

# Board of Selectmen, Finance Committee, and School Committee Joint Boards Meeting



October 2, 2019

Millennium School

Budget Development

As presented by Elizabeth Almeida, Ingrid Nilsson, and Dan O'Donnell

# Welcome

- Role of the Boards and Committees
- FY21 Budget Policy Direction
- FY21 Budget Process and Timeline
- Budget Terms
- Practices to Ensure Fiscal Health
- Financial Update – FY20
- Largest Impacts and Unknowns
- School Budget and Priority Drivers
- Board and Committee Input

# Role of the Boards and Committees

- **Board of Selectmen**

- *SECTION 5B. board shall be the chief policy making board of the town and shall act by this issuance of policy statements and guidelines to be followed and implemented by all town agencies serving under said board.*
- *SECTION 6. board of selectmen shall appoint a town manager*
- SECTION 13. The annual budget shall be developed by the town manager under the overall policy direction of the board of selectmen
- SECTION 11. The financial management powers, duties and responsibilities of the town manager shall include but not be limited to the following:
  - (a) to prepare and submit, after consultation with all town departments an annual operating budget and capital improvements program for all town departments;
  - (e) to keep said board of selectmen and finance committee fully informed as to the financial condition of the town and in consultation with the finance committee to make recommendations to said board and to other elected and appointed officials as deemed necessary or expedient;
  - (f) to prepare, annually, a five year financial forecast of town revenue, expenditures and the general financial condition of the town. Said plan shall be submitted to said board of selectmen, the finance committee, the board of assessors and the school committee and shall be available to the public.
- SECTION 13. The annual budget shall be developed by the town manager under the overall policy direction of the board of selectmen

# Role of the Boards and Committees Cont'd

- **Finance Committee** - The Finance Committee is responsible for conducting public meetings prior to Annual and Special Towns Meetings in order to make recommendations on the finance-related warrant articles. The committee produces an annual report that publishes their recommendation on the finance-related articles. The Finance Committee also manages the Town's reserve fund and can appropriate money for unforeseen and extraordinary events.
  - *SECTION 11*
    - *(e) to keep said board of selectmen and finance committee fully informed as to the financial condition of the town and in consultation with the finance committee to make recommendations to said board and to other elected and appointed officials as deemed necessary or expedient;*
    - *(f) to prepare, annually, a five year financial forecast of town revenue, expenditures and the general financial condition of the town. Said plan shall be submitted to said board of selectmen, the finance committee, the board of assessors and the school committee and shall be available to the public.*
- **School Committee** - The School Committee is the elected body that establishes goals and policies for the public schools of Westford, appoints the Superintendent, and approves the school budget.
- Elected Boards: Library Trustees, Board of Health
- Appointed by BOS: Community Preservation Committee
- Appointed by TM: Water Commissioners, Board of Assessors, Capital Planning Committee

Budgets are not  
about NUMBERS.  
They are about  
PRIORITIES.



# FY21 Budget Policy Direction

- Input from Finance Committee on 8/21/19
- Approved by Board of Selectmen on 9/10/19
- How are priorities established:
  - Town Meeting votes – Past Support, Debt Obligations
  - Contractual obligations
  - Unfunded mandates
  - Preserve outstanding credit rating – reserves of 5%
  - Maintain services
  - Capital
  - Areas of concern: Health Insurance, Stormwater, OPEB, Retirement
  - Selectmen and Town Meeting Priorities: Public Safety, School and Town Safety

# FY21 Budget Process and Timeline

August 2019	T	Town Manager analyzes financials and establishes initial budget projection increase for all departments. Send budget instructions and worksheets to individual departments.
August 2019	S	Finalize FY19 year-end close; Schools opens; FTE locations confirmed
September/October	S	School-based staff and leadership meetings, initial assessment of student and school needs
September/October 2019		New Growth and Free Cash certified – FY21 budget forecast updated
October 1, 2019	S	School enrollment number set for state aid determination; FY19 End of Year Report to DESE
October, 2019	T/S	Town Manager reviews departmental budgets. Schools begin budget development.
October 16, 2019	S	School Committee, Administration, Principals budget priorities meeting.
October 28, 2019		Special Town Meeting
Early November 2019	T	Make final adjustments to departmental budgets
November 2019		Tax Classification Hearing held and tax rate set for the year

T = Town, S = School, PM = Public Meeting

# FY21 Budget Process and Timeline Cont'd

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December 11, 2019	S	Superintendent Budget Presentation to School Committee
December 17, 2019	PM	Town Manager budget presented to Board of Selectmen and Finance Committee
December/January	PM	School Committee budget deliberations
January 13, 2019	PM	School Committee Budget Vote
January 16, 2020	PM	1 <sup>st</sup> Budget Hearing: Departmental review (except public safety and schools)
January 23, 2020	PM	2 <sup>nd</sup> Budget Hearing: Public Safety Departments
January 30, 2020	PM	3 <sup>rd</sup> Budget Hearing: Westford Public Schools
January 2020		Governor releases initial state aid estimates
February 6, 2020	PM	4 <sup>th</sup> Budget Hearing: Capital, Revenue, and any outstanding questions
February and March 2020	PM	Board of Selectmen and Finance Committee review Town Meeting articles
March 28, 2020	PM	Annual Town Meeting

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T = Town, S = School, PM = Public Meeting



# Budget Terms

- Proposition 2 ½ - the **levy limit** increase for property taxes cannot exceed 2.5%. This amount does not include “New Growth” which are additional taxes added from new properties, nor does it pertain to debt exclusions.
- New Growth – the taxing capacity added by new construction, new renovations and other increases in the property tax base. It does not include market fluctuations.
- Override – a vote by a community at an election to permanently increase the levy limit.
- Excluded Debt – an action taken by a community through a referendum vote to raise funds necessary to pay debt service costs for a particular project from the property tax levy, but outside the limits under Proposition 2 ½.
- Non Excluded Debt – Debt that is not excluded from the limits of Proposition 2 ½.

<b>FY19 Levy Limit</b>	<b>\$75,930,116</b>
Prop. 2 ½ Increase	1,898,253
New Growth Estimate	1,069,837
Debt Exclusions	2,964,409
Excess Levy Capacity	0
<b>Total FY20 Tax Levy</b>	<b>\$81,862,615</b>

# Budget Terms Cont'd

- State Aid - Revenue allocated by the Commonwealth to cities, towns, and regional school districts that supports education, general government, reimbursements for exemptions given by the town. Includes Chapter 70 aid designated for school funding.
- Local Revenue - Locally generated revenues other than real and personal property taxes. Examples includes motor vehicle excise, investment income, hotel/motel and meals tax, fees, licenses and permits, and rentals.
- Enterprise Fund - a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. It allows a community to demonstrate to the public the portion of total costs of a service that is recovered through user charges and the portion that is subsidized by the tax levy, if any. With an enterprise fund, all costs of service delivery (direct, indirect, and capital) are identified. This allows the community to recover total service costs through user fees if it chooses. It also enables communities to reserve the 'surplus' or net assets unrestricted generated by the operation of the enterprise rather than closing it out to the general fund at year-end.
- [Link to January 31, 2019 Revenue Overview](#)

# Budget Terms Cont'd

- Free Cash - Remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shows on the tax recapitulation sheet, and unspent amounts in budget line-items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. Westford uses free cash to fund its capital plan, fund its snow and ice deficit, and fund any emergency budgetary supplements.
- Stabilization Fund - A fund designed to accumulate amounts for capital and other future purpose, although it may be appropriated for any lawful purpose. The main stabilization fund has approximately 5% of the operating budget. We also have stabilization funds for capital and health insurance.
- Circuit Breaker – A state program that reimburses local school districts for a portion of their costs above a certain threshold for educating severely high-needs special education students. The threshold for eligibility is tied to four times the state average foundation budget per pupil as calculated under the Chapter 70 education funding law. The state is required to pay up to 75% of the costs above the threshold subject to appropriation. The state does not always fully fund circuit breaker.

# Practices to Ensure Fiscal Health

- Proposing a balanced budget each year within constraints of Proposition 2 1/2
- Creating a 5-year capital plan
- Carefully examining debt
- Funding liabilities (retirement and OPEBS)
- Strong internal and external controls
  - E.g. separation of duties, BOS approves contracts over \$10,000, written policies and procedures, Town Manager approves all Town purchase orders over \$1,000 etc.
- Annual outside audits - No management letter for seven years
- This has resulted in a AAA rating by Standard and Poor's
  - Very strong economy; strong management with good financial policies and practices; strong budget performance with balanced operating results; strong debt profile with 70.7% of debt scheduled to be retired in ten years.

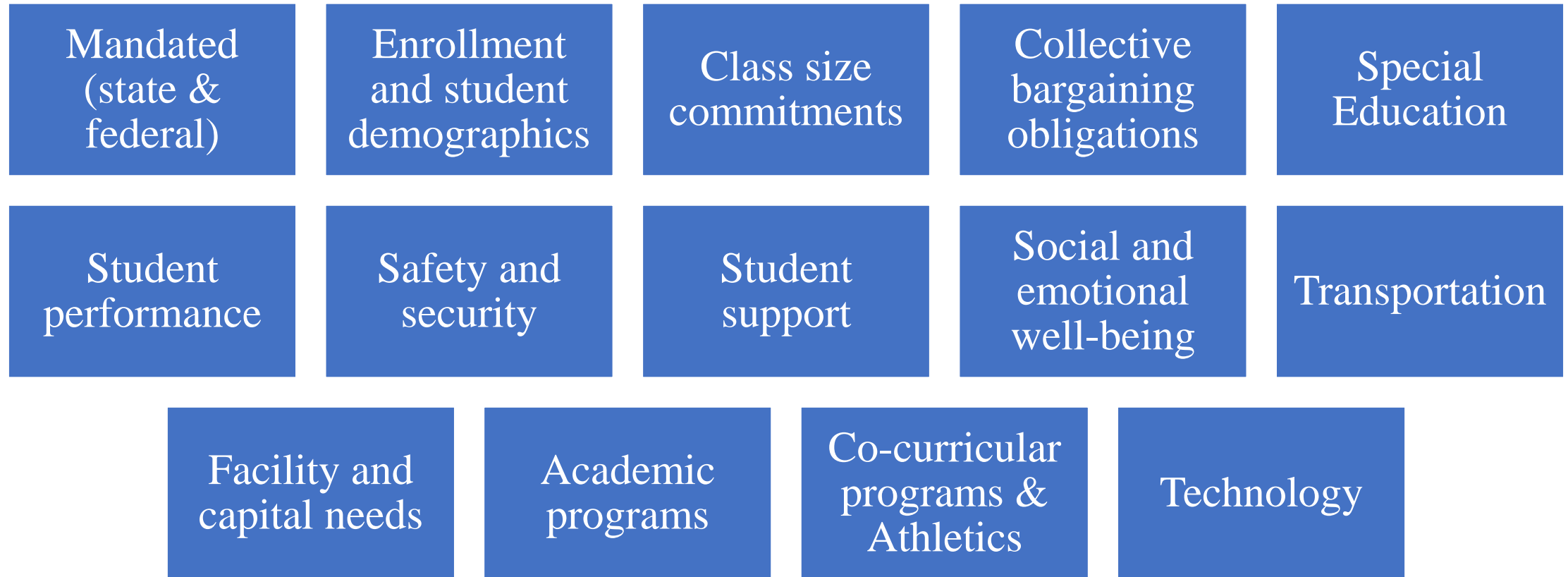
# Financial Update – FY20

I.	Revenue Growth vs. Prior Year:	<b><u>Fiscal 2020 Increase</u></b>	
	a. Prop 2 ½ Increase	\$1,898,253	
	b. New Growth from Development	1,069,837	
	c. Override & Excess Levy Capacity (if applicable)	538,179	
	d. Debt Exclusions	77,000	
	e. State Aid & Local Revenue	459,385	
	Subtotal	<hr/>	
		\$4,042,654	
II.	Less: Expense Growth vs. Prior Year:		
	a. Employee Benefits & General Insurance	868,644	
	b. Net Debt Service	442,097	
	c. Override (if applicable)	530,000	
	d. NVTHS/Other	261,573	
	Subtotal	<hr/>	
		\$2,102,314	
III.	Funds <u>Remaining</u> for Departmental Expenses		<hr/>
			\$1,940,340

# Largest Impacts and Unknowns

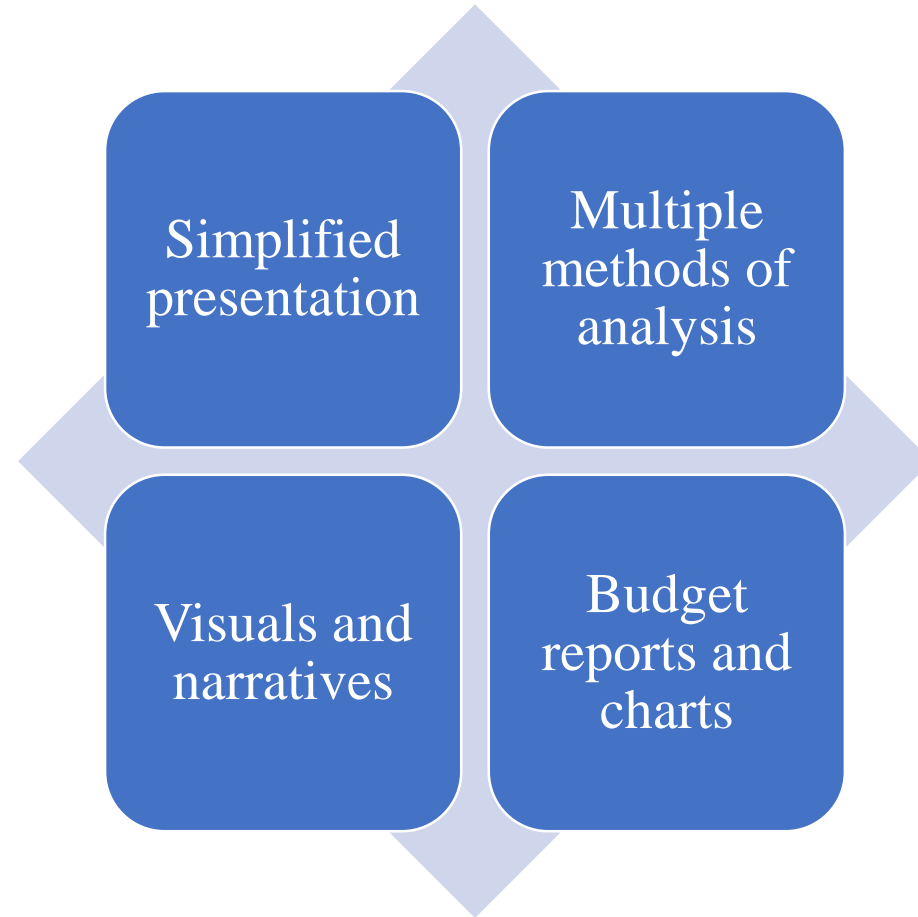
- Health Insurance
- Collective bargaining – Unit A Teachers, Unit B Curriculum Coordinators, Unit C Nurses, Unit E Interventionists expires 8/31/20, IAFF Firefighters expires 6/30/20
- New Growth
- Residential and Commercial Development
- Stormwater Management
- Special Education
- Retirement Assessment
- Solid Waste and Recycling
- Worker's Compensation and General Property Insurance
- Minimal State Aid Increase
- Transportation
- NVTHS Assessment

# School Budget and Priorities Drivers



# NEW!

## WPS Budget Book





# Board and Committee Input

- Useful Resources

- Link to Town Charter -

<https://westfordma.gov/DocumentCenter/View/828/Town-Charter-PDF?bidId=>

- Municipal Finance Glossary -

<https://www.mass.gov/files/documents/2016/08/qc/dlsmfgl.pdf>

- Budget Policy Direction -

<https://www.westfordma.gov/ArchiveCenter/ViewFile/Item/1892>

- January 31, 2019 Revenue Presentation -

<https://www.westfordma.gov/ArchiveCenter/ViewFile/Item/1838>

- Circuit Breaker Information - <http://www.doe.mass.edu/finance/circuitbreaker/>