



TOWN OF WELFLEET

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To: Wellfleet Board of Selectmen
Wellfleet Finance Committee

From: Daniel R. Hoort, Town Administrator

Subject: Analysis of the Town Administrator's Fiscal Year 2019 Operating, Capital and Enterprise Budgets

Date: December 1, 2017

You will note a slightly different, more comprehensive presentation of the FY 2019 budget as attached. Each department head was requested to fill out a narrative for their budget that provides the reader with a better understanding of how the budget was created. The budget is a planning tool that explains how we, as staff, will follow the directions of the Board of Selectmen and are going to provide services to the residents of the town.

The FY 2019 budget presented to you on the following pages is an increase of 2.08%. The proposed budget addresses the Budget Policy as adopted by the Selectmen as follows:

- **To work towards presenting a balanced budget, within the constraints of Proposition 2 ½, without requesting an override.**

The proposed budget, with an increase of 2.07% will require no operating override for funding.

- **To limit the overall increase in the budgets recommended for the Wellfleet Elementary School and the Nauset Regional School District to 2.5% or less while acknowledging the actual Town of Wellfleet assessment for the Nauset Regional School District and the Cape Cod Regional Technical High School may be above or below that amount due to variances in student enrollment numbers.**

The proposed budget for Education is an estimate at this time. Based on preliminary budget estimates and estimates of enrollment the Education budget is projected to be 2.12% less than the budget requested for Education in FY 2018.

- **To limit the Fiscal 2019 operating budget for expenditures other than education and unclassified accounts to 2.5% or less.**

Excluding Education and unclassified accounts the proposed budget is increasing by 2.5%.

	<u>FY 2018</u>	<u>FY 2019</u>	<u>Increase</u>	
Payroll	\$6,413,166	\$6,550,415	\$137,249	(+2.1%)
Operating	\$2,620,389	\$2,711,115	\$90,726	(+3.5%)
Total	\$9,033,555	\$9,261,530	\$227,975	(+2.5%)

- **To limit the increase in the unclassified accounts budget to 8% or less while acknowledging that the increase in health insurance and the retirement assessment is not controlled by the Town of Wellfleet.**

The proposed budget for unclassified accounts (Benefits & Insurance) is projected to increase 8.74% from the previous year. It should be noted that all the current amounts in the unclassified accounts are based on estimates, we have yet to receive any actual amounts.

REVENUE

Revenue is derived from a number of sources including:

- Property Taxes
- Other Special Revenue Funds
 - Ambulance Fund
 - Beach Fund
 - SEMASS Fund
 - Recreation Fund
 - Shellfish Fund
 - Septic Fund
- Other Sources
 - Free Cash
 - Estimated Local Receipts
 - State Aid

As shown on the chart on the following page the Town continues to be heavily reliant on property taxes to fund the operating budget of the Town. In FY 2019 property taxes generated 81.1% of the total receipts, up from 78.8% in FY 2018.

It will be a slow process, but as a town our goal is to become less reliant on property taxes and generate more local receipts and user fees. This would provide relief to taxpayers. Options might include:

- Expand White Crest Beach parking lot to generate additional parking revenues.
- Collection of host fee and sales tax from recreational marijuana dispensaries.
- Expansion of room occupancy tax to cover all short-term rentals.
- Charge for parking in town owned parking lots

There are a number of budgets that are estimates at the time of this presentation including:

- Dept. 300 – Wellfleet Elementary School
- Dept. 301 – Nauset Regional School Assessment
- Dept. 302 – Cape Cod Regional Technical High School Assessment
- Dept. 911 – Retirement Assessment
- Dept. 914 – Group Health Insurance
- State Aid Receipts and Assessments

The budget as presented is a first draft. Between now and March 1st staff will continue to work on the operating budget and capital improvement plan and adjust as needed.

As is evidenced by the chart on the following page the FY 2019 budget is somewhat of an anomaly. The Education budget has dropped in actual dollars. In general, this will mean that other departments share of the overall budget will increase, even with a decrease in their budget or a small increase.

A decrease in the Education budget also makes it easier to balance the overall budget. Again, this is an anomaly and should not be expected again for subsequent years.

An analysis of the various segments of the budget is on the following pages.

Payroll

The payroll budget as presented is projected to increase by \$137,249 or 2.1%.

Payroll is the largest single component of our budget and is 35.9% of the proposed FY 2019 budget (unchanged from 35.9% in FY 2018).

- Including the cost of benefits the FY 2019 total personnel cost of \$9,548,875 is 53.4% of our budget as compared to \$9,151,135 or 51.2% in FY 2018).

It is a goal of the Town Administrator to pay the Town's staff a fair and competitive wage while operating as efficiently as possible. I believe the proposed budget achieves that goal.

Our long-time Town Collector is retiring in June 2018. It is my intent to not fill that position, but rather to reassign the responsibilities within Town Hall and provide increased compensation to those employees assuming additional responsibilities. This will have a positive effect by increasing current employee compensation, reducing the overall payroll budget for town hall staff and eliminating one benefited position. This concept has been in the planning stages since my predecessor served as Town Administrator.

<u>Current Position</u>	<u>New Position</u>
Town Treasurer	Town Treasurer-Collector
Accounting Clerk	Assistant Town Collector
Assistant to Town Accountant	Assistant Town Accountant

Other payroll adjustments

1. 123 Town Administrator - \$15,000 added to budget for performance based increases per WEA contact. Funds will be transferred to departmental budgets when performance based increases are distributed.
2. 179 Shellfish - Employee Reclassification: Assistant Shellfish Constable will assume lead responsibility for the shellfish propagation efforts of the Town.
3. 220 Fire Department – Departmental restructure promoting a Firefighter-Paramedic to the Group 1 Lieutenant's position.
4. 220 Fire Department – Employee reclassification Increasing the departmental administrative assistant position from 35 to 40 hours per week.
5. 241 Building Department – Increase compensation to part-time Plumbing & Gas and Electrical inspectors.
6. 610 Recreation – We have moved the referee compensation (\$4,000) from operating expense to payroll to comply with labor regulations. The balance of the seasonal/temporary budget is still under review by the TA.
7. 210 Police Department – Proposed new union contract will add \$29,564 to the FY 2019 budget.

Employee Benefits:

Employee benefits is 18.2% of the total budget presented. It also represents the largest increase of all the areas with an increase of \$265,491 (+8.7%). And, it is an area over which we have very little ability to change in the short-term.

Employee Benefits is composed of

- Retirement Assessment
- Worker's Compensation Insurance
- Unemployment Compensation
- Group Health Insurance
- Group Life Insurance
- Town's Share of Employee Medicare Tax
- Health Insurance Stipend

911 – Retirement Assessment

We do not yet have the retirement assessment for FY 2019, it is expected in early 2018. The current estimate projects a 10% increase in the Retirement Assessment. The FY 2018 increase was 9.4%. We are hopeful that the increase may be lower than budgeted as the performance of the stock market affects the assessment.

914 – Health Insurance Premiums

The FY 2018 increase for the group health insurance program was 11.0%. At this time, we do not have the percentage increase in the health insurance premiums for FY 2019, that data is expected in February 2018. The current estimate projects a 11% increase, the same as the previous year.

Health insurance rates are set by the Cape Cod Municipal Health Group steering board after receiving rate updates from the insurance carriers. In past years the steering group was able to reduce the effective rates to member municipalities by using their reserve funds. Unfortunately, their reserves are no longer at a sufficient level that allows them to be used to supplement the insurance carrier rates.

Education

The Education budget has three components:

1. Wellfleet Elementary School
2. Nauset Regional School District
3. Cape Cod Regional Technical High School

The Wellfleet Elementary School budget, which is not yet finalized, is currently projected to decrease \$69,119 or 2.61%. The primary reason for this reduction is an \$88,997 reduction in the Teacher Salary line item.

The Nauset Regional School District (NRSD) assessment is based on two factors; 1.) the size of the NRSD budget and 2.) the number of Wellfleet students attending the NRSD

For the purposes of the budget we have a preliminary estimate of 13 fewer Wellfleet students attending NRSD. This contrasts to FY 2018 when the number of students increased. This number will fluctuate each year and is an important variable in the budget.

While we do not have a proposed budget for the purposes of this budget we have estimated that the NSRD budget will increase by 2.5%.

The Cape Cod Regional Technical High School (CCRTHS), like the Nauset Regional School District is based on both the number of students from Wellfleet and the increase the regional budget. We know that the number of Wellfleet students attending CCRTHS will increase from 9 to 13 in FY 2019 and we are assuming that the CCRTHS budget will increase by 2.5%

Based on the explanations listed above for the three components of the Education budget we are projecting that the FY 2019 Education budget will decrease by 2.12%.

Operating Expenses

Operating expenses are an 'everything else' area. After Education, Payroll and Benefits and Insurance the balance of the budget is made up of operating expenses. A portion of the operating expenses would be considered a variable expense, some are fixed in the short-term.

The FY 2019 operating expenses are projected to increase by \$90,726 or 3.5%. Approximately 90% of that increase comes in the following three areas:

161 – Town Clerk +\$5,620

A complete codification of the charter, general by-laws, zoning by-laws and subdivision regulations will 'clean up' those documents. (\$+3,500)

Bookbinding is an expense that occurs every three to five years and is a permanent binding of permanent vital records. (+\$1,500)

180 – Shellfish Propagation +\$24,000

The Town's commitment to the Shellfish industry starts with an effective propagation program. Creating a healthy, sustainable shellfish fishery for the future requires a significant investment of funds.

699 – Beach Program +\$51,000

The Massachusetts Inspector General's Office which governs procurement has ruled that portable restrooms are now subject to prevailing wage regulations. This new ruling adds \$51,000 to the cost for the portable restrooms at our beaches.

Recap

Each year the Town's Accounting office and the Assessor's office work together to submit the Recap which is a summary of receipts and expenditures of the Town to the Massachusetts Department of Revenue in order to set the tax rate. Based on current projections the Recap would be as follows:

RECAP

RECEIPTS	FY 2018	FY 2019	line #
Property Taxes			
Prior Year Levy Limit	\$14,621,490	\$15,274,813	1
Allowable Growth of 2.5%	\$365,537	\$381,870	2
New Growth	\$140,486	\$115,000	3
Override	<u>\$147,300</u>	<u>\$0</u>	4
Proposition 2 ½ Limit	\$15,274,813	\$15,771,684	5
Debt Exclusion	\$2,001,098	\$1,818,965	6
Cape Cod Commission	<u>\$101,738</u>	<u>\$103,773</u>	7
Maximum Amount of Tax Levy	<u>\$17,377,649</u>	<u>\$17,694,421</u>	8
Receipts Reserved Funding			
Ambulance Fund Transfer	\$339,000	\$340,000	9
Beach Fund Transfer	\$950,000	\$1,000,000	10
SEMASS Transfer	\$325,000	\$325,000	11
Recreation Fund Transfer	\$60,000	\$60,000	12
Shellfish Fund Transfer	\$18,000	\$20,500	13
Septic to Capital Debt	\$20,000	\$20,000	14
Marina Parking to Stabilization	<u>\$10,000</u>	<u>\$10,000</u>	15
Subtotal	<u>\$1,722,000</u>	<u>\$1,775,500</u>	16
Other Sources:			
Free Cash	\$1,097,441	\$500,000	17
Local Estimated Receipts	\$1,575,000	\$1,575,000	18
Cherry Sheet Receipts (net of offsets)	\$280,665	\$280,665	19
Enterprise Funds Indirect Costs	<u>\$60,300</u>	<u>\$60,300</u>	20
Subtotal	<u>\$3,013,406</u>	<u>\$2,415,965</u>	21
Maximum Available Revenue	<u>\$22,113,055</u>	<u>\$21,885,886</u>	22
EXPENDITURES			
Operating Budget	\$17,868,134	\$18,238,819	23
Capital Debt Service	\$1,820,602	\$1,828,965	24
Capital Items	\$862,276	\$672,238	25
Articles	\$540,158	\$542,956	26
Cherry Sheet Charges	\$382,297	\$382,297	27
Overlay	<u>\$128,443</u>	<u>\$115,000</u>	28
Total Expenditures	<u>\$21,565,910</u>	<u>\$21,780,276</u>	29
Excess Levy Capacity	<u>\$547,145</u>	<u>\$105,611</u>	30

SUMMARY

The recap on the previous page reflects the current budget projections.

- Lines 1 through 22 are the total available receipts to fund the FY 2019 budget.
- Lines 23 through 29 are the total expenditures expected in FY 2019.
- Line 30 is the amount by which available revenues exceed expenditures. In the business world line 30 would be referred to as the net income. In municipal finance only those funds that are sufficient to cover expenses are raised and the Town does not raise any more than required to pay for our expenditures.

Recap line 6 – Debt Exclusion (page 17 & 18)

Total capital improvement debt is \$1,828,965, of that amount \$1,818,965 is excluded debt and was approved by voters through a proposition 2 ½ debt exclusion.

Recap line 19 & 27 – Cherry Sheets

We do not yet have Governor Baker's proposed FY 2019 budget. We are only able to make an estimate based on prior years at this time.

Recap line 25 – Capital Items (page 19)

The proposed capital improvement plan (CIP) of this report totals \$2,354,238. That is \$1,077,478 over our 7% target which would call for a capital improvement program budget of 1,276,790. I would suggest there are extenuating circumstances as to why this capital improvement plan is recommended. \$1,600,000 of the capital improvement plan is for the expansion of the White Crest Beach parking lot. The debt service cost will be completely paid for by the increase in beach parking fees.

Recap line 26 – Articles (page 20)

The proposed articles following prior years.

1. Transfer \$112,956 to the Water Enterprise Fund as a general fund subsidy to balance the Enterprise Fund.
2. Town meeting article to request \$15,000 be appropriated for non-union staff increases and compensation related to a staff reorganization.
3. In FY 2018 the Town voted to transfer \$250,000 to the OPEB Trust Fund bringing our balance to approximately \$1,422,585 as of 07/01/17 against a 6/30/14 actuarial valuation of a \$8,469,997 liability. An additional \$250,000 would bring the balance in the OPEB Trust Fund to approximately \$1,672,500.
4. The 4th article would transfer \$10,000 from the Marina Parking fund to the Marina Stabilization fund as was done in FY 2018.
5. Transfer \$155,000 to the General Purpose Stabilization Fund. The Stabilization Fund has an approximate balance of \$757,500. Adding an additional \$155,000

would bring the balance to approximately \$912,500 which is 5.0% of the operating budget and meets the Selectmen's 5% target of \$911,993.

On the following pages the reader will find further details of the FY 2019 Budget.

<u>Description</u>	<u>Pages</u>
Budget Summary by Department	12 – 16
Debt Service Budget	17 – 18
FY 2019 Capital Improvement Funding	19
Expected Town Meeting Articles	20
Budget Police as adopted by Selectmen	21 - 25

The introduction is followed by separate tabs as follows

- General Government
- Public Safety
- Education
- Public Works
- Human Services
- Culture and Recreation
- Benefits and Insurance
- Payroll
- Enterprise Funds
- Capital Improvement Program