

MEMORANDUM

TO: Department and Division Heads
FROM: Mark Sylvia, Town Manager
Bruce T. Miller; Finance Director
DATE: September 06, 2006
SUBJECT: Fiscal Year 2008 Budget Guidelines

In anticipation of preparing the Fiscal Year 2008's operating and capital budgets, tight fiscal constraints remain, as will be enumerated below. However, continued efforts will be made to enhance Town services along all municipal segments, general government and school as part of the strategic planning process.

As you know, the Town will be losing 10 million dollars in the BECO PILOT payment in fiscal year 2008. Consequently, this decrease in revenue will significantly impair the Town's revenue, therefore conservative budget practices as adopted during previous years will continue.

In addition to the BECO PILOT reduction, other challenges that the Town must face are enumerated below.

- Due to GASB Statements 43 & 45, Accounting Pronouncements, and IBNR trending, it is expected that the Health Insurance Trust Fund will continue funding \$1,000,000 to this account.
- Member benefits, especially general health insurance, and the Town's general liability insurances, represent one of the greatest challenges the Town will face during the foreseeable future. It is expected that the health care industry will

FISCAL YEAR 2008 Budget Guidelines

continue to recognize double digit increases as recognized during recent years. As a result, it is expected that the Health Insurance and Member Benefits appropriations will grow accordingly. As such, a 10% cost escalator is being factored for these categories which will increase the aggregate appropriation by \$2,700,000.

- Although the Town's Pension Trust continues to recognized healthy appreciation/ investment gains, as a result of the economy, actuarial funding pressures continue. As a result, it is anticipated that the Pension appropriation will increase by \$600,000 over FY 2007.
- Fuel and utility cost are expected to continue to rise, although not as steep as FY 2007. A factor of 5% should be applied to the FY 2008 budget. This factor increases the FY 2008 over the FY 2007 budget by approximately \$100,000.
- Municipal salaries associated to step and COLA will increase by approximately \$1,200,000.
- It is anticipated that the School budget will increase upwards to \$2,900,000.

Below are the budget preparation instructions.

- All budget worksheets and forms can be found on the T drive in the following file: **T:\FY2008 Budget Forms & Worksheets.**
- Copies of your department's FY2007 budget worksheet from Data National showing previous year appropriations and expenditures as well as a sheet with examples of annual salary calculations have been provided
- Departments should prepare level service budgets using the criteria outlined below.
 - Contact the Human Resources Department for copies of current salary charts when calculating your FY08 salaries. The budget detail sheets provided include positions currently on the payroll system; please remember to include any positions which are currently vacant when calculating the total annual salaries for your department.
 - Zero base budgeting techniques should be used when developing operating budgets- please refer to the schedules located on the T-Drive.
 - Use a 5% cost escalator for fuel and utilities.
 - All other increases, with the exception of salary increases, need to be documented on the detail budget worksheets provided on the T-Drive
 - In addition, please update your strategic planning documents from FY 2007 and submit these schedules with your budget documents.

Please return to Ms. Borgatti, via e-mail, a complete package consisting of the following schedules.

- Operating budgets,
- Salary schedules,
- CPS schedules
- Article 8 schedules

FISCAL YEAR 2008 Budget Guidelines

- Strategic planning updates

These schedules should be returned no later than October 13, 2006. If you do not anticipate any CPS or Article 8 requests, please indicate "NONE" on the forms and submit them along with your operating budget requests. The Department of Finance will include a general sum of money for new and replacement small office equipment and furnishings for Town Meeting approval as opposed to the detailed list provided in the past. Your CPS request list will assist in estimating the budget amount needed for those items.

I look forward to seeing you at the Budget Retreat on September 29th and in the mean time should have any questions; please feel free to contact Mr. Miller, Ms. Borgatti or myself.

Thank you.