



TOWN OF WESTFORD  
**OFFICE OF THE TOWN MANAGER**

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TO: Honorable Members of the Board of Selectmen and Finance Committee

FROM: Jodi Ross *Jodi Ross*

DATE: November 24, 2015

RE: Fiscal Year 2017 Budget Message

I am pleased to present the Fiscal Year 2017 operating and capital budgets for your consideration. As always, our goal in this budget document is to provide information in a transparent manner. Each department has included a mission statement, organizational chart, and goals, along with an explanation of any significant changes proposed. This document will be available on the town's website [www.westfordma.gov](http://www.westfordma.gov) so our residents may review the information, and follow along during our televised budget hearings if they wish to do so.

**Summary of Fiscal Year 2017 Budget Recommendation**

<i>Revenues</i>		<i>Expenditures</i>	
<b>Tax Revenue</b>	\$72,643,620	<b>Westford Public Schools</b>	\$54,695,407
<b>Local Revenue</b>	7,883,420	<b>Other Town Departments</b>	21,525,721
<b>State Aid</b>	20,501,002	<b>Community Preservation</b>	884,528
<b>Enterprise Revenue</b>	6,816,784	<b>Debt Service</b>	6,733,967
<b>Reserves Applied</b>	0	<b>Enterprise</b>	6,840,434
<b>Other Available Funds</b>	933,935	<b>Unclassified</b>	15,478,843
<b>Free Cash Appropriation</b>	1,945,257	<b>N.V.T.H.S.</b>	736,144
		<b>Other Amounts to be Raised</b>	3,828,974
<b>Total</b>	<b>\$110,724,018</b>	<b>Total</b>	<b>\$110,724,018</b>

During the preparation of our operating and capital budgets, we strived to adhere to the Board of Selectmen FY17 Budget Policy Direction, to sustain our town assets through capital investment, and to maintain the level of services we currently provide. Additionally, as we finally achieved a balanced budget, where revenues matched operating expenses in FY16, we continued that requirement for FY17.

**FY17 Budget Highlights - Revenues/Reserves Summary**

In FY16 Westford received an overall 0.84% increase in State Aid, which resulted in additional revenues of \$170,120. For FY17, we are projecting a 0% increase in State Aid, and we will update this when the Governor releases his initial budget. We estimated New Growth at \$850,000. Currently we have reserves of \$7,439,273, which represents a reserve fund balance of 7.6% of our total operating budget.

Local revenue fluctuates from year to year. Below is a table showing the FY15 actual revenue received, the budget for FY16, and the local revenue projections for FY17. We will continue to monitor local revenue during the year and make adjustments as necessary.

<b>Revenue</b>	<b>FY15 Actual</b>	<b>FY16 Budget</b>	<b>FY17 Proj.</b>
Motor Vehicle Excise	3,342,941	3,342,941	3,397,050
Local Options Excise	1,126,516	1,126,516	1,154,679
Penalties & Interest	194,908	194,908	199,781
Payments in Lieu of Taxes	99,554	53,964	55,313
Fees	265,846	258,114	264,567
Rentals	4,741	4,741	4,860
Departmental Revenue – Cemeteries	30,900	30,900	31,673
Other Departmental Revenue	2,131	2,131	2,184
Licenses & Permits	827,175	777,175	796,604
Special Assessments	21,816	15,373	14,815
Fines & Forfeits	90,119	90,119	92,372
Investment Income	43,556	36,521	37,434
Miscellaneous Recurring Revenue	1,871,369	1,823,633	1,832,088
Miscellaneous Non-Recurring Revenue	446,389		
<b>Total</b>	<b>8,367,962</b>	<b>7,757,036</b>	<b>7,883,420</b>

### **FY17 Budget Highlights – Expenditures Summary**

- School/Town increases:** Westford Public Schools are allocated an additional \$1,334,034, which is a 2.50% increase. The other town departments are allocated an additional \$199,787, which equals a 0.92% increase.
- Health Insurance budget increased by 8%:** For FY17 we are budgeting \$9,735,491 which represents a \$404,491 increase over our FY16 health insurance projections. In November 2015 we negotiated a 7.83% increase in our employee health insurance plans and a 7.88% increase in our Medicare supplemented health insurance plans. This was achieved by our employees and retirees agreeing to increase co-pays from \$15 to \$20 for office visits, and from \$50 to \$75 for emergency room co-pays. We contributed 25% of our town’s cost savings (\$18,083) into a mitigation fund to assist those most impacted by this change. The balance of this fund as of July 20, 2015 is \$84,778.16. We currently have \$500,000 in a Health Insurance Stabilization Fund, which was established in March 2014 to assist us in the case of an unanticipated premium or enrollment increase.
- Other Post Employment Benefits (OPEB)/Middlesex Retirement Assessment:** Our FY17 contribution to our OPEB Trust Fund, which funds retiree health and life insurance, is \$712,425. The OPEB Fund has a current balance of \$2,182,479, which will increase to \$2,894,904 with this appropriation. Westford’s last actuarial study on July 1, 2014 showed that Westford had a \$56 million liability. A new actuarial analysis will be completed in FY17. Our goal to finance OPEB is to fund the normal costs, or accrued liability, for every employee hired after January 1, 2012 each year, however due to our current fiscal

constraints, we are proposing to level fund our FY17 OPEB contribution, which results in underfunding our normal costs by \$139,853. Our Middlesex Retirement Assessment increased by \$245,073 to \$4,238,879.

- **New Public Safety Communications budget:** At our FY16 Annual Town Meeting, our town approved combining the operations of Police and Fire dispatchers into one department in a new facility. This new dispatch center is currently being designed and is scheduled for construction next year with opening expected in December 2016. It is our intention to begin the process of combining the departments by the start of the new fiscal year, and negotiations are underway with the Communications and Other Workers (CWA) employees who are affected by these changes. This new budget is funded at \$814,019 for personal services and \$37,652 for expenses, with 99% of this budget offset by reductions in the Police and Fire Department Budgets.
- **Capital investment:** The Capital Planning Committee has met several times since September 15<sup>th</sup> to review capital requests from various departments. The committee voted to recommend \$6,300,834 in capital to be funded in FY17, with the town issuing bonds for \$4,335,725, using \$1,330,257 in Free Cash, and using enterprise and other available funds for the remaining \$634,852 of projects. As suggested by our bond rating agencies, we will continue funding capital projects with Free Cash as much as possible, and we may rely upon our Capital Stabilization Fund (with a current balance of \$1,143,396) if needed.

The FY17 proposed capital budget continues our past practice of reserving at least \$1,000,000 for non-excluded debt payments. There are two reasons for forecasting the non-excluded debt in this manner. First, the additional funding will help us pay for some of our capital needs over the next five years, and second, the non-excluded debt budget decreases over time, and if not reserved for capital, those funds may be absorbed into operational expenses and become unavailable for future capital needs. The current FY17 non-excluded debt service budget is \$999,459, which leaves \$541 in additional borrowing capacity. The FY17 budget does not include principal and interest payments for capital to be proposed at the April 2, 2016 Annual Town Meeting. We plan to borrow short-term at favorable interest rates and structure the debt to maintain the minimum \$1,000,000 in non-excluded debt over the next several years.

- **Public Facilities:** The \$400,000 capital appropriation funded in FY16 is being used to address multiple repair items identified in the facility study. We are not requesting additional funding in FY17 as these projects will continue into the next fiscal year. In the 199 Public Building and Properties Maintenance Budget, there was a request for a full time facility project manager to help oversee preventive maintenance and repair activities on town facilities. This position was not funded due to budget constraints. Recently the Selectmen and School Committee have asked the Superintendent of Schools and town and school staff to analyze the feasibility of consolidating oversight of town and school facility operations and maintenance, with any recommendation presented in the FY18 budget.

In September 2015, our town took ownership of the abandoned mill building located at 12 North Main Street. At the Selectmen's direction, the 12 North Main Street Task Force is actively working on developing reuse recommendations for the Board to consider. Our

first priority is stabilizing the structure to prevent it from collapsing further. At the October 2015 Special Town Meeting, \$378,250 was authorized from Community Preservation Act funds for stabilization efforts including shoring beams and removing debris. I have not included an appropriation in the FY17 operating budget for this property. Pending Board of Selectmen direction, funding may be needed in the future to assist with this project.

- **Collective Bargaining Agreements:** As we budget for FY17, we have settled only one contract with IAFF (Firefighters). We are beginning negotiations with CWA, OPEIU (mid-management), WPA (Westford Police Association), and WPWA (Westford Public Works Association). We are at the Joint Labor Management Committee with the WSO (Westford Superior Police Officers) who have not agreed to a contract since FY13. The School Department has settled with the Unit A teachers, Unit B curriculum coordinators, Unit C school nurses, and Unit G math and reading interventionists through FY17. The school secretaries and central office support are settled through FY18, while the Unit E teacher assistants and custodians are settled through FY16.

### **Impact of FYs 2015 & 2016 on the FY2017 Budget**

At the direction of the Board of Selectmen, budgeted amounts are now more precisely estimated, so shortfalls due to unexpected events are more likely. Westford experienced a slowdown in new growth in FY16 from the previous year. In FY16 new growth was certified at \$901,454, which is approximately half of the \$1,808,449 the town received in FY15. This fell short of our original projection of \$1,000,000 at our Annual Town Meeting. With the slowdown in new growth, we saw a decrease in building permit fee revenue from \$674,831 in FY15 to \$356,124 in FY16. The shortfall in these two categories led us to ask our voters to reduce several FY16 operating budgets to maintain our balanced budget. In October 2015, we reduced our budgets by \$625,000, including \$330,000 from non-excluded debt service, \$260,000 from the Westford Public Schools, \$20,000 from Veteran's Services, and \$15,000 from Street Light Expenses. We reduced one Heavy Equipment Operator position through attrition (retirement in December 2015) from the Highway and Parks and Grounds budget. We also supplemented two FY16 budgets: \$125,000 in Legal Services, to fund the continued appeal of the proposed Newport Materials asphalt plant, and \$54,000 in Technology to fund Microsoft Office licenses. These measures enabled us to maintain a balanced budget, and preserve our Free Cash to use for capital, to supplement our snow & ice budget, to pay for expenses related to perchlorate remediation, and to help with any other unforeseen expenses that may occur.

### **Other Budget Variables to Consider**

The following variables may impact on our FY17 budget and need to be monitored:

- State aid
- New growth
- Infrastructure/facilities
- Town Farm
- Center Fire Station repurposing
- 12 North Main Street
- Health insurance
- N.V.T.H.S. assessment
- Collective bargaining agreements
- Litigation (asphalt plant)
- Perchlorate remediation expenses
- Energy costs
- Storm response and cleanup expenses
- Snow and ice deficit

## **Summary**

Our goal is to maintain a balanced budget, which is one of the main factors Standard & Poor's considered when they increased our bond rating in May 2014 from AA+ to AAA, which is the highest rating a town may receive. As the budget process continues over the next several months, more information will be available regarding state aid and revenues, and final adjustments may be made. When projecting for future years, as there are many unknowns, we use conservative numbers. The Board of Selectmen has asked me to complete a three year budget projection including recommendations for maintaining a balanced budget. I plan to present this to the Selectmen in January 2016.

The town department heads and I welcome your input and suggestions as we continue through this budgeting process. We remain committed to examining each and every opportunity to be creative and conservative with our valuable town resources. It is our unwavering objective to continue to provide both the quantity and the quality of services as we have in the past for our residents.