TOWN OF WELLESLEY
Advisory Committee

Town Hall
525 Washington Street
Wellesley, Massachusetts 02482

Chair **Steven Simons**

Vice Chairs **Caren Parker Jack Haley**

Secretary **Virginia Ferko**

To: All Boards and Departments
From: Steve Simons, Chair, Advisory Committee
Date: October 4, 2010
Re: **FY12 Operating and Capital Budgets**

The Advisory Committee's operating budget guidelines for FY12 are as follows:

- School Department—not to exceed 2.5% over FY11 budget; and
- All other Town Departments (including Facilities Maintenance)—not to exceed 1.5% over FY11 budget.

Advisory's FY12 guideline for capital budgets (including that of the School Department) will be no more than 1.5% greater than the level reflected in the FY11 budget, and all boards and departments should prepare their capital budgets accordingly.

These guidelines are consistent with the Town-Wide Financial Plan, an update of which was presented to us in early September by the Executive Director of General Government Services, and which we considered carefully. We believe these guidelines accurately reflect the revenue that the Town has forecasted it will receive in FY12, and the guidelines represent a realistic view of allowable board and departmental expenditures given the forecasted revenues.

In FY12 we are once again challenged to achieve the balance of living within our fiscal means while providing services, caring for the Town's assets and assuring our employees are fairly compensated. The economy remains extremely fragile, with persistently high unemployment, a sluggish housing market, and constrained consumer spending. In Massachusetts, tax collections, even with an increase in the state sales tax, are still well below pre-recession levels. One consequence to cities and towns is that Circuit Breaker funding from the State to partially reimburse special education costs has declined substantially in the past several years (to 40% in FY11 from a historical high of 75%) and could decrease further in FY12. In FY10 and FY11, some of this cost was offset by federal stimulus funding; however, no new funding is expected

after FY11. Other state aid is expected to remain flat or decline slightly. At the same time, the Town needs to increase its funding of pension costs, to continue to fund its OPEB liability, to pay rising health insurance premiums for Town employees and their families, and to continue to invest in the Town's much neglected infrastructure. Taxpayers meanwhile will be seeing higher tax bills over the next several years as a result of the high school debt exclusion.

At the same time, FY12 presents the Town with a unique opportunity to shape its financial destiny over the next three years. Almost all union contracts expire at the end of FY11. Given the current economic climate, including the low level of state aid anticipated over the next several years and the absence of any additional federal assistance, we have the ability to act prudently to bring our expenditures in line with projected revenues over the next three years. We note that any wage increases will need to be accommodated within the guideline budget of each board or department.

Operating Budgets

Expectations. In preparing budget guidelines, we ask boards and departments to be mindful of Advisory's expectations.

Adherence to Guidelines. We ask that each board or department present, without exception, a budget that adheres to the guidelines, even if the board or department feels it is necessary to also present a proposal for additional spending above guideline levels. It is very important that Advisory understand from the beginning what operating budgets look like when they adhere to the guidelines. It is also important for Advisory and Town Meeting to assess the consequences of budget decisions on programs and services—what, if any, specific priorities each board or department has that it believes may not be accomplished within the guidelines. We believe that presenting information in this manner will help Advisory understand the issues and make intelligent recommendations to Town Meeting and will assist Town Meeting in making its decisions.

Budget preparation is a process. We view the operating budget guidelines as the first step in that process, not as an ending point. The guidelines are based on assumptions made in the development of the Town-Wide Financial Plan that Advisory has recently affirmed as reasonable. As we get further into the fiscal year we may have more information available as to revenue projections, including state aid and Circuit Breaker reimbursement funds, and expense items such as health care costs. As assumptions are refined over time, boards and departments will need to be flexible. We ask that you not only develop a plan to meet guidelines but also identify your priorities within the guideline budget in the event adjustments are required later in the process.

Non-Tax Appropriated Revenues. In the interest of greater transparency, we need to better understand what sources of non-tax appropriated revenues (e.g., gifts, grants, revolving funds, building use funds and the like) are used in creating board or departmental operating budgets. We want to see "gross budgets" reflecting in some detail all anticipated revenues and expenditures for each board and department, since we believe that understanding such sources

will help to present a full picture of what it takes to deliver services within the Town. We would also like to understand how boards and departments manage and allocate such funds.

Budget Format. Consistent with prior years, all budgets should contain the following information:

1. Key factors driving the budget, with a quantitative analysis of the impact of each factor.
2. Recent, ongoing and planned cost reduction initiatives.
3. Breakdown of anticipated personal services costs for current staff vs. personnel additions or reductions. To the extent contracts have not been settled, we suggest using FY11 personal service costs, with a footnote describing the financial implication of a 1% increase or decrease in salaries.
4. Description of additions or reductions to personnel and unfilled positions.

The following items should also be provided to us, although they may be shown in an appendix to or a document separate from the budget:

5. Spending by program or budget line item, with detail. Please segregate overtime costs.
6. Staffing by program or budget category, with detail.
7. Maintenance costs.
8. Utility costs.

The FY12 budget should also be in a format that contrasts that budget with the total budgets (i.e., all sources and uses) for FY08, FY09 and FY10 (actuals) and with the FY11 budget, adjusted to reflect any changes as a result of year-to-date experience and/or additional sources of funding, if any.

Advisory is requesting that operating budgets be submitted by the Board of Assessors, the Board of Health, Human Resources, the Recreation Department and the Town Clerk by December 3, 2010 and by all other boards and departments by January 4, 2011. If this is not a feasible target for your board or department, please contact your Advisory liaison(s) as soon as possible. If no Advisory liaison has been assigned to your board or department, or if you are unsure who your liaison is, please contact me at steven.simons@comcast.net. Advisory will begin meeting with boards and departments in accordance with the attached Advisory meeting schedule. **Please submit 16 paper copies of your budget to Advisory, three-hole punched, together with an electronic copy to Advisory's Administrative Assistant, Eileen Davis, at edavis@wellesleyma.gov, no later than the deadline for your board or department.**

Capital Budgets

The FY12 capital budgets and the five-year capital improvement plan for FY12 through FY16 are due to Advisory on or before October 22, 2010; if possible, earlier would be better. If your board or department is unable to meet this target date, please let us know immediately. You

should have received, a capital budget template implemented in FY09 from the Office of Financial Services. Please use that template. **As with operating budgets, please submit 16 paper copies of your budget to Advisory, three-hole punched, together with an electronic copy to Eileen Davis, no later than the deadline.**

Advisory would like to meet with each board or department between the end of October and December 1 to review its capital budget in accordance with the attached Advisory meeting schedule. If the meeting date presents a problem, please contact your Advisory liaison(s) as soon as possible; as with operating budgets, if no liaison has been assigned or if you are unsure who your liaison is, please contact me at steven.simons@comcast.net. All boards and departments requesting capital that are not shown on the attached Advisory Committee meeting schedule should be prepared to present their budgets on November 10 (or earlier, if possible).

At the Advisory meeting at which capital budgets are reviewed or shortly thereafter, we would like to have a broader discussion with each board and department concerning our expectations for your operating budget as well as any major goals or plans for FY12 or beyond and any anticipated issues or actions that might be brought to the 2011 Annual Town Meeting.

Each board or department should also keep Advisory informed of any adjustments to its capital budget request or five-year plan following it submission to Advisory, including any changes resulting from collaboration with the Board of Selectmen in preparation of the Town's Five Year Capital Budget Program.

Conclusion.

Advisory recognizes the challenges that Town boards and departments face as they balance the service expectations of their constituencies with the fiscal expectations of the taxpayers in the current economic climate. Also, we very much appreciate the high level of thought, professionalism and cooperation that all boards and departments demonstrate throughout the year. Our objective is to facilitate a budget process that allows Town Meeting to understand fully what the budget truly represents and what trade-offs have been made.

Please contact your Advisory liaison(s) or me should you have any questions.

Attachments:
List of Advisory members
Advisory Committee meeting schedule (subject to change)