

Message from the Finance Committee

*Discussed Draft
at Jan 26, 2016
FinCom Mtg*

April 5, 2016

To the Voters of Shirley,

As required by law, a balanced budget has been recommended in this warrant. This balanced budget emphasizes affordability and sustainability. Reserves are being maintained. Increases in taxes beyond those permitted under Proposition 2 ½ are not required. This budget meets immediate operational and capital needs.

In addition, conservative budgeting coupled with good fiscal management by departments, strenuous efforts to address tax collection, and receipt of revenues provided the Town with \$293,614 in Free Cash that could be considered a recurring revenue source when preparing the budget. This was applied judiciously to help resolve the large deficit that was originally forecast, and also provide revenue for capital projects. The resulting balanced budget recommendation retains services at an acceptable level while not unduly increasing the burden on taxpayers.

The Fiscal Year 2017 Budget Process

The budget process began with a projected deficit of \$900,000 for FY17. The Board of Select appointed a Budget Coordinating Committee to quantify the potential deficit, and determine if a Proposition 2 ½ override would be required to balance the budget. The final report from the Committee did not address the size of a deficit, but did recommend that if there was one, half of it should be raised by a Proposition 2 1/2 override and the other half taken from the General Stabilization Fund. The Committee further recommended that such a decision be made at the Annual Town Meeting.

The large, initial deficit projection was based on assumptions for revenues and expenses that would occur 6 months in the future. Over time, many of these assumptions were modified based on more current information.

Savings were realized in lower than budgeted overall wages due to personnel changes and job consolidation. The \$40,000 annual debt payment for the Library was retired. The Nashoba Valley Technical School District assessment was lower than projected due to a decrease in the student enrollment from Shirley. The amount budgeted for health insurance was reduced, as Shirley received the lowest percentage possible due to a favorable two-year adjustment.

On the Receipts side, as mentioned above, recurring free cash of \$293,000 was available. The Cherry Sheet increase provided another \$55,000. Revenue from solar leases, while available for only part of FY17 will also contribute to the available receipts. This was a warmer than expected Winter which made \$113,000 of free cash set aside for Snow & Ice available. Finally, \$40,000 from Capital Stabilization is planned to be used for capital equipment debt service and \$60,000 from the Overlay Account will be used to bring the Operational Budget into balance.

For fiscal year 2017 (FY17), which begins July 1, 2016, the Finance Committee recommends an operating budget of \$13,316,305.04. This represents a spending increase of \$221,657.69 (1.7%) in relation to the budget approved at the FY16 Annual and Special Town Meetings for both the Municipal and Regional Schools budgets combined.

Local taxation for FY17 totals \$9,635,768, a difference of \$361,848 from FY16 local taxation. Net receipts/revenue from local sources is \$1,069,809. Free Cash is \$293,614. Net State aid is \$1,448,226.

This budget does not recommend any additional withdrawals from the General Stabilization Fund to support the general operating budget for FY17. Additional monies were added to the fund at the special town meeting in November 2015. The objective is that the money remains in the General Stabilization Fund to provide for the Town's ability to manage future economic emergencies.

Omnibus Budget

It is important to note that this is an omnibus budget. Simply stated, an omnibus budget is one in which budgets are approved and managed at the Department level (Line #). This means that approval of the budget at Town Meeting is significantly simplified since it requires that votes on individual budget elements take place by Department instead of by individual item in each Department.

And execution of the budget, once approved, is also simplified and supportive of Department level management by allowing department heads, with Town Accountant approval, to manage their overall budgets based on the Department level amount appropriated at the annual town meeting. An omnibus budget process has been approved by the Board of Selectmen and the Finance Committee to implement the budget change.

Salaries and Benefits

The FY17 budget provides for appropriate increases based on personnel board recommendation or negotiated increased with the bargaining units.

In FY18 (next fiscal year), all bargaining units will renegotiate their contracts.

Health care costs for FY17 increase by 4.5%. This is significantly less than originally projected due to decreased loss runs over a two-year period.

Capital Planning Approach

The capital planning committee reviewed all requests for capital spending for the five years beginning in FY17. Requests that were approved for FY17 were prioritized and had funding sources recommended. The objective remains to remove capital project funding from the operating budget. The creation of a Capital Stabilization Fund provides the methodology for the separation of general operating budget and capital budget revenues. The Town needs to continue to fund the Capital Stabilization Fund for future projects, so that they do not revert to requiring funding from the operating budget.

Conclusion

The Finance Committee message for FY17 is one that offers cautious optimism for the future. The balanced budget includes no additional requests for tax increases beyond those permitted under Proposition 2 ½. Operational and capital requirements, during FY17 can be met without the need for a Proposition 2 ½ override. Town services were not reduced in this budget, and the Stabilization Fund was not used to resolve the budget deficit.

However, the Town's level of reserves available to meet emergencies continues to be only half of what would be prudent to have on-hand for emergencies.

There are economic initiatives in progress that hold the potential for some improvement in the coming years, but no specifics can be included at this time. Town Meeting will provide you with the opportunity to better understand and consider the recommendations that will be made. We look forward to your participation.

Stewart Cady, Chairman
Joe McNiff, Vice Chairman
Bryan Sawyer, Secretary
Mike Swanton
Dr. Dreama Sloan-Kelly