
Subject: Public Comment on Item 12: 2020-2021 Budget Assumptions Jan 21 Town Council Meeting
Attachments: LGTCRTDMemo2021BudgetForPayroll_010820.docx

From: Terry Duryea [mailto:tduryea@aol.com]
Sent: Thursday, January 16, 2020 10:48 PM
To: Laurel Prevetti
Cc: Arn Andrews; Stephen Conway
Subject: Public Comment on Item 12: 2020-2021 Budget Assumptions Jan 21 Town Council Meeting

Hello Laurel
I've attached a letter to the Town Council as an Addendum to the advance material.

I could have had this to you well before 11:00AM Thursday for inclusion in the regular packet, but not having access to the agenda prior to that time, I didn't know if it should be presented as part of an agenda item for a general public comment. Is there a way for the public to get access to the agenda before the Thursday morning before the Town Council Meeting?

Please let me know if I need to do anything else to ensure it is included in the Monday, January 20 Addendum.

Thank you,
Terry Duryea

January 16, 2020

From: Terry Duryea

To: Mayor and Council Members

Subject: Item 12: Request that Town Follow GFOA best practices for preparing 2020-2021 budget for Salaries and Wages

I ask you, the Town Council, to request Town Staff to adopt the GFOA's (Government Financial Officers Association) best practices for "Effective Budgeting of Salary and Wages". This requires the Town to change the assumptions they have used in the past when budgeting salary and wages. Currently the Town budgets salary and wages at the top of the wage scale for all employees.

I raise this issue today because I was told by Town Staff at a recent Finance Committee meeting that Staff looks to Town Council for budget direction and to determine the budget assumptions.

So what are GFOA's best practices?

Per the GFOA "[it] encourages every government to consider forecasting procedures that would result in more accurate expenditure projections, especially as they relate to personnel". The GFOA adds "[A] consequence of slowing revenues is the need for greater control over expenditures."

I included a list seven of GFOA's best practices as an appendix to list letter, but in summary, they include adjustments for expected vacancies, start dates for open positions, and normal attrition and retirements. You can see the intent is for the budget to reflect expected salaries, not a theoretical model of top of the wage scale.

Why am I focusing on Salary and Wages? When combined with benefits, they are the most significant portion of the Town's budget, representing over 70% of the Town's total operating costs in the current General Fund budget. It's no surprise that 5 year trended Salaries & Benefits in the following schedule (from page C-7 of the 2020 budget) have been growing at a fast rate than other Expenditures.

| | General Fund | | | | |
|--------------------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| | 2015/16 | 2016/17 | 2/17/2018 | 2018/19 | 2019/20 |
| EXPENDITURES | Actuals | Actuals | Actuals | Actuals | Adopted |
| Salaries & Benefits | \$21,342,278 | \$21,884,855 | \$23,574,425 | \$26,991,828 | \$30,910,359 |
| Operating Expenditures | 8,137,858 | 8,896,209 | 9,457,424 | 13,479,718 | 9,869,872 |
| Grants & Awards | 194,155 | 209,381 | 194,808 | 233,472 | 222,500 |
| Internal Service Charges | 3,539,936 | 3,552,157 | 3,867,445 | 2,459,829 | 2,253,620 |
| Total | \$ 33,214,227 | \$34,542,602 | \$37,094,102 | \$43,164,847 | \$43,256,351 |

The Town's historic methodology for budgeting salary and wages at the top of the scale results in the Town underspending budget by \$2M to \$3M a year. You might say this is good. I would say it's only half good. It makes it impossible to monitor expense control of wages and salaries and distorts resource allocation decisions.

There is one benefit for the Town's current approach. This cushion buried in salary & wages provides funds at the end that can be added to reserves to fund special projects.

It's nice to have these funds at the end of the year. I'm suggesting that the Town continue to have a reserve in the budget. My request is for transparency, i.e. that the "cushion/reserve" not be buried in the Town's largest cost category. Specifically, I'm asking the Town Council to ask staff to give transparency to the cushion/reserve. For example, it could be a separate budget item called "reserve for mid-year/end of year adjustments", rather than buried in Salary & Wages.

In each year's CAFR, the Town states that the underspending compared to budget is due to operating efficiencies. But there is no way to monitor the accuracy of this statement under the Town's current budgeting process. There is a way to monitor and verify this with the requested change in the budgeting assumptions.

My second request is that the Town Council ask the Town Staff to breakout the single number of Salary & Benefits into 3 numbers—one for salary & wages, one for pension costs and one for OPEB benefits. This greater transparency will make it easier to monitor Town Staff's management of salary and wage costs, and to understand the impact the increasing pension costs and OPEB costs are having on total Employee costs.

In summary, I would like the Town Council to direct the Town Staff to:

1. Adopt GFOA recommended best practices in budgeting for salary & wages in the 2021-2022 budget
2. Breakout Salary & Benefit costs into the following 3 components in all reporting to Town Council & the public.
 - a. Salary & wages
 - b. Pension benefit costs
 - c. OPEB benefit costs
3. And a new request: If you are not comfortable asking the Town Staff to make these changes, ask the Town Staff to put this topic on the agenda of the February 3 Town Council Finance Committee meeting.

Respectfully submitted

Terry Duryea

Appendix to January 16, 2020 Letter to Town Council

The GFOA best practices indicates governments should consider the following items to more effectively budget salary and wages:

- "Vacancy adjustments"
- "Start dates" for open positions
- "Trends—recognize there will be some vacancies and "and it may be prudent to include a hiring lag"
- "Frozen or eliminated positions [if] they are intentionally being left vacant
- "Attrition (planned retirements) should be considered "for those positions where employees have indicated specific retirement dates"
- The GFOA doesn't explicitly address budgeting at the top of the salary scale, but it implies that current salary should be used
- "Collective bargaining units"—the budget needs to be built on current contract terms. When doing a longer term forecast that extends beyond the current contract, GFOA best practices states "cost-of-living adjustments often are used when forecasting personnel costs"

The GFOA best practices also offer a few suggestions to reduce wage and salary costs. They include:

- Use of volunteers which "is becoming increasingly common", and

- Use of “seasonal and temporary positions” for departments with an uneven workload over the year