



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

MEMO

TO: Board of Selectmen
FROM: Norman Khumalo, Town Manager
RE: FISCAL 2017 BUDGET TRANSMITTAL MEMO
DATE: February 29, 2016

I hereby respectfully submit the Fiscal 2017 Town Manager recommended comprehensive budget and financing plan, including the operating budget narrative. This budget, as proposed, is balanced based on the revenue assumptions depicted in the Financial Model Summary.

The Town Manager recommended budget totals \$80,443,827, an increase of \$1,558,161 or 1.98% from the Fiscal 2016 approved budget and an overall tax impact of 2.63% net of new growth. Overall, this is a level service budget, marked by a thoughtful effort on the part of Town committees, boards and staff to continually explore new ways of meeting increased service demands and needs.

Overall, departmental FY '16-'17 changes are as follows:

- General Debt Service-increases 3.6%; \$164,093
- Fixed Costs-increases 8.35%; \$755,591
- School Operating costs - increases 4.49%; \$1,759,460
- Municipal Operating costs - increases 7.02%; \$1,926,426
- Sewer Enterprise - increases .93%; \$28,828
- Water Enterprise - decreases 7.70% (\$152,782)
- Park and Recreation Enterprise - decreases 3.77% (\$24,983)

Specifically, notable FY '16-'17 operating budget changes include:

- Police increases \$76,096
- Fire increases \$105,824
- DPW storm water phase two permit increases \$220,000,
- DPW pavement management increases \$351,000
- Health Insurance increases \$621,071 (pending negotiations)
- Blanket Insurance increases \$51,000
- Middlesex County retirement increases \$107,620

Fixed costs changes include:

- a. Health Insurance: negotiations for health and dental contribution rates are in progress.
- b. Pension: Middlesex County Retirement has notified the Town of a 6.23% increase.
- c. OPEB Trust: the proposed FY 17 funding of \$612,647 is based on the funding plan approved by the Board in 2015. Under that plan, the unfunded liability will be fully funded by 2045. The current balance in the OPEB Trust Fund is \$826,646.

The recommended Capital Improvement Program totals \$3,711,394 of which \$2,902,000 will be bonded and \$809,394 will be Pay-As-You-Go. Balancing debt with pay-as-you-go protects the Town from unforeseen costs and has been well-received by the Town's credit rating agencies.

The projected revenue is \$22,145,612, a decrease of \$1,396,405 or 5.93% from Fiscal 2016. FY 15 free cash is certified and the proposed budget applies \$2,359,983 and will not be used to fund on-going operating expenses.

As in past years, the proposed FY '17 budget adds \$300,000.00 to the Town's Stabilization Fund to insulate the Town's medium and long term fiscal health from any future revenue shortfalls. This is now more important in light of likely changes to the local economy, increased need to preserve debt capacity and normalization of new growth. The Town's financial policies sets as its goal, achieving and maintaining a balance in the Free Cash/Stabilization Fund of 5% of the operating budget. The current General Stabilization Fund balance is \$2,409,527.

I recommend the following proposed initiatives which, at this point, are not included in the budget as presented:

- Growth driven and pressing staffing needs: Youth and Family Services Counsellor (PT), Information Technology Help Desk Technician (PT), Senior Center Receptionist (PT), Public Works Heavy Equipment Operator (FT), Facilities Custodian (FT), Children's Library Technician (make FT), Town Clerk Administrative Assistant (PT), Human Resources Administrative Assistant (PT) and Assistant Town Manager (FT). I respectfully urge the Board to review this list for funding in FY '17.
- The request to construct a bus parking lot and design the Astro-Turf field be considered Strategic Initiatives to be funded through excess levy. Both projects have prospective community-wide benefits.

As the budget review progresses, staff will continue to monitor and report to the Board on the following elements of the proposed FY '17 budget:

- Park and Recreation income, expenses and subsidy.
- Excess levy
- Snow and Ice expenses
- Overlay account
- Debt service ratio
- FY '17 local aid receipts and estimated local aid assessments
- Impact of EMC-Dell merger on the local economy
- New growth revenues imminently winding down to normal levels

As in past years, I would like to remind senior citizens of the Town's Senior Citizen Tax Relief program.

Finally, I would like to enthusiastically thank Chris Sandini, Dr. Cathy MacLeod, Ralph Dumas, Department Heads, and Town Boards, Commissions and Committees for their collaborative effort and continued support preparing the Fiscal 2017 budget. The "One-Town-One Solution" philosophy will continue to guide the on-going dialogue engaging Town residents for the final discussion and approval of the budget at the 2016 Annual Town Meeting.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Norman Khumalo". The signature is stylized with a large initial "N" and a long horizontal stroke extending to the right.

Norman Khumalo
Town Manager