



TO: BOARD OF SELECTMEN AND RUSS DEAN, TOWN MANAGER
FROM: DOREEN CHESTER, FINANCE DIRECTOR
SUBJECT: BUDGET VS ACTUAL RESULTS (UNAUDITED) AS OF 9/30/17 & 9/30/16
DATE: OCTOBER 30, 2017

General Fund Budget vs. Actual Revenues and Expenses

General Fund Revenues

As of the third quarter ended, Sept 30, 2017, (“current year”) General Fund (“GF”) actual revenues are \$ 11.6M versus \$9.7M for Sept 30, 2016 (“prior year”). General fund revenues are 62% collected in the current year versus 54% in the prior year. Second half property taxes will be billed during the 4th quarter of the year after the State sets the new property tax rate.

General fund revenues through the third quarter are summarized as follows:

- First half Property Tax Revenue - \$ 7.3M
- Motor Vehicle Revenues - \$ 2.2 M
- Building & Permit Fees - \$ 476.5K
- Other Permits and Fees - \$ 138.2K
- State Highway Block Grant -\$205.6K
- Income from Departments -\$ 617K
- State Grants - \$ 6.7K
- Rental Revenues - \$ 16.6K
- Miscellaneous Revenues - \$3K
- Transfers in from Sick Leave Trust \$ 50K
- Appropriations for Warrant Articles - \$ 506K

Amounts voted from fund balance, (\$100k in 2017 and \$175K in 2016) are shown separately as a note, because they do not effect current year net income. These line item amounts are warrant articles voted from the fund balance to pay for the Sick Leave Trust and Snow/Ice Non-CRF Funds held by the Trustee of Trust Funds. The Snow/Ice Non-CRF Fund has a balance of \$ 101K and the Sick Leave Trust has a balance of \$ 1K.

General Fund Expenditures

General Fund expenditures (including warrant articles) are \$ 13.3M or 71% spent against budget through the third quarter of 2017 versus \$ 12.8M or 72% spent through the third quarter of the prior year. Overall, department expenditures are as expected; approximately three quarters spent as of 9/30/17.

• General Government Group (BOS, TM, HR, Legal, TC, EL and MO)

General government group expenditures are \$ 670K or 73% through the current quarter. Actual expenditures through the third quarter 2017 average 73% spent except for legal, transportation and election expenses. Legal expenses are \$ 39K or 49% and \$33K lower than the prior year due less general legal matters through the current. Election expenses are 38% or \$7K spent which is \$ 12K less in the current year due to reduced election activity in 2017. Transportation expense is \$13K or 50% spent due to the timing of COAST billing to the Town.

• Finance Administration (Finance, Treasurer, Tax, Assessing and Information Technology)

Finance group expenditures are \$ 563K or 69% spent against the current year budget versus an increase over the prior year of \$19K or 3% in the prior year. Most of the variance is attributable to the emergency replacement of three HP servers in the IT department at a cost of approximately \$ 23K in August 2017.

• Planning and Building Inspection Departments

Planning and Building Inspection expenses are \$377K or 71% spent against the budget for current year versus expenses of \$361K or 72% through the third quarter of the prior year. Expenses in the Planning Department have increased by \$44K over the prior year due to the vacancy of the planning director position in the first quarter of 2016. The third quarter of 2017 includes 9 months of the Planning Director’s salary, benefits and taxes versus approximately 6 months through the third quarter of the prior year. Historic District Commission expenses have decreased in the current year. In 2016, there was a grant matching expense of \$29K for historical preservation for which grant revenue were received in the fourth quarter of the prior year. Conservation Commission expenses are \$ 4K lower in the current year mostly due to a forestry project and Raynes Barn assessment in the prior year for which outside consultants were utilized.

Police Department

Police department expenditures are \$2.6M or 67% spent against the current year budget versus \$ 2.5M or 65% against budget in the prior year. Current year expenses are higher in police administration versus 2016 by \$17K. Full-time wages and benefits have increased by \$36K which reflects budgeted salary increases in July and reflects 9 months of the police chief salary and benefits versus the prior year vacancy in the position until later in the second quarter. The increase is offset by part-time secretary vacancies in police administration of \$15K. Munitions and uniforms expenses are down by \$10K in the current year due to timing of purchases which are offset by increased computer expenditures of \$5K.

- Police staff division expenses have increased by \$ 150K due to promotions and movement from the patrol department. The majority of the \$125K increase is due to budgeted wages

and benefits and increased NHRS rates. In the prior year, the prosecutor salary for the third quarter was paid in the fourth quarter of 2016. The timing of the payment contributed \$25K in the expense variance in the third quarter 2017.

- The police patrol division has a decrease of \$66K due to the retirement of one patrol officer in February 2017 and resignation of a patrol officer in June 2017. One of the two open patrol positions was filled in April 2017
- The communications department is \$313K or 66% spent at the end of the third quarter versus 301K or 65% in the prior. The spending in full-time salaries is lower by \$3K due to a full-time vacancy in dispatch that occurred at the end of June 2017. The position was filled in mid-August of 2017. The decrease in wages was offset by higher health insurance costs.

Fire Department

Fire Department expenses are \$ 2.6M or 70% spent at the end of the third quarter versus \$2.5M or 69% in the prior year. The year over year variance is \$45K due to a combination of factors.

- In the fire suppression division, vacation replacement is \$53K and is overspent by \$17K against the budget; sick replacement is \$50K and is overspent by \$10K against the budget in the current year. These budget overages are offset by underspent overtime of \$71K at the end of the third quarter. These unanticipated increases are being actively managed through deferral of other budgeted line items such as vehicle maintenance and uniforms. The bottom line of fire suppression is \$2.1M or 69% spent as of the end of the third quarter.
- Fire administrative division is \$398K or 72% spent against budget with an increase of \$18K over the prior year. Increases are directly attributable to budgeted salary and benefit increases.
- The health department is \$120K or 77% spent against budget in the current year. Expenses are up by \$12K over the prior year, because of the retirement of the health officer in July 2017. A new health officer was hired in early June 2017 to allow for training time with the retiring health officer.

Public Works Department

The Public works department budget is \$3.7M or 74% spent against budget this year versus \$ 3.3M or 70% spent against budget in the prior year and is a \$418K increase year over year.

- The Public Works administrative division is \$242K or 52% spent against budget with a \$17K increase year over year. The increase is due to budgeted increases in salaries and benefits which includes the hiring of an engineering assistant position that has been budgeted and vacant for a couple of years,

- Highways and streets is \$1.7M or 78% spent which reflects an increase of \$169K or 11% over the prior year. The increase is due to a budgeted wages and benefits of \$54K, dam maintenance of \$31K and the timing of payments for street marking, paving, sidewalks and street repair expenses of \$24K, \$17K, \$15K and \$6K respectively.
- The current year snow and ice budget is \$320K or 114% spent with a deficit of \$38K due to more snow and associated costs of clean up in the first quarter of the year than in the prior year.
- The solid waste department is \$649K or 71% spent year-to-date. A five-year solid waste contract was awarded to Waste Management and signed in May of 2017. The contract runs through 2020 and includes a 3% inflationary cap each year.
- Maintenance division expenses \$773K or 70% spent against the current year budget and is 36K higher than the prior year. Maintenance projects are 96K or 99% spent at the end of the 3rd quarter.

Welfare Department

- Welfare department expenditures are \$56K or 149% spent against the budget. The majority of the variance is for the direct relief rent expense. Direct relief expenses are offset by donated revenue from The Cambridge Trust. Payments received by the Town to date are \$30K. This revenue is included the welfare reimbursements category and is reported as part of income from departments in the general fund.

Human Services

- A Human Services Committee was formed during the second quarter of 2017 to discuss options and propose a plan to evaluate human service agencies and facilitate how the \$100,000 general fund appropriation would be allocated. Selections were made and approved by the committee and presented to the Board of Selectmen. The list was approved by the BOS and \$75K has been paid by the end of the 3rd quarter for the approved human service agencies.

Parks & Recreation

- Parks & Recreation expenditures to date are \$360K or 73% spent against the budget. Expenses in the current year are \$4K more than the prior year expenditures due to budgeted wages, taxes and benefit increases.

General Fund Net Deficit

- General Fund Net Deficit as of September 30, 2017 is \$(1.7)M versus \$ (3).M in the prior year. Deficits are common in the third quarter, because the majority of Town income comes

from property taxes that are billed and collected in the 4th quarter of the year. All of the items affecting net income are described in the revenue and expense sections above.

Water Fund Budget vs. Actual Revenue and Expenditures

Water Fund Revenues

- Water Fund (“WF”) enterprise revenues are \$2.5M or 75% collected against budget as of the third quarter. Gross revenues for the prior year were \$2.1M or 69%. The increase of \$422K in revenues over the prior year is mostly due to the water rate increases that were approved and commenced in the first quarter of 2017.

Water Fund Expenses

- Water Fund expenses are 80% or \$ 2.6M spent against budget through the third quarter of 2017 and have increased by \$ 347K over the prior year.
- Water administration expenses are \$310K or 74% spent. The increase of \$25K is attributable to budgeted wages, benefits and tax increases of \$9K and a liability insurance increase of \$16K over the prior year.
- Water billing expenses are \$109K or 72% spent versus \$111K or 78% in the prior year. Expenses have decreased slightly in the current year by \$3K and are attributable to a part-time vacancy in the water/sewer billing department.
- Water distribution expenses are \$605K or 71% and have increased by \$40K over the prior year. The current increase is due to contract maintenance for the water tanks of \$11K, metering and backflow of \$18K and water system maintenance of \$16K which are offset by decreases in wages, taxes and benefits of \$1K due to employee turnover in the water distribution department and other miscellaneous decreases.
- Water treatment expenses are \$492K or 69% spent and have increased by \$58K over the prior year. Most of the increase is in budgeted wages, benefits and taxes in the amount of \$33K. Consulting expenses are up by \$27K for environmental matters and are offset by timing of payments for software and lab equipment.
- Water Debt Service expense is \$1.1M versus \$809K and is higher by \$294K over the prior year. Water debt service expense is the biggest driver of increased expenditures in the water fund. Bond principle and interest payments for the Lary Lane Groundwater Treatment Plant began in 2017 and increased debt service by \$307K which is slightly offset by lower interest payments on older waterline projects in the water fund.

Water Fund Net Income/ (Deficit)

- Water Fund Net Deficit for through the current quarter is \$ (173)K versus \$ (247) K net deficit through the third quarter of the prior year. The increase in water rates at the beginning of the year has positively impacted by bottom line. All of the factors affecting net income are stated in the revenue and expense sections.

Sewer Fund Budget vs. Actual Revenues and Expenditures

Sewer Fund Revenues

- Sewer Fund (“SF”) revenues through the current quarter are \$ 2.2M or 92% collected at the end of the third quarter. The prior year reflects revenues of \$1.6M or 66% collected. The biggest driver of the \$ 604K increase to revenues is the new sewer rates that became effective in the first quarter of 2017.

Sewer Fund Expenses

- Sewer Fund expenses are \$ 2.1M or 86% spent against budget through the third quarter of the year compared to \$1.8M or 76% spent against budget in the prior year.
- Sewer Collection expenses are \$2.1M or 86% spent against budget through the current year versus \$1.8M or 76% spent in the prior year. The biggest driver in the increase of \$189K are unanticipated expenditures of \$150K for a large sewer main break on High Street during the second quarter of this year. The timing of manhole maintenance of \$25K and increase in overtime wages of \$27K partially due to the High Street sewer main break also contribute to the expense variance. These expenses are partially offset by a \$21K decrease in pump control maintenance.
- Sewer Treatment expenses are \$327K or 69% spent against the current year budget versus \$ 331K or 71% spent in the prior year. The variances are due to a drop in electricity of \$27K offset by increases in chemicals of \$11K, equipment maintenance of \$9K and other miscellaneous increases of \$ 4K.
- Sewer Debt Service has decreased by \$27K due to declining interest balances of older interest on debt and second year interest payments for sewer line projects on Lincoln & Main Streets.

Sewer Fund Net Income

- Sewer Fund Net Income is \$143K has increased by \$378K over the prior year which was a net deficit of \$(235)K. All of the factors affecting net income are stated in the revenue and expense sections.

Revolving Funds - Budget vs. Actual Revenues and Expenses

EMS Revolving Fund

- EMS Revolving Fund Revenue is \$ 417K at the end of the third quarter versus \$ 450K in the prior year which represents a \$34K drop in revenue year over year. Although ambulance run volume has increased in 2017, the amount of billable ambulance runs has decreased according to the Fire Department.

- EMS revolving fund expenses are \$252K or 68% spent against budget which is a decrease of \$30K from the prior year.
- Wages, taxes and benefits are \$ 113K or 59% spent against the current year budget versus \$127K or 68% spent against budget through the third quarter of the prior year. EMS overtime is down \$14K or 25% in the current year.
- General expenses are \$ 139K or 77% spent against budget thus far for 2017 versus \$151K or 99% spent against the budget in the prior year. Paramedic training of \$11K is an additional expense to the fund in the current year, but increased costs are offset by a \$4K decline in capital outlay for new Motorola equipment and \$4K less in ambulance lease payments.
- Current year net income of \$165K versus \$171K in the prior year and reflects a decrease of \$6K from the prior year.

Cable Television Revolving Fund (“CATV”)

- CATV revenues are \$83K and \$78K as of the third quarters ended 2017 and 2016; respectively. CATV revenues are franchise fees paid from Comcast on a quarterly basis with 50% recorded in the general fund and the other 50% is recorded in the CATV fund.
- Wages and benefits are \$59K or 74% spent against budget through the third quarter versus \$38K or 59% spent against budget in the prior year. The variance of \$21K is due to increased part-time CATV wages of \$12K and the hiring of a full-time person for which hours are split 50% to IT and 50% to CATV and an increase in part-time CATV wages.
- General expenses are 46K or 97% spent versus \$38K for 48% spent in the prior year. The \$8K variance is due to CATV equipment purchases of \$4K for computer hardware and supplies of \$5K offset by other various decreases in general expenses.
- Net Deficit is \$(23K) for the current versus \$5K net income in the prior year. A net deficit is typical in the CATV fund for this time of the year, because of the timing of payment of Comcast revenues to the Town.

Recreation Revolving Fund (“RR”)

Recreation revolving fund revenues are \$ 530 in the current year versus \$ 493K in the prior year which represents an increase of \$37K over the prior year.

- Recreation trips revenue is \$24K and has increased by \$13K over the prior year. Program revenue is \$266K and increased by \$1K over the prior year. The recreation pool program saw a \$5K decrease in the current year and is less by \$42K fromk the prior year. A transfer in from recreation impact fees of \$70K for the McKay project on Epping Road added to the overall increase while there were other small decreases.

- Wages and taxes spending is \$188K through the third quarter of the year versus \$ 193K in the prior year.
- General expenses include categories directly related to recreation programs as well as pool chemicals, water bills, printing, advertising and pool food expenses. These expenses are \$238K spent against the current year budget versus \$256K spent against the prior year. The decrease in expenses is directly related to decreased activity and revenues in the pool programs.
- Net income is \$105K for the current year versus \$ 44K in the prior year or a \$61K increase. All of the factors affecting net income are stated in the revenue and expense sections.