



TOWN OF WELLFLEET

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MEMORANDUM

TO: BOARD OF SELECTMEN
FROM: HARRY SARKIS TERKANIAN, TOWN ADMINISTRATOR
SUBJECT: FISCAL 2016 BUDGET OVERVIEW
DATE: NOVEMBER 25, 2014
CC: FINANCE COMMITTEE

The budget is not complete, but I thought it advisable to give the Selectmen and Finance Committee an overview of what I see developing.

Revenue. The tax levy, excluding debt exclusion items and absent an override, is capped by proposition 2 ½. In addition to the tax levy, sources of budget funding include FY 2015 new growth, receipts reserved and various forms of state aid. Revenue from new growth has generally been about \$75,000. However, for planning purposes we have not included this amount in revenue projections in order to provide a margin for estimation errors and unknowns. In order to maintain a free cash balance consistent with the Town's budget policy, and to demonstrate the financial stability necessary to preserve the Town's AAA bond rating, free cash should be maintained at \$700,000, leaving about \$145,373 available for budget purposes in FY 2016. Revenue is subject to charges and assessments which are outside of the Town's control, such as Cherry Sheet charges. A summary of the available revenue, less mandated charges is as follows.

Levy Limit (FY 2015 limit + 2.5%)	\$13,988,977
New Growth (see above)	\$0
Debt Exclusions	\$1,379,700
Cape Cod Commission	\$99,971
Receipts reserved – Ambulance Fund	\$250,000
Receipts reserved – Beach Fund	\$875,000
Receipts reserved – Beach Fund to Marina	\$10,000
Receipts reserved – Seamass Fund	\$220,000
Receipts reserved – Recreation Fund to operating	\$65,000
Receipts reserved – Shellfish Fund	\$60,000
Receipts reserved – Waterways Fund to Marina	\$5,000
Other Sources – Free Cash ¹	\$145,000
Other Sources – Local Estimated Receipts	\$1,350,000
Other Sources – Cherry Sheet	\$263,851
Other Sources – State Aid to Libraries	\$4,000

¹ It may be prudent to retain this free cash to fund end of FY 2015 budget adjustments.

Other Sources – Sale of Cemetery Lots	\$5,000	
Other Sources – Perpetual Care interest	\$360	
Other Sources – Chapter 90	\$249,507	
Other Sources – Fund 25 - Interactive Web Site	<u>\$3,000</u>	
Total Tax Levy and Available Funds:		\$18,974,366
Capital Debt Service	\$1,398,000	
Cherry Sheet Charges	\$427,340	
Cherry Sheet Offsets	\$4,827	
Overlay reserve	\$125,000	
Debt Exclusion adjustment	<u>\$3,314</u>	
Total Fixed Charges		<u>\$1,958,481</u>
Available for Budgets and articles		\$17,015,885
Operating budget (assumes 2 ½% increase)	\$15,644,018	
Estimated Projects (excluding borrowing)	\$775,000	
Estimated Articles (OPEB ² , wage adjustments, etc.)	\$775,000	
Total budget		<u>\$17,194,018</u>
Surplus (Shortfall) ³ :		(\$178,133)

These estimates reflect a reduction of \$82,825 in Receipts Reserved over the same line items last year and an increase in Local Estimated Receipts of \$53,970. State aid amounts such as Chapter 90, Cherry Sheet, etc. are last year's figures and are subject to change. Unrestricted Local Government Aid and other forms of aid from the Commonwealth are subject to the vagaries of the legislative process. Wellfleet is one of only six communities in the Commonwealth whose state aid is exceeded by state charges.

Estimating budget costs is much more difficult, but a few of the larger items bear comment as follows:

Health insurance costs. We will not have a firm handle on this cost for a couple of months, but there are indications that, after a couple years of modest increases, an increase in excess of 5% is possible. This cost, which is slightly over one million dollars, went down \$33,000 last year. An increase of over \$50,000 is possible but not certain.

Despite some labor contracts with raises below 2 ½%, salary and related costs (worker's comp, etc.) are estimated to rise by at least 2.5% considering the multiplier effect of overtime on base wages. Wellfleet's payroll (excluding the cost of benefits) in FY 2013 was \$7,636,896, 51% of the operating budget that year.

We presently have no estimate for the elementary school budget, which last year was 16% (one-sixth) of the operating budget. (Some of the salaries included in the salary total above are also in the Elementary School budget.) I have estimated a 2.5% increase for planning purposes.

² OPEB goal for FY 2016 is \$250,000, Stabilization Fund goal is \$50,000.

³ If free cash is retained for FY 2015 budget adjustments the shortfall becomes \$321,133.

The Nauset Region budget is even more difficult to predict because the effect on Wellfleet's budget is a combination of the Town's percentage of the total enrollment and the change in the budget. Last year Wellfleet benefitted from a reduced assessment caused by a reduction in enrollment. I do not have enrollment figures for the FY 2016 assessment. This budget is also about one-sixth of the total operating budget. I am also using a 2.5% increase for planning purposes.

The Cape Cod Regional Technical High School assessment is much smaller, \$105,000 in FY 2015. Wellfleet's enrollment has increased and the total school enrollment has decreased resulting in Wellfleet's portion of the assessment rising from 0.93% in FY 15 to 1.24% in FY 16. Coupled with a possible 5% increase in this budget, the total increase in this assessment could be as large as 40%, or about \$42,000.

The Cape Cod Mosquito Control budget is presently showing an estimated 4% increase over last fiscal year. While the effect on Wellfleet is only about \$2,200, this assessment is part of the Cherry Sheet charges and one we do not control.

We have no estimates on an increase in liability insurance costs, but they are also expected to increase faster than revenue growth under Proposition 2 ½.

Personnel costs, including associated benefits, and education total about 80% of the operating budget, and are items over which we exercise little control at budget time. The remaining 20% of the budget, projects in separate articles and the capital budget will have to be adjusted to absorb any shortfall. We are rapidly approaching a time where the voters of the Town will have to choose which services they want our local government to provide. If those services do not fit within the revenue limits imposed by Proposition 2 ½, and the services are desired, a decision will have to be made on how to best fund delivery of those services. Whether the FY 2016 operating budget can remain below a 2 ½% increase without service cuts remains unknown as of this writing.