

# Town Finance: the Operating Budget and the Capital Budget

---

TOWN FORUM  
OCTOBER 23, 2014

## Operating Budget vs Capital Budget

---

- Operating Budget covers day to day operations.
  - Growth in the tax levy to pay for operating budget limited to 2 ½% per year without taxpayer approval at the ballot box, which is granted with overrides.
- Capital Budget covers the purchase of capital equipment , buildings, building improvements, etc
  - Any purchase of new capital generally requires taxpayer approval at the ballot box, which is granted for capital and debt exclusions.
  - Exceptions: use of Free Cash (Town Meeting approval only) & \$300K for small items in Operating Budget.

### Sudbury Operating Budget

<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>
\$67,028,592	\$69,698,727	\$71,418,665	\$72,124,082	\$74,126,276	\$76,334,828	\$78,199,962	\$80,827,769

3

### Sudbury Capital Budget

<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>
\$5,288,866	\$5,551,576	\$5,381,339	\$5,243,958	\$4,934,655	\$4,756,095	\$4,676,126	\$3,268,142
Free Cash Used for Capital							\$1,618,000
Adjusted Total							\$4,886,142

4

## Sudbury Budget FY15

---

Operating	\$80,827,769
Capital	<u>\$ 4,886,142</u>
Total	\$85,713,911

5

## Sudbury Operating Budget Components FY15

---

LSRHS	25.6%
SPS	47.5%
Town	<u>25.4%</u>
Total	98.5%
Salaries	61.1%
Healthcare	8.9%
Pensions	<u>6.0%</u>
Total	76.0%

6

## Operating Budget Approval Process

---

- Finance Committee: 9 members appointed by the Moderator, each for three year terms
- October: FinCom Budget Letter issued
- November: FinCom Liaison Meetings
- December: Cost center presentations to FinCom in response to Budget Letter questions
- January: Budgets for next fiscal year submitted
- February: FinCom Budget hearings

7

## Operating Budget Approval Process

---

- February: Joint meeting of BOS and FinCom
- March: FinCom votes its recommendations which are published in the Town Meeting warrant
- May: Town Meeting approval of budget
- June (or March in some years): Voter approval of budget at ballot, which is required only if Prop 2 ½ override is requested
- December: Tax rate is set

8

## Operating Budget Approval Process

---

- Tax Rate Setting
  - Start with appropriations from Town Meeting
  - Update revenue projections to determine if growth in local receipts or state aid
  - Tax levy is reduced for all increases in those other revenues
  - Board of Selectmen determines amount of levy to be borne by residential vs. commercial sector
- For FY15, tax levy will be \$494,128 less than projected at Town Meeting due to increased non-tax revenue

9

## Operating Budget Comments

---

- Proposition 2 ½ limits growth in allowable levy, not growth in the operating budget
- Budget details: “how is the money spent?”
  - Town Warrant FinCom pages (numbered “FC”)
  - LS: pages FC 26-29
  - SPS: pages FC 21-24
  - Town: pages FC 31-32

10

## Capital Budget Approval Process

---

- Capital Improvement Advisory Committee ("CIAC"): 7 members (6 appointed by BOS; 1 appointed by FinCom)
- Reviews all capital requests where amount is \$50K or more (or \$100K or more spent over three years)
- October/November: CIAC liaisons meet with capital request sponsors
- Capital requests are ranked 1, 2, or 3 where 1 is a safety issue
- December: Sponsors may also go to CPC if CPA funds are requested

11

## Capital Budget Approval Process

---

- CIAC works with Capital Funding Committee to incorporate the town's capital funding policy and calculate the tax impact of each project
- January: CIAC meets with project sponsors
- February: CIAC recommends capital items for approval
- February/March: Presentation of capital recommendations to FinCom and BOS
- May: Town Meeting approval
- June (or March in some years): Voter approval of capital items at ballot, which is required if a debt exclusion or capital exclusion is requested

12

## Capital Budget Comments

---

- Major projects under consideration:
  - Fairbank Community Center
  - Town Hall renovation
  - Sewer service Route 20
- Items not in the Capital Budget
  - Maintenance (Operating Budget expense)
  - Pension Liability (Operating Budget expense)
  - OPEB, or Retiree Healthcare Liability (Operating Budget expense)

13

## Free Cash

---

- An asset, not a cash flow
- Certified by the State generally five months after the fiscal year closes
- State aid and local receipts (revenues) higher than assumed when the tax rate is set
- Spending (expenses) lower than budgeted
- Available to be spent only with Town Meeting approval
- \$3.2 million today:
  - \$0.8 million from last year
  - \$1.1 million transferred with Melone Fund closure
  - \$1.3 million revenue and expense budget variances

14

Questions?

---