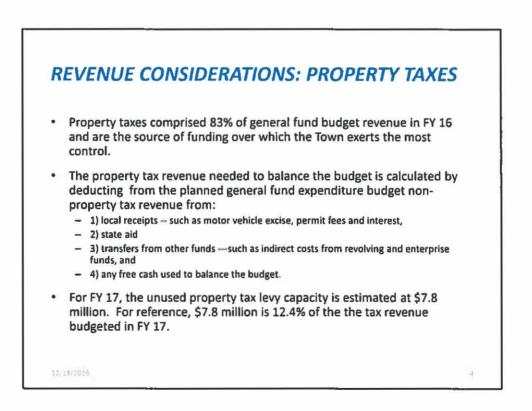




The purpose of this presentation is to provide a framework for consideration of a Budget Guideline for a FY 18 Revenue and Expense Budget. The framework is based on an increase of 2.5% of operating budget to provide a starting point for discussion.

- In FY 17 the Finance Committee established a budget guideline with the goal that the FY 17 General Fund <u>operating budget</u> be increased up to 2.5%. The guideline did not address the funding of capital projects which is covered by the Debt Policy. (Note – the 2.5% guideline is unrelated to prop. 2.5)
- The recommended FY 17 General Fund <u>operating budget</u> increased to \$74,651,474 or a 2.77% increase (\$2.269 million) over FY 16.
- To understand the effect of achieving the 2.5% budget guideline into future years, the Finance Director developed five year projections and historical schedules which are provided to the Finance Committee and accompany this presentation as reference and for discussion.

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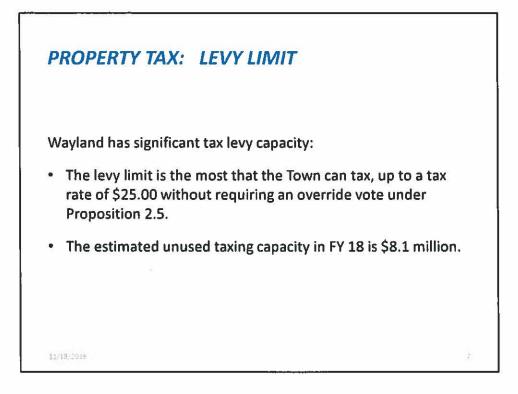


REVENUE: FY 18 VARIABLES – PROPERTY TAX

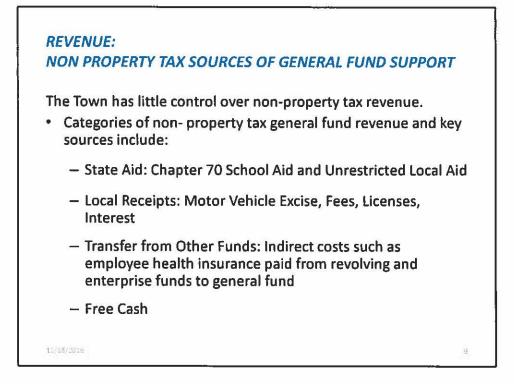
- Negative:
 - Acquisition by the Carroll School of a Waltham Road property will result in a net decrease of \$150,000 in FY 17 and future years. (Based on FY 16, this equates to \$.03 on the tax rate.)
- Positive:
 - Aggressive tax title collection of \$2,000,000 in outstanding property tax revenue could positively affect free cash and future year collections.
 - New growth in FY 18 property tax is estimated at \$600,000 from increases attributable to new construction. The Town is experiencing stable growth increases.

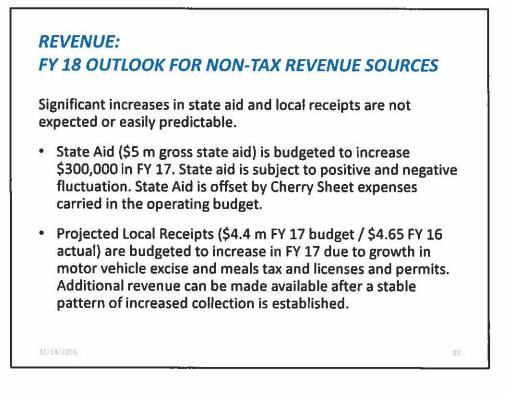
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PROPERTY TAX: AVERAGE SINGLE FAMILY TAX BILL The Town of Wayland ranks sixth among eight neighboring towns comprising the real estate market. Wayland's average single family home 2016 tax bill was \$11,730. The median tax bill is \$1,000 lower. Average tax bills in 8 neighbor towns ranged from \$6,000 in Framingham to over \$18,000 in Weston. The average single family home assessed value in 2016 was \$676,477. Wayland's average 2016 single family home tax bill is ranked 11th statewide.



	and the second	
PROPERTY TAX:		
FY 17 LEVY LIMIT AND UN	IUSED CAPACITY	
2016 levy limit	\$ 64,104,000	
2.5% increase	1,603,000	
New growth est.	600,000	
Levy limit	66,306,000	
Debt exclusion	4,325,000	
Maximum levy limit	70,631,000	
Actual tax Levy	(62,821,000)	
FY 17 unused levy	7,810,000	
FY 18 projected unused levy	\$ <u>8,147,000</u>	
* Based on growth assumption in suppor	ting documents.	
11/19/2016		5





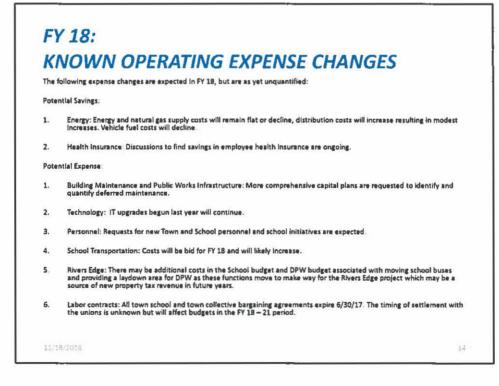
FY 18: USE OF FREE CASH

- Over the past five years, the Town used varying amounts of free cash to cover operating budget deficits in amounts ranging from \$1,000,000 in FY 15 to \$4.8 M in FY 13 and a range of \$2.7 to \$6.1 m for all purposes including capital, articles and OPEB.
- The varying use of free cash in support of the operating budget has resulted in a fluctuating tax rate and declining reserves.
- Moody's Credit rating service advises the Town to build cash reserves and avoid budget deficits by using Wayland's unused levy capacity over the next few years.
- In Moody's 2016 Credit Opinion, the Town was informed:
 "A continued trend in reducing reserves could lead to downward rating pressure."

11/12/1016

REVENUE: USE OF FREE CASH: FY 13 – FY 17 BUDGETS FY 13 FY 14 USE FY 15 FY 16 FY 17 **Current Year** 29,585 165,000 451,348 523,193 NA Transfer Operating 4.800.000 2,500,000 1,000,000 4,350.000 1.500.000 Budget Capital 945,000 180,000 415,000 300,000 410,000 Budget Articles 300,000 100 0 519,903 538,619 OPEB 0 0 249,094 209,114 215,285 Total 6,074,585 2,845,100 2,115,442 5,901,810 2,663,904 11/18/2016

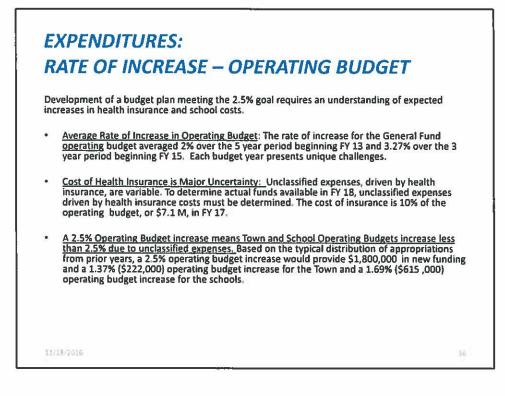
	FY 13	FY 14	FY 15	FY 16	FY 17 (EST.)	FY 18 (EST.
FREE CASH BALANCE 1/1	10,304,704	6,023,697	4,091,958	6,384,312	4,786,000	5,185,000
% GF BUDGET	8.07	8.86	5.49	5.92	6.61	6.06
The Boar Cash at a	COLUMN THE REPORT OF A DESCRIPTION OF A DESCRIPANTI OF A DESCRIPTION OF A DESCRIPTION OF A DESCRIPTION OF A	or a state of the second s		a shake the second state of the second states of the second states of the second states of the second states of	of fund budget.	rujied rree
Cash at a	in amount beti dy's benchmai	ween 5% and k is to mainta	10% of the nex in the general	t year's generi fund balance d		ues. The



FY 17 BUDGET STRUCTURE

The distribution of appropriations to Town, School and Unclassified Expenses in FY 17 is typical for Wayland and may be used as a guideline for how new resources could be appropriated:

 Town Departments 	22%	\$ 16,159,000	
 School Department 	50 %	37,722 ,000	
 Unclassified Expense 			
• Debt	10%	7,507,000	
 Retirement 	6%	4,235,000	
 Health Insurance 	10%	7,165,000	
Other	2%	<u>1,863,000</u>	
TOTAL		\$ 74,651,000	
41/18/2016		15	

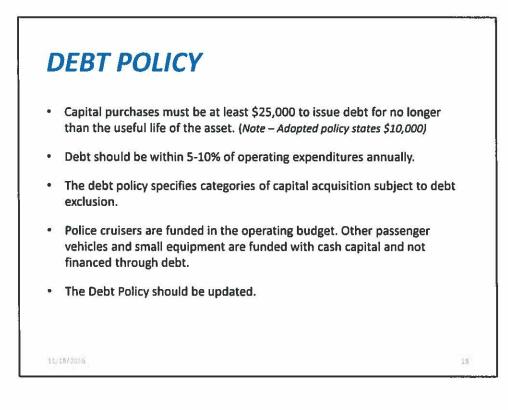




In Wayland, the Budget Guideline addresses the general fund operating budget. The Finance Committee also prepares an annual and five year capital budget and plan which has a significant impact on cash reserves, new debt, future year operating budgets and property taxes.

- The recommended FY 17 Capital Budget was \$8.974 million including \$595,000 from free cash and cash capital, \$4.5 million in new general fund debt and \$3.879 from other funds and fund borrowing.
- The costs of the \$4.5 million in General Fund debt authorized by the 2016 Town Meeting will be included in the operating budget beginning in FY 18. The cost of the \$2 million in recommended FY 16 General Fund debt is included beginning in FY 17.
- In FY 16, the Finance Committee reviewed total capital requests of \$17.6 million. In FY 17, total capital requests were \$9 million.

11/15/2016



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Debt can be managed to remain under the 10% Debt Policy:

- Assuming the Town's operating budget increases 2.5% annually through 2025 and the Town borrowed an <u>average</u> of \$5 million annually, it is estimated an average of \$500,000 in new debt service would be added annually and debt could remain under the 10% of operating budget debt policy.
- For FY 17, principal and interest payments were \$7.5 million or about 10% of the Town's \$74,651,000 operating budget.

11/18/2016

	years the town has incurred th	he
following Gene	eral Fund Debt:	
1. 2012	\$ 2,010,000	
2. 2013	2,555,000	
3. 2014	12,858,000	
4. 2015	5,917,000	
5. <u>2016</u>	2,401,000	
AVERAGE:	\$ 5,183,200	

RECOMMENDED FY 18 BUDGET GUIDELINE

The Finance Committee, Town Departments and School Committee will work collaboratively to develop an FY 18 budget that:

- 1. Funds high quality municipal and educational services.
- 2. Maintains Wayland's competitive ranking within the area real estate market.
- 3. Maintains the Town's favorable credit rating by limiting the use of free cash and building cash reserves, aggressively funding OPEB and maintaining debt below 10% of operating budget.

Strategies to fulfill this guideline include

- 1. Maintain the goal of a 2.5% maximum increase in the total General Fund <u>operating</u> budget. Aim to stay close to the 2.5% goal annually and remain under the goal on average over 5 years.
- Provide an alternative, comprehensive FY 18 budget projection showing full picture of all general fund revenues and operating and capital expenses.
- Continue to review and improve the process for capital planning and funding to insure prudent debt management through a comprehensive, credible, consistent and continuous forward plan.
- Limit the use of free cash for all purposes to an amount that will increase cash reserves to an amount in excess of the Moody's benchmark.
- 5. Maintain debt service under 10% of the operating budget and adhere to the debt policy.

11/18/2016

FY 18 BUDGET PROCESS: ADMINISTRATIVE ROLE 1} Request that town department operating budgets be based on what is required to maintain services at current levels. 2) Identify and plan for any fixed new expenses in the Town departmental and unclassified budgets. 3) Identify and plan for any discretionary new personnel and programs that will improve town departmental services. Identify and incorporate new or increased sources of revenue, efficiencies and cuts in expenditures through the budget process. 4) Continue to review and improve the process for capital planning and funding to insure prudent 5) debt management through a comprehensive, credible, consistent and continuous forward plan. Maintain communication with the School Superintendent and Finance Committee about budget challenges and opportunities for the FY 18 school budget. An initial discussion is planned with School Superintendent, School Committee representatives, Town Administrator and Finance 6) Committee liaison on September 7th. 71 Manage a process with department heads to make budget cuts if required. 11/18/2016

GOING FORWARD, WORKING TOGETHER

- The Town Administrator and Finance Director's recommended FY 18 Budget Guideline and fiscal management strategies are offered to the Finance Committee for consideration in establishing town fiscal policy for FY 18 and future years.
- The Finance Committee is asked to advise the Town Administrator and School Superintendent of its final adopted FY 18 Operating Budget Guideline.
- The Finance Director will provide ongoing staff support and financial analysis to the Finance Committee and act as the Committee's liaison to the Town Administrator and Department Heads.
- The Town Administrator and Financial Analyst will work together to manage the departmental process to develop recommended operating and capital budgets for the Finance Committee's review.
- The Finance Team will continue to work altogether with the Town Administrator to respond to the Finance Committee's information requests to develop the FY 18 Budget.

MANY THANKS TO BRIAN KEVENY, JOHN SENCHYSHYN, ELLEN BRIDEAU, ZOE PIERCE, ELIZABETH DOUCETTE AND SUSAN BOTTAN FOR THE EXCELLENT WORK THIS SUMMER IN ANALYZING THE TOWN'S FINANCIAL POSITION AND PLANNING THE FY 18 BUDGET PROCESS!

11/19/2016

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