

FY13 Budget Guidelines Discussion  
Board of Selectmen – 10/4/11

# Town of Wellesley

# Funding priorities

1. Existing/statutory obligations
  - Pension & OPEB
  - Facilities and other infrastructure maintenance
    - Roadways and sidewalks
    - Stormwater drainage
2. New facilities and infrastructure
  - Senior Center
  - Fuller Brook Park (non-CPC portion)

# Two financial unknowns

- Free Cash (Source of funds)
  - Minimum level to be maintained (reserve policy)
  - How much can be used to balance each year's budget
- Facilities maintenance (Use of funds)
  - Underfunded based on all benchmarks
  - Currently awaiting a better 5 year plan (Facilities Maintenance Study Committee)
  - Future spending will be lumpy

# Free Cash History

	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>
<i>Beg. of year</i>	\$ 2,771,548	\$ 4,028,225	\$ 6,786,366	\$10,692,354	\$ 9,145,674	\$ 9,471,751
<i>Used</i>	(160,000)	(1,712,593)	(2,475,512)	(4,007,626)	(982,734)	(3,715,184)
<i>Generated</i>	1,416,677	4,470,734	6,381,500	2,460,946	1,308,811	
<i>End of year</i>	<u>4,028,225</u>	<u>6,786,366</u>	<u>10,692,354</u>	<u>9,145,674</u>	<u>9,471,751</u>	

# Question

- If we agree that:
  - Facilities maintenance is a financial priority that is not yet adequately funded
  - Generation of Free Cash is a recurring byproduct of our budgeting approach and operations
- Would it make sense to:
  - Earmark our excess Free Cash to partially offset our facilities maintenance shortfall?
  - i.e., let two irregular items offset each other

# Proposal

- Create Special Purpose Stabilization Fund for facilities maintenance
- Set reserve baseline at x% of revenue (e.g., \$7M Free Cash + \$3M Stabilization)
- Following certification of Free Cash each year, transfer excess (i.e., amount in excess of \$7M) to the Fund
- Use Fund to pay for facilities maintenance capital projects, vs. operating budget
- Lower expectations regarding use of Free Cash to balance operating budget

# 2012 ATM Sequence

1. Authorize creation of Special Purpose Stabilization Fund
2. Appropriate 6/30/11 excess to Fund
3. Appropriate FY13 facility maintenance capital from Fund

# FY13 Baseline Assumptions

- 2.5% levy growth plus \$1.3M of New Growth
- Level State aid
- \$800K reduction in interest income
- Pension and OPEB funding per actuarial funding schedules and TWFP
- Departmental personal service budgets – as per August submissions
- Cash and debt capital – as per TWFP

# FY13 Outlook

<i>(\$000)</i>	<u>FY13</u>	<u>FY14</u>
Baseline deficit	\$ 5,046	\$ 7,301
Eliminate facilities maintenance capital	(1,130)	(1,158)
Wage parity pool	218	218
Cash capital reduction	(200)	(200)
Adjusted deficit	<u>\$ 3,934</u>	<u>\$ 6,161</u>

# Projected FY13 Spending Increases

<i>(\$000)</i>	
Wage increases	\$ 2,097
Group insurance	1,127
Pension	579
New School positions	865
Loss of Education Jobs Grant	528
STTI and other School expenses	710
Cash capital	1,185
Other	322
	<u>\$ 7,413</u>

# FY13 Guidelines

- Level service
- Contract increases and 1% for non-union
- Selectmen to work with HR and other Boards to provide funds to:
  - Reward top performers
  - Make adjustments for individuals whose compensation is low in the range or uncompetitive
- STTI – to be subject to a separate discussion
- Other expenses – zero growth (any increases to be offset by energy savings)

# Next Steps

- Review with Advisory – 10/5
- Solicit feedback from other Boards – next two weeks
- Final discussion with Selectmen – 10/17
- Rollout guidelines at Inter-Board – 10/20