



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 2020 Operating, Capital and Enterprise Budgets

Date: December 3, 2018

Staff continues with format introduced last year with a more comprehensive presentation of the FY 2020 budget. 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 2020 budget presented to you on the following pages is an increase of 4.05%. 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 4.05% 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 currently. Based on preliminary budget estimates and estimates of enrollment the Education budget is projected to increase 3.67% over the budget for Education in FY 2019. The increase is due to the projected increase of 9 Wellfleet students in the Nauset Regional School District which increases our share the of the expenses for the regional district from 12.62% to 12.91%.

- **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 2.9%.

| | <u>FY 2019</u> | <u>FY 2020</u> | <u>Increase</u> | |
|-----------|----------------|----------------|-----------------|----------|
| Payroll | \$6,627,558 | \$6,911,808 | \$284,250 | (+4.3%) |
| Operating | \$2,760,542 | \$2,748,134 | -\$ 12,408 | (-0.45%) |
| Total | \$9,388,100 | \$9,659,942 | \$271,842 | (+2.9%) |

- **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 5.85% 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 several 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 2020 property taxes generate 81.4% of the total receipts, up from 81.1% in FY 2019.

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.
- Charge for parking in town owned parking lots
- Collection of host fee and sales tax from recreational marijuana dispensaries.
- Expansion of room occupancy tax to cover all short-term rentals.

There are several 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.

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 \$284,250 or 4.3%.

Payroll, at \$6,911,808 composes of our budget and is 36.2% of the proposed FY 2020 budget (up from 35.9% in FY 2019).

- Including the cost of benefits the FY 2020 total personnel cost of \$10,374,283 is 54.3% of our budget as compared to \$9,548,875 or 53.4% in FY 2019).

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.

The Finance Department reorganization was completed in FY 2019 resulting in a reduction of one position. It has the 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.

Payroll Adjustments in the FY 2020 budget include the following:

1. 161 Town Clerk; -\$19,690 reduction as we hire an Assistant Town Clerk. Once the Assistant has been fully trained it is expected they will be promoted to Town Clerk.
2. 179 Shellfish; +\$12,296 Increase hours of seasonal staff: Request to increase the part-time seasonal employee to monitor recreational fishery and its catch data, assist with propagation efforts and commercial fishery patrols. Based on the importance of the shellfishing industry to the community this is money well spent.
3. 210 Police Department; +\$70,000. Budget increases 3.27% before the addition of two items. \$45,000 is added to account for the retirement payout to the current Police Chief for unused vacation and sick hours. In addition, \$25,000 is added for special event costs, specifically activities during the 4th of July week and Oysterfest.
4. 220 Fire Department; +\$65,000. Special town meeting voters approved the transfer of funding from the call firefighter budget to hire an additional full-time firefighter.
5. 610 Library; +\$8,620. Request for additional part-time year-round position of ten hours per week.
6. 630 Recreation; +\$6,426. Additional staffing required for expanded programming due to donated passenger van.

Excluding all the items listed above the payroll budget increase would be +2.14%

Employee Benefits:

Employee benefits is 18.1% of the total budget presented. It also represents the largest increase of all the areas with an increase of \$192,442 (+5.9%). 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 2020 it is expected in early 2019. The current estimate projects a 10% increase in the Retirement Assessment. The FY 2019 increase was 9.2%. 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

At this time, we do not have the percentage increase in the health insurance premiums for FY 2020, that data is expected in February 2019. The current estimate projects a 6% increase.

Health insurance rates are set by the Cape Cod Municipal Health Group steering board after receiving rate updates from the insurance carriers. This year we believe the steering group will be able to reduce the effective rates to member municipalities by using their reserve funds.

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 increase by 2.5% or \$65,798. This is only an estimate currently.

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 9 additional Wellfleet students attending NRSD. This contrasts to FY 2019 when the number of students decreased. This number will fluctuate each year and is an important variable in the

budget. With the increase in Wellfleet students and the fluctuation in other communities in the district we project that Wellfleet's percentage share of the regional district budget will increase from 12.62% to 12.91%.

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 are estimating that the number of Wellfleet students attending CCRTHS will remain steady at 13 for FY 2020 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 2020 Education budget will increase by 3.67%.

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 2020 operating expenses are projected to decrease by \$12,408 or -0.45%. It should be noted that the Human Services budget requested an increase of \$100,000 for a voucher program for three-year-old children, like the program we have for our four-year old children.

As a Town Administrator and a strong proponent of education I support this concept. However, I did feel it should be addressed and approved separately and not as part of the operating budget. That is why I recommended removing it from this budget and will recommend it be a separate article on the warrant.

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 2019 | FY 2020 | line # |
|--|----------------------------|----------------------------|---------------|
| Property Taxes | | | |
| Prior Year Levy Limit | \$15,274,813 | \$15,788,087 | 1 |
| Allowable Growth of 2.5% | \$381,870 | \$394,702 | 2 |
| New Growth | \$131,403 | \$115,000 | 3 |
| Override | \$0 | \$0 | 4 |
| Proposition 2 ½ Limit | \$15,788,087 | \$16,297,789 | 5 |
| Debt Exclusion | \$1,833,755 | \$1,660,571 | 6 |
| Cape Cod Commission | \$104,281 | \$105,324 | 7 |
| Maximum Amount of Tax Levy | <u>\$17,726,123</u> | <u>\$18,063,684</u> | 8 |
| Receipts Reserved Funding | | | |
| Ambulance Fund Transfer | \$340,000 | \$340,000 | 9 |
| Beach Fund Transfer | \$1,000,000 | \$1,000,000 | 10 |
| SEMASS Transfer | \$325,000 | \$325,000 | 11 |
| Recreation Fund Transfer | \$60,000 | \$60,000 | 12 |
| Shellfish Fund Transfer | \$20,500 | \$20,000 | 13 |
| Septic to Capital Debt | \$20,000 | \$20,000 | 14 |
| Marina Parking to Stabilization | \$10,000 | \$10,000 | 15 |
| Subtotal | <u>\$1,775,500</u> | <u>\$1,775,000</u> | 16 |
| Other Sources: | | | |
| Free Cash | \$500,000 | \$500,000 | 17 |
| Local Estimated Receipts | \$1,575,000 | \$1,535,000 | 18 |
| Cherry Sheet Receipts (net of offsets) | \$286,508 | \$291,233 | 19 |
| Enterprise Funds Indirect Costs | \$60,300 | \$60,300 | 20 |
| Subtotal | <u>\$2,421,808</u> | <u>\$2,386,533</u> | 21 |
| Maximum Available Revenue | <u>\$21,923,431</u> | <u>\$22,225,217</u> | 22 |
| EXPENDITURES | | | |
| Operating Budget | \$18,315,323 | \$19,205,850 | 23 |
| Capital Debt Service | \$1,828,966 | \$1,670,571 | 24 |
| Capital Items | \$670,267 | \$255,319 | 25 |
| Articles | \$527,956 | \$484,000 | 26 |
| Cherry Sheet Charges | \$430,062 | \$435,000 | 27 |
| Overlay | \$128,500 | \$120,000 | 28 |
| Total Expenditures | <u>\$21,901,074</u> | <u>\$22,170,740</u> | 29 |
| Excess Levy Capacity | <u>\$22,357</u> | <u>\$54,477</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 2020 budget.
- Lines 23 through 29 are the total expenditures expected in FY 2020.
- 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 (line 24 on the recap) is \$1,670,571, of that amount \$1,660,571 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 2020 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 \$2,020,858. That is \$676,448 over our 7% target which would call for a capital improvement program budget of \$1,344,410. There are several needed large equipment purchases which account for the large program request in FY 2020 including the replacement of a ladder truck for the Fire Department (\$525,000), the replacement of a 2008 street sweeper (\$360,000) and the replacement of a 2005 Front End Loader (\$220,000).

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. The Town has been transferring funds into the OPEB Trust Fund each year and is one of the leading communities on Cape Cod in funding our OPEB liability. The current balance in the fund is \$1,704,072 against a 06/30/17 estimated OPEB liability of \$8,372,459. An additional \$250,000 would bring the balance in the OPEB Trust Fund to approximately \$1,954,000. It will take a long-term ongoing commitment to fully fund our liability. As of FY 2019 we are 20.3% funded.
4. This annual article would transfer \$10,000 from the Marina Parking fund to the Marina Stabilization fund as was done in FY 2019.

5. Transfer \$43,000 to the General-Purpose Stabilization Fund. The Stabilization Fund has an approximate balance of \$916,731 and meets our 5% policy (\$915,000 in FY 2019). Each year an additional deposit will be made in an amount equal to 5% of the projected growth of the budget. In FY 2020 that amount is \$43,000.

On the following pages the reader will find further details of the FY 2020 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