

**TOWN MANAGER  
RECOMMENDED FY'19 BUDGET  
PRESENTATION TO BOARD OF SELECTMEN**

January 25, 2018

# FY'19 Budget Overview

- Selectmen Budget Instructions = Level-Service Budget = 2.50%
- No New Positions, No New Funding Initiatives
- With 2.50% Increase, Substantive In-Roads in IT Department Which Would Benefit All
- Retaining 8 Fire Department SAFER Grant Positions Requires Additional \$210,000 for FY'19 = 1.26% Above Level Service for Total of 3.76% Above FY'18
- FY'19 Capital Budget = \$1.0 Million within Current Budget Projections...May Need Future Adjustment

# FY'19 Budget Presentation Overview

- Explain FY'19 Budget Binders
- “Financial Encyclopedia” Overview & Additions
- Recommended FY'19 Capital Budget
- Recommended FY'19 General Government Budget at 2.50%; 3.76% with SAFER Positions
- IT Improvements within 2.50%
- Overall Budget Trends, Recent In-Roads, Future Issues & Concerns

# FY'19 Budget Binders

- FY'19 Budget Binders
  - Tab 1: Summary Information – Subject to Regular Changes
  - Tab 2: Financial History, Projections, & Analysis = “Town of Sandwich Financial Encyclopedia”
  - Tab 3: FY'19 Capital Budget
  - Tab 4: FY'19 General Government Budget
  - Tab 5: FY'19 School Department Budget
  - Tab 6: FY'19 UCCRVTS Budget
  - Tab 7: Miscellaneous Budget Information
- Entire Binder on [www.sandwichmass.org](http://www.sandwichmass.org) with Direct Link on Homepage
- Reminder: Please Bring Your Budget Binder to All Upcoming Meetings

# FY'19 Budget Binders

## Financial History, Projections & Analysis – Tab 2

- Key Summary Information – Tab 2 of Budget Binders
  - 56 Different Worksheets with Over 75 Pages of Information
  - Executive Summary in Words – Updated for FY'19
  - Full Explanation of Revenues & Expenses
  - 9+ Years of Financial, Demographic, & Historic Data
    - Focused Documentation on FY'2010 – Present Unless Data Warranted Additional Years
  - Future Budget Projections
  - Explanation of Important Issues That Impact Budget the Most
  - How Tightly Sandwich Budgets Compared to Neighboring Communities
  - How Lean Sandwich Operations are Compared to Similar Communities
  - Where Each Dollar Comes From & Where Each Dollar Goes
  - Updated Annually with New Issues Highlighted Each Year
  - Best Resource to Increase Knowledge of Sandwich's Finances & Demographics

# FY'19 Budget Binders – Tab 2

## Table of Contents & Executive Summary (pp. 2 & 3)

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EXECUTIVE SUMMARY	
1.	<p><b>Decreasing Debt Payments Despite Major, Long-Standing Capital Needs</b> - Pages 18-29</p> <p>By FY'18, the Town's total annual outstanding exempt debt service obligations will have decreased by \$2.9 million since FY'06 and will decrease by \$4.5 million by FY'23 compared to FY'06. A detailed Long Range Capital Plan was presented to the Board of Selectmen in November 2012 providing recommendations on issuing future exempt debt to address significant capital needs that have put off for many years. Progress is being made on this list, but the lack of funding major capital needs for many years is not looked favorably upon by municipal bond rating agencies. The public safety building project is expected to impact debt service in FY'20. See chart of exempt debt on p. 29.</p>
2.	<p><b>Tuition Assessment Increase Impacts &amp; Shortfalls</b> - Pages 36-38</p> <p>Since FY'04, Tuition Assessments have increased from \$262,373 to \$3,658,051 in FY'18, a staggering 1,294%. Even over the last 5 years, we have still experienced an average increase of more than 8%. This pattern has meant that more and more of Sandwich's overall budget is being sent out of town. Local municipal and educational services have been reduced to fund students attending public educational opportunities outside of Sandwich. Most tellingly, in FY'18 State Tuition Assessments alone exceeded the total Discretionary Aid amount the Town received by \$1,358,651, making us a State Aid debtor community for the 6th consecutive year. See chart of this comparison on p. 38.</p>
3.	<p><b>Declining School Enrollment</b> - Pages 67-69</p> <p>Since January 1, 2002, Sandwich Public School enrollment has declined substantially, losing 1,760 students from Sandwich. This represents a 42% decline in enrollment since the peak of the 2002-03 school year. Students taking advantage of other public, private, and home educational opportunities outside of Sandwich have increased significantly, totalling 680 students in the current school year, which represents 21% of Sandwich's Pre-K - 12 population. In addition, since the School Committee first voted to accept School Choice students from other towns in 2010, there are now 132 non-Sandwich students in the Sandwich Public Schools.</p>
4.	<p><b>Sandwich Budget Culture of "Cutting It Close"</b> - Pages 52-54</p> <p>For many years Sandwich has budgeted its total expenses extremely close to its estimated revenues. This is reflected in our low Free Cash certifications, our modest Stabilization Fund balance, and the fact that we have had no Excess Levy Capacity for more than a decade. Compared to our 3 closest neighbors, our Free Cash certification is \$6.8 million below and our Stabilization Fund is more than \$5.5 million below their averages. See chart on p. 54.</p>
5.	<p><b>Average Tax Bill</b> - Page 60</p> <p>Since FY'2010, the Town's average tax bill has increased by a total of \$1,367, or 32.27%. This reflects an annual average increase of 4.03% over those 8 years. For comparison purposes, Sandwich is \$341 dollars below the average tax bill in the Commonwealth and has been below the State average for 21 of the last 23 years. We have the second highest average tax bill on Cape Cod and the highest median household income. Demographically, Sandwich is much more similar to towns on the South Shore than Cape Cod.</p>
6.	<p><b>Stable, Aging Town Population</b> - Pages 66 &amp; 70</p> <p>The Town population has generally increased since the early 1990s, but the rate of increase has slowed significantly the last few years, with some annual decreases. The largest growing segment of our population continues to be those residents over-60, which now makes up 32% of our total</p>
7.	<p><b>Where Our Money Comes From &amp; Goes</b> - Pages 71-76</p> <p>Approximately 77% Sandwich's income comes from taxes, with 13% coming from State Aid, and 9% from other sources. Two-thirds (65%) of every dollar spent goes for educational costs and expenses, 30% for general government services, and 5% for overall expenses. See charts on pp. 72, 74, &amp; 76.</p>

# FY'19 General Government Budget Overview

## Capital Budget – Tab 3

- FY'19 Capital Budget – Finalized Internally
  - Current Balance = \$1,006,610 in Net Capital Improvements
  - Continued Commitment to Annually Fund \$125,000 in Building Maintenance for Both Town & School
  - \$150K DPW Asphalt Paver for In-House Smaller Projects
  - \$50K School Demolition of HTW Portables
  - \$100K IT Inspections Software...with Hope of Leveraging Additional \$200K State Grant for Digitization of JSD Offices
  - Presented Capital Budget to CIPC Earlier This Week
  - Complete Copy of Departmental Submission Forms for Recommended Capital Items on Town Website

# FY'19 General Government Operating Budget Overview – Tab 4

- FY'19 Budget Totals by Departmental Account
- FY'19 Budget Reflects:
  - 2.50% Increase Over FY'18...3.76% with Fire SAFER Positions
  - Purely a Level-Service Budget – No New Positions Included
  - Constantly Considering New Ways of Providing Services & Addressing Problems
  - Always Take Advantage of Reorganization Opportunities When Presented...Provided Sufficient Funding Exists
- Summary of Significant Budget Changes (+/- \$10,000) 2.50% Budget: Results in Substantive IT Improvements to Help All General Government Departments
- Retaining 8 SAFER Grant Positions Increases Budget 1.26%
- Needs Budget Summary
- Overall Budget Issues & Concerns



# FY'19 General Government Budget Overview

## Summary of Significant Budget Changes at 2.50%

<u>Acct.</u>	<u>Budget - Description</u>		<u>Change</u>
162	Elections & Registrations - Up Year in Normal Two-Year Cycle		10,500
197	IT - Software Improvements & MS Hosting Office 365 & E-Mail		75,000

- Shows No New Positions & Funding Initiatives Added
- IT Efforts:
  - Pays for Annual Recurring Costs for Added Software Packages
  - Supports Migration of Microsoft E-Mail & Office 365 Hosting to Cloud
  - Lays Groundwork for Future Town & School Financial Software Change
  - IT Improvements Benefit All Town Departments

# FY'19 General Government Budget Overview

## Summary of Significant Budget Changes at 3.76%

Summary of Only Budget Change Between 2.50% & 3.76%				
220	Fire - Expiration of Federal SAFER Grant in February 2019			210,000

- Reduces Post-Grant “Exposure” from \$750,000 to +/- \$250,000 in FY'20
- Addresses Only Major Public Service Not Equally Provided Throughout Town & Better Protects Most Important Site for Potential Public Safety Incident = Sandwich High School
- Ultimate Goal of Fully Funding SAFER Positions in FY'20 & Beyond Without Using Override or NRG PILOT Funding

# FY'19 General Government Budget Overview

## Long-Term Prioritized Needs Budget List

<u>Acct.</u>	<u>Budget - Description</u>	<u>Amount</u>
197	IT - Increased Annual Costs for IT Improvements & Windows 365 <i>(In Recommended FY'19 Budget)</i>	75,000
Multiple	Streamline Town Organizational Structure & Various Positions	440,000
420	DPW - Add'l Road & Infrastructure Maint. Funds Post-Road Bond	300,000
420	DPW - Add'l Parks Staff & Money for HTW School Fields	100,000
171 & 630	DNR & Recreation - Reduce Dependency on Beach Parking Acct.	150,000
		<b>1,065,000</b>

- Recommended 2.50% Budget Includes Top IT Priority
- Needs of the “The Big 3” Substantially Addressed Since FY’15 – Now Need to Focus on Smaller Department Needs
- Recognize No Funding Exists for Additional Needs Listed Above BUT Don’t Want Board to Forget Our Consistent, Multi-Year Priorities (August 2016 Material)

# FY'19 General Government Budget Overview

## Long-Term Needs Budget List – Public Safety Planning

<u>Acct.</u>	<u>Budget - Description</u>			<u>Amount</u>
221	Fire - (8) Fire/EMS to Staff 3rd Station - Post Fed. Grant Expiration ( <u>Note</u> : Total Original Amount of \$750,000 down to +/- \$250,000)			250,000

- Recommended FY'19 Budget Reduces Post-Grant “Exposure” from \$750,000 to +/- \$250,000 in FY'20 = VERY Positive
- Will Strive to Not Use Any NRG PILOT Funds or Override to Retain Positions & Service
- Potential to Consider Increasing Ambulance Fund Operating Budget Transfer to Help Cover Remaining Cost

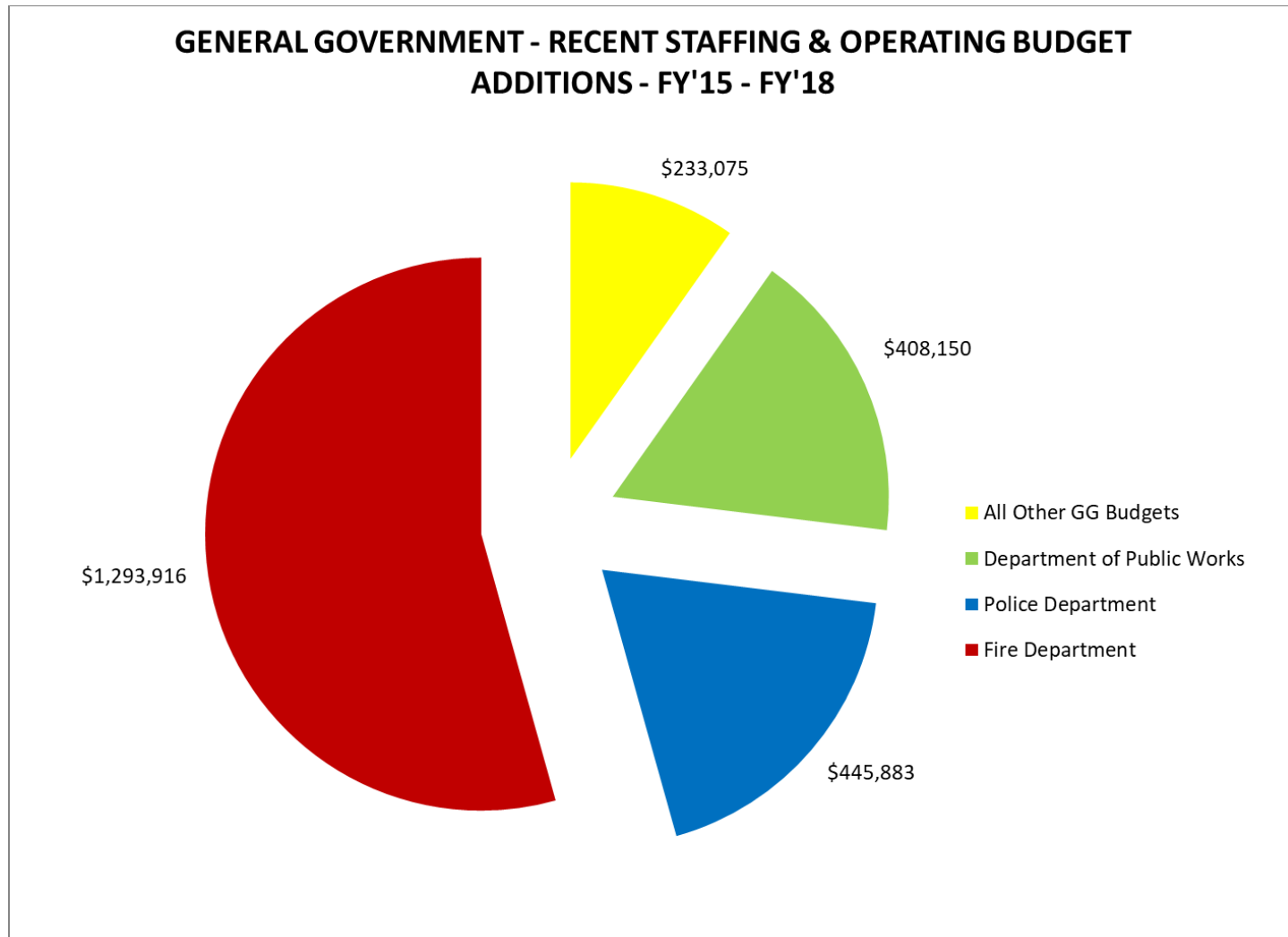
# FY'19 General Government Budget Overview

## Recent Progress on Prioritized Needs: FY'15 – FY'18

	<u>Budget - Description</u>	<u>FY Funded</u>	<u>Amount:</u>
<b>All Other GG Budgets</b>			
	175 - Assistant Town Planner	FY'15	45,000
	410 - GIS Analyst / Engineering Assistant (Net of Existing P-T Clerk Position)	FY'15	31,150
	197 - Add'l. Funds to Cover IT Software Maintenance & Equipment Costs	FY'15	50,000
	610 - Reduce Library Dependence on Donation Funds & Weston Fund Uncertainties	FY'15	29,500
	171 - DNR Assistance & Conversion to F-T Animal Control Officer (\$50,000 Needed)	FY'15	10,000
	630 - Recreation Department Program Coordinator	FY'16	41,600
	541 - Increase Funded Hours of Council on Aging Drivers	FY'16	12,500
	197 - Add'l Maintenance Coverage for Town Buildings	FY'18	13,325
	<b>Total All Other GG Departments</b>		<u>233,075</u>
<b>Department of Public Works</b>			
	420 - (2) DPW Laborers & Reorganize Positions	FY'15	108,150
	421 - More Realistically Fund DPW Snow & Ice Budget	FY'17	150,000
	420 - Add DPW Lease / Purchase of Capital Equipment Line Item to Operating Budget	FY'17	150,000
	<b>Total DPW</b>		<u>408,150</u>
<b>Police Department</b>			
	210 - General Operating Budget Increases	FY'15 & FY'16	40,000
	210 - Police Detective	FY'16	65,500
	210 - Net Cost Joint Civilian Dispatch: 5 Dispatchers = 1 Add'l Officer per Shift (6 Officers Total)	FY'16	172,214
	210 - More Realistically Fund Police Department Overtime	FY'17	150,000
	210 - Dispatch & Police Related OT Coverage	FY'18	18,169
	<b>Total Police Department</b>		<u>445,883</u>
<b>Fire Department</b>			
	220 - 3rd Ambulance Crew - (4) Fire / EMS Staff (\$1,100,000 & 12 Needed Total)	FY'16	326,000
	220 - More Realistically Fund Fire Department Overtime	FY'17	50,000
	220 - 3rd Ambulance Crew - (8) Fire / EMS Staff - <i>Post Federal SAFER Grant Cost</i>	FY'17	750,000
	220 - Increase OT & Holiday Comp Due to (8) Fire / EMS Staff	FY'18	167,916
	<b>Total Fire Department</b>		<u>1,293,916</u>

# FY'19 General Government Budget Overview

## Recent Progress on Prioritized Needs: FY'15 – FY'18



# Overall Budget Issues & Concerns

<b>Emergency Reserves:</b>			
.	General Stabilization Fund Needs to be Increased - compared to similar communities our size, Sandwich does not have a high enough Stabilization Fund; positive bond rating implications by increasing balance; 5-year goal = \$2.5 million; long-term goal = \$TBD; excellent source = Future Year 1 NRG PILOT Payment ( <b><i>FY'19</i></b> = Adding \$ for 4th Consecutive Year)		

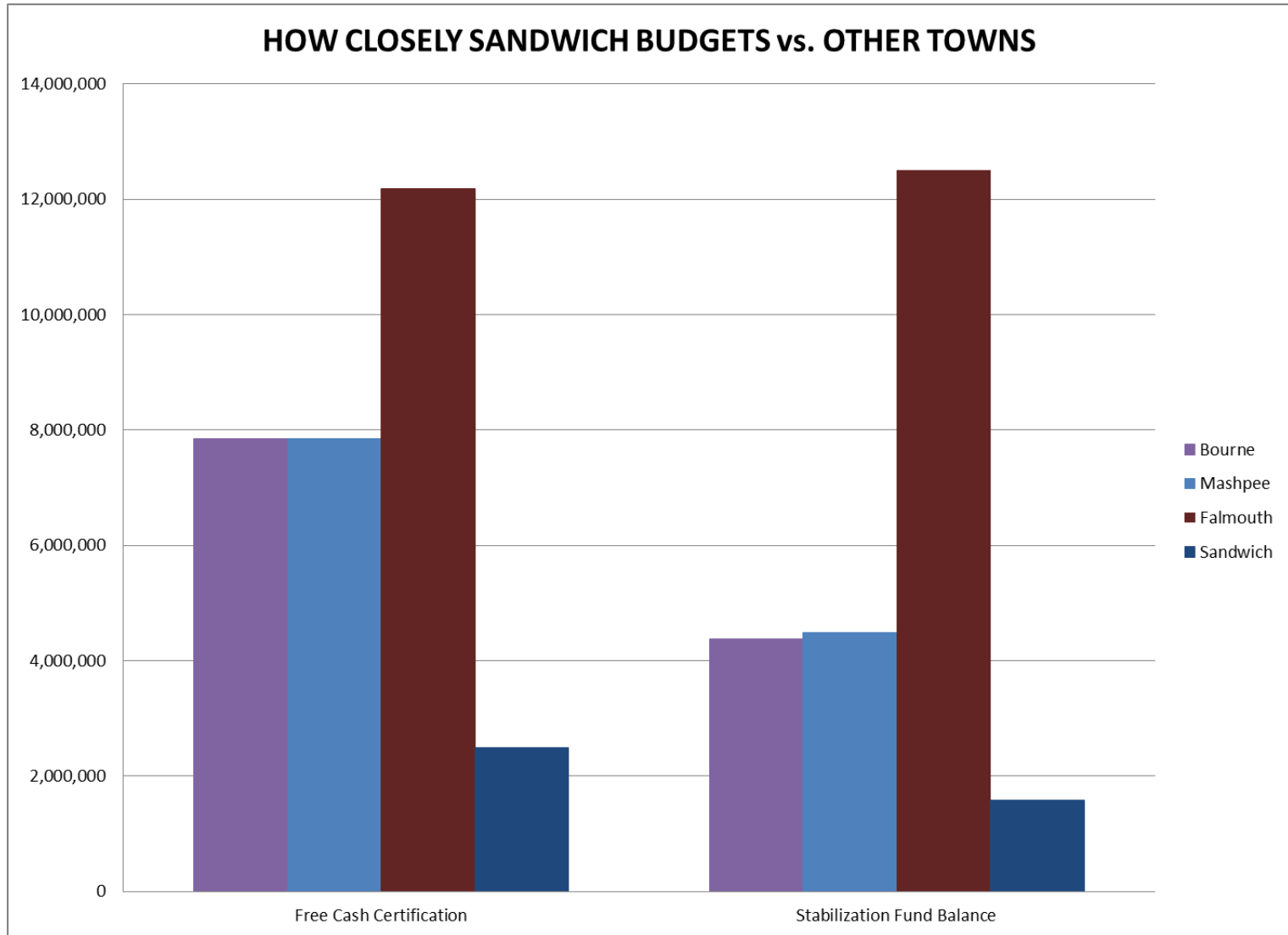
# How Closely Sandwich Budgets vs. Other Towns

	FY'14		FY'15		FY'16		FY'17	
Town	Free Cash Certification	Stabilization Fund Balance	Free Cash Certification	Stabilization Fund Balance	Free Cash Certification	Stabilization Fund Balance	Free Cash Certification	Stabilization Fund Balance
Bourne	4,897,346	3,517,265	3,538,836	3,740,543	6,714,795	3,545,542	7,847,739	4,376,512
Mashpee	6,387,569	4,120,378	6,285,457	4,225,025	6,285,457	4,483,947	7,843,582	4,483,946
Falmouth	7,117,947	4,006,263	8,930,163	4,500,000	10,728,544	11,564,924	12,172,944	12,505,190
5-Town Ave.	6,134,287	3,881,302	6,251,485	4,155,189	7,909,599	6,531,471	9,288,088	7,121,883
<b>Sandwich</b>	<b>2,016,440</b>	<b>1,025,000</b>	<b>1,763,451</b>	<b>1,224,369</b>	<b>2,721,373</b>	<b>1,329,329</b>	<b>2,485,339</b>	<b>1,576,393</b>
Sandwich v. Ave.	-4,117,847	-2,856,302	-4,488,034	-2,930,820	-5,188,226	-5,202,142	-6,802,749	-5,545,490
	-204.21%	-278.66%	-254.50%	-239.37%	-190.65%	-391.34%	-273.72%	-351.78%

- Free Cash Certification: Reflection of How Closely A Town Budgets Each Year vs. Actuals
- Stabilization Fund Balance: Reflection of How Much Emergency Financial Reserves a Town Has if Something Goes Wrong



# How Closely Sandwich Budgets vs. Other Towns



# Overall Budget Issues & Concerns

<b><u>Tuition Assessments:</u></b>			
·	Tuition Assessments Largest Budget Impact over Last Decade - State Tuition Assessments have impacted Sandwich tremendously since FY'04; during the same period, local enrollments have dropped by more than 41% and Charter School reimbursement formulas & commitments from the State have been significantly underfunded and ignored; in FY18 Tuition Assessments topped \$3.65 million & exceeded the Town's Discretionary Aid by \$1.36 million		

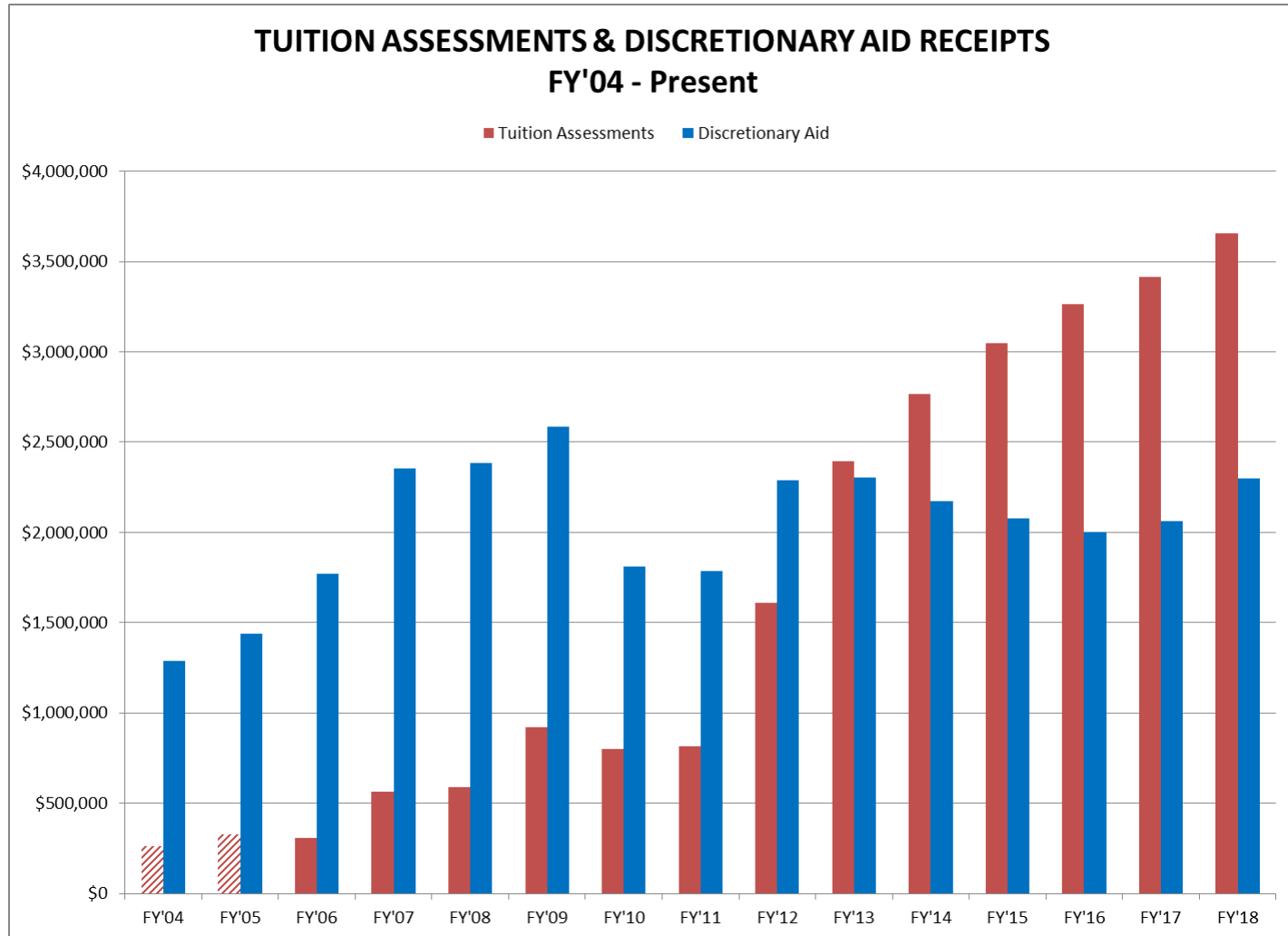
# Tuition Assessments Budget History

## THE Largest Budget Impact over Last Decade

- Tuition Assessments – Sandwich History = pp. 36-38 of Tab 2
- FY'18 Tuition Assessments = \$3.66 Million
  - 11.7% of Total Sandwich Public Educational Funding
  - Last Override in FY'06 = \$2.62 Million
  - FY'06 Tuition Assessments = \$300,000
  - \$3.36 Million Increase Since Last Override = Staggering
  - Average Annual Increase Last 5 Years = 8.14%
  - More Than \$1.5 Million Above UCCRVTs Assessment
  - 42% Local Enrollment Decrease Since Peak in FY'02
  - 21% of Pre-K – 12 Students Seek Non-Sandwich Educational Opportunities
- “Debtor” Community: Tuition Assessments vs. Discretionary Aid
  - “Debtor” Status First Occurred in FY'13, Now \$1.36 Million Difference
  - Charter Costs Up, Charter Reimbursements Down = Counterintuitive, But True
  - State Underfunding Charter Reimbursement Commitment More Than 50%
- State Budget Process History – Won't Know Final Assessment Estimate Until After July 1

# Tuition Assessments Budget History

THE Largest Budget Impact over Last Decade

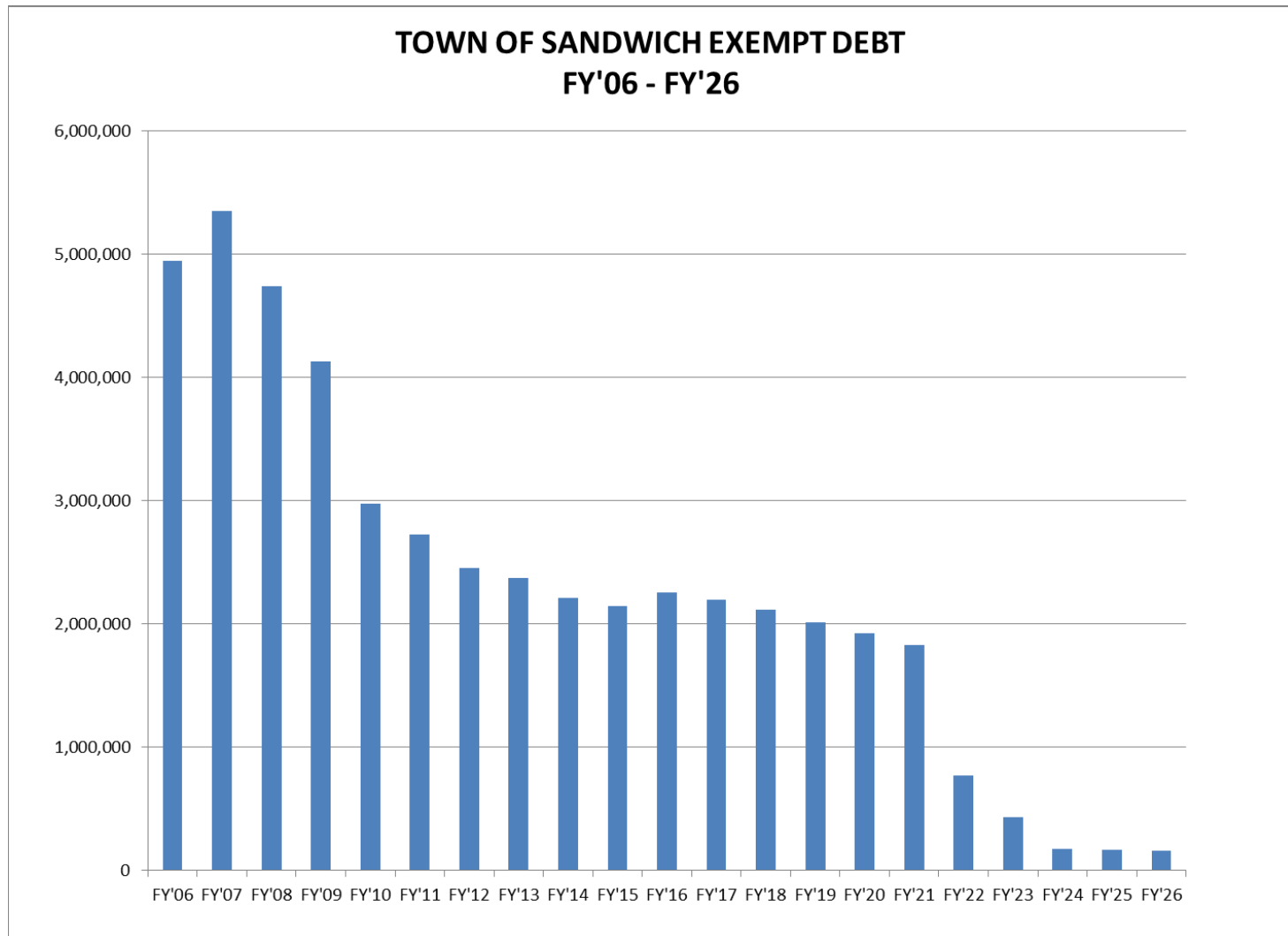


- FY'04 & FY'05: Tuition Assessments Paid From School Budget Per State Requirements

# Overall Budget Issues & Concerns

<b>Capital &amp; Maintenance Needs:</b>			
·	Annual Capital Needs Typically Exceed Available Funding...But Stronger Focus Last 5+ Years ( <b><i>FY'19</i></b> = Funding more than \$1.0 million total and future years look better)		
·	School Needs More Funding for Capital & Maintenance ( <b><i>FY'19</i></b> = Request for additional \$125,000 in School operating budget; \$125,000 already added to annual capital funding starting in FY'18; transfer HTW \$ from School to Town when appropriate)		
·	Large-Scale Projects Needing Exclusions or Alternative Means to Fund ( <u>ex.</u> = Roads & Infrastructure incl. School & Town Facilities = <b><i>THIS IS BECOMING CRITICAL</i></b> ; Wastewater; HTW School; Senior Community Center; Library; Beach; Etc.)		
·	Existing Municipal Buildings - no place to combine appropriate departments; nowhere to put new staff; lack of modern office features & building code issues ( <u>ex.</u> = financial departments & central administration; Annex; etc.)		

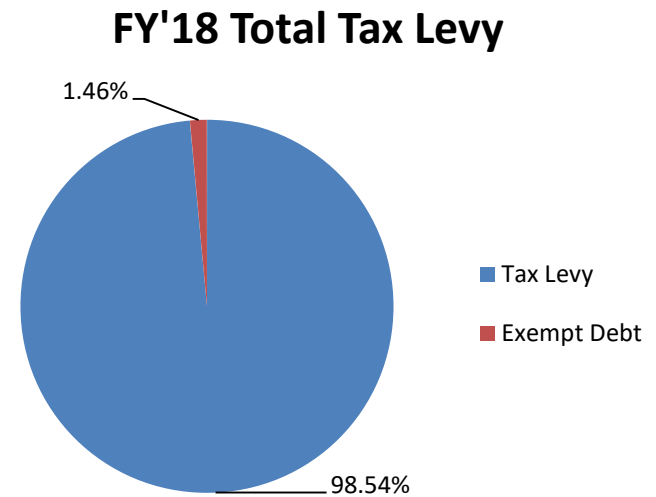
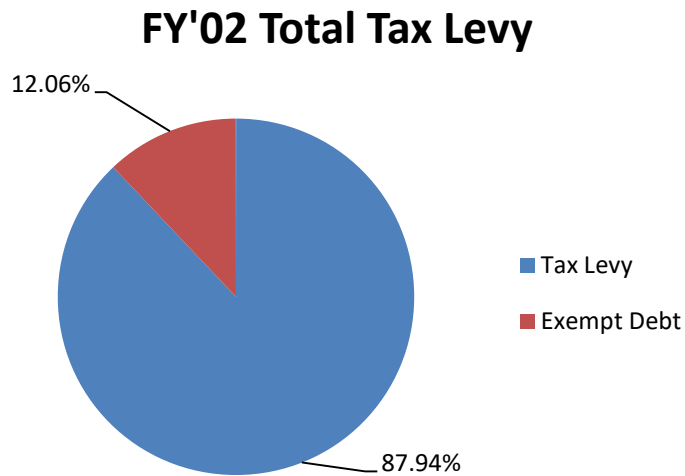
# Large Scale Capital Needs



Note: Public Safety Debt Not Yet Bonded

# Exempt Debt vs. Total Tax Levy

FY'02 vs. FY'18



Note: Public Safety Debt Not Yet Bonded

# Overall Budget Issues & Concerns

<b><u>Employee-Related Costs &amp; Employee / Debt Requirements:</u></b>	
·	Retaining 8 EMS/FF Positions from Federal SAFER Grant upon Expiration - need to continue to plan for expiration of federal hiring grant and cover full cost of retaining 8 EMS/Fire personnel by FY'20; ( <b><i>FY'19</i></b> = Covering additional \$210,000 total annual cost thereby reducing final amount needed to cover full expense in FY'20 to +/- \$250,000)
·	Increased Cost of Town & School Employee & Liability Programs ( <u>ex.</u> = <b>health insurance = #1 focus area</b> ; so-called "Cadillac Tax" costs which may take effect...or go away...in the future; retirement assessment; OPEB, Etc.)



# FY'19 Budget Overview

## FY'19 Projected General Fund Revenues & Expenses

- Changes Since Initial December 2017 FY'19 Projection
  - Less Overlay Release Funds Available (Bad)
  - Final County Retirement Assessment Slightly Lower (Good)
  - Lower Health Insurance Rate Increases...Not Voted (Good)
  - Transfer to Stabilization Fund Retained (Good)
  - Transfer to OPEB Trust Fund Retained (Good)
  - Showing a Lower Overall Deficit, But Still a Deficit (Good)
- Outside of Our Control & Awaiting Greater Clarification
  - State Cherry Sheets: Discretionary Aid, Ch. 70 Aid, Tuition Assessments, Other Assessments
  - FY'18 Snow & Ice Deficit...So Far, So Good
  - UCCRVTS Budget Assessment...Current Estimate “Close”

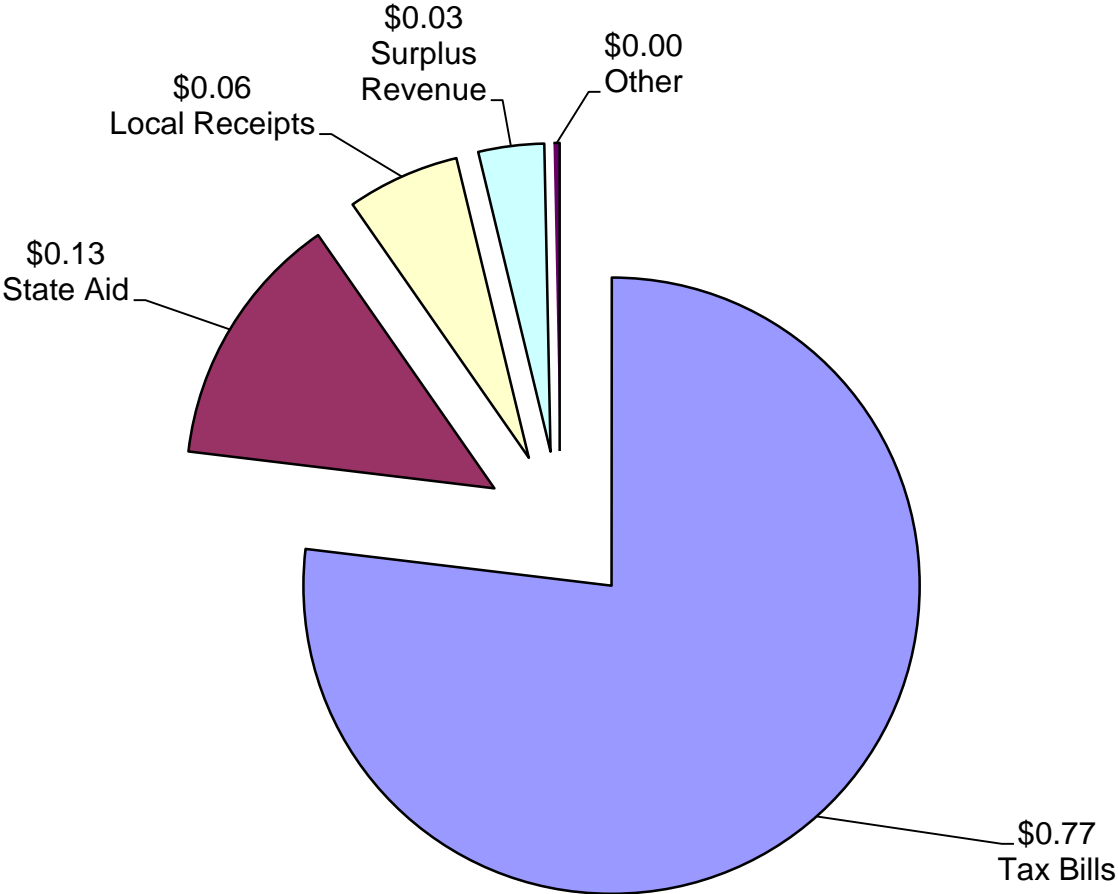
# FY'19 Projected General Fund Revenues & Expenses

## Current Projection

REVENUES			EXPENSES		
FY19 Tax Levy:			ReCap Sheet Items:		
FY18 Levy Limit	58,584,945		State Assess: Tuition Assess (10.00%)	4,023,856	
2.5% Increase	1,464,624		State Assess: All Other (3.00%)	627,416	
Est. New Growth	500,000		Abatements / Overlay	400,000	
Excess Levy Reserve Est.	0		FY18 Snow & Ice Deficit	150,000	5,201,272
Overrides / Exclusions	0				
County Assess. Outside 2.5: CCC	181,639		Town Meeting Items:		
Debt Outside 2.5 (- Non-Levy & MSBA)	731,116	61,462,324	Group Health Insurance (6.51%)	11,450,000	
			County Retirement Assess. (5.98%)	3,842,992	
Other Revenue:			Property & Liability Insurance (7.50%)	1,128,750	
Mass. School Building Authority Funds	1,279,534		Medicare (6.00%)	714,610	
State Aid: Discretionary (-5.00%)	2,184,430		Unemployment Account	100,000	
State Ch. 70 Aid: School (0.00%)	6,989,398		OPEB Trust Fund	100,000	
Est. Local Receipts	4,650,000		Debt: Long Term - General Fund	2,461,704	
Surplus Revenue / Free Cash	2,485,339		Borrowing Expenses	50,000	
Overlay Release	50,000		Reserve Fund	500,000	
Transfer from Stabilization Fund	0	17,638,701	Capital Budget - Net	1,006,610	
			Transfer to Stabilization Fund	250,000	21,604,666
<b>Total Estimated Revenues</b>		79,101,025	Operating Budgets:		
			School Budget: Local (2.50%)	26,229,121	
			Ch. 70 (0.00%)	6,989,398	33,218,519
			UCCRVTS Budget (7.50%)		2,319,229
			General Gov't. Budget (2.50%)		17,097,905
			FY'19 SAFER Offset (1.26%)		210,000
<b>Stabilization Fund Balance:</b>			<b>Total Estimated Expenses</b>		79,651,591
Actual Balance on 6/30/17:	1,576,393				
Proposed Transfer From/To Stabilization Fund	250,000				
Projected Post ATM Balance:	1,826,393		<b>ESTIMATED FY'19 BUDGET BALANCE</b>		-550,566

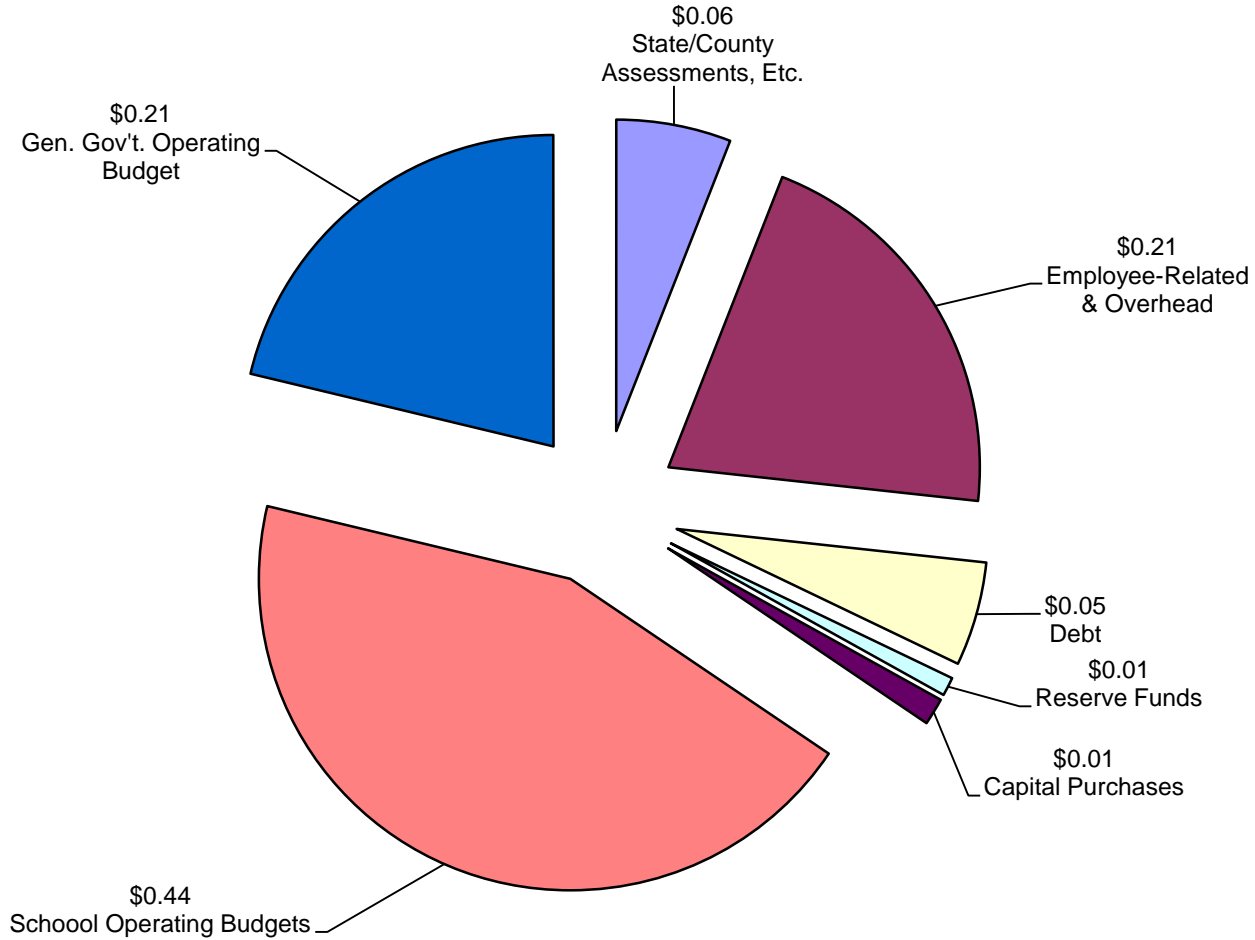
# Where Each Dollar Comes From

WHERE DOES EACH DOLLAR THE TOWN RECEIVES COME FROM? - FY'18



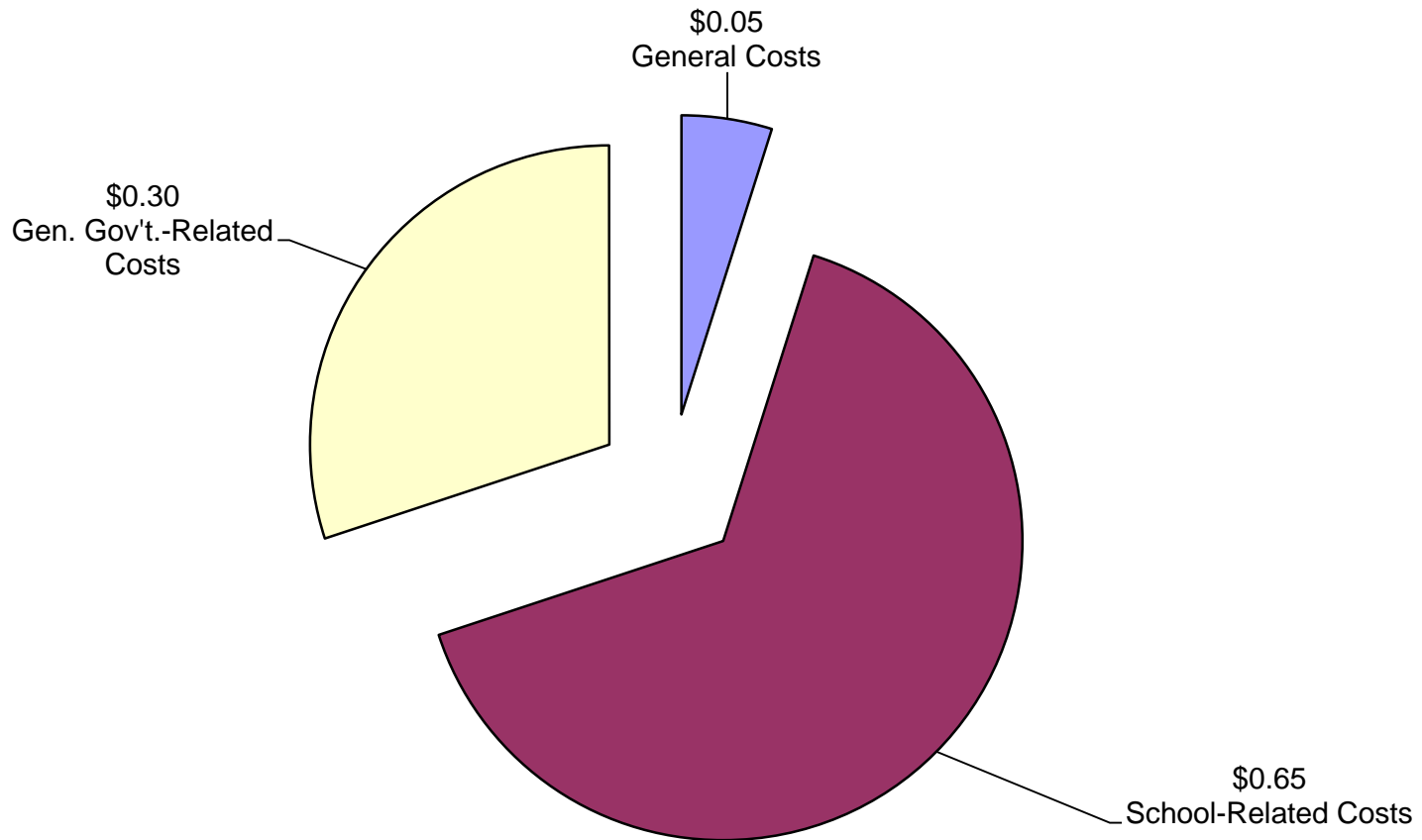
# Where Each Dollar Goes

WHERE DOES EACH DOLLAR THE TOWN SPENDS GO? - FY'18



# Where Each Dollar Goes – School & Town

WHERE DOES EACH DOLLAR THE TOWN SPENDS GO? - FY'18  
School & General Government Expenses



# FY'19 Budget Overview

## Budget Issues to Monitor

- Estimated FY'19 Local Aid Receipts...Several Months To Go
- Estimated FY'19 Local Aid Assessments...Several Months To Go
- FY'19 Health Insurance & Property & Liability Insurance Costs Still Pending...Will Know More in February
- UCCRVTs Budget Estimate = “Close”; Awaiting Final Budget Assessment Figure

# FY'19 Budget Overview

## Budget Issues to Monitor

- As Always, Central Administrative Staff will Provide Appropriate Recommendations if Current Budget Estimates Need to be Revised & Operating Budgets Amended – Contingency Plans Always Developed
- Likely Revenue & Expenses to Review, If Necessary:
  - New Growth
  - State Aid & Assessments
  - Local Receipts
  - Snow & Ice Deficit
  - Health Insurance
  - Capital Budget
  - OPEB & Stabilization Transfer
  - Operating Budgets

# FY'19 Budget Overview

- Reminder: FY'19 Budget Process has Several Months To Go Before Being Finalized for Town Meeting
- Estimated Revenue & Expenses will Change Regularly with Updates Provided at Every Selectmen & Finance Committee Meeting
- 14<sup>th</sup> Fiscal Year Without an Override Request Despite Significant Increases in Tuition Assessments, Employee Related Costs, Capital Needs, Etc.



# FY'19 Budget Overview

- Finance Committee Presentation on February 13 with Committee Budget Review to Follow
- **Recommendation**: Funding General Government at 3.76% Positively Addresses Critical IT Needs that Impact All Town Departments & Retains 8 Fire SAFER Grant Staff
- Staff Input & Support in Preparing FY'19 Budget Material
- Any Questions About the General Government Budget Recommendation or FY'19 Budget as a Whole?

***THANK YOU!***