

Finance Committee Report on the FY2013 budget Boylston Town Meeting on May 7, 2012

The Board of Selectmen is presenting to the town a budget that reflects a fair and reasonable review of necessary funding for the town's services. Additionally, the Selectmen also present a series of warrant articles for capital expenditures; although there were other requests also made for capital expenditures, these are the highest priority items that are affordable within the confines of the available free cash. Overall, the finance committee has been involved in the process of preparing the budget, and supports the selectmen's proposal.

At the outset of the budget process, the accountant prepares a worksheet in conjunction with the Selectmen that estimates the available funds for the coming year based on the prior year End of Year Levy Limit, the estimated new growth and the 2.5% increase in the tax rate. Although this is a top down approach to determining the total available funds, the Selectmen and the Finance Committee begin to think of the expenditure side as a bottom-up process. Therefore, each budget is reviewed to determine if the staffing and the expenditures are necessary to perform the duties the town requires. Increases are not automatically built into the budget, but are recommended on an as needed basis.

With that said, the budget for the town contains only modest increases – and contains one significant decrease. Some of the line item increases are explained below:

- Treasurer/Collector clerical wages – to account for raise in hourly rate
- Town Building Inspector Assistant – to account for 4 hour days versus 3 hour days
- A 3% salary increase for non-union town employees
- Highway Salaries to account for an additional laborer
- Highway expenses and Town House expenses to account for increases in fuel and repair costs
- Police Department expenses to account for increases in fuel and repair costs
- Fire Department salaries to account for additional overtime for high risk hours
- Fire Department expenses to account for increases in fuel and repair costs
- Veterans benefits to account for a recent influx of benefit responsibilities
- The Elementary school – which maintains only a 2% increase
- The regional school district – which maintains only a 1% increase
- The Building Construction Assessment to account for FY2013 financing costs¹

In an effort to limit all increases over the recent past, it has become clear that costs have been outpacing the budgeted funding. With this in mind, the Selectmen are recommending increases only to keep up with the operational increases, and in some instances, to correct staffing inadequacies.

The greatest decrease (in dollars) comes from the group health insurance. The town could have entered into the Group Insurance Commission (GIC) healthcare plan, and recognized significant savings for FY2013. Instead, the Town Administrator sought an alternative: the town employees would prefer to maintain the existing plans, and in so doing are willing to make up the difference in order to stay in the existing plans. The original contribution rate was 30% paid by the employees and 70% by the town; the town employees and unions have agreed to a new 37%/63% contribution

¹ * the increase in the Building Construction Assessment is a projected cost for the funding for FY2013 and is not a permanent increase. The assessment was designed to increase in the initial years and then decline. The increase is a function of the financing costs.

split. Ultimately, it is the Selectmen's decision to recognize this savings with the new contribution rate, and not by moving the group healthcare to the GIC.

The town also depends on state funding that is reflected on the cherry sheet. While the cherry sheet is not necessarily visible (some income and expenses are calculated and paid at the state Treasurer's level) the funding is significant. The state accounts for approximately 11% of the budget – with almost half coming as chapter 70 aid for schooling, and about a third for general government. As noted in these reviews in the past, Boylston is in the unfortunate position of receiving relatively light state funding; on the other hand, Boylston is fortunate when local aid is cut, Boylston is relatively less affected.

The budget that is presented for approval for FY2013 shows a 4% overall increase from FY2012. This increased budget reflects the increases as noted, as well as additional funding from the PILOT program. The PILOT program refers to the state's responsibility to make payments for state-owned land in Boylston. This figure increased by almost 10% from FY2012. The cherry sheet, on the other hand, shows a net decrease of approximately \$20,000.

Continuing with what has become the "new normal" budget and expectations of level funding for FY2012, departments were asked to come in to this year's budgeting process with 2 budget requests: a level-funded budget and a budget showing a 2% decrease. With a few exceptions Boylston was able to level fund expenses and apply a 3% increases to salaries.

The town closed out FY012 with \$500,401 in free cash which is more than the FY2011 figure of \$256,953. This, combined with our stabilization account, provides the town with its necessary excess capital; the rule of thumb is that the town should maintain 10% of its annual revenues (of tax levy) in reserves (combination of free cash and stabilization) for fiscal balance. Currently the town sits at just above 10%. Free cash is funds that come available from one time exceptions, and will be used for capital expenditures each year.

At a special town meeting December 5, 2011 a number of warrant articles were presented and approved that earmarked some of the free cash. Eight articles were approved for appropriations totaling \$195,840. Additionally, at the upcoming town meeting on May 5, 2012, the remaining \$304,561 (with an additional \$69,000 available from unexpended and unencumbered overlay account funds) is available for additional warrant articles. The Selectmen are presenting a slate of articles that will request funding for \$336,000 which will include articles for the Highway Department, the Board of Selectmen, the Assessors, the Trustees of the Library and the School Committee. These are not all of the capital items requested, however; it is generally impossible to present all the requests for funding. The Selectmen have also offered an article for adding \$20,000 to the stabilization account and \$30,000 to reduce the tax rate. While these are not significant figures, they represent the Selectmen's and the Finance Committee's commitment to continue to save money for future major capital projects and to help maintain a fair tax rate for the taxpayers of Boylston.

The Town of Boylston continues to be prudent and consistent towards its finances. For this reason there have been no major budget crises as a result of the difficult economic times we are going through. As Boylston prepared the FY2012 budget, despite budget challenges from lowered state funding, low expected new growth and level local receipts, Boylston's recent budget efforts afford it the enviable position of being able to maintain its town services.

We'd like to make a special mention of thanks to Don Parker who will be retiring this year. Thank you for your years of outstanding service and for making our job as a finance committee easy, and for providing tremendous value the taxpayers over the years.

Respectfully Submitted,

Eric Brose, Chairman, Boylston Finance Committee