

Town of Wellesley Board of Selectmen



**FY14 BUDGET GUIDELINES
SEPTEMBER 24, 2012**

Agenda



- Situation assessment
- FY14 planning process to-date
- FY14 budget
 - Proposed approach
 - Key assumptions
 - Proposed guidelines
 - Projected deficit
- Timeline
- Reflection
- Questions & answers

Situation assessment



- At a crossroads in terms of Town's cost structure
 - Multiple union contracts expire at end of current yr.
- Similarly, at a crossroads in terms of financial planning
 - Improvements in School budget transparency and Town-wide financial planning set stage for earlier and more effective planning
 - ✦ *"Planning is a year round process"*
 - ✦ Better to start planning in August than in January
- Favorable evolution of Free Cash may preclude the need for an override for FY14
 - Will require restraint on the part of all Boards

FY14 planning process to-date



- **TWFP presented at 2012 Annual Town Meeting**
 - Projected \$4.9m deficit for FY14
- **May 10 Inter-Board**
 - Projected deficit up to \$5.2m
- **July 30 Board of Selectmen**
 - Two phase approach to dealing with projected deficit
- **August 13 Board of Selectmen**
 - Favorable evolution of Free Cash suggests revised approach
- **August 15 Advisory**
 - Revised FY14 assumptions yields manageable deficit
- **August 16 Inter-Board**
 - Solicited feedback on revised FY14 assumptions

Tasks in front of us



- FY14 budget guidelines
- FY14 override plan (or not!)
- Strategy for FY14 union contract negotiations

Free Cash projection



	<u>2012 ATM</u>	<u>Current Assessment</u>	<u>B/(W)</u>
Free Cash at 6/30/11	\$ 8,439,070	\$ 8,439,070	-
Anticipated FY12 uses	(200,000)	(200,000)	-
Anticipated FY13 uses			
- To balance budget	(2,837,757)	(2,837,757)	-
- Park & Hwy HVAC design	(75,000)	(75,000)	-
<i>Total FY13 uses</i>	<u>(2,912,757)</u>	<u>(2,912,757)</u>	-
Anticipated generation			
- Chapter 90 deficit	900,000	1,300,000	400,000
- Excess State aid & revenue	200,000	579,000	379,000
- Budget turn-back	1,550,000	3,077,000	1,527,000
<i>Total FY13 uses</i>	<u>2,650,000</u>	<u>4,956,000</u>	<u>2,306,000</u>
			-
Projected Free Cash at 6/30/12	<u>\$ 7,976,313</u>	<u>\$ 10,282,313</u>	<u>2,306,000</u>

Free Cash history



	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>
Beginning of year	\$ 2,771,548	\$ 4,028,225	\$ 6,786,366	\$10,692,354	\$ 9,145,674	\$ 9,471,751	\$ 8,439,070
Uses	(160,000)	(1,712,593)	(2,475,512)	(4,007,626)	(982,734)	(3,715,184)	(3,112,757)
Net Free Cash generated	1,416,677	4,470,734	6,381,500	2,460,946	1,308,811	2,682,503	4,956,000
End of year	\$ 4,028,225	\$ 6,786,366	\$10,692,354	\$ 9,145,674	\$ 9,471,751	\$ 8,439,070	\$10,282,313
Detail of uses							
Supplemental SPED		783,652	530,318				
Stablization		500,000	1,000,000				
High School classrooms				985,000			
Police/Dispatch contracts		21,883		163,654			
Fire Station floor					375,000		
DPW Office Bldg. plans					250,000		
Middle School						1,750,000	
Council on Aging						26,300	
Unpaid bill					234	520	
Snow & Ice			400,000	600,000	300,000	750,000	
American Legion demo				38,000			
Senior Center			25,000	600,000	57,500		
Library contract				43,317			
DPW contract (2 yrs. In FY08)			251,269	9,302			
Fire contract (2 years)		41,175		339,000			
Facilities reserve fund				200,000			
Park/Hwy HVAC design							75,000
NRC trees						140,000	
Easement						7,300	
FY12 Unemployment							200,000
Balance next fiscal year budget		365,883	268,925	1,029,353		1,041,064	2,837,757
Other	160,000						
Total uses	160,000	1,712,593	2,475,512	4,007,626	982,734	3,715,184	3,112,757

FY14 budget - proposed approach



- Balance FY14 budget without an override
- Will require restraint in terms of:
 - Program enhancements
 - Hiring
 - Contract settlements
 - Wage increases
 - Etc.

FY14 budget – key assumptions



- **Revenue**

- New growth - \$1.4M
- State aid – level vs. FY13 actual
- Local revenue – small decrease in interest income

- **Capital**

- 900 Worcester – tax impact limited to debt service impact of land acquisition
- Senior Center, Fuller Brook Park – tax-impact portion to be funded by debt exclusion (no appropriations at 2013 ATM anticipated)
- SMMA study – substantial projects (i.e., above what is covered in cash capital) to be funded by debt exclusion

- **Other**

- Snow & ice deficit – fund with Free Cash in current year

FY14 budget – proposed guidelines



- **Personal services**

- Existing contractual increases
- Otherwise – 1% COLA (subject to Town’s collective bargaining obligations)
- Facilities – hiring lag adjustment

- **Expenses**

- Out-of-District tuitions – to be subject to separate discussion with School Department and Advisory
- Otherwise - 1% increase

- **Cash capital**

- \$200K reduction vs. latest TWFP

FY14 – current projection



	2012 ATM	Current	<u>B/(W)</u>	<u>YoY Spending Growth</u>	
	<u>Projection</u>	<u>Projection</u>		\$	%
Revenue					
Property taxes	\$ 100,783,257	\$ 100,783,257	\$ -		
State aid	8,678,656	8,874,886	196,230		
Local revenue	10,423,383	10,335,000	(88,383)		
Free Cash	-	2,500,000	2,500,000		
			-		
Spending			-		
Schools	61,020,879	59,731,095	1,289,784	1,615,972	2.8%
Other Town Depts.	32,496,541	32,208,420	288,121	504,478	1.6%
Cash capital	4,064,386	3,864,386	200,000	338,313	9.6%
Debt service	3,180,515	3,337,395	(156,880)		
Employee benefits	22,349,347	22,504,712	(155,365)	1,927,195	8.6%
Assessments	1,182,874	1,182,874	-		
Abatements	451,412	451,412	-		
Projected deficit	<u>\$ (4,860,658)</u>	<u>\$ (787,151)</u>	<u>\$ 4,073,507</u>		

FY14 budget sensitivity



Projected deficit	\$ (787,151)
Schools 1% above guideline	(610,209)
Other Town Depts. 1% above guideline	(324,965)
Snow & Ice deficit	(600,000)
	<u>\$ (2,322,325)</u>
Total potential demand on Free Cash	\$ 4,822,325

Timetable



Review proposed FY14 guidelines

**Advisory Committee – September 27
School Committee – October 2**

BoS discussion of Reserve Policy

October 2

BoS votes FY14 guidelines

October 15

Capital budgets due

November 30

Operating budgets due

December 21

Updates from individual Boards regarding ability to meet guideline

Throughout the budget process

Development of Town's strategy for collective bargaining

October/November

Intended FY14 planning improvements



- Make discussion of FY14 budget guidelines more expansive, transparent and collaborative
 - Founded on better data and analysis
- Hold each department accountable for delivering a budget that more closely reflects the agreed guidelines

Questions and comments

