



TOWN OF WELLFLEET

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MEMORANDUM

TO: BOARD OF SELECTMEN & FINANCE COMMITTEE
FROM: HARRY SARKIS TERKANIAN, TOWN ADMINISTRATOR
SUBJECT: FISCAL 2016 BUDGET SUBMISSION
DATE: DECEMBER 4, 2014
CC:

By memorandum dated November 25, 2014, I outlined the rationale supporting the estimate of available revenue. Based on the limits imposed by Proposition 2 ½ and estimates of other available funding sources, and after making provision for possible variance in estimates, \$17,015,885 is available for the budget and financial articles, excluding any items to be funded by borrowing accompanied by a debt exclusion.

Department heads were requested to prepare budget requests based on the delivery of the same services provided in Fiscal 2015. Any new programs or initiatives were to be requested by separate document. Two such requests were received.

The operating budget as recommended totals \$15,751,288. It represents an increase of 3.09% over the FY 2015 Article 1 operating budget. Discussion of specific department budgets is in a separate memorandum of even date.

Community Preservation Act funding is from a separate tax source and is not included in this analysis. Additional articles which require the expenditure of funds include the following:

1. Wage and salary adjustments. This request includes: (1) wage adjustments for union personnel which are the subject of collective bargaining agreements expiring at the end of fiscal 2015 for which negotiations have not been completed; (2) salary adjustments for non union personnel based upon contracts which do not include negotiated salary adjustments; (3) contract expirations or hiring anniversary dates which will occur in fiscal 2016; and (4) two reclassification requests. I have budgeted \$120,650 as a reserve for these costs.

2. Planned funding for the Town's OPEB obligations. \$250,000. Consistent with the Town's plan, this represents an increase over last year's funding of \$200,000 but is still short of the estimated \$445,000 required annually to begin progress on reduction of the unfunded obligation.
3. Transfer to the Reserve Fund. \$50,000. This is part of a plan to increase the reserve fund to 4.5% of the operating budget in accordance with the Town's financial policy. I estimate that two additional yearly transfers in this amount will be required. Thereafter, smaller transfers will be required to maintain the stabilization fund balance at the desired level.
4. Voucher system for universal preschool. \$100,000. Program details remain to be worked out including whether some of the funds currently in the human services budget can be repurposed for this program.
5. One additional police officer. \$48,480.
6. Capital budget items not funded by borrowing. Note that the Town's financial policy calls for new capital expenditures of between 3% and 7% of the operating budget (excluding borrowing). This budget falls within that range. \$773,255.
7. Subsidy for the water enterprise fund. The financial model used to structure the water enterprise fund assumed a higher connection rate than has been achieved to date. As deferred connection fee obligations are retired this source of funding will no longer be present, resulting in operating deficits. I recommend the appropriation of \$45,000 to prevent a reduction of the fund balance to dangerous levels.
8. Rent for the Beach Sticker building. The Beach Program pays annual rent of \$10,000 to the Marina Enterprise Fund for use of the building. A portion of it is now occupied by the Shellfish Department and will be for the foreseeable future. Consistent with the requirement that enterprise funds reflect the value of services rendered, the Shellfish Department should pay rent. \$2,000 should be added to the Shellfish Department expense budget for this item.

The total of the operating budget and these additional items is \$17,140,673; \$124,788 over the maximum estimated funds available.

There are significant unknowns in this budget including all three education budgets, the cost of employee benefits and liability insurance premiums. These items total approximately \$7,300,000 and will not be known with certainty in some instances until early March.

Flexibility in this budget is limited. As noted in the November 25th memorandum, no free cash was committed to this budget and none of the additional taxing capacity based upon new growth was used. These assumptions provide a margin of error of about \$200,000, much of which may be required for adjustments to the Fiscal 2015 budget under Article 2. For comparison, \$262,770 was used for adjustments to the fiscal 2014 budget at the 2014 annual town meeting and \$94,985 was used for this purpose in 2013.

In light of the above, the following is a non comprehensive, unordered list of requests which are among the potential candidates for adjustment:

1. Additional police officer request. The lack of a thirteenth officer manifests itself in senior officers having to cover patrol shifts at the expense of administrative responsibilities, single officer shifts, additional overtime and difficulty staffing resulting from training and medical absences. I do recommend this request. However the department has been able, with some difficulty, to function without this officer for several years.
2. Universal Preschool Voucher Program. This is a new program.
3. Economic Development Fund. Originally funded with \$25,000 in fiscal 2013 it was reduced to \$20,000 in fiscal 2014. Not all of the funds were used either year. Based in the level of requests the previous two years, a reduction to \$15,000 would still allow funding most, if not all, requests.
4. Capital budget items. There are a number of items which could be deferred. However, deferred maintenance frequently results in higher costs in later years. One item I recommend deferring is the document management system request from the town clerk (\$54,082). Document management promises significant efficiencies but is a complex problem and should be preceded by a careful assessment and plan.