



OFFICE OF THE TOWN MANAGER

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TO: All Departments, Boards, Committees and Commissions
FROM: Richard A. Montuori, Town Manager
DATE: November 4, 2022
RE: FY2024 Budget Message

The following is the Fiscal Year 2024 Budget Message for your Department Budgets. As it has been in the past, the goal for the FY24 budget process and budget development is to continue building upon the success of previous years. The plan is to develop the FY24 Budget utilizing the same fiscal constraint and discipline as we have in previous years when developing budgets and managing the Town's finances. The financial approach that has guided us over the past twelve years has allowed us to attain our annual goals and continue to provide outstanding service to the Community.

The FY23 budget process was challenging due to inflation pressures, uncertainty around sustained economic growth, supply chain challenges, and the continued impact of COVID-19. However, many priorities were addressed, specifically funding debt service for the new DPW/School Maintenance Facility. We were able to address this priority without negatively impacting the operating and capital budget. The FY24 budget process looks to be as challenging as any budget process we have had in the past twelve years. Costs such as Middlesex Retirement will increase 11.65% or \$1.16 million. Although we are negotiating a new contract, Solid Waste Collection will increase in the range 30%-45% or \$500,000-\$800,000. These impacts are before other costs such as health insurance, property insurance, contractual obligations and utilities are understood or finalized. In addition to the impact to operating budgets we will have a challenging year generating revenue as we have in the past. With a possible recession looming and growth in the community slowing down; we do not anticipate the same revenue that we have collected in previous years.

Although the budget being prepared is for FY24, all decisions will be made with a conscious understanding of how today's decisions impact future budgets. We already know the Middlesex Retirement Assessment will increase 6.62% or \$736,000 and other costs mentioned above will continue to increase. The current and future economy seems to be slowing down, but the unknown is how much will the decline be over the next year and how will it impact local government. Knowing this plus other issues, such as continued supply chain problems; we will only add to our cautious approach, and we will proceed with the best information as possible. Department Heads should always be prepared to adjust their budget at any time during the process, specifically if cuts need to be made if the economy changes.

As I mentioned fixed costs such as Health Insurance, Medicare, Middlesex Retirement, State and County Charges, and Solid Waste disposal will have an impact on the FY24 budget. I do not anticipate any major adjustments to local revenues either increasing or decreasing; instead, they will most likely remain stable based upon what was collected in previous years.

As in the past, the goal will be to present a balanced budget that utilizes recurring revenues and uses one-time non-recurring revenues or the Stabilization Fund to fund one-time expenditures for small and large capital needs.

Each department will be required to present their budget under the following guidelines for both the operating budget and capital budget:

Operating Budget:

The budget format for FY24 will involve the same budget worksheets used for the previous year's operating budgets. The sheets include the same line-items and areas to provide in-depth information as in the previous fiscal year. The Fiscal Year 2024 budgets are in Excel and will be provided electronically. As in the past, the operating budget will be broken down into Salaries, Operating, and Capital Outlay.

Salary Line-Items:

The salary line items shall include current base salaries with the employee's salary and step increase for FY24. Please use 52.2 weeks to calculate salary amounts. Use the FY24 Wage Schedule when developing your salary line-items. Any additional salary benefits (such as longevity, wage deferral, educational incentive, etc.) must also be included in the relevant columns within the worksheet. When calculating salary changes, include the calculation within the worksheet provided. For example, if an employee is receiving a step increase during the Fiscal Year, provide their information on two separate lines on the worksheet. The first line should be the current salary for a certain number of months and the second line should be their salary for the remainder of the Fiscal Year. The detail budget sheets for salaries are to include: each employee's name, anniversary date (date of hire), step, base salary, distinct breakdown of all additional salary benefits and a total salary benefit per employee.

I want to stress that each Department Head is responsible for confirming that grade, steps and salaries for each fiscal year (proposed, current and previous) are correct and included in the worksheet. There will be no upgrades or additional step increases in the FY24 Budget and there will be no additional staffing of departments unless the Department Head can prove that there would be a cost savings by adding such staff or an increase in service that will greatly benefit residents. Any request for additional staffing should not be in the budget request, but instead part of a separate write-up as a priority that you would like to have funded. The information within the write-up should detail the reason and a rationale for the new position(s) and how they will improve service to the residents. Each Department should include funding to fill vacancies that will occur in FY24, and I will review all vacancies on an individual basis with Department Heads and determine if the need exists to fill the opening. Please budget estimated amounts for Terminal Leave and the Sick Leave Incentive Program in account number 5160. If Terminal Leave or Sick Leave Incentive was budgeted in FY23 and is not needed in FY24, then delete the amount from your budget; do not assume it remains as part of your funding. Salary Budgets are to reflect the cost of current personnel and any savings due to retirements or filling vacancies with lower salary personnel does not automatically go back into the Department's Budget.

Operating Line-Items:

The operating portion of the budget will be broken down into line-items similar to your previous fiscal year's budgets, which are the basic operating costs for your department. Include a very detailed description under each line item justifying the expense. Operating Budgets should be level service which means the amount presented to Annual Town Meeting in May 2022 and adjusted at the October 2022 Special Town Meeting with any necessary and justifiable increase to the line-item to maintain the current level of service. Level Service does not mean increase your operating budget for new items, initiatives, or new requests. If an increase is needed within the level service request, please item that is increasing, the reason and the amount within the description of your line-item to highlight the change. If any further adjustments are made, I will make them after reviewing budgets with Department Heads. If a line item is not funded sufficiently and you believe the lack of funding is impacting service to the residents, please make a notation within the specific line-item description and narrative and indicate the amount needed. The intent of this information is to bring attention to the issue, but it must be a funding concern that directly relates to a service provided to the Community. If there is a decrease in any operating line item, please provide information about the area being reduced and do not assume that savings goes into another operating line-item within the budget; the savings amount should be removed. Finally, I am stressing this year that each Department Head provide as much detail as possible for each line and breakdown the cost of each request. For example, - show the cost of both gas and electric separately in the Utilities line item, not just one number for all utilities. For purposes of developing, your utilities budget gas supply has a fixed price cost is 5.822/Dth and electric supply has a fixed price of 0.08960/kWh, this does not include any added fees or costs National Grid normally charges. These are known as Delivery Services Charges, and Department Heads should compare the previous Fiscal Year invoices to the year current invoices. Finally, please review your gas and electric invoices to ensure the supplier for electricity is Constellation and for gas is Direct Energy in order to take advantage of the fixed pricing.

Capital Outlay:

The line-item Capital Outlay will be for items as defined in the General By-Law 2.20.035 and it reads as follows:

For budget purposes, "capital outlay" is defined as moveable property, of a relatively permanent nature having a normal life expectancy of more than three years or having a purchase cost of \$10,000.00 per item or more and including items such as furniture, office equipment, rolling stock including items purchased on a leasing or lease-purchase basis. Items purchased on a leasing, or a lease-purchased basis is subject to annual appropriation. (Art. 23, STM 2001)

In addition to this definition, there will be a cap of \$35,000 on items budgeted in the Capital Outlay Account. There should be no requests for funds within the Capital Outlay line-item with the exception of Police Department Cruisers. Do not assume because this account was funded at a certain level in the FY22 Budget that the line-item automatically receives the same funding in FY23 or any reduction in this area from the previous fiscal year should not be added back into this line-item or to your Department's overall budget. As an alternative to requesting Capital Outlay funds please provide in a separate document no more than three priorities you would have requested if funds were to become available.

Department Narratives:

Departments are required to provide a cover narrative describing your department and the services provided. Please keep the narrative to no more than two pages and limit financial information since that should be in the budget worksheets. Those Departments with vehicles must provide a list of each with the year, mileage, purpose and maintenance plan if one exists. The narrative and vehicle list should be provided electronically when your budget is submitted. Those departments that have statistics regarding the service they provide residents please include those in a separate sheet from the budget narrative.

As part of the narrative, Department Heads should provide three priorities that you would fund if salary and operating budgets were increased beyond level service. You should provide a brief description and justification of the priority and an estimated cost. If a priority assists in achieving the overall Town priorities outlined in this message, please explain how. If a Department is requesting additional staffing, they should follow the guidelines stated above under the salary section and that request will be one of the three priorities. Once again, there is no guarantee that these priorities will be funded, and in some cases, certain Department's priorities may be funded, and others may not. Funding, if available, will be limited and not all priorities can be addressed, if any.

Finally in the past the Finance Committee has asked for a variety of metrics and statistics from certain department please make sure those are provided with your budgets.

Department Heads must review their budgets to ensure all columns and rows add correctly. **Do not** change or add/alter formulas unless you are ensuring the columns or rows add properly. **Do not** work or change the cover sheet to your budget. This is the "Budget" tab within the workbook, and it is mostly formulas and there is no need for any edits to this page except for the section regarding the number of employees. If a new line item is needed, please contact me and I will adjust the document to reflect the change. Since the sheets have formulas, do not add one on your own and do not add any new worksheets to the budget workbook. Finally, when sending the budget back do not change the name of the budget document.

Capital Budget:

Capital Budget requests shall be submitted on the updated form developed for FY2024. Capital Budget requests are for one-time expenses including public works projects, vehicles, and extraordinary repairs of \$35,000 and greater. Each department is to provide requests for FY2024 as well as for Capital requests through the year FY2028. All requests are to be prioritized in each fiscal year, and the number of requests should be structured to allow them to be realistically carried out and completed on a timely basis.

All operating and capital budget requests are due **November 18, 2022** and are to be completed on these sheets and in this format. There will be no exceptions. Budgets and related documents are to be submitted to me electronically. The deadline for budget submission is a hard deadline so please work to meet it if not sooner. I plan to start meeting on Department Budgets November 21, 2022 and to have all Department meetings completed well before the second week in December.

Finally, please be prepared to make budget adjustments if the economic forecasts change. It is important to note that my goal will be to only make reductions to the operating budget based upon the Town's financial outlook and standard budgetary review. I would also emphasize that I may need to alter the guidelines for a specific reason or item within a department. All budget decisions are final pending Board of Selectmen and Finance Committee review. The budget process will follow the standard procedure, which includes my review, my recommendation to the Board of Selectmen and the Finance Committee, and the Finance Committee's review and recommendation to Town Meeting.