debt and Pensions: Above Average Debt Burden Remains Manageable; Strong Management of Long Term Liabilities

Wayland's direct debt burden (including the current issue) of 2.5% of equalized value is above average for the rating category including other Massachusetts Aaa-rated entities. We expect this burden to remain manageable given plans for moderate future annual borrowing of an estimated \$4.5 million. The town's capital budgets in recent years have averaged around \$6 million with most funded through debt.

#### DEBT STRUCTURE

All debt is fixed rate with 63% of principal retired in ten years. Debt service in fiscal 2015 represented an elevated 11% of expenditures.

#### DEBT-RELATED DERIVATIVES

The town has no derivatives.

#### PENSIONS AND OPEB

The town contributes to the Middlesex Regional Retirement System, a multi-employer cost-sharing plan. The town is required to fully fund its Annual Required Contribution (ARC), which was \$3.7 million in 2015, representing a manageable 5.4% of general fund expenditures. The town's three-year average 2014 adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is \$93.6 million, or an average 1.34 times general fund revenues. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the town's reported liability information, but to improve comparability with other rated entities.

The town has fully funded its annual OPEB contribution since 2009, indicating an aggressive willingness to address the long term liability. In fiscal 2015, the town funded 147% of the cost representing \$1.9 million. The town's OPEB liability is currently funded at 40.9%, with a total Unfunded Actuarial Accrued Liability (UAAL) of \$17.8 million as of the latest December 31, 2014 valuation report. Based on the latest valuation, the liability could be fully funded by 2045.

Total fixed costs in 2015 including debt service, required pension contributions and retiree healthcare payments, represented \$13.4 million or 19.2% of expenditures.

#### Management and Governance

The town adheres to comprehensive fiscal policies including a long-range financial plan and five-year capital plan.

Massachusetts towns have an institutional framework score of 'Aa' or strong. Revenues are highly predictable due to a heavy reliance on property taxes. Towns have a moderate revenue-raising ability given the Proposition 2 1/2 levy limit. Expenditures primarily consist of personnel costs, as well as education costs for towns that manage school operations, and are highly predictable given state-mandated school spending guidelines and employee contracts. Towns have a moderate expenditure reduction ability given the high presence of collective bargaining contracts, offset by low fixed costs in most cases.

#### Legal Security

The bonds are secured by the town's general obligation limited tax pledge as debt service has not been excluded from the levy limitations of Proposition 2 1/2.

#### Use of Proceeds

Proceeds will be used for various capital projects of the town.

#### Obligor Profile

Wayland is primarily residential with a population of 13,166 and is located 18 miles west of Boston, MA.

## Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

## Ratings

Label: 2

### WAYLAND (TOWN OF) MA

Issue	Rating
General Obligation Municipal Purpose Loan of 2016 Bonds (Bank Qualified)	Aaa
Rating Type	Underlying LT
Sale Amount	\$3,101,000
Expected Sale Date	01/28/2016
Rating Description	General Obligation

Source: Moody's Investor Service



Projected FY18 Operating Budget						
Assuming 2.5% Increase in Expenses and Typical Distribution to Town, School and						
	Fiscal 2017		Fiscal 2018		\$ Change	% Change
Revenues						
Property Tax	61,838	82.84%	63,648	83.18%	1,810	2.93%
State Aid	5,000	6.70%	5,000	6.53%	0	0.00%
Local Receipts	4,300	5.76%	4,300	5.62%	0	0.00%
Free Cash	1,500	2.01%	1,500	1.96%	0	0.00%
Interfund transfers	1,623	2.17%	1,684	2.20%	61	3.76%
Overlay	300	0.40%	300	0.39%	0	0.00%
Bond Premium	90	0.12%	85	0.11%	-5	-5.56%
Total Revenues	74,651		76,517		1,866	2.50%
Expenditures						
Town Departments	16,159	21.65%	16,381	21.41%	222	1.37%
Unclassified						
Debt	7,507	10.06%	7,584	9.91%	77	1.03%
Retirement Assessment	4,235	5.67%	4,447	5.81%	212	5.01%
Health Insurance	7,165	9.60%	7,881	10.30%	716	9.99%
Other Unclassified	1,863	2.50%	1,863	2.43%	0	0.00%
School Department	37,722	50.53%	38,361	50.13%	639	1.69%
Total Expenditures	74,651		76,517		1,866	2.50%

# General Fund Operating Budget

Assuming 2.5% Annual Increase FY17 - FY22

	Approved	Proposed Budgets FY 2018 thru FY 2022					5-Year Average Growth Rate
	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	
<b>Revenues</b>							
Property Tax	61,836	63,648	65,547	67,444	69,336	71,376	3.09%
\$ Change Y to Y	4,475	1,812	1,899	1,897	1,892	2,040	
% Change Y to Y	7.77%	2.93%	2.98%	2.89%	2.81%	2.94%	
State Aid	5,000	5,000	5,000	5,000	5,000	5,000	0.00%
Local Receipts	4,300	4,300	4,300	4,300	4,400	4,400	0.47%
Free Cash	1,500	1,500	1,500	1,500	1,500	1,500	0.00%
Interfund transfers	1,625	1,684	1,703	1,772	1,792	1,812	2.30%
Overlay	300	300	300	300	300	300	0.00%
Bond Premium	90	85	80	75	73	73	-3.78%
<b>Total Revenues</b>	<b>74,651</b>	<b>76,517</b>	<b>78,430</b>	<b>80,391</b>	<b>82,401</b>	<b>84,461</b>	<b>2.63%</b>
\$ Change Y to Y	2,008	1,866	1,913	1,961	2,010	2,060	
% Change Y to Y	2.77%	2.50%	2.50%	2.50%	2.50%	2.50%	
<b>Expenditures</b>							
Town Departments	16,159	16,381	16,750	17,092	17,269	17,483	1.64%
Unclassified							
Debt	7,507	7,584	7,444	7,222	7,215	7,271	-0.63%
Retirement Assessment	4,235	4,447	4,669	4,903	5,148	5,405	5.53%
Health Insurance	7,165	7,881	8,669	9,536	10,490	11,539	12.21%
Other Unclassified	1,863	1,863	1,863	1,863	1,863	1,863	0.00%
School Department	37,722	38,361	39,035	39,775	40,416	40,900	1.68%
<b>Total Expenditures</b>	<b>74,651</b>	<b>76,517</b>	<b>78,430</b>	<b>80,391</b>	<b>82,401</b>	<b>84,461</b>	<b>2.63%</b>
\$ Change Y to Y	2,008	1,866	1,913	1,961	2,010	2,060	
% Change Y to Y	2.77%	2.50%	2.50%	2.50%	2.50%	2.50%	
<b>Total Valuation @ 2.5% growth</b>	<b>3,450,648</b>	<b>3,536,914</b>	<b>3,625,337</b>	<b>3,715,971</b>	<b>3,808,870</b>	<b>3,904,092</b>	
<b>Estimated Tax Rate-Est</b>	<b>17.92</b>	<b>18.00</b>	<b>18.08</b>	<b>18.15</b>	<b>18.20</b>	<b>18.28</b>	

General Fund Operating, Cash Capital and Non Appropriated FY17 - FY22							5-Year Average Growth Rate
	Approved	Proposed Budgets FY 2018 thru FY 2022					
	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	
<b>Revenues</b>							
Property Tax	62,821	64,646	66,745	68,442	70,334	72,574	3.11%
State Aid	5,000	5,000	5,000	5,000	5,000	5,000	0.00%
Local Receipts	4,300	4,300	4,300	4,300	4,400	4,400	0.47%
Free Cash	1,500	1,500	1,500	1,500	1,500	1,500	0.00%
Interfund transfers	1,623	1,684	1,703	1,772	1,792	1,812	2.33%
Overlay	300	300	300	300	300	300	0.00%
Bond Premium	90	85	80	75	73	73	-3.78%
Total Revenues	75,634	77,515	79,628	81,389	83,399	85,659	2.65%
\$ Change Y to Y		1,881	2,113	1,761	2,010	2,260	
% Change Y to Y		2.49%	2.73%	2.21%	2.47%	2.71%	
<b>Expenditures</b>							
Town Departments	16,159	16,381	16,750	17,092	17,269	17,483	1.64%
Unclassified							
Debt	7,507	7,584	7,444	7,222	7,215	7,271	-0.63%
Retirement Assessment	4,235	4,447	4,669	4,903	5,148	5,405	5.53%
Health Insurance	7,165	7,881	8,669	9,536	10,490	11,539	12.21%
Other Unclassified	1,863	1,863	1,863	1,863	1,863	1,863	0.00%
School Department	37,722	38,361	39,035	39,775	40,416	40,900	1.68%
Cash Capital	185	200	200	200	200	200	1.62%
Total Expenditures	74,836	76,717	78,630	80,591	82,601	84,661	2.63%
<b>Unappropriated Expenses:</b>							
Overlay	600	600	800	600	600	800	6.67%
Cherry Sheet Offsets	17	17	17	17	17	17	0.00%
State Assessments	181	181	181	181	181	181	0.00%
Total Other	798	798	998	798	798	998	5.01%
Total All	75,634	77,515	79,628	81,389	83,399	85,659	2.65%
\$ Change Y to Y		1,881	2,113	1,761	2,010	2,260	
% Change Y to Y		2.49%	2.73%	2.21%	2.47%	2.71%	
Total Valuation @ 2.5% growth	3,450,648	3,536,914	3,625,337	3,715,971	3,808,870	3,904,092	2.63%
Estimated Tax Rate-Est	18.21	18.28	18.41	18.42	18.47	18.59	

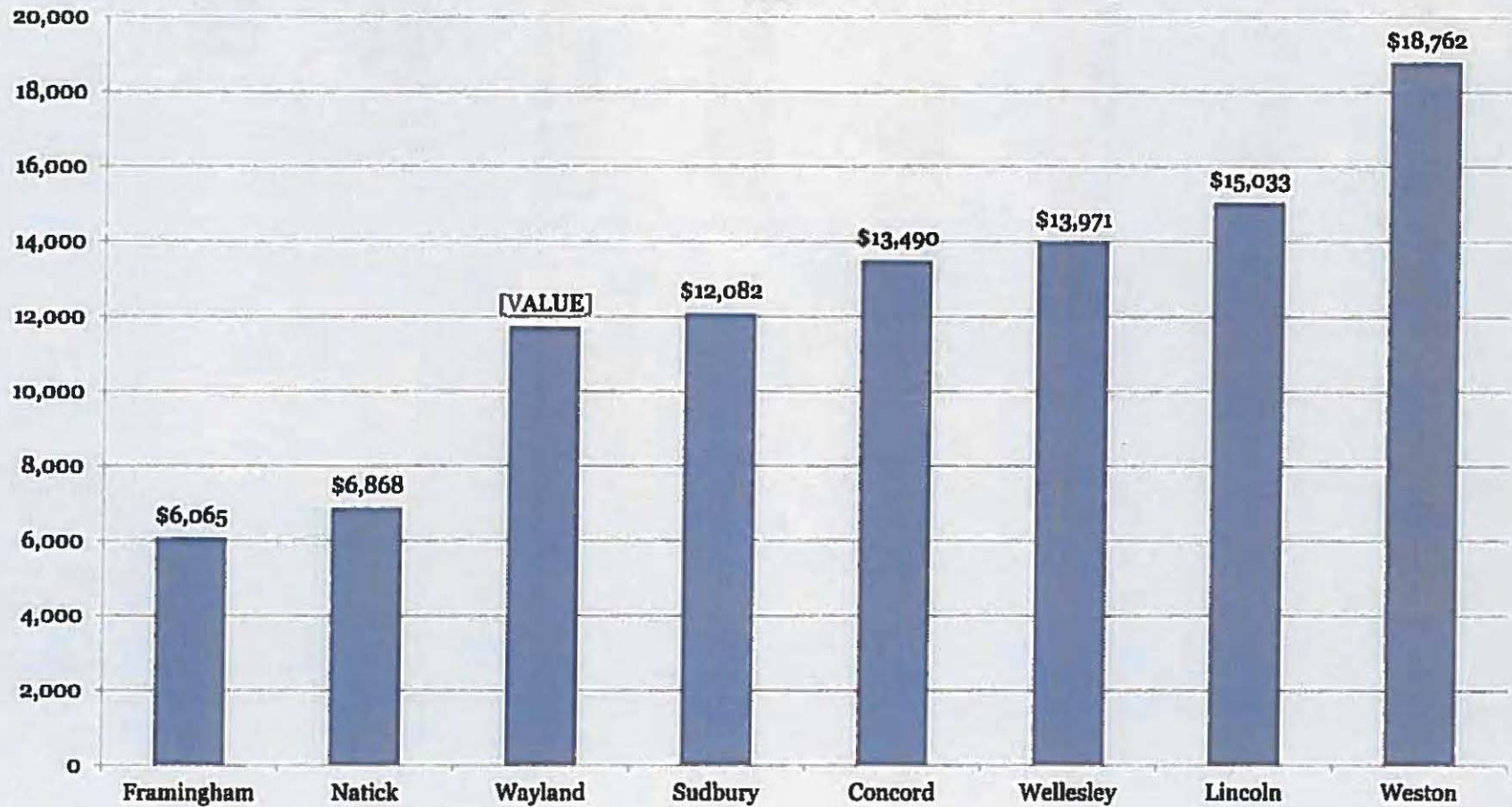
Estimated Total Max levy-Est	72,793	74,825	77,158	79,550	82,003
Estimated unused levy-Est	8,147	8,080	8,716	9,216	9,429

**Proposed FY 2018 General Fund Budget**  
**Chart depicts the effect of increasing proposed budget by increments of \$100K**

<b>FY 2018 2.50%</b>	<b>Adding \$100K</b>	<b>Adjusted FY 2018</b>	<b>\$ Variance FY 18 / FY 17</b>	<b>% Change FY 18 / FY 17</b>	<b>Adjusted Tax Rate</b>	<b>Tax Revenue</b>	<b>% Chg. Tax Revenue</b>	<b>\$ Chg. Tax Revenue</b>
76,517		76,517	1,866	2.50%	18.00	63,648	2.93%	1,812
-	100	76,617	1,966	2.63%	18.02	63,748	3.09%	1,912
-	100	76,717	2,066	2.77%	18.05	63,848	3.25%	2,012
-	100	76,817	2,166	2.90%	18.08	63,948	3.42%	2,112
-	100	76,917	2,266	3.04%	18.11	64,048	3.58%	2,212
-	100	77,017	2,366	3.17%	18.14	64,148	3.74%	2,312
-	100	77,117	2,466	3.30%	18.16	64,248	3.90%	2,412
-	100	77,217	2,566	3.44%	18.19	64,348	4.06%	2,512
-	100	77,317	2,666	3.57%	18.22	64,448	4.22%	2,612
-	100	77,417	2,766	3.71%	18.25	64,548	4.39%	2,712
-	100	77,517	2,866	3.84%	18.28	64,648	4.55%	2,812
-	100	77,617	2,966	3.97%	18.31	64,748	4.71%	2,912

Assumes 2.5% annual growth in assessed value of Town  
per 3-year average on tax recap.

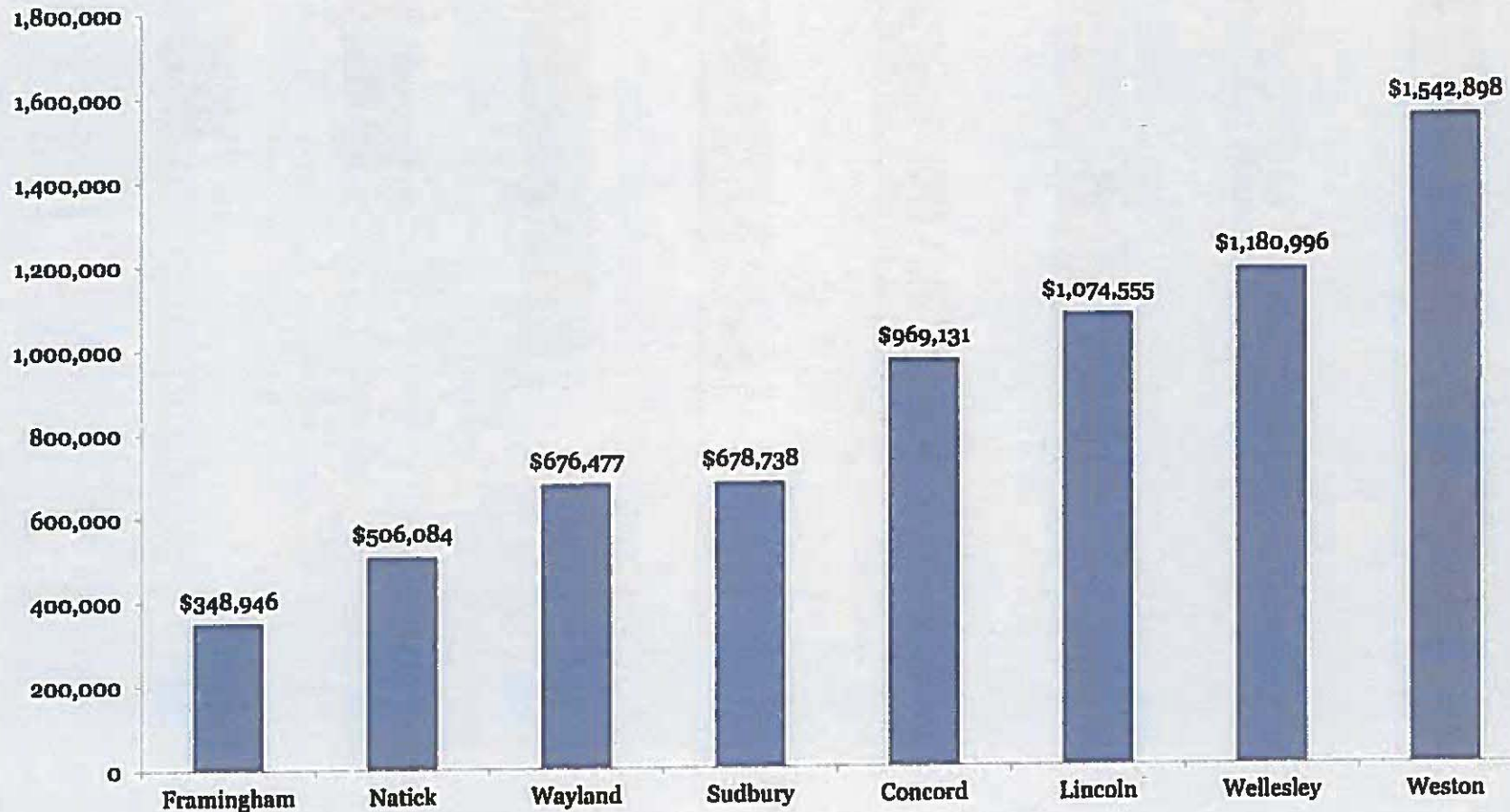
# Neighboring Towns FY16 Average Single Family Tax Bill



SOURCE: BOARD OF ASSESSORS



# Neighboring Towns FY 16 Average Assessed Value



SOURCE: BOARD OF ASSESSORS

## Average Single Family Assessed Value & Average Single Family Tax Bill

Year	Average Single Family Value	Percent Change YOY	Single Family Tax Bill	Percent Change YOY
2009	\$647,717		\$10,603	
2010	\$617,648	-0.046	\$10,982	0.036
2011	\$592,825	-0.040	\$11,471	0.045
2012	\$593,050	0.000	\$11,274	-0.017
2013	\$588,530	-0.008	\$10,529	-0.066
2014	\$598,679	0.017	\$10,974	0.042
2015	\$655,211	0.094	\$12,049	0.098
2016	\$676,477	0.032	\$11,730	-0.026

SOURCE: BOARD OF ASSESSORS

# Town of Wayland

## New Growth

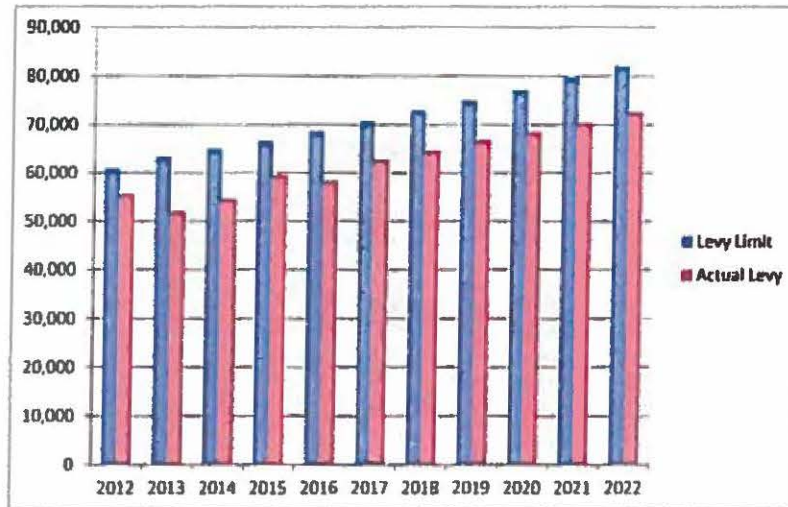


Fiscal Year	Total New Growth Applied to the Levy Limit	Prior Year Levy Limit	New Growth as a % of Prior Year's Levy Limit
2006	\$664,875	\$36,474,429	1.82
2007	\$744,203	\$40,365,264	1.84
2008	\$702,404	\$44,218,599	1.59
2009	\$666,503	\$46,032,584	1.45
2010	\$521,401	\$49,745,902	1.05
2011	\$416,727	\$51,510,951	0.81
2012	\$712,447	\$53,215,452	1.34
2013	\$684,120	\$55,258,285	1.24
2014	\$789,648	\$57,323,862	1.38
2015	\$541,216	\$59,546,607	0.91
2016	\$973,920	\$61,590,938	1.58
2017		\$64,104,631	
5 Year Average:	\$740,270		

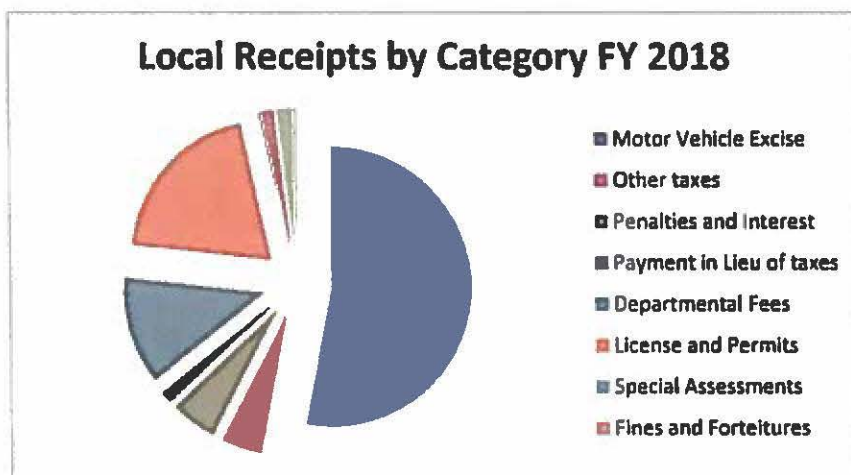
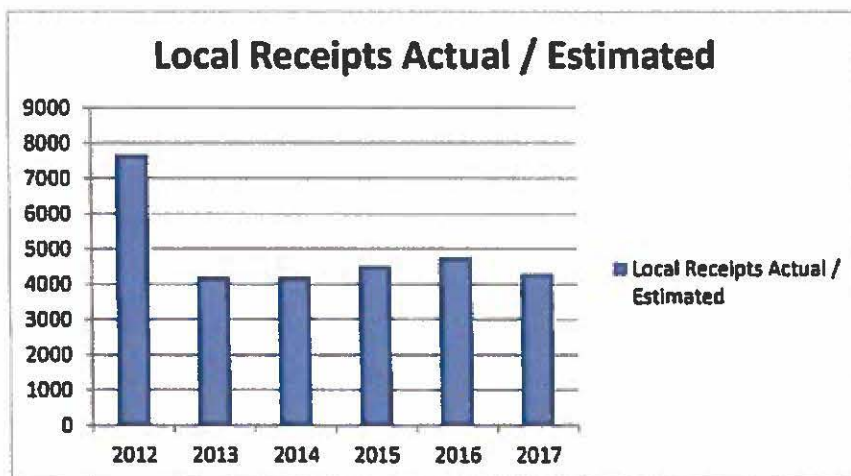
SOURCE: BOARD OF ASSESSORS



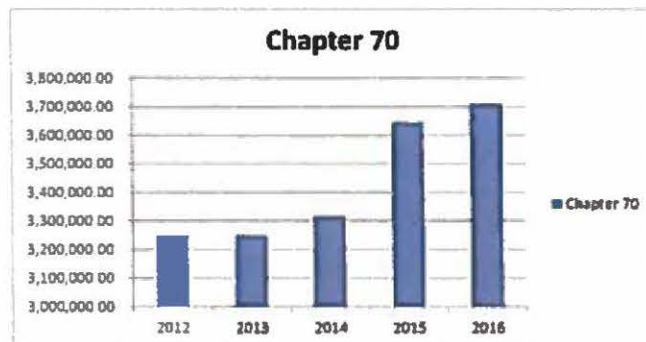
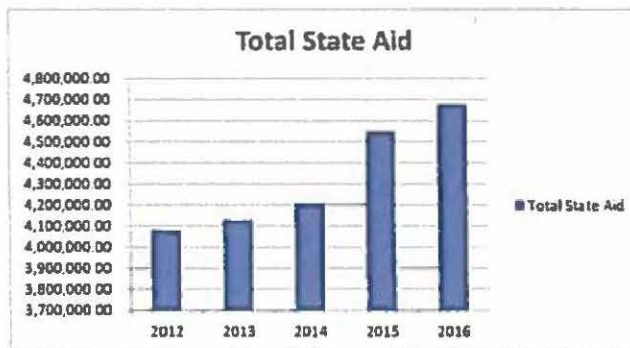
Town of Wayland Levy Limit Actual & Projected FY12 - FY22											
Actual per Tax Recap						Estimated New Growth					
PROPERTY TAXES	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Prior Year Levy Limit	53,215	55,258	57,323	59,547	61,591	64,104	66,306	68,564	70,878	73,250	75,681
2 1/2 % Increase	1,330	1,381	1,433	1,489	1,540	1,603	1,658	1,714	1,772	1,831	1,892
New Growth-( Est. , FY 17 - FY 22)	712	685	791	541	973	600	600	600	600	600	600
				13							
Annual Levy Limit	55,257	57,324	59,547	61,590	64,104	66,306	68,564	70,878	73,250	75,681	78,173
Debt Exclusion	5,551	5,835	5,274	4,846	4,408	4,325	4,229	3,947	3,908	3,868	3,830
Annual Max Levy Limit	60,818	63,159	64,821	66,436	68,512	70,631	72,793	74,825	77,158	79,550	82,003
Property Tax Revenue-Actual	55,514	52,016	54,588	59,586	58,374	62,821	64,646	66,745	68,442	70,334	72,574
Unused Levy	5,304	11,143	10,233	6,850	10,138	7,810	8,147	8,080	8,716	9,216	9,429
\$\$ Increase-Annual Max Levy Limit		-3,498	2,572	4,998	2,076	2,120	2,162	2,032	2,332	2,392	2,453
% Increase-Annual Max Levy Limit		-6.30%	4.94%	9.16%	3.48%	3.63%	3.44%	3.14%	3.49%	3.50%	3.49%



Actual General Fund Local Receipts Revenue Fiscal 2012 thru Fiscal 2016- FY 2017 Budget						
Local Receipts	ACTUAL					Budget
	2012	2013	2014	2015	2016	2017
Motor Vehicle Excise	2,003	2,046	2,328	2,384	2,519	2,315
Other taxes	166	173	209	217	220	250
Penalties and Interest	205	216	163	223	254	185
Payment in Lieu of taxes	33	23	22	26	63	25
Departmental Fees	712	538	593	471	590	470
License and Permits	769	1,006	687	999	945	909
Special Assessments	10	16	16	6	7	6
Fines and Forfeitures	89	81	87	61	62	60
Investment Income	222	96	96	127	88	75
Misc Recurring-MSBA	0	0	0	5	5	5
Charges for water	3,451	0	0	0	0	0
<b>Totals</b>	<b>7,660</b>	<b>4,195</b>	<b>4,201</b>	<b>4,519</b>	<b>4,753</b>	<b>4,300</b>



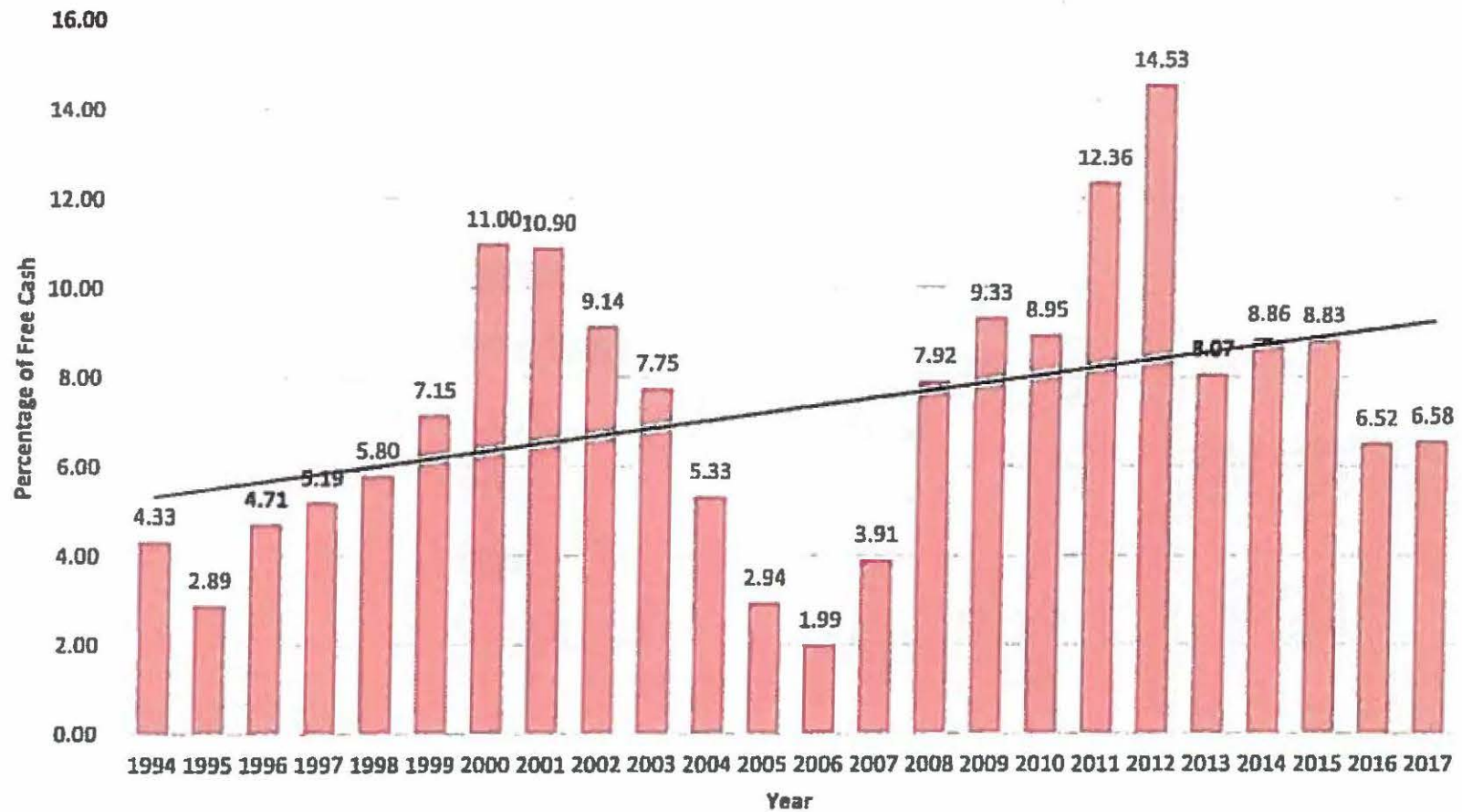
State Aid Revenue Fiscal 2012 thru Fiscal 2017						
Actual Revenue						Budget
	2012	2013	2014	2015	2016	2017
Chapter 70 School Aid	3,250,268.00	3,250,268.00	3,316,662.00	3,644,813.00	3,710,313.00	4,042,462.00
Charter Tuition	3,669.00	3,669.00	2,109.00	-	14,734.00	1,444.00
Unrestricted General Aid	764,572.00	764,572.00	782,645.00	804,349.00	833,306.00	869,138.00
Veterans Benefits	6,294.00	6,294.00	1,954.00	6,731.00	40,017.00	4,943.00
Exemption- Veterans	-	8,033.00	6,024.00	34,474.00	5,522.00	61,203.00
State Owned Land	53,018.00	53,018.00	54,067.00	57,115.00	70,760.00	34,382.00
MSBA Reimbursemt	-	43,266.00	43,266.00	-	-	-
<b>Total</b>	<b>4,077,821.00</b>	<b>4,129,120.00</b>	<b>4,206,727.00</b>	<b>4,547,482.00</b>	<b>4,674,652.00</b>	<b>5,013,572.00</b>





# Town of Wayland Massachusetts

## Free Cash as a Percentage of Budget

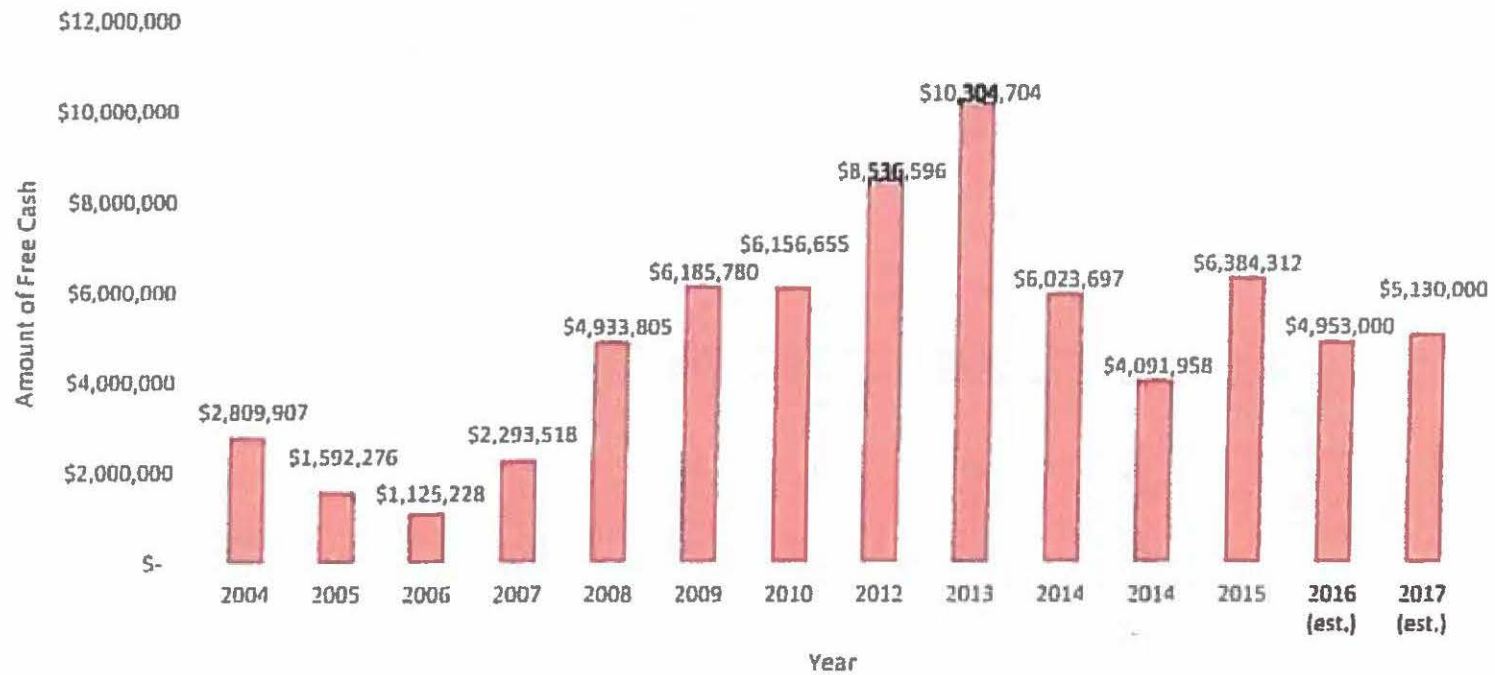






# Town of Wayland Massachusetts

Town of Wayland Historical Free Cash



FREE CASH ANALYSIS - 5-Year Projection		Projected FY 2016	Projected FY 2017	Projected FY 2018	Projected FY 2019	Projected 2020	Projected 2021
Using \$1.5M Free Cash							
		Factors in a 2.50% increase in budget					
Estimated total budget: ( 2.5% annual increase)		72,414	75,563	77,452	79,388	81,373	83,407
Free Cash Balance beginning year:		6,479	4,786	5,185	5,140	5,134	5,118
<i>Uses of Free Cash</i>							
Net change in year to year overlay		0	(84)	(84)	(84)	(84)	(84)
FY 16 Current year Increase-Fall TM		(190)	(200)	(200)	(200)	(200)	(200)
Energy Fall TM		(29)	0	0	0	0	0
FY 16 Fall TM		(150)	0	0	0	0	0
Overlay to support subsequent year budget		(301)	(200)	(200)	(200)	(200)	(200)
Additional use to support CY budget- FY 16		(2,000)	0	0	0	0	0
Support subsequent year operating budget-FY 17		(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
OPEB Funding subsequent year		(215)	(215)	(215)	(215)	(215)	(215)
Capital Projects subsequent year		(410)	(200)	(200)	(200)	(200)	(200)
Recreation Revolving Transfer GF to Rec		(482)	(300)	(300)	(300)	(300)	(300)
Article 19 ATM		(56)	0	0	0	0	0
Total		(5,333)	(2,699)	(2,699)	(2,699)	(2,699)	(2,699)
<i>Sources of Free Cash</i>							
Net change in year to year overlay		17	0	0	0	0	0
Amortization of MSBA		5	5	5	5	5	5
Prior year recovery		462	0	0	0	0	0
Current year unbudgeted revenue							
OPEB Art-4 ATM 2014		0	50	50	50	0	0
OPEB Art-4 ATM 2015-M-b		115	0	0	0	0	0
Prior Year Real Estate / PP revenue		513	700	700	700	700	700
Recreation Revolving Transfer Rec to GF		0	482	0	0	0	0
January 2016 Bond Premium		113	0	0	0	0	0
Current year excess revenue over budget		327	250	250	250	250	250
Prior year rollover appropriation turnback		241	100	100	100	100	100
Turnbacks-Current Year ( Equals 2% of CY Budget)		1,847	1,511	1,549	1,588	1,627	1,668
Total		3,640	3,098	2,654	2,693	2,682	2,723
Net annual source & use change:		(1,693)	399	(45)	(6)	(17)	24
Free Cash Balance Beginning Of Next Fiscal Year		4,786	5,185	5,140	5,134	5,118	5,142
Free Cash as % of next year budget		6.33%	6.69%	6.47%	6.31%	6.14%	6.01%

	TOWN AND SCHOOL ACTUAL EXPENSES						5-Year Avg. Increase
	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Budget	2017 Budget	
Town	25,012,144	25,205,000	25,254,520	25,938,335	26,763,327	27,900,641	2%
\$ chg Y to Y		192,856	49,520	683,815	824,992	1,137,314	
% chg Y to Y		0.77%	0.20%	2.71%	3.18%	4.25%	
Avg % chg 5-y					1.75%	2.67%	
Unclassified	6,652,028	7,322,941	7,251,532	7,743,550	9,160,218	9,028,000	7%
\$ chg Y to Y		670,913	(71,409)	492,018	1,416,668	(132,218)	
% chg Y to Y		10.09%	-0.98%	6.79%	18.29%	-1.44%	
Avg % chg 5-y					9.43%	5.82%	
School	30,921,330	32,521,598	33,516,931	35,194,711	36,719,239	37,722,833	4%
\$ chg Y to Y		1,600,268	995,333	1,677,780	1,524,528	1,003,594	
% chg Y to Y		5.18%	3.06%	5.01%	4.33%	2.73%	
Avg % chg 5-y					4.69%	4.00%	
Total	62,585,502	65,049,539	66,022,983	68,876,596	72,642,784	74,651,474	4%
\$ chg Y to Y		2,464,037	973,444	2,853,613	3,766,188	2,008,690	
% chg Y to Y		3.94%	1.50%	4.32%	5.47%	2.77%	
Avg % chg 5-y					4.02%	3.69%	

	TOWN AND SCHOOL BUDGETS						5-Year Avg. Increase
	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget	2017 Budget	
Town	25,503,743	25,267,594	25,455,197	26,290,400	26,763,327	27,900,641	2%
\$ chg Y to Y		-236,149	187,603	835,203	472,927	1,137,314	
% chg Y to Y		-0.93%	0.74%	3.28%	1.80%	4.25%	
Avg % chg 5-y					1.23%	2.61%	
Unclassified	10,657,000	8,805,665	9,122,859	8,579,710	9,160,218	9,028,000	-3%
\$ chg Y to Y		-1,851,335	317,194	-543,149	580,508	-132,218	
% chg Y to Y		-17%	4%	-6%	7%	-1%	
Avg % chg 5-y					-4%	1%	
School	31,096,713	32,526,704	33,397,005	35,433,047	36,719,239	37,722,833	4%
\$ chg Y to Y		1,429,991	870,301	2,036,042	1,286,192	1,003,594	
% chg Y to Y		4.60%	2.68%	6.10%	3.63%	2.73%	
Avg % chg 5-y					4.52%	3.99%	
Total	67,257,456	66,599,963	67,975,061	70,303,157	72,642,784	74,651,474	2%
\$ chg Y to Y		-657,493	1,375,098	2,328,096	2,339,627	2,008,690	
% chg Y to Y		-0.98%	2.06%	3.42%	3.33%	2.77%	
Avg % chg 5-y					2.00%	3.02%	

**TOWN OF WAYLAND  
GENERAL FUND DEBT AVAILABLE  
CONSISTENT WITH TOWN POLICY\***

FY Year	Projected GF budget(1)	Projected Debt Service(2)	Debt Service Change Year to Year	Debt Service as % of Projected budget	10% of Projected	General Fund Debt Service Costs Available Consistent With Current Town Policy**
2016	73,590,000	7,751,620		10.53%	7,359,000.00	(392,619.98)
2017	75,429,750	7,652,831	-98,788.57	10.15%	7,542,975.00	(109,856.41)
2018	77,315,494	7,303,443	-349,388.54	9.45%	7,731,549.38	428,106.51
2019	79,248,381	6,626,013	-677,430.37	8.36%	7,924,838.11	1,298,825.61
2020	81,229,591	5,894,151	-731,861.25	7.26%	8,122,959.06	2,228,807.81
2021	83,260,330	5,396,703	-497,448.74	6.48%	8,326,033.04	2,929,330.53
2022	85,341,839	5,073,096	-323,606.25	5.94%	8,534,183.86	3,461,087.60
2023	87,475,385	4,648,115	-424,981.26	5.31%	8,747,538.46	4,099,423.46
2024	89,662,269	4,478,449	-169,666.25	4.99%	8,966,226.92	4,487,778.17
2025	91,903,826	4,363,861	-114,587.50	4.75%	9,190,382.60	4,826,521.35
2026	94,201,422	4,141,524	-222,337.50	4.40%	9,420,142.16	5,278,618.41
2027	96,556,457	3,831,106	-310,417.50	3.97%	9,655,645.71	5,824,539.46

**Assumptions:**

(1) General Fund Budget projected to increase 2.5% annually.

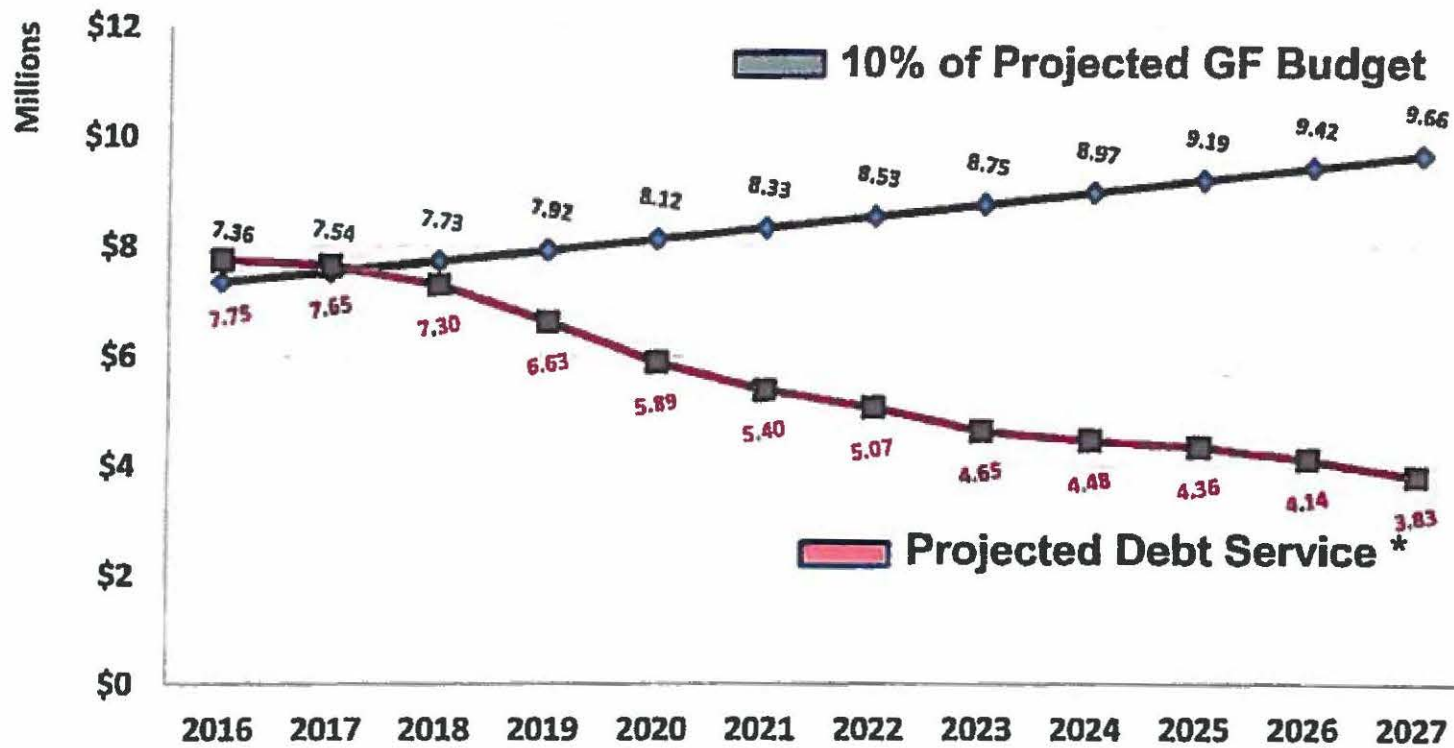
(2) Projected Debt Service reflects proposed borrowing of \$3,975,000 in February 2016.

\* Town Policy on Debt states that annual cost of debt not to exceed 10% of annual budget.

\*\* Excess Borrowing Capacity Inside Debt Limit as of 6/30/15 \$132,514,809



# General Fund Debt Analysis



\* Including Feb 2016 Approved Borrowing

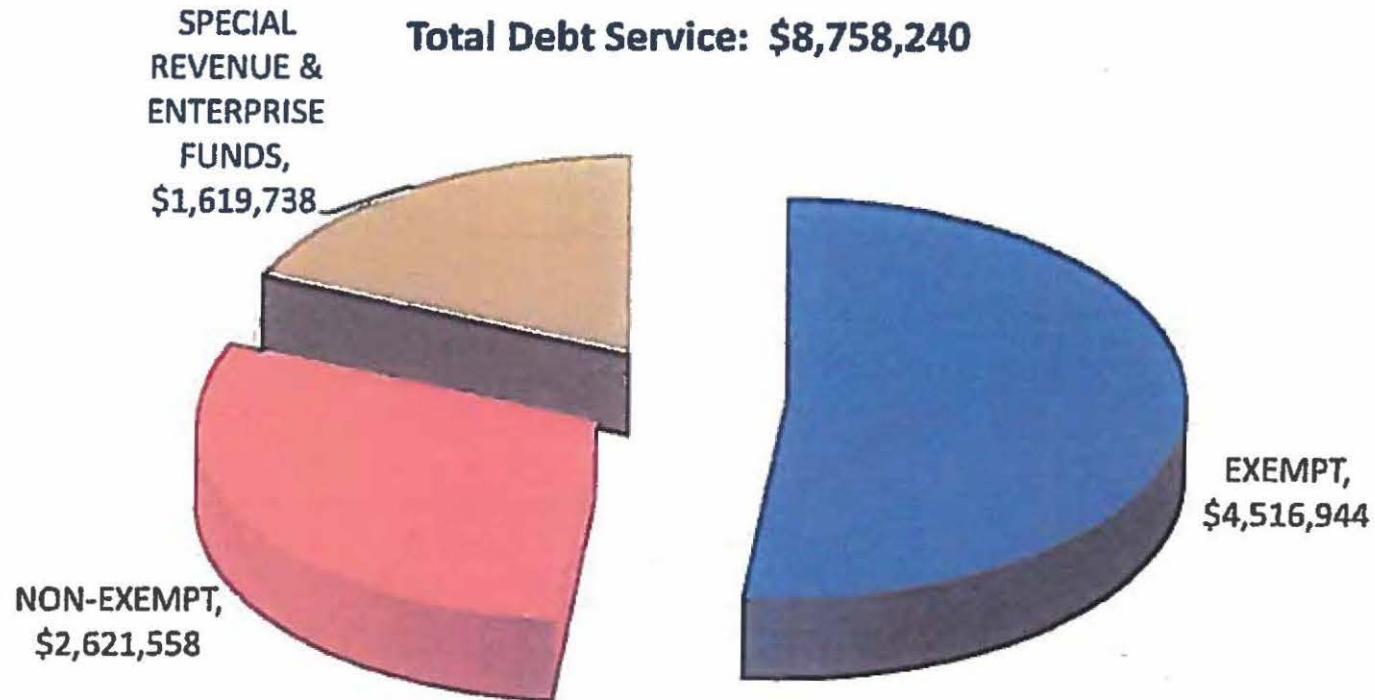
Source: Finance Department

Actual and Estimated General Fund Debt Service Fiscal 2017 thru Fiscal 2025									
	2017	2018	2019	2020	2021	2022	2023	2024	2025
Committed	7,507,251	7,108,711	6,444,712	5,722,490	5,222,495	4,891,200	4,454,950	4,298,225	4,171,775
\$ chg year to year		(398,540)	(663,999)	(722,222)	(499,995)	(331,295)	(436,250)	(156,725)	(126,450)
% chg year to year		-5.31%	-9.34%	-11.21%	-8.74%	-6.34%	-8.92%	-3.52%	-2.94%
Estimated New Debt Service									
FY-2018	-	475,400	475,450	465,950	455,450	439,950	409,600	384,850	375,500
FY-2019	-	-	500,000	500,000	500,000	500,000	500,000	500,000	500,000
FY-2020	-	-	-	500,000	500,000	500,000	500,000	500,000	500,000
FY-2021	-	-	-	-	500,000	500,000	500,000	500,000	500,000
FY-2022	-	-	-	-	-	500,000	500,000	500,000	500,000
FY-2023	-	-	-	-	-	-	500,000	500,000	500,000
FY-2024	-	-	-	-	-	-	-	500,000	500,000
FY-2025	-	-	-	-	-	-	-	-	500,000
Estimated Total	7,507,251	7,584,111	7,421,162	7,188,440	7,177,945	7,331,150	7,364,550	7,683,075	8,047,275
Estimated Budget-2.5% ( General Fund only )	74,651,000	76,517,000	78,430,000	80,391,000	84,461,000	86,572,525	88,736,838	90,955,259	93,229,141
Annual debt as % of General Fund budget	10.06%	9.91%	9.46%	8.94%	8.50%	8.47%	8.30%	8.45%	8.63%

**Assumptions:**

- 1) Town authorizes \$5m in borrowing which results in \$500,000 in annual debt service.
- 2) Town adds \$500,000 in new debt service
- 3) The \$500,000 additional annual debt service does not decrease from first year because projects have not yet been approved.

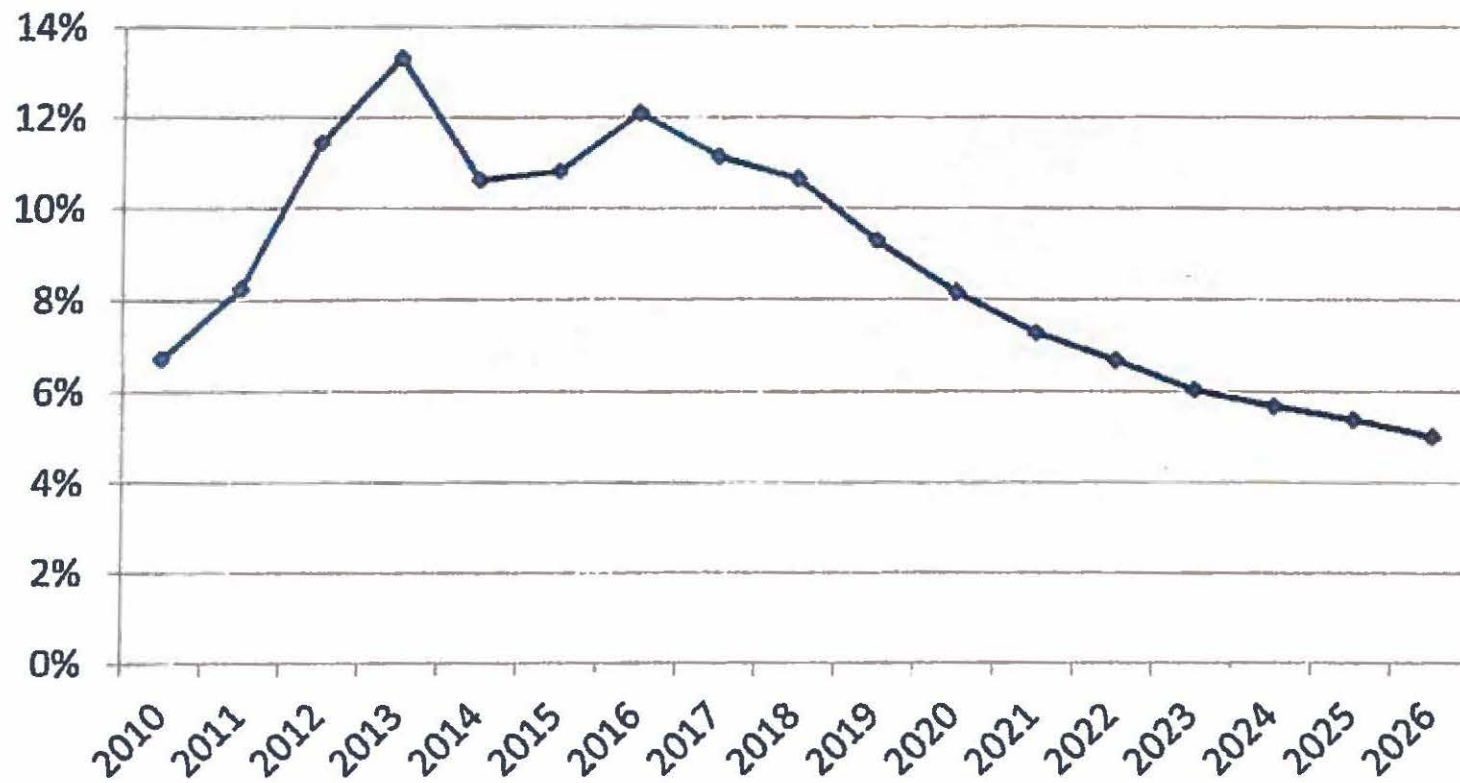
# Enterprise and General Fund Bonded Debt Service Requirements for FY 2017\*



\* Principal & Interest for FY17 Existing Debt

Source: Treasury Dept.

## Enterprise and General Fund Debt Service as a Percentage of Total Budget

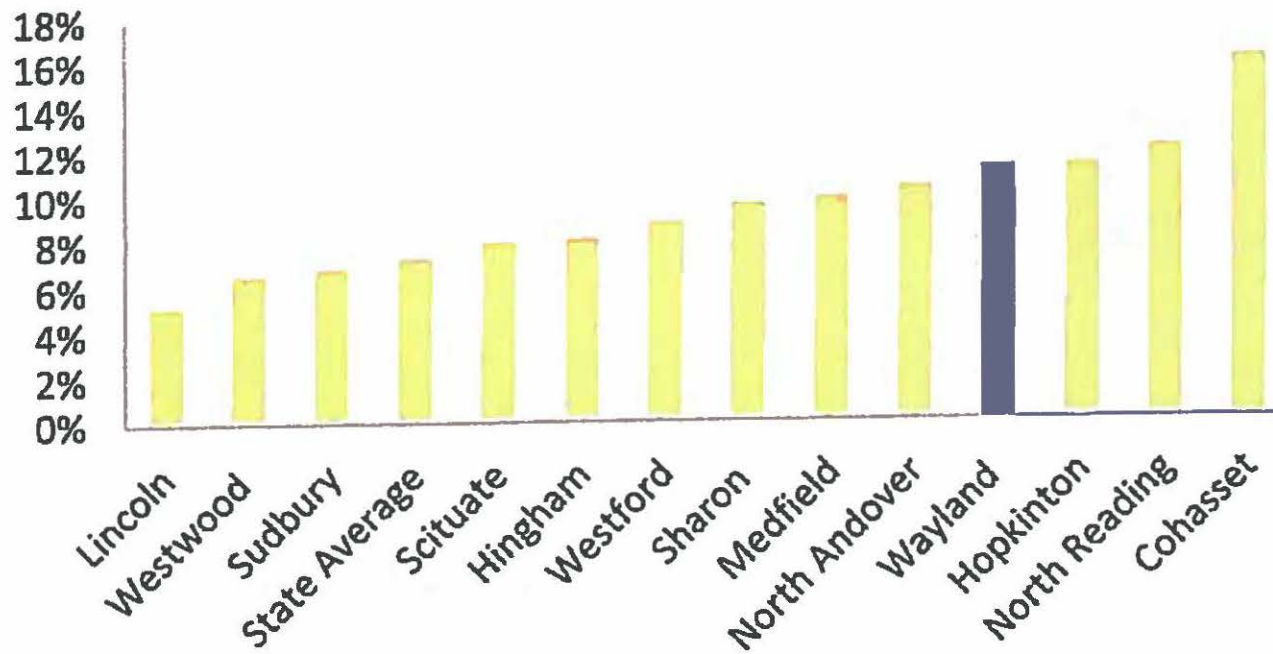


Source: Finance Dept.

( 4 )

# FY2014

## Enterprise and General Fund Debt Service as a Percentage of Budget

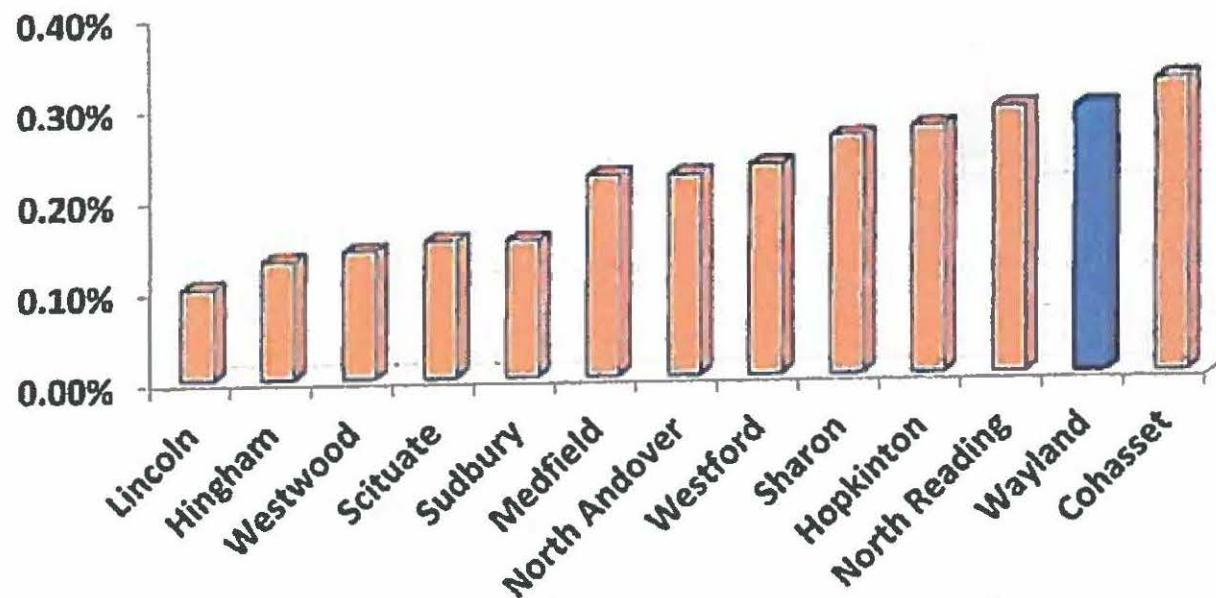


Source: [www.mass.gov/dor](http://www.mass.gov/dor)



# FY 2014

## Debt Service as a Percentage of Equalized Market Valuation



Source: [www.mass.gov/dor](http://www.mass.gov/dor)

Town and School Payroll Fiscal 2012 thru Fiscal 2017							
Payroll	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Approved	5-Year Avg. Inc.
Town Payroll	10,128,055.00	10,225,580.00	10,441,866.00	10,502,869.48	10,885,086.65	11,871,337.00	3.44%
\$ chg year to year		97,525.00	216,286.00	61,003.48	382,217.17	986,250.35	
% chg year to year		0.96%	2.12%	0.58%	626.55%	9.06%	
School Payroll	25,599,405.00	26,643,494.00	27,232,916.00	28,397,607.82	29,601,102.00	30,882,080.00	4.13%
\$ chg year to year		1,044,089.00	589,422.00	1,164,691.82	1,203,494.18	1,280,978.00	
% chg year to year		4.08%	2.21%	4.28%	4.24%	4.33%	
Total Payroll	35,727,460.00	36,869,074.00	37,674,782.00	38,900,477.30	40,486,188.65	42,753,417.00	3.93%
\$ chg year to year		1,141,614.00	805,708.00	1,225,695.30	1,585,711.35	2,267,228.35	
% chg year to year		3.20%	2.19%	3.25%	4.08%	5.60%	

**Trends in Number of Personnel  
Employed by Town Departments  
FY 14 - FY 17**

Year	Total FTE's	New FTE's
2014	162.82	
2015	165.06	2.24
2016	168.09	3.03
2017	171.47	3.38
<b>TOTAL</b>		<b>8.65</b>

• Town assumes 40% of base salary costs  
as additional cost to add new personnel



General Fund Cost Drivers					
	2014	2015	2016	2017	3-Year Avg Incr.
Debt	7,348,946.00	7,789,058.00	7,751,620.00	7,507,251.00	0.72%
\$ chg year to year	(317,018.00)	440,112.00	(37,438.00)	(244,369.00)	
% chg year to year	-4.14%	5.99%	-0.48%	-3.15%	
% of budget	10.79%	11.08%	10.67%	10.06%	
Health Insurance	6,477,859.00	6,339,710.00	6,925,218.00	7,165,000.00	3.54%
\$ chg year to year	(1,572,141.00)	(138,149.00)	585,508.00	239,782.00	
% chg year to year	-19.53%	-2.13%	9.24%	3.46%	
% of budget	9.52%	9.02%	9.24%	9.60%	
Retirement Assessment	3,507,480.00	3,740,468.00	3,971,988.00	4,235,414.00	6.92%
\$ chg year to year	(1,114,147.00)	232,988.00	231,520.00	263,426.00	
% chg year to year	-24.11%	6.64%	6.19%	6.63%	
% of budget	5.15%	5.32%	5.47%	5.67%	
School	33,397,005.00	35,433,047.00	36,719,239.00	37,722,833.00	4.32%
\$ chg year to year	870,301.00	2,036,042.00	1,286,192.00	1,003,594.00	
% chg year to year	2.68%	6.10%	3.63%	2.73%	
% of budget	49.06%	50.40%	50.55%	50.53%	

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# Wayland Public Schools

- The Wayland School Committee is in the process of developing a long range financial model that defines major budget drivers and their underlying assumptions.
  - For modeling purposes, the draft model assumes a 1% cost of living adjustment increase for FY18 to FY20.
  - The School Committee will enter into negotiations later this year for a successor contract beginning in FY18.
  - The draft model does not include any major programmatic changes.
  - In the slides that follow, you will find the underlying assumptions for the major budget drivers.
-

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## Student Enrollment Forecasts

- All enrollment forecasts are based on NESDEC's projections.
  - FY17 enrollment is forecasted to decrease by 11 students overall K-12; however, one new kindergarten classroom has been added due to the increase of enrollment at the kindergarten level.
  - FY18 enrollment is forecasted to increase by 1.8%.
  - FY19 to FY20 enrollment is projected to increase by approximately 1% per year overall, starting at a higher rate at the elementary level and then increasing at each subsequent level over time.
  - Enrollment for our special needs students is estimated at 20% of total enrollment per year, based on historical actuals.
  - FY17's enrollment in Grade 8 reflects the largest class size throughout the district.
-

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## **Staffing FTEs Forecasts**

- FY15 staffing increase reflected new Elementary Reconfiguration.
  - FY16 staffing increase reflected high needs student requirements and grade 7 enrollment "bubble".
  - FY17 staffing increases are enrollment and programmatic driven, which include staff for high needs students and new kindergarten classroom, Part-time Assistant Principal for large elementary school, staff for Grade 8 enrollment "bubble" and secondary schools' class sizes, and Health & Wellness and Student Services leadership positions.
  - FY18 to FY20 staffing increase aligns with enrollment forecast by level and maintains staff to student ratios with FY16 as a base year.
  - Each year, as the district's capacity to meet student needs is assessed, staffing FTE's may fluctuate.
-

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## **Non-Personnel Expense Forecasts**

- **SPED OUT OF DISTRICT TUITION** - assumes annual 7% increase based on historical results.
  - **TRANSPORTATION** - assumes annual 5% increase based on historical results. Contract will go out to bid for services for FY18 to FY21. Anticipate premium for garaging buses outside of Wayland, unless location in Wayland is found.
  - **UTILITIES** - assumes annual 2% increase for electricity, 5% increase for natural gas and 7% increase for wastewater. Projections reflect energy saving contracts (ESCO) and solar panel savings.
  - Each year, as the district assesses its capacity to meet student needs, student contracted services (e.g. out of district tuition and transportation) may fluctuate.
-



# ***TOWN OF WAYLAND CONSIDERATIONS FOR FY 18 BUDGET PLANNING***

***PRESENTED BY  
TOWN ADMINISTRATOR AND FINANCE DIRECTOR***

***WITH FINANCE TEAM: TREASURER, DIRECTOR OF ASSESSING, HUMAN  
RESOURCES DIRECTOR / ASSISTANT TOWN ADMINISTRATOR, SCHOOL  
BUSINESS MANAGER AND FINANCIAL ANALYST, FINANCE DIRECTOR AND  
TOWN ADMINISTRATOR***

***AUGUST 29, 2016***

## ***ESTABLISHING A BUDGET GUIDELINE FOR FY 18***

- The Town Administrator works with the Finance Committee and Finance Director to establish the annual Budget Guideline and long term financial strategies. The Town Administrator recommends all department budgets to the Board of Selectmen and monitors the town's financial performance.
- The purpose of the annual Budget Guideline is to provide a tool for the Finance Committee to recommend a budget to Town Meeting that funds high quality municipal and school services considering affordability to taxpayers and based on a sustainable multi-year financial plan.
- See Town Code Chapters 19 (Finance) and 60 (Town Administrator) at: <http://www.ecode360.com/WA1635>

## WHAT WAS THE FY 17 BUDGET GUIDELINE?

The purpose of this presentation is to provide a framework for consideration of a Budget Guideline for a FY 18 Revenue and Expense Budget. The framework is based on an increase of 2.5% of operating budget to provide a starting point for discussion.

- In FY 17 the Finance Committee established a budget guideline with the goal that the FY 17 General Fund operating budget be increased up to 2.5%. The guideline did not address the funding of capital projects which is covered by the Debt Policy. *(Note – the 2.5% guideline is unrelated to prop. 2.5)*
- The recommended FY 17 General Fund operating budget increased to \$74,651,474 or a 2.77% increase ( \$2.269 million) over FY 16.
- To understand the effect of achieving the 2.5% budget guideline into future years, the Finance Director developed five year projections and historical schedules which are provided to the Finance Committee and accompany this presentation as reference and for discussion.



# *REVENUE CONSIDERATIONS: PROPERTY TAXES*

- Property taxes comprised 83% of general fund budget revenue in FY 16 and are the source of funding over which the Town exerts the most control.
- The property tax revenue needed to balance the budget is calculated by deducting from the planned general fund expenditure budget non-property tax revenue from:
  - 1) local receipts -- such as motor vehicle excise, permit fees and interest,
  - 2) state aid
  - 3) transfers from other funds ---such as indirect costs from revolving and enterprise funds, and
  - 4) any free cash used to balance the budget.
- For FY 17, the unused property tax levy capacity is estimated at \$7.8 million. For reference, \$7.8 million is 12.4% of the the tax revenue budgeted in FY 17.

# ***REVENUE:***

## ***FY 18 VARIABLES – PROPERTY TAX***

- Negative:
  - Acquisition by the Carroll School of a Waltham Road property will result in a net decrease of \$150,000 in FY 17 and future years. (Based on FY 16, this equates to \$.03 on the tax rate. )
- Positive:
  - Aggressive tax title collection of \$2,000,000 in outstanding property tax revenue could positively affect free cash and future year collections.
  - New growth in FY 18 property tax is estimated at \$600,000 from increases attributable to new construction. The Town is experiencing stable growth increases.

## ***PROPERTY TAX: AVERAGE SINGLE FAMILY TAX BILL***

The Town of Wayland ranks sixth among eight neighboring towns comprising the real estate market.

- Wayland's average single family home 2016 tax bill was \$11,730. The median tax bill is \$1,000 lower.
- Average tax bills in 8 neighbor towns ranged from \$6,000 in Framingham to over \$18,000 in Weston.
- The average single family home assessed value in 2016 was \$676,477.
- Wayland's average 2016 single family home tax bill is ranked 11<sup>th</sup> statewide.

## ***PROPERTY TAX: LEVY LIMIT***

Wayland has significant tax levy capacity:

- The levy limit is the most that the Town can tax, up to a tax rate of \$25.00 without requiring an override vote under Proposition 2.5.
- The estimated unused taxing capacity in FY 18 is \$8.1 million.

## ***PROPERTY TAX: FY 17 LEVY LIMIT AND UNUSED CAPACITY***

2016 levy limit	\$ 64,104,000
2.5% increase	1,603,000
New growth est.	600,000
Levy limit	<b>66,306,000</b>
Debt exclusion	4,325,000
Maximum levy limit	<b>70,631,000</b>
Actual tax Levy	(62,821,000)
<u>FY 17 unused levy</u>	<u><b>7,810,000</b></u>
<u>FY 18 projected unused levy</u>	\$ <u><b>8,147,000</b></u>

*\* Based on growth assumption in supporting documents.*

## ***REVENUE:***

### ***NON PROPERTY TAX SOURCES OF GENERAL FUND SUPPORT***

The Town has little control over non-property tax revenue.

- Categories of non- property tax general fund revenue and key sources include:
  - State Aid: Chapter 70 School Aid and Unrestricted Local Aid
  - Local Receipts: Motor Vehicle Excise, Fees, Licenses, Interest
  - Transfer from Other Funds: Indirect costs such as employee health insurance paid from revolving and enterprise funds to general fund
  - Free Cash

## ***REVENUE:***

### ***FY 18 OUTLOOK FOR NON-TAX REVENUE SOURCES***

Significant increases in state aid and local receipts are not expected or easily predictable.

- State Aid (\$5 m gross state aid) is budgeted to increase \$300,000 in FY 17. State aid is subject to positive and negative fluctuation. State Aid is offset by Cherry Sheet expenses carried in the operating budget.
- Projected Local Receipts (\$4.4 m FY 17 budget / \$4.65 FY 16 actual) are budgeted to increase in FY 17 due to growth in motor vehicle excise and meals tax and licenses and permits. Additional revenue can be made available after a stable pattern of increased collection is established.



## ***FY 18: USE OF FREE CASH***

- Over the past five years, the Town used varying amounts of free cash to cover operating budget deficits in amounts ranging from \$1,000,000 in FY 15 to \$4.8 M in FY 13 and a range of \$2.7 to \$6.1 m for all purposes including capital, articles and OPEB.
- The varying use of free cash in support of the operating budget has resulted in a fluctuating tax rate and declining reserves.
- Moody's Credit rating service advises the Town to build cash reserves and avoid budget deficits by using Wayland's unused levy capacity over the next few years.
- In Moody's 2016 Credit Opinion, the Town was informed:  
*"A continued trend in reducing reserves could lead to downward rating pressure."*

## ***REVENUE:***

## ***USE OF FREE CASH: FY 13 – FY 17 BUDGETS***

USE	FY 13	FY 14	FY 15	FY 16	FY 17
Current Year Transfer	29,585	165,000	451,348	523,193	NA
Operating Budget	4,800,000	2,500,000	1,000,000	4,350,000	1,500,000
Capital Budget	945,000	180,000	415,000	300,000	410,000
Articles	300,000	100	0	519,903	538,619
OPEB	0	0	249,094	209,114	215,285
Total	6,074,585	2,845,100	2,115,442	5,901,810	2,663,904

# FREE CASH CERTIFICATION FY 13 – FY 18

	FY 13	FY 14	FY 15	FY 16	FY 17 (EST.)	FY 18 (EST.)
FREE CASH BALANCE 1/1	10,304,704	6,023,697	4,091,958	6,384,312	4,786,000	5,185,000
% GF BUDGET	8.07	8.86	5.49	5.92	6.61	6.06

*Certified free cash is on low side of the acceptable range under town policy and the Moody's benchmark:*

- *The Board of Selectmen / Finance Committee's Free Cash Policy is to maintain Certified Free Cash at an amount between 5% and 10% of the next year's general fund budget.*
- *The Moody's benchmark is to maintain the general fund balance at 20% of revenues. The year end FY 15 statement shows 23%. (See Moody's Credit Opinion dated 1/25/16 notes downward trend )*
- *Note: The Finance Director's 2.5% FY 18 budget projection assumes use of free cash as follows: \$1.5 M to support operating budget, \$215,000 in OPEB funding, and \$200,000 in capital project funding. The Finance Committee will recommend how much free cash to use which will affect the tax rate.*

# ***FY 18:***

## ***KNOWN OPERATING EXPENSE CHANGES***

The following expense changes are expected in FY 18, but are as yet unquantified:

### Potential Savings:

1. Energy: Energy and natural gas supply costs will remain flat or decline, distribution costs will increase resulting in modest increases. Vehicle fuel costs will decline.
2. Health Insurance: Discussions to find savings in employee health insurance are ongoing.

### Potential Expense:

1. Building Maintenance and Public Works Infrastructure: More comprehensive capital plans are requested to identify and quantify deferred maintenance. .
2. Technology: IT upgrades begun last year will continue.
3. Personnel: Requests for new Town and School personnel and school initiatives are expected.
4. School Transportation: Costs will be bid for FY 18 and will likely increase.
5. Rivers Edge: There may be additional costs in the School budget and DPW budget associated with moving school buses and providing a laydown area for DPW as these functions move to make way for the Rivers Edge project which may be a source of new property tax revenue in future years.
6. Labor contracts: All town school and town collective bargaining agreements expire 6/30/17. The timing of settlement with the unions is unknown but will affect budgets in the FY 18 – 21 period.

## ***FY 17 BUDGET STRUCTURE***

The distribution of appropriations to Town, School and Unclassified Expenses in FY 17 is typical for Wayland and may be used as a guideline for how new resources could be appropriated:

– Town Departments	22%	\$ 16,159,000
– School Department	50 %	37,722 ,000
– Unclassified Expense		
• Debt	10%	7,507,000
• Retirement	6%	4,235,000
• Health Insurance	10%	7,165,000
• Other	2%	<u>1,863,000</u>
 TOTAL		 \$ 74,651,000

# ***EXPENDITURES:***

## ***RATE OF INCREASE – OPERATING BUDGET***

Development of a budget plan meeting the 2.5% goal requires an understanding of expected increases in health insurance and school costs.

- Average Rate of Increase in Operating Budget: The rate of increase for the General Fund operating budget averaged 2% over the 5 year period beginning FY 13 and 3.27% over the 3 year period beginning FY 15. Each budget year presents unique challenges.
- Cost of Health Insurance is Major Uncertainty: Unclassified expenses, driven by health insurance, are variable. To determine actual funds available in FY 18, unclassified expenses driven by health insurance costs must be determined. The cost of insurance is 10% of the operating budget, or \$7.1 M, in FY 17.
- A 2.5% Operating Budget increase means Town and School Operating Budgets increase less than 2.5% due to unclassified expenses. Based on the typical distribution of appropriations from prior years, a 2.5% operating budget increase would provide \$1,800,000 in new funding and a 1.37% (\$222,000) operating budget increase for the Town and a 1.69% (\$615 ,000) operating budget increase for the schools.



# ***FY 17 EXPENDITURES: CAPITAL BUDGET***

In Wayland, the Budget Guideline addresses the general fund operating budget. The Finance Committee also prepares an annual and five year capital budget and plan which has a significant impact on cash reserves, new debt, future year operating budgets and property taxes.

- The recommended FY 17 Capital Budget was \$8.974 million including \$595,000 from free cash and cash capital, \$4.5 million in new general fund debt and \$3.879 from other funds and fund borrowing.
- The costs of the \$4.5 million in General Fund debt authorized by the 2016 Town Meeting will be included in the operating budget beginning in FY 18. The cost of the \$2 million in recommended FY 16 General Fund debt is included beginning in FY 17.
- In FY 16, the Finance Committee reviewed total capital requests of \$17.6 million. In FY 17, total capital requests were \$9 million.

# ***DEBT POLICY***

- Capital purchases must be at least \$25,000 to issue debt for no longer than the useful life of the asset. (*Note – Adopted policy states \$10,000*)
- Debt should be within 5-10% of operating expenditures annually.
- The debt policy specifies categories of capital acquisition subject to debt exclusion.
- Police cruisers are funded in the operating budget. Other passenger vehicles and small equipment are funded with cash capital and not financed through debt.
- The Debt Policy should be updated.

# ***DEBT: MANAGING CAPITAL PROJECTS WITHIN THE DEBT POLICY***

Debt can be managed to remain under the 10% Debt Policy:

- Assuming the Town's operating budget increases 2.5% annually through 2025 and the Town borrowed an average of \$5 million annually, it is estimated an average of \$500,000 in new debt service would be added annually and debt could remain under the 10% of operating budget debt policy.
- For FY 17, principal and interest payments were \$7.5 million or about 10% of the Town's \$74,651,000 operating budget.

# ***DEBT: BORROWING HISTORY***

Over the last 5 years the town has incurred the following General Fund Debt:

1. 2012	\$ 2,010,000
2. 2013	2,555,000
3. 2014	12,858,000
4. 2015	5,917,000
5. <u>2016</u>	<u>2,401,000</u>
<b>AVERAGE:</b>	<b>\$ 5,183,200</b>

# ***RECOMMENDED FY 18 BUDGET GUIDELINE***

The Finance Committee, Town Departments and School Committee will work collaboratively to develop an FY 18 budget that:

1. Funds high quality municipal and educational services.
2. Maintains Wayland's competitive ranking within the area real estate market.
3. Maintains the Town's favorable credit rating by limiting the use of free cash and building cash reserves, aggressively funding OPEB and maintaining debt below 10% of operating budget.

Strategies to fulfill this guideline include:

1. Maintain the goal of a 2.5% maximum increase in the total General Fund operating budget. Aim to stay close to the 2.5% goal annually and remain under the goal on average over 5 years.
2. Provide an alternative, comprehensive FY 18 budget projection showing full picture of all general fund revenues and operating and capital expenses.
3. Continue to review and improve the process for capital planning and funding to insure prudent debt management through a comprehensive, credible, consistent and continuous forward plan.
4. Limit the use of free cash for all purposes to an amount that will increase cash reserves to an amount in excess of the Moody's benchmark.
5. Maintain debt service under 10% of the operating budget and adhere to the debt policy.

# ***FY 18 BUDGET PROCESS: ADMINISTRATIVE ROLE***

- 1) Request that town department operating budgets be based on what is required to maintain services at current levels.
- 2) Identify and plan for any fixed new expenses in the Town departmental and unclassified budgets.
- 3) Identify and plan for any discretionary new personnel and programs that will improve town departmental services.
- 4) Identify and incorporate new or increased sources of revenue, efficiencies and cuts in expenditures through the budget process.
- 5) Continue to review and improve the process for capital planning and funding to insure prudent debt management through a comprehensive, credible, consistent and continuous forward plan.
- 6) Maintain communication with the School Superintendent and Finance Committee about budget challenges and opportunities for the FY 18 school budget. An initial discussion is planned with School Superintendent, School Committee representatives, Town Administrator and Finance Committee liaison on September 7<sup>th</sup>.
- 7) Manage a process with department heads to make budget cuts if required.



# ***GOING FORWARD, WORKING TOGETHER***

- ✓ The Town Administrator and Finance Director's recommended FY 18 Budget Guideline and fiscal management strategies are offered to the Finance Committee for consideration in establishing town fiscal policy for FY 18 and future years.
- ✓ The Finance Committee is asked to advise the Town Administrator and School Superintendent of its final adopted FY 18 Operating Budget Guideline.
- ✓ The Finance Director will provide ongoing staff support and financial analysis to the Finance Committee and act as the Committee's liaison to the Town Administrator and Department Heads.
- ✓ The Town Administrator and Financial Analyst will work together to manage the departmental process to develop recommended operating and capital budgets for the Finance Committee's review.
- ✓ The Finance Team will continue to work altogether with the Town Administrator to respond to the Finance Committee's information requests to develop the FY 18 Budget.

***MANY THANKS TO BRIAN KEVENY, JOHN SENCHYSHYN, ELLEN BRIDEAU, ZOE PIERCE, ELIZABETH DOUCETTE AND SUSAN BOTTAN FOR THE EXCELLENT WORK THIS SUMMER IN ANALYZING THE TOWN'S FINANCIAL POSITION AND PLANNING THE FY 18 BUDGET PROCESS!***