



TOWN OF WELLFLEET

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MEMORANDUM

TO: BOARD OF SELECTMEN AND FINANCE COMMITTEE
FROM: HARRY SARKIS TERKANIAN, TOWN ADMINISTRATOR
SUBJECT: FISCAL 2016 BUDGET STATUS
DATE: 2/20/2015
CC: FILE

Summary:

Based on the current assumptions and estimates the current draft of the budget now falls within the limits imposed by proposition 2 ½. Overall the operating budget is 3.91% above the FY 2015 budget. The increase is largely the result of a 9.5% increase in the Town's share of medical insurance and a 13% increase in the Nauset Regional School District Assessment. The increases attributable to these two items total \$392,945 or a budget increase of 2.56% over FY 15. The remainder of the budget has increased by only 1.3%

The remaining uncertainties on the expense side include the Nauset Regional School District assessment and the cost of new collective bargaining agreements. Having attended most of the Region's school committee meetings I believe that the current estimates are quite close to the actual figures. Collective bargaining is ongoing so the costs associated with wage and benefit adjustments is not known at this time although an estimated amount has been budgeted.

On the revenue side state charges and state aid, including Chapter 90 highway funds and chapter 70 school aid are unknown. State assessments are also unknown. We have estimated a 2½% increase in the Barnstable County assessments; otherwise we have used last year's figures as estimates. We still have no basis for an accurate assessment of the Commonwealth's intentions as the governor has not yet submitted a budget.

The budget proposes a Proposition 2½ override for two items: \$100,000 for universal preschool voucher program; and \$48,480 for an additional police officer.

As in previous years we will be asking the voters to exclude debt service from Proposition 2½.

In order to bring the budget within Proposition 2½ limits \$350,000 in free cash has been applied. This reduces the free cash balance to approximately \$50,000 below the policy goal of 5% of the operating budget. Also, additional funding for the stabilization fund remains in the warrant but may not be possible in this budget. The Stabilization fund is approximately \$160,000 below the policy goal of 4.5% of the operating budget. In general, it is unwise to use reserves to fund recurring expenses.

Changes since the last selectmen' meeting:

Operating Budget:

Health insurance costs, including the cost of health insurance stipends have been refined, resulting in a \$4,484 reduction. The Nauset Region estimated assessment has been reduced by \$14,309 and the capital assessment by \$65.

One other item of the operating budget where consideration could be given to a reduction is the legal budget. It is currently \$100,000. In FY 13 the Town spent \$128,170. In FY 14 the Town spent \$43,840 and it looks like the FY 15 expenditures will be similar. Unfortunately, this item is difficult to predict as a court case that goes to trial can be quite expensive, as it was in FY 13. In general there are few opportunities for cuts in the portion of the budget which the Town controls.

Capital Budget:

There have been a number of significant changes to the capital budget, most of them in DPW equipment. A dump truck originally scheduled for FY 17 has been moved to FY 16. Experience over the last month has shown that on many roads smaller vehicles and front end loaders are more efficient snow removal tools than large trucks. The DPW director expects that the resale of one of the two existing model year 2000 trucks will cover a significant portion of the cost of this vehicle. The result will not increase the DPW truck inventory. The associated cost increase is \$65,000 which does not include the proceeds from the sale of the truck being replaced.

An additional specialized plow has been added, cost \$20,000. Two front end loaders have been added, the cost of which was offset by postponing replacement of the street sweeper by a year. The DPW continues to have increasing maintenance costs with the sweeper as it is now out of warranty, but believes that an additional year of use is possible before replacement.

The number of roll off containers has been reduced from four to two with a savings of \$17,000.

The guard rail replacement item has been removed. Chapter 90 funds will be used for this project instead. Net reduction is \$62,000.

Replacement of flooring and upgrade of bathroom fixtures at the Library has been postponed to FY 17 and repairs to the Town Hall will use tax funds instead of borrowing.

The effect of all of these changes is that \$95,000 in borrowing can be avoided while the portion of the capital budget to be raised and appropriated has increased by \$30,935. If further budget pressure required further adjustment, the \$65,000 cost of the dump truck could be borrowed.

Overall, the current version of the budgets shows a Proposition 2½ cushion of \$18,048. Note that the Stabilization Fund transfer article remains in the warrant in the event estimates change so as to allow a transfer.

Attached is the current expense and revenue summary.