



TOWN OF WELFLEET

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To: Board of Selectmen and Finance Committee
From: Harry Sarkis Terkanian, Town Administrator **HST**
Subject: Analysis if the Town Administrator's Fiscal 2017 Operating, Capital and Enterprise Budgets
Date: December 3, 2015
CC:

I. Operating Budget Goal:

The fiscal 2016 operating budget is composed of the following items approved at the 2015 Annual Town Meeting:

The operating budget (Art. 1):	\$15,961,768
WEA Unit A wage adjustment (Art. 6)	\$36,000
WEA Unit B wage adjustment (Art. 7)	\$34,000
WEA Unit C wage adjustment (Art. 8)	\$6,000
Wage adjustments non union staff (Art. 9)	\$9,000
Preschool subsidy override (Art. 14)	\$100,000
Total fiscal 2016 operating budget	<u>\$16,146,768</u>

2.5% increase: Board of Selectmen's budget message: \$403,699

Selectmen's Fiscal 2017 operating budget goal \$16,550,437

The Town Administrator's proposed fiscal budget: \$16,581,940

Estimated reserve for wage adjustments: \$128,256

Proposed fiscal 2017 operating budget: \$16,710,196

The proposed budget exceeds the Board of Selectmen's goal of no more than a 2.5% increase by \$159,759.

II. Operating Budget Analysis

Many of the department budgets show little or no increases. This reflects the sound fiscal management of Wellfleet's department heads and their understanding of the current fiscal realities. There are a number of department budgets which do not meet the budget goal. In some cases the variance is small in terms of actual dollars. In many other cases the increases have external causes. The following budgets have significant increases in both dollar and percentage measure:

- 132 – Reserve Fund. Increased from \$75,000 to \$80,000 (6.67%) to conform to budget policy (amount should be 0.5% of the operating budget.)

- 135 – Accounting. Includes a one time vacation payout estimated at \$30,000.
- 302 – Nauset Regional School District. Increased by \$80,766 (3.20%) based on the Region's initial budget. Final budget amounts and Wellfleet's assessment will not be known until early March, 2016.
- 422 – General Highways. Increased by \$50,000 (86.36%). Last year \$50,000 of the \$60,000 line item intended to supplement Chapter 90 funds was removed. It has been restored in this budget. Since Chapter 90 funds are not sufficient to cover required road maintenance, reduction of this item for a second year in a row increases the risk of road maintenance falling behind schedule and therefore becoming more costly.
- 423 – Snow Removal. Increased by \$34,880 (37.38%) to reflect history of prior costs in order to reduce the size of budget adjustments at future town meetings. This amount could remain at the previous appropriation amount of \$93,300 and the difference made up in budget adjustments the following spring. The average snow removal cost for the past five years is about \$157,000 and for the last eleven years about \$129,559. The need for some adjustment either in the operating budget or at a subsequent town meeting is all but certain.
- 433 – Transfer Station. Increased by \$50,120 (18.45%) to reflect tipping fee increase from \$18.50 per ton to \$55.00 per ton and the increased cost of transporting recyclable materials. Tipping fees for July and August, 2016 are calculated at the old, lower rate.
- 520 – Human Services. Increased by \$100,621 (126.76%) the majority of which is the \$100,000 appropriated for preschool subsidies.
- 699 – Beach. Increased by \$23,955 (8.00%) to reflect increased seasonal wages and increased staffing for beach fire cleanup.
- 912 – Worker's Compensation. Increased by \$12,000 (20.64%). This cost is basically a percentage of the Town's payroll. We have few ways to control this cost.
- 914 – Group Health. Increased by \$122,702 (11.00%). Final cost will not be known until early March, 2016. The only way to control this item is through collective bargaining.
- 917 – Insurance stipends. Increased by \$16,497 (49.99%). Final cost will not be known until early March, 2016. The only way to control this item is also through collective bargaining.
- 945 – Property & Liability Insurance. Increased by \$20,330 (7.23%). The only way to control this item is by reducing coverage which may be unwise.
- Various – Estimated reserve for wage adjustments and employee vacation buybacks. There are six collective bargaining agreements and five employment contracts to be negotiated for FY 2017.

Most of the budget increases are driven by factors over which the Town has little or no control. In order to reduce the operating budget to meet the 2.5% cap on budget increases established in the Selectmen's budget message program cuts will have to be made.

II. Overall FY 2017 Finances:

Attached is a budget overview spreadsheet in four pages. The first page analyzes the estimated revenue sources and proposed budgets expenditures including outside articles (page 3) and capital appropriations (page 4.) The estimated funding from free cash of \$492,000 was arrived at by reducing the current estimate of \$1,400,000 by the amount to be retained under the Town's financial policy and further by an estimate of the amount that will be required to fund budget adjustments to the FY 2016 budget at the 2016 ATM. The final sheet shows the FY 2017 revenue estimates compared against a six year history. The overview shows an overall deficit of expenditures over revenues of \$263,800.

A possible approach to balancing this budget is to address part of the deficit in the capital budget by use of Chapter 90 funds for the repair of the Lieutenant's Island Road bridge, the elimination of \$10,000 from the IT budget and the deferral or removal of the COA adult playground. Additional cuts of about \$115,000 would have to be made elsewhere in the budgets. Another approach is a combination of budget cuts, borrowing to pay the cost of some additional capital purchases and a Proposition 2 ½ override. In light of significant capital expenses expected in the coming years, including the police station renovation and possible harbor dredging, any decision to borrow should be approached carefully. For some years now I have been concerned that the cost of delivering services is increasing faster than revenue and that the Town will reach a point where the choice is the difficult one of reducing important services or approval of additional tax revenue. This year's budget may reflect that reality.

IV. Items Requested But Not Included in the Operating Budget:

Three requests, two of which are for additional staffing, are on list of possible articles but are not funded in this budget. They are:

- Additional funding (amount to be determined, \$10,000 to \$20,000?) for either the Chamber of Commerce and/or the Cultural Council for possible economic development programs;

- an additional police officer (\$60,000, the same request was approved by town meeting but required an override last year; the override lost in a close vote); and

- additional funds (\$50,000) to increase the building inspector position to full time.

These items deserve serious consideration. Unfortunately, without either an override or significant cuts to other budgets these additional items cannot be funded.

Revenue and Expense Estimates

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Revenue Sources:

Proposition 2 1/2 Levy Limit	\$14,502,300	Notes
Proposition 2 1/2 New Growth	\$0	FY 2017 levy limit
Debt Exclusions	\$1,270,121	Estimate \$75,000; use \$0
Cape Cod Commission assessment	\$99,730	From DE-1
Subtotal - Tax revenue	<u>\$15,872,151</u>	Estimated 2 1/2% increase

Receipts Reserved

Ambulance Fund to Operating	\$250,000	same as '16
Ambulance Fund to Capital	\$44,000	Was \$57,000 in '16
Beach Fund to Operating	\$860,000	Was \$886,400 in '16
Beach Fund to Marina	\$10,000	same as '16
Beach Fund to Capital	\$23,000	
SEMASS Fund to Operating	\$250,000	Was \$220,000 in '16
Recreation Fund to Operating	\$65,000	same as '16
Shellfish Fund to Operating	\$46,000	Was \$60,000 in '16
Shellfish Fund to Marina	\$2,000	Was \$2,000 in '16
Septic to Cap. Debt Service	\$10,000	same as '16
Waterways Fund to Marina	\$5,000	Was \$5,000 in '16
Subtotal Receipts Reserved	<u>\$1,565,000</u>	

Other Sources

Local Estimated Receipts	\$1,450,000	Was \$1,351,000 in '16
Free Cash	\$492,000	Was \$445,649 in '16
Cherry Sheet	\$267,924	same as '16
State Aid to Libraries	\$4,175	same as '16
Sale of Cemetery Lots	\$5,000	same as '16
Perpetual Care Interest	\$300	was \$350 in '16
Chapter 90 Highway Funds	\$249,507	Was 249,507 in '16
Prop 2 1/2 Override	\$0	Was \$100,000 in '16
Discover Wellfleet account	\$671	Remaining fund balance; was \$3000 in '16
Subtotal Other	<u>\$2,469,577</u>	

Total Available Revenue

\$19,906,728

Revenue and Expense Estimates

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Expenses	Operating Budget	Current Estimate	
Articles			
		Long Term Debt Service	
		Projects and Equipment	
		Articles	
		Cherry Sheet Charges	
		Cherry Sheet Offsets	
		Overlay Reserve	
	\$1,271,602		Was \$1,270,180 in '16
	\$799,960		Capital Budget items not borrowed; was \$618,121 in '16
	\$910,638		Salary adjustments, Ch 90, Fund transfers
	\$482,051		Governor's proposed budget (was \$427,340)
	\$4,354		
	\$120,000		
Total Articles			<u>\$3,588,605</u>
Total Expenditures			\$20,170,545
Surplus (Deficit)			(\$263,817)

Current Fund Balances September 30, 2015	FY 16 Budget	FY 17 Budget	Balance	Policy	Deficit	% Variance
Free Cash	\$1,400,000	\$0	\$654,866	\$745,134	\$1,053.30	0.14%
Ambulance Fund	\$185,373	\$0	\$294,000	(\$108,627)		
Beach Fund	\$1,088,504	\$0	\$893,000	\$195,504		
SEMASS Fund	\$357,789	\$0	\$250,000	\$107,789		
Waterways Fund	\$5,671	\$0	\$5,000	\$671		
Recreation Fund	\$92,783	\$0	\$65,000	\$27,783		
Shellfish Fund	\$18,109	\$0	\$48,000	(\$29,891)		
Marina Stabilization	\$18,544	\$0	\$10,000	\$28,544		
Stabilization Fund	\$607,009	\$0	\$75,000	\$682,009	\$829,097.00	-26.79%
Reserve Fund	\$75,000	\$0	\$80,000	\$155,000	\$82,909.70	-3.51%
OPEB Liability Trust	\$641,251	\$0	\$250,000	\$891,251		
Total	\$4,490,033	\$0	\$2,624,866	\$1,865,167		

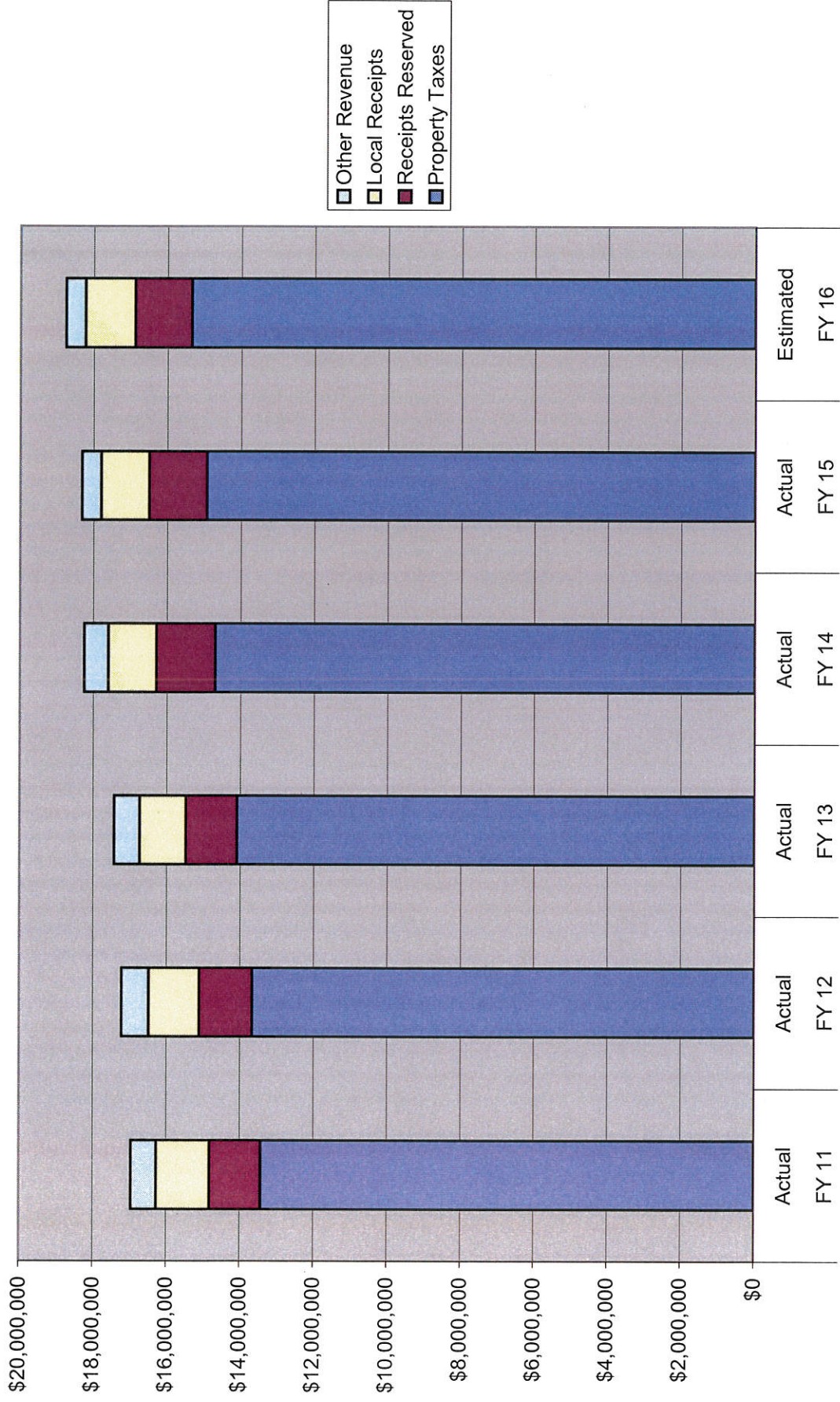
Capital Items

	R & A	Amb Fund	Borrow	Beach Fund
161 Clerk Records Management	\$54,082			
153 IT Projects	\$95,000			
210 Police Cruisers (2)	\$80,000			
220 FD Water supply	\$7,000			
220 FD Turnout	\$12,000			
220 FD hose	\$9,000			
220 FD Medical		\$30,000		
220 FD MDT		\$14,000		
300 Elementary School	\$65,000			
301 NRHS Design	\$55,000			
301 NRSD capital projects	\$54,378			
417 DPW TH Doors	\$7,500			
417 DPW Library Flooring	\$40,000			
417 DPW COA Adult Playground	\$40,000			
420 DPW Front end loader			\$200,000	
420 DPW street sweeper			\$235,000	
422 DPW Indian Neck lot	\$36,000			
422 DPW Lt. Isl. Bridge repair	\$90,000			
422 DPW Lt. Isl. Road Eng.	\$80,000			
630 Recreation software	\$8,000			
699 Beach access mats				\$16,200
699 Beach ATV replace				\$6,800
Totals	\$732,960	\$44,000	\$435,000	\$23,000
Total appropriation items	\$799,960			
Total Borrowing	\$435,000			
Total all items	\$1,234,960			
Appropriation items as a % of the operating budget	4.82%			

Articles				
Article 2	Estimated free cash	\$162,866	7 year estimate	
	Wage & Salary Adjustments	\$128,265		
	Water Enterprise Support	\$45,000		
	Chapter 90 Highway	\$249,507		
	OPEB	\$250,000	\$200,000 in FY 2016	
	Stabilization Fund	\$75,000	\$0 in FY 2016	
	Marina Stabilization Fund		\$10,000 Transfer from Marina Enterprise Fund Balance	
	Additional Police Officer		\$60,000	
	Full Time Building Inspector		\$50,000	
	Economic Development		\$10,000 Amount to be determined	
	Total Articles	<u>\$910,638</u>		

Revenue	FY 11 Actual	FY 12 Actual	FY 13 Actual	FY 14 Actual	FY 15 Actual	FY 16 Estimated	FY 17 Estimated
Property Taxes	\$13,430,273	\$13,668,051	\$14,087,782	\$14,698,876	\$14,930,009	\$15,340,827	\$15,872,151
Receipts Reserved	\$1,389,612	\$1,438,440	\$1,392,700	\$1,592,139	\$1,567,825	\$1,544,000	\$1,565,000
Local Receipts	\$1,452,329	\$1,379,522	\$1,256,331	\$1,302,650	\$1,296,030	\$1,350,000	\$1,450,000
Other Revenue	\$689,268	\$733,975	\$693,519	\$658,499	\$526,938	\$525,883	\$527,577
Total Revenue	\$16,961,482	\$17,219,988	\$17,430,332	\$18,252,164	\$18,320,802	\$18,760,710	\$19,414,728
Percent Growth Annual		1.52%	1.22%	4.71%	0.38%	2.40%	3.49%
Percent Growth Cumulative		1.52%	2.76%	7.61%	8.01%	10.61%	12.75%
							2.29%

Revenue Sources FY 11 - FY 16



FY 2016 Revenue Sources

