

Budget Guidelines



Budget Guidelines and Development

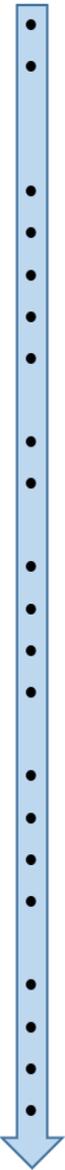
The following section is an excerpt from the Town's Budget Preparation Manual. The entire manual can be found in [Appendix B](#).

A Town cannot fully innovate or deliver superior services without a firm financial foundation. Wellesley has long valued its fiscal strength, stability, and financial leadership, as evidenced by its continually maintained Aaa bond rating, multi-year financial awards, formal reserve and investment policies, and commitment to funding its past service liabilities (pension, OPEB). The Board is charged with articulating a long-term Town-Wide Financial Plan (TWFP) that maintains this financial strength, and with bringing forth a balanced annual town-wide budget. Guidelines are an important method of allocating resources among individual departments after providing for the Town's long-term financial obligations.

The current method of allocating available resources begins with the Board's review and analysis of current revenues and revenue enhancement opportunities. After factoring in fixed costs, such as issued debt and past service liabilities, the Board develops budget guidelines to help allocate remaining available funds among the departments. Each Board is expected to develop a budget falling within guideline. New initiatives and costs beyond guideline will be discussed and further evaluated by the Board and the Advisory Committee during the budget cycle. Other funding mechanisms (such as an override or debt exclusion) may ultimately be proposed if a critical initiative cannot be funded within the current year's resources.

Under the Town's bylaws, the Board is responsible for coordinating the annual budget submissions for all boards; coordinating the timing of capital requests and determining methods for financing capital needs; estimating available revenues; and developing the Town-Wide Financial Plan and Five-Year Capital Budget Program. In order to accurately create (1) the "Sources and Uses" format required by Article 19.16.1, (2) the Town-Wide Financial Plan, and (3) the Five-Year Capital Budget Program, the Finance Department, under the direction of the Board of Selectmen and Executive Director, has developed standard formats for receiving departmental requests. The format includes a departmental narrative outlining departmental responsibilities and current objectives with emphasis on current year needs, a revenue summary, and detailed operating budget requests showing a four-year history. The Finance Director, under Article 19.42(c) of the bylaws assists "in the development of budgets and reviewing all budgets for format, completeness, and accuracy before submission to the Advisory Committee".

Budget Submission Timeline

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- July 1, 2019 Fiscal Year begins
 - July –Preliminary smaller group discussions between BOS Chair, Vice Chair, largest departments, Advisory, and Finance on 2021 budget needs. BOS and School Committee Chairs and Vice Chairs begin bi-weekly meetings
 - August 13th - Finance Director updates BOS on FY2019 results
 - August 28th -- Finance Director and BOS Chairs to Advisory with FY2019 update
 - September 9th – BOS Begins FY 2021 Budget guideline discussions
 - September 16th – BOS continues guideline discussions
 - September 19th -- Inter-board Meeting- Operating guidelines and capital planning discussions
 - September 24th – FY2021 Operating Budget guideline finalized
 - September 27th – Operating budget manual & forms distributed; capital forms distributed
 - October 10th – HR provides guidelines for 40/50/60 series
 - October 18th – Capital budget requests submitted to Finance from all departments
 - November 4th – Town-wide FMD Capital update
 - November 15th – Operating budgets due from Selectmen’s departments. Finance begins budget compilation
 - November 18th – Open Annual Town Meeting Warrant
 - December 2nd - Tax classification hearing
 - December 3rd - Selectmen’s budget workshop
 - December 2nd – Operating budgets due to Finance from non-school departments (early submissions encouraged)
 - December 13th – Superintendent’s operating budget due
 - December 16th – Determine budget gap & begin closing process
 - December 27th – Warrant Closes
 - January – School Committee votes School Department operating budget

Budget Policy Objectives and Strategic Goals

Operating budget guidelines are established by the Board in early Fall for the upcoming fiscal year. The Board makes this determination after evaluating the Town’s financial position as presented by the Finance Director beginning in August, and with input from other boards at the close of the prior fiscal year and committees regarding their anticipated priorities. Guidelines are also provided for operating expenses and may or may not be the same as for personal services.

In using the Budget Book this year, the Town has tried to describe the budgeting process in detail, and has identified what the reader of the Budget Book can find on a departmental level in the departmental budgets (p.49) All departments must create budgets that meet the stated guidelines after all factors (contracts, steps, longevity, merit pay, etc.) are taken into consideration. For FY21 the Board set the operating budget guideline at a 3.5% for both Schools and all other Town budgets. Departmental initiatives that cause requests to exceed guideline are quantified and vetted during the budget cycle discussions. The Board may or may not support initiatives that cannot fit within the guidelines. Departments are asked to create a narrative and to submit personal services and expense requests.

Personal Services

There are five types of employees considered when calculating wage increases for the upcoming year.

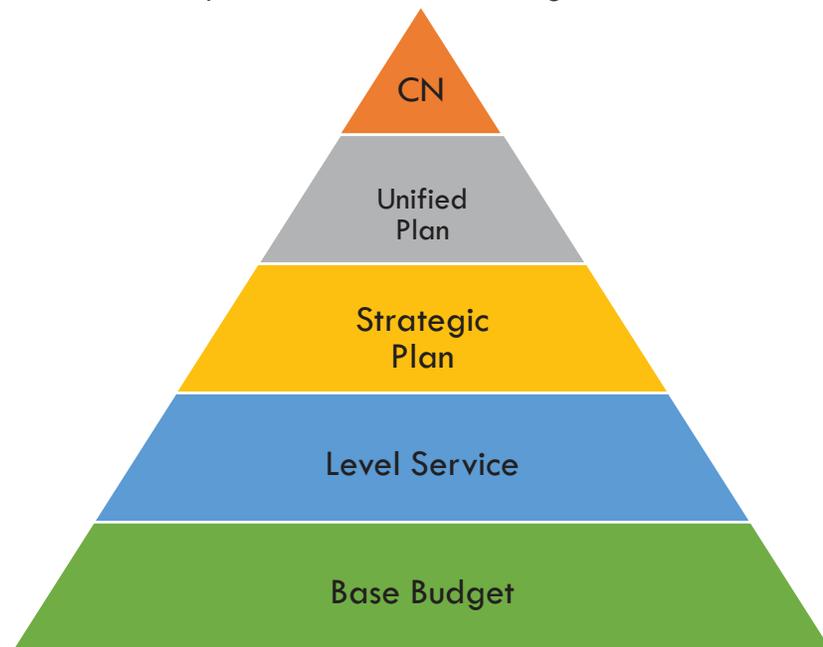
- **40-series employees** who typically receive a set percentage increase, recommended by the HR Board, which is based upon analysis of market conditions. This year's recommended increase is 2.5%.
- **50/60 series employees** who are compensated through a merit pay plan which is administered and appropriated by the Human Resources Department. This year's recommended increase is 2.5%
- **Unionized employees** – there are 13 town and school unions which have agreements that specify the percentage of Cost of Living Adjustment (COLA) received by these groups each year. The School Department's unions settled last year for 3 years with COLA increases of 2% each of the three years to existing steps and lanes. **All remaining union contracts are currently being negotiated.**
- **Contract employees** – Executive level positions whose compensation is set by their respective Board. Town contract positions include: Executive Director, Finance Director, Chief of Police, Deputy Chief of Police, Fire Chief, and Assistant Fire Chief.
- **Non-union unclassified positions** – positions are generally part-time, temporary, and/or seasonal positions. Wage increases for these positions are developed through a request made by a department head to the Human Resources to set a wage schedule for the ensuing fiscal year.

Departmental Narratives

In Departmental narratives, departments describe factors that make up their personal service budget (contract employees, union agreements, mid-year steps, etc.) and provide detail on any new staffing requirements. The expense budget section describes initiatives that are driving costs and detail expense items (conferences, mileage, new expense items, etc.). For budgets not meeting the budget guidelines, narratives explain cost drivers for exceeding guidelines.

This year, budget requests break the budget into several components so that Town Budgets are in a format similar to the Schools:

- **Base Budget** is the budget for existing staff, including contractual increases, and existing expenses with expected escalation.
- **Level Service (LS) Budget** includes any services associated with a new law or mandate.
- **Strategic Plan (SP) Budget** are new costs to help achieve initiatives detailed in a departmental strategic plan. Not all departments have strategic plans.
- **Unified Plan (UP) Budget** are new operating costs to implement programs that have been prioritized in the Unified Plan as a multi-departmental joint effort.
- **Critical Needs (CN) Budget** costs encompass new operating costs that benefit the departmental operation and do not fall in other categories but are deemed by the department to be essential for operation.



Capital Budget Requests

Boards submit a detailed five-year capital plan annually, and include all anticipated capital needs for that timeframe, including cash capital and projects financed by debt or any other source. Capital requests are intended to support the department's strategic direction, and the financial and operational impact of each requested capital purchase is quantified. Because financial resources are limited, boards are asked to internally prioritize capital needs and fully research the cost of each item to better inform the discussion of which projects should be funded in a given year.

As identified in the Executive Summary, the Board adopted a debt policy ([See Appendix A](#)) allocating between 6.2% - 6.8% of budgeted (inside the levy) revenues for combined capital and debt service expenditures as the appropriate level for maintaining assets, while avoiding operating overrides or compromising operating budgets. The major departments considered different methods to prioritize or rank capital projects two years ago; however, it was found the tried and true method of negotiation with the Executive Director and Finance Director continues to be the most effective method. This method allows for a discussion on the timing of specific projects and reduction or deferral of projects on an as needed basis.

The threshold for cash capital items is \$10,000. In a budget year such as FY21 where operating guidelines are more favorable, the Finance office will support the effort to move small items and appropriate larger recurring costs into the operating budgets and will work with individual departments to aid in this transition.

Departments that include vehicle purchases in capital requests follow the Town's [Fuel Efficient Vehicle Policy \(FEVP\)](#). For "non-exempt" vehicles, as defined in the FEVP such as all departments/divisions shall purchase only fuel-efficient vehicles for municipal use whenever such vehicles are commercially available and practicable.

In this year's Budget Book the original five-year capital requests submitted in October 2019 are detailed and included in the [Capital Plan Forms](#) starting on page 255. The final Five-Year Capital Plan reflects the most up to date project costs.