



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

55 Main Street  
 Westford, MA  
 978-692-5501 Fax 978-399-2557

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

FROM: Jodi Ross *Jodi Ross*

DATE: November 15, 2016

RE: Fiscal Year 2018 Budget Message

I am pleased to present the Fiscal Year 2018 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 2018 Budget Recommendation**

<i>Revenues</i>		<i>Expenditures</i>	
<b>Tax Revenue</b>	\$75,009,935	<b>Westford Public Schools</b>	\$55,997,158
<b>Local Revenue</b>	8,065,016	<b>Other Town Departments</b>	22,091,244
<b>State Aid</b>	21,135,407	<b>Community Preservation</b>	881,574
<b>Enterprise Revenue</b>	6,584,237	<b>Debt Service</b>	6,787,368
<b>Reserves Applied</b>	0	<b>Enterprise</b>	7,037,746
<b>Other Available Funds</b>	921,840	<b>Unclassified</b>	16,561,968
<b>Free Cash Appropriation</b>	2,918,749	<b>N.V.T.H.S.</b>	712,018
<b>Total</b>	<b>\$114,635,184</b>	<b>Other Amounts to be Raised</b>	4,566,108
		<b>Total</b>	<b>\$114,635,184</b>

During the preparation of our operating and capital budgets, we strived to adhere to the Board of Selectmen FY18 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 FY18.

**FY18 Budget Highlights - Revenues/Reserves Summary**

In FY17 Westford received an overall 1.11% increase in State Aid, which resulted in additional revenues of \$232,155. For FY18, we are projecting a 1.2% increase in State Aid, which will be updated when the Governor releases his initial budget. We estimated New Growth at \$850,000. Currently we have reserves of \$8,732,749, which represents a reserve fund balance of 8.7% of our total operating budget.

Local revenue fluctuates from year to year. Below is a table showing the FY16 actual revenue received, the budget for FY17, and the local revenue projections for FY18. We will continue to monitor local revenue during the year and make adjustments as necessary.

<b>Revenue</b>	<b>FY16 Actual</b>	<b>FY17 Budget</b>	<b>FY18 Project</b>
Motor Vehicle Excise	3,511,958	3,391,700	3,459,137
Local Options Excise	1,199,285	1,150,000	1,178,750
Penalties & Interest	195,860	190,000	194,750
Payments in Lieu of Taxes	55,136	55,000	56,375
Fees	285,916	270,000	276,750
Rentals	920	900	923
Departmental Revenue – Cemeteries	34,775	32,000	32,800
Other Departmental Revenue	678	600	615
Licenses & Permits	946,680	850,000	871,250
Special Assessments	11,076	10,657	10,924
Fines & Forfeits	84,352	80,000	82,000
Investment Income	53,574	45,000	46,125
Miscellaneous Recurring Revenue	1,913,858	1,827,396	1,854,617
Miscellaneous Non-Recurring Revenue	239,648		
<b>Total</b>	<b>8,533,718</b>	<b>7,903,253</b>	<b>8,065,016</b>

### **FY18 Budget Highlights – Expenditures Summary**

- School/Town increases:** Westford Public Schools are allocated an additional \$1,301,751, which is a 2.38% increase. The other town departments are allocated an additional \$341,145, which equals a 1.57% increase. When factoring the increase to the general fund subsidy for the recreation and ambulance enterprises, that figure increases to \$486,467 or a 2.18% increase.
- Health Insurance budget increased by 8%:** For FY18 we are budgeting \$10,411,187 which represents a \$713,696 increase over our FY17 health insurance budget. In November 2016 we switched health insurance carriers to Fallon, which represented a 5.5% increase in our employee health insurance plans and a 10.0% increase in our Medicare supplemented health insurance plans. We currently have \$520,839 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 FY18 contribution to our OPEB Trust Fund, which funds retiree health and life insurance, is \$1,110,225. Due to budget constraints, we are proposing to level fund the OPEB contribution in the operating budget at \$852,278, and then appropriate an additional \$257,947 from Free Cash to meet our OPEB funding policy requirements. The OPEB Fund has a current balance of \$3,100,281, which will increase to \$4,210,506 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. Our Middlesex Retirement Assessment increased by \$434,360 to \$4,673,239. Middlesex Retirement gives members an option to pay their full assessment on July 1<sup>st</sup> of each fiscal year. We have taken advantage of this discount and although we do not have a final figure at this point, we have lowered the appropriation by \$80,000 to \$4,593,239 to allow for this savings. We will revise the budget once the final assessments are released in December 2016.

- **Capital investment:** The Capital Planning Committee met six times since September 16<sup>th</sup> to review capital requests from various departments. The committee voted to recommend \$14,502,488 in capital to be funded in FY18, with the town issuing general fund bonds for \$1,301,000, water enterprise bonds for \$2,500,000, using \$1,610,802 in Free Cash, and using enterprise and other available funds for the remaining \$1,690,686 of projects. Lastly, of the \$14,502,488 in capital requests, \$7,000,000 is earmarked for the renovation of the Roudenbush building, for which we are submitting an application to the Community Preservation Committee, to use CPA funds for this project. 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 FY18 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 FY18 non-excluded debt service budget is \$1,004,723, which exceeds the minimum borrowing capacity by \$4,723. The FY18 budget does not include principal and interest payments for capital to be proposed at the March 25, 2017 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:** In FY15, \$400,000 in capital was funded to address a wide-range of maintenance projects, which were identified in the town-wide facility condition assessment completed in FY14. Additional funding is not being requested in FY18 as there is a fund balance of \$233,500 remaining from the original appropriation that we are still in the process of expending. Once the original appropriation is fully expended we will reassess our facility needs and potentially seek further appropriations to address facility deficiencies.

**New Center Fire Station/Combined Dispatch:** The new center fire station being designed for construction on Boston Road is underway and within budget. The combined dispatch center is also within the appropriation and set to be completed in fall 2017.

#### **12 North Main Street:**

In September 2015, the town took ownership, by tax repossession, of the abandoned mill building located at 12 North Main Street. The Board of Selectmen formed the 12 North

Main Street Task Force to actively work on developing reuse recommendations for the Board of Selectmen to consider for the property. At the October 2015 Special Town Meeting, \$378,250 was appropriated from the Community Preservation account for stabilization efforts, which included the installation of shoring/support beams and the removal of debris as a result of the collapsed roof. There is currently no appropriation request in the FY17 operating budget for this property. Pending the Board of Selectmen's direction, funding may be required in the future to assist with further developing the property.

**Roudenbush Community Center:**

During the facility condition assessment in 2014, it was determined that the Roudenbush building was in dire need of rehabilitation. The Town Manager's office worked to secure an architect for the design of a rehabilitation project that would bring the facility up to current building codes, as well as make it handicapped accessible. Upon approval from the Board of Selectmen, the town contracted with Mills Whitaker Architects to perform the design work necessary to tackle this large community project. The design is currently in progress and the funding request is anticipated to come before Annual Town Meeting in 2017. Upon approval of funding, the project will be placed out to bid, in accordance with the applicable public procurement laws. The construction phase for the project will take roughly eighteen months with a current estimated start date of July 1, 2017.

**Consolidation of Facilities Maintenance Operations: (Town & Schools)**

The Board of Selectmen and School Committee have requested the Superintendent of Schools and Town Manager to analyze the logistics and feasibility of consolidating facility maintenance and operations town-wide. We hope to explore this potential consolidation throughout FY17 and have a recommendation for the FY19 budget cycle.

- **Collective Bargaining Agreements:** As we budget for FY18, we have settled two contracts with OPEIU (mid-management) and WPWA (Westford Public Works Association). We are continuing negotiations with CWA, WPA (Westford Police Association), and WSO (Westford Superior Officers). The IAFF (Firefighters) contract expires on June 30, 2017. 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 2016 & 2017 on the FY2018 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 FY17 from the previous year. In FY17, preliminary new growth is estimated to be \$707,422, which is significantly less than the \$1,808,449 the town received in FY15 and \$901,454 received in FY16. While new growth has been falling short of expectations, local revenue has experienced slight increases to motor vehicle excise (+\$169,017), licenses & permits (+\$119,505), hotels and meals tax (+\$72,769), and fees (+\$20,070).

## **Other Budget Variables to Consider**

The following variables may impact on our FY18 budget and need to be monitored:

- State aid
- New growth
- Infrastructure/facilities
- Town Farm
- New Center building
- 12 North Main Street
- Health insurance
- N.V.T.H.S. assessment
- Collective bargaining agreements
- Litigation
- 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 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.