



TOWN OF HOPKINTON
TOWN MANAGER'S OFFICE
Norman Khumalo
Town Manager

MEMO

TO: Board of Selectmen
FROM: Norman Khumalo, Town Manager
RE: FISCAL 2016 BUDGET MESSAGE TALKING POINTS: Looking Forward
DATE: October 21, 2014

I respectfully offer the following goals for the board's consideration in its deliberations relative to the Fiscal 2016 Budget Message:

1. More directed spending on the core mission and frontline services;
2. Maintain level funding for current municipal service operations while keeping costs as low as possible;
3. Strategic initiatives: Department heads to submit separate requests for any new initiatives, with proposals including the purpose, priority, performance measures, service outputs, and costs associated;
4. Provide detailed documentation for each expenditure line item in the Munis system;
5. Contractual costs: Identify incremental costs of contractual obligations in presentation of budget recommendation;
6. Cost containment: Identify any efficiencies gained or costs controlled in presentation of budget recommendation; and
7. Capital Improvements: Prioritize capital projects based on the Capital Asset Management Program and Capital Improvement Plan.
8. Monitoring spending, savings and use for Fiscal 2015 and 2016.

The rationale and assumptions behind these goals include:

1. Short term economic factors
 - a. State aid: Projected to remain at Fiscal 2015 level
 - b. The outlook for tax revenues - New growth is projected to decrease from 1.75 million to 1.3 million with the completion of a portion of Legacy Farms;
 - c. Potential increase in fixed costs of employee benefits and insurance
2. Long term liabilities: The need to quantify and develop funding strategies for OPEB, general stabilization, and capital stabilization
3. Tax base: The overall economic climate has not improved appreciably for public agencies. Continuation of heavy dependence on residential property tax is anticipated. In order to mitigate tax impact while maintaining services, need to

diversify revenue streams and identify strategic opportunities to expand commercial tax base.

4. Customer service needs
 - a. The need to align infrastructure with growing community and expanding needs as well as demographic changes.
 - b. Citizen satisfaction survey results: What services are indicated to be the highest priority? Which areas are identified as needing improvement?

Risk Factors:

1. Adverse changes in the economic and general market conditions.
2. Risks associated with managing new strategic initiatives
3. Threats to revenue sources – consumer confidence in spending
4. Other one-time events
5. Changes in priorities as the budget process evolves

Next Steps

1. Internal Department meeting and requests to Town Manager by 11/21/14;
2. CPC, CIC meetings and requests completed and submitted to Town Manager by 12/31/14
3. All capital article requests to Town Manager by 12/31/14
4. Town Manager report on CIC proposals to Board of Selectmen by January 13, 2015

For the Board's convenience I have also included the budget policy statements from the last two fiscal years, the Fiscal 2015 first quarter financial report, and the current budget model.