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TO: All Departments, Boards, Committees and Commissions
FROM: Richard A. Montuori, Town Manager *RAM*
DATE: November 19, 2018
RE: FY2020 Budget Message

The following is the Fiscal Year 2020 Budget Message for your Department Budgets. The goal for FY20 budget process and budget development is to continue building upon the success of previous years. As in the past, the plan is to develop the FY20 Budget utilizing the same fiscal constraint and discipline as we have in previous years when developing budgets and managing the Town's Finances. The financial approach that has guided us over the past eight years has allowed us to attain our annual goals and continue to provide outstanding service to the Community.

Even though State finances are doing well, and the overall economy is strong, that does not mean we will change our approach to budgeting. It is important that we keep in mind that financial impacts can come in a variety of ways to municipalities and we always need to be prepared to address them without diminishing services. As successful as we have been, we cannot become complacent and unwise in how we develop our FY20 financial plan. The Town's budget process will move forward in a realistic manner insuring services are maintained and we address areas that have not been funded over the past eight years while we built back core services. Areas such as facilities maintenance and infrastructure will be priorities to address in the FY20 budget. The Elementary School and addressing improvements to the DPW Facility are two major priorities as we plan the FY20 Budget. Any issues, items, or priorities not addressed during this process, will be revisited in the future for possible funding at Fall Special Town Meeting once we have a better understanding of all finances.

Although the budget being prepared is for FY20, keep in mind that all decisions will be made with a conscious understanding of how today's decisions impact future budgets, Town finances, and services. The FY20 budget needs to consider the growth of the Community and how department operating and capital budgets will prepare and address that growth now and in the future.

I will again be presenting a balanced budget that utilizes recurring revenues, and uses one-time non-recurring revenues or the Stabilization Fund to fund one-time expenditures for small and large capital needs. We will continue, as we have for the past eight years, to review and scrutinize water and sewer enterprise fund allocations, revenues, and expenditures. The hope in FY20 is to begin shifting sewer debt back from the property tax levy to the Sewer Enterprise Fund. I am projecting a larger than normal increase to fixed costs such as Health Insurance, Medicare, Middlesex Retirement, State and County Charges, and Debt Service. Projections for revenues and expenditures may change during the process, and adjustments will be made.

Each department will be required to present their budget under the following guidelines for both the operating budget and capital budget:

Operating Budget:

The budget format for FY20 will involve the same budget worksheets used for the previous year's operating budgets. The sheets include the same line-items and areas to provide in-depth information as in the previous fiscal year. The Fiscal Year 2020 budgets are in Excel and will be provided electronically. As in the past, the operating budget will be broken down into Salaries, Operating, and Capital Outlay.

Salary Line-Items:

The salary line items shall include current base salaries with the employee's salary and step increase for FY20. All base salaries for FY20 should come from the FY20 wage schedule, which is based on 52.2 weeks. Weekly salaries and hourly wages should be based upon 52.2 weeks. However since FY20 has 52.4 pay periods due to it being a "Leap year", Departments should budget for an additional weekday that needs to be included in your salary budgets on a separate and distinct line and not built into anyone's annual salary. Any additional salary benefits (such as longevity, wage deferral, educational incentive, etc.) must also be included in the relevant columns within the worksheet. When calculating salary changes include the calculation within the worksheet provided. For example, if an employee is receiving a step increase during the Fiscal Year, provide their information on two separate lines on the worksheet. The first line should be the current salary for a certain number of months and the second line should be their salary for the remainder of the Fiscal Year. The detail budget sheets for salaries are to include: each employee's name, anniversary date (date of hire), step, base salary, distinct breakdown of all additional salary benefits and a total salary benefit per employee.

I want to stress that each Department Head is responsible for confirming that grade, steps and salaries for each fiscal year (proposed, current and previous) are correct and included in the worksheet. There will be no additional staffing of departments unless the Department Head can prove that there would be a cost savings by adding such staff or an increase in service that will greatly benefit residents. Any request for additional staffing should not be in the budget request, but instead part of a separate write-up as a priority that you would like to have funded. The information within the write-up should detail the reason and a rationale for the new position(s) and how they will improve service to the residents. Each Department should include funding to fill vacancies. I will review all vacancies on an individual basis with Department Heads and determine if the need exists to fill the opening. Please budget estimated amounts for terminal leave and the Sick Leave Incentive Program in account number 5160. If Terminal Leave or Sick Leave Incentive was budgeted in FY19 and is not needed in FY20, then delete the amount from your budget; do not assume it remains as part of your funding. Salary Budgets are to reflect the cost of current personnel and any savings due to retirements or filling vacancies with lower salary personnel does not automatically go back into the Department's Budget.

Operating Line-Items:

The operating portion of the budget will be broken down into line-items similar to your previous fiscal year's budgets, which are the basic operating costs for your department. Include a detailed description under each line item justifying the expense. Operating Budgets should be level service which means the amount presented to Town Meeting in May 2018 and adjusted at October 2018 Special Town Meeting with any necessary and justifiable increase to the line-item to maintain the current level of service. Level Service does not mean increase your operating budget for new items or new requests. If any adjustments are made, I will make them after reviewing budgets with Department Heads. If a line item is not funded sufficiently and you believe the lack of funding is impacting service to the residents, please make a notation within the specific line-item description and narrative and indicate the amount needed. The intent of this information is to bring attention to the issue, but it must be a funding concern that directly relates to a service provided to the Community. If there is a decrease in any operating line item do not assume that savings goes into another operating line-item within the budget; the savings amount should be removed. Finally, I am stressing this year that each Department Head provide as much detail as possible for each line and breakdown the cost of each request. For example, - show the cost of both gas and electric separately in the Utilities line item, not just one number for all utilities.

Capital Outlay:

The line item Capital Outlay will be for items as defined in the General By-Law 2.20.035 and it reads as follows:

For budget purposes, "capital outlay" is defined as moveable property, of a relatively permanent nature having a normal life expectancy of more than three years or having a purchase cost of \$10,000.00 per item or more and including items such as furniture, office equipment, rolling stock including items purchased on a leasing or lease-purchase basis. Items purchased on a leasing or a lease-purchased basis is subject to annual appropriation. (Art. 23, STM 2001)

In addition to this definition, there will be a cap of \$35,000 on items budgeted in the Capital Outlay Account. Also, I may move items requested in this line-item to be funded in another manner such as a separate warrant article. The only exception to this guideline will be police cruisers and their funding will be reviewed during the budget process. For FY20, requests for Department Capital Outlay accounts should be built up from zero-based and must have a detail description and justification. Do not assume because this account was funded at a certain level in the FY19 Budget that the line-item automatically receives the same funding in FY20. Any reductions in this area from the previous fiscal year should not be added back into this line-item or to your Department's overall budget. Each year this line-item is scrutinized and justified as if the previous year had no appropriation.

Department Narratives:

Departments are required to provide a cover narrative describing your department and the services provided. Please keep the narrative to no more than two pages and limit financial information since that should be in the budget worksheets. Those Departments with vehicles must provide a list of each with the year, mileage, purpose and maintenance plan if one exists.

The narrative and vehicle list should be provided electronically when your budget is submitted. Those departments that have statistics regarding the service they provide residents please include those in a separate sheet from the budget narrative.

As part of the narrative, Department Heads should provide three priorities that you would fund if budgets were increased beyond level service. You should provide a brief description and justification of the priority and an estimated cost. If a priority assists in achieving the overall Town priorities outlined in this message please explain how. If a Department is requesting additional staffing they should follow the guidelines stated above under the salary section and that request will be one of the three priorities. Once again, there is no guarantee that these priorities will be funded, and in some cases, certain Department's priorities may be funded and others may not. Funding, if available, will be limited and not all priorities can be addressed, if any.

Department Heads must review their budgets to ensure all columns and rows add correctly. **Do not** change or add/alter formulas unless you are ensuring the columns or rows add properly. **Do not** work or change the cover sheet to your budget. This is mostly formulas and there is no need for any edits to this page except for the section regarding the number of employees. If a new line item is needed, please contact me and I will adjust the document to reflect the change. Since the sheets have formulas, do not add one on your own and do not add any new worksheets to the budget workbook.

Capital Budget:

Capital Budget requests shall be submitted on the updated form developed for FY2020. Capital Budget requests are for one-time expenses including public works projects, vehicles, and extraordinary repairs of \$35,000 and greater. Each department is to provide requests for FY2020 as well as for Capital requests through the year FY2024. All requests are to be prioritized in each fiscal year, and the number of requests should be structured to allow them to be realistically carried out and completed on a timely basis.

All operating and capital budget requests are due **December 5, 2018**, and are to be completed on these sheets and in this format. There will be no exceptions. Budgets and related documents are to be submitted to me electronically. The deadline for budget submission is a hard deadline so please work to meet it if not sooner. I plan to start meeting on Department Budgets December 6 and to have all Department meetings complete well before Christmas.

Finally, please be prepared to make budget adjustments, if the economic forecasts change. It is important to note that my goal will be to only make reductions to the operating budget based upon the Town's financial outlook and standard budgetary review. I would also emphasize that I may need to alter the guidelines for a specific reason or item within a department. All budget decisions are final pending Board of Selectmen and Finance Committee review. The budget process will follow the standard procedure, which includes my review, my recommendation to the Board of Selectmen and the Finance Committee, and the Finance Committee's review and recommendation to Town Meeting.