



## TOWN OF WESTFORD

Office of the Town Manager

Town Hall

55 Main Street

WESTFORD, MA 01886

(978) 692-5501 FAX (978) 399-2557

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

FROM: Jodi Ross

DATE: October 10, 2008

RE: FY10 Preliminary Budget Message

As we begin the process of preparing our FY10 operating budget for submittal to the Board of Selectmen and Finance Committee, we are aware that we are in the midst of uncertain financial times. Not only are we in a situation where “fixed” costs (energy costs; including gasoline, natural gas, oil, and electricity; health insurance; pension, and other costs) are increasing at a higher rate than Proposition 2 ½ allows, but we are facing a possible repeal of the state income tax, which would have a profound and devastating effect on our ability to operate the town and continue to provide services to the community at our current level.

Through the implementation of and adherence to sound fiscal management practices, the town of Westford is in an enviable position of having strong financial reserves. Free Cash was recently certified at \$4,920,807 and our Stabilization Fund balance is \$2,995,321. We are proposing allocating \$3,174,500 to balance our FY09 budget (including designating \$100,000 to a new Capital Stabilization fund), thus leaving us total cash reserves of \$4,741,629. This figure represents a reserve fund balance of 5.65 % of our total operating budget. Adequate cash reserves was one of the factors considered when Standard & Poor’s Ratings Services recently raised Westford’s bond rating from AA to AA+. While this is certainly good news, and will help to lower costs of our future bonding of capital projects, it does not significantly change our overall financial picture.

The town of Westford has relied upon Free Cash to balance its operating budget for several years. While it is not ideal to fund operating expenses with non-recurring revenue sources, it did not represent as serious of a situation when reserves were being replenished annually. Unfortunately our projections show this scenario will not continue. With the current state of our national, state and local economy, which in turn results in a lack of new growth and a decrease in local revenues, we are trending flat for the next several years. Motor Vehicle Excise Tax is a major source of our operating revenue; however automobile sales have fallen and our projections must be conservative. Other local receipts are also planned conservatively which affects our overall revenue

projections.

In consideration of these factors, I am requesting that department heads, boards and committees submit fiscally conservative budgets for FY10, reflecting at minimum a 1% reduction in departmental budgets from FY09 levels. Some departments may be able to reduce further without disruption of town services. Submitted budgets should reflect streamlined operations with specific cost reductions outlined. I am expecting to receive budgets proposing innovative ways to maintain services at current levels where possible. During our budgeting process, we will also be asking all department heads to use innovative ideas to increase revenue to the town. This includes evaluating all fees to insure we are in line with our market basket communities.

Seeking this type of reduction will prepare us if state aid does not increase for FY10 – we are projecting balancing the budget with \$64,737 if we are level-funded with last year. If state aid is reduced for FY10, we have built in a safety-net of being able to supplement our budget by up to \$1.9 million if necessary, which would represent a 10% reduction. We will be monitoring the situation carefully over the next several months, and will be prepared to make adjustments to our budget accordingly.

Capital requests will be submitted for the next 1 – 5 years and will be captured on a spreadsheet to help us strategically plan both operational and capital needs for the next five years. I have already suggested that the selectmen form a Capital Planning Committee to assist with the process of organizing, maintaining, and prioritizing all capital requests of the town.

We have already begun implementing cost control measures - such as negotiating a 3.1% increase in the town's health insurance premium, going out to bid and locking in reduced rates for both electricity and natural gas, reducing the usage of town vehicles where possible, bidding and negotiating reduced tipping fees, and upholding a town-wide hiring freeze (thus allowing some job reductions due to attrition). I can assure you we will be examining every department for possible cost savings, both now and in the future.

In conclusion, as we begin the FY10 budgeting process, it is now more important than ever to be creative and consider all avenues of efficiency in the way we operate. Our department heads will be challenged to use all financial resources available while preparing their budgets including incorporating the ideas outlined in the Efficient Town Government and Long Range Fiscal Policy reports where appropriate. This promises to be a challenging budget season, but we are enthusiastic about embracing it, and presenting a balanced budget to carefully manage the town, and pave our way to the future and the challenges that await us!