FY 2015 BUDGET MESSAGE
-Submitted to BOS 12/23/13

INTRODUCTION

The Falmouth Home Rule Charter requires a comprehensive budget for all Town functions and a related budget message to be submitted to the Board of Selectmen each year prior to the first day of January. I respectfully submit the attached budget for your review.

This Fiscal Year (FY) 2015 budget presents a balanced approach to modest budget increases. In furtherance of the Board’s policies, over $1 million dollars is recommended to fund the Capital Stabilization Fund. With the Board’s overall conservative budget policy, the Town continues to fund reserves and the Town’s free cash has remained steady, demonstrating continued moderate economic recovery and reflective of Falmouth’s conservative budget practices.

The FY2015 budget demonstrates disciplined, conservative revenue forecasting with modest budget increases that respect the limited resources available to the Falmouth taxpayer and that are sustainable for the future.

BUDGET OVERVIEW

Revenue

There are four major components of revenue used to fund the operating budget: Property Taxes, State Aid, Estimated Local Receipts and Other Available Funds. Consistent with the Board of Selectmen’s Policy Statement issued on October 21, 2013, the FY15 budget allows for 2.5% levy growth. Per that Policy, only 2.25% of levy growth is allocated to the operating budget, the remaining .25% is allocated to the Capital Stabilization Fund. Given the positive trends at the State level, State Aid is level funded at FY2014 levels and does not project a decrease – as has been the case in planning for the last several fiscal years. Year to date estimated local receipt revenue indicates an overall slight increase from last year. There are no shortfalls projected at this time.

As per the Board’s Policy, 75% of the local Meals Tax Revenue is proposed for capital stabilization and 25% is committed to the stabilization fund in addition to
property tax revenue allocations previously described. Other Available Funds include revenues from other sources such as parking revenues, embarkation fees, waterways improvement, energy receipts, wetlands protection and golf revenues that are transferred into the General Fund in order to support the debt payments and minor operating expenses.

This FY2015 budget includes a total of $176,859 in wind turbine expenses necessarily supported by General Fund Revenue. As stated last year, it has been anticipated that wind energy receipts will no longer support operating expenses of the wind turbines unless both turbines operate at full capacity and generate requisite revenues. Last fiscal year, the wind turbines generated approximately $422,000 in revenue which supported the debt service on Wind 1 only. The Court Order recently received reduces the daily operating hours of both turbines from sixteen to only twelve per day and in addition mandates a total shutdown of both turbines on Sunday of each week. This Court order is anticipated to decrease wind turbine annual operating revenues to the taxpayer by $250,000 - $280,000. This is, of course, a very significant revenue decrease from last year in those annual wind turbine revenues specifically intended to support wind turbine operations. Operating the two Town wind turbines in a responsible, business-like manner will therefore require that an ever-increasing subsidy come from the General Fund. I am further recommending a Town Meeting warrant article that will fund the wind turbine reserve account from free cash in the minimum amount of $300,000. This unfortunate, damaging structural deficit will continue at least until both turbines are restored to operation at the minimum level of sixteen hours per day as voted by the Board of Selectmen on September 30, 2013.

Expenses

The major budget pressures in FY2015 include items such as education, health insurance, retirement and contractual salary increases which result in approximately $2,300,000 in budget growth. Also, please note that the budget overview sheet indicates a $2,587,432 (2.29%) operating budget growth. The amount of $88,675 represents an increase in State Chapter 70 monies allocated to the School Department and $110,530 represents a shift from excluded to unexcluded debt due to the necessary New Silver Beach Sewer project budget adjustment. However, the overall budget increase amount (including monies
allocated to the Capital Stabilization Fund) is 2.44% and reflects the Board of Selectmen’s voted Budget Policy.

Other minor budget increases amount to approximately $150,000. The budget includes one proposed, shared-department full-time position – ½ time is proposed for administration in Conservation and ½ time for Marine and Environmental Services. A similar full-time position was originally approved several years ago for ½ time Conservation and ½ time GIS, but did not proceed to implementation at that time. In addition, I have recommended a ½ time position for the Library to restore customer service hours, allowing for the full staffing of the circulation desks when the Library is open. Also included are limited additional hours to modestly restore customer service in the Personnel Department and within the Planning Department. Lastly, to meet growing maintenance demands related to the Shining Sea Bike Path and Goodwill Park in the Department of Public Works, I have proposed an additional $35,000 in contractual services which will assist with this expanding mission.

**Health Insurance**

The Town has planned for a 5% increase in health insurance. As discussed during the FY14 budget review, the School Department’s budget increase is the result of a formula-based budget which is more reflective of the actual budget needs and demands for educational services. As a result, the budget proposal includes a full 2.25% increase for the School Department along with the additional $88,675 increase in Chapter 70 Aid and a related 5% deduction for School health insurance costs. This is the first year that the proposed budget apportions the School Department’s proportional share of increased health insurance costs directly to their budget growth. This is consistent with the direction given by the Finance Committee Schools subcommittee in their budget deliberations last year.

**Contractual Employee Increases**

The FY2015 salary budget includes a 1.5% increase for AFSCME and non-union employees and also includes a set-aside in the Town Accountant’s budget for future contract settlements. The Fire, DPW and Library contracts are negotiated and settled through June 30, 2014.
Funding Reserves

I propose that we continue to set-aside $440,000 to the Town’s General Stabilization Fund (this includes 25% of Meals Tax) and $100,000 into the Other Post Employment Benefits (OPEB) liability account. It is extremely important to continue funding the OPEB liability; this is consistent with the Selectmen’s Operating Budget Policy. As you may recall, Standard and Poor’s Report on the Town’s recent short-term notes was very positive and specific funding reserves were identified as a major indication of Falmouth’s improving fiscal health.

Capital Plan

We will continue funding smaller capital items in the annual operating budget. Last year we funded $450,000 in the operating budget for police cruisers, water meters, beach nourishment, fire department equipment and gear, facilities maintenance, computer equipment and software. There were some minor changes in the capital portion of the operating budget and we will be funding approximately the same amount. Budget growth limitations have prevented the Town from accommodating any more operating budget growth in this area. The smaller capital items will continue to be funded in the annual capital plan utilizing the Town’s available reserve of free cash.

Debt

The FY2015 debt amount reflects level funding our excluded debt in order to maintain our levy capacity. It also includes a shift of excluded debt to unexcluded debt for the New Silver Beach sewer costs. This shift began in the FY2014 Operating Budget and therefore approximately $250,000 must be raised in the debt budget within the limitations of Proposition 2 ½. The overall debt budget also includes a payoff for short-term debt in the amount of $2,380,000 including interest. Falmouth is saving a significant amount of interest on behalf of taxpayers with this pay down of short-term debt and the low interest rates resulting from the Town’s conservative fiscal policies. The Town will continue to fund our larger capital projects utilizing the practice of managing and sustaining debt levels as we will be seeking Selectmen, Town Meeting and voter approval of approximately $85 million in borrowing for critical water and wastewater projects, this to be considered at the upcoming April, 2014 Town Meeting.
CONCLUDING REMARKS

The Town of Falmouth, consistent with other municipalities throughout America, has weathered the storm of the National and State financial recession. Working collaboratively as a Town, we are emerging as a municipal organization that is both leaner and stronger. Challenges and opportunities lie ahead; with clear direction and consistent leadership we continue to make disciplined and measured progress in addressing the critical infrastructure and public service needs to ensure the quality of life of the Falmouth community.

I look forward to meeting with the Board of Selectmen in the FY15 Budget Session scheduled for Monday, January 6. As you know, per Town Charter we are provided a very compact timeframe to review, discuss and conclude the executive-level budget process with budget adoption, as the proposed budget is due to the Finance Committee “on or before January 16.” I greatly appreciate the opportunity to work closely with the Finance Committee in the weeks to come in their important, deliberative work on the Falmouth budget. I thank Finance Director Jennifer Petit for her professional guidance and tireless commitment to this important budget process. I thank Assistant Town Manager Heather Harper for her input and assistance with the evolution of this budget as well. I thank Town Accountant Vicky Rose, Town Treasurer Susan Ripley, Town Collector Pat O’Connell and Acting Director of Assessing Trisha Favulli for their dedication and consistent professional work as key members of Falmouth’s Finance Department acting together to ensure quality in the critical financial activities of this Town.

As professionals, I and my colleagues in public service are privileged to serve the taxpayers of Falmouth and the members of the Board of Selectmen. We remain committed to doing so with energy and distinction.

Respectfully Submitted,

[Signature]

Julian M. Suso
Falmouth Town Manager
December 23, 2013