



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

DATE: September 29, 2009

RE: Fiscal Year 2011 Preliminary Budget Message

As we begin the process of preparing our Fiscal Year 2011 operating and capital budgets for submittal to the Board of Selectmen and Finance Committee, we are cognizant that during the past year, we have witnessed the worst economic downturn in most of our lifetimes, and even though there are some signs of recovery, we believe it will be a slow, uncertain process.

**Fiscal Years 2009 & 2010**

Over the past 12 months, with reductions in state aid and anticipated declines in local revenues, we made many conservative, fiscally-responsible decisions to implement cost saving measures to reduce expenses town-wide. In FY10, town departments reduced their operating budgets by 4.36 %, while we were able to provide funding to allow the schools an increase of 2.3%. We maintained a hiring freeze, instituted a spending freeze, and bid most contracted services. We overturned a denial from FEMA for ice storm reimbursement, and were successful in receiving over \$528,376 for the town. These measures helped make it possible to get through the year with few layoffs or reductions in services. Below is an illustration of reductions and reimbursements which we accomplished over the past 12 months:

▪ Utility Savings from reserve fund	\$509,302
▪ FEMA reimbursement for ice storm	528,376
▪ Bids for legal, insurance, health insurance	424,300
▪ Reduced staffing levels (7 FTE)	348,000
▪ Reduced compensation reserve	181,000
▪ Reduced IT expenses	68,000
▪ Negotiated lower tipping fees	57,000
▪ Reduced office supplies & printing	66,000
▪ Limited meetings & conferences	35,000
▪ Sample of savings in past 12 months:	\$2,216,978

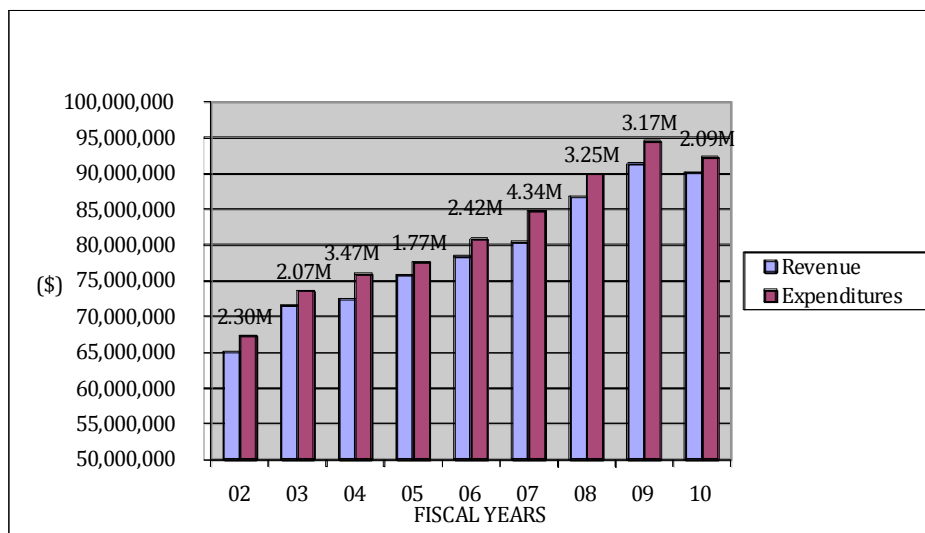
We formed a Capital Planning Committee last year who began assembling capital requests for 1 – 5 years from each department. With help from our technology department, these requests were captured on a custom web-based program, which allowed us to recognize, prioritize, and recommend a 5 year capital plan. We also established a Capital Stabilization Fund to help finance unforeseen capital expenses, which currently has a balance of \$464,336 before possible expenditures at our fall town meeting.

Fortunately, local receipts ended over projections by \$142,000 in FY09. Aggressive cost-saving measures resulted in appropriation closeouts exceeding expectations, leaving us total cash reserves of \$5,490,301. This figure represents a reserve balance of 6.59% of our total operating budget, which is an important factor considered when we are seeking to borrow for capital projects.

Historically, Westford (and many other towns) have relied upon Free Cash to balance their operating budget. While it is not ideal to fund operating expenses with non-recurring revenue sources, it has not represented a serious situation as our reserves have been replenished annually. We are pleased to note that this year, thanks to the prudent efforts of our town department heads, boards, and committees, we are fortunate to reduce our draw off Free Cash significantly.

We are proposing allocating \$2,094,544 to balance our FY10 budget at our October town meeting, which represents a **reduction** of Free Cash usage (specifically \$1,079,946 **less** than during FY09) to balance the budget. The chart below provides historical data regarding the usage of reserves to balance our budget. In light of the current economic climate, including a significant reduction in state aid, this seems extremely promising.

### Revenue versus Expenditure Comparison



Three months into FY10 - we have more positive news to report. We recently received construction bids for the town hall, which came in significantly under the estimated costs. Ice storm reimbursement from MEMA is anticipated at \$87,133. We also requested proposals for employee/retiree health insurance, and were able to secure a modest increase of 5.5%, representing a savings of \$156,000 from budgeted amounts. Through bidding we were able to reduce heating oil contracts from \$3.98 per gallon to \$2.01, and we are currently working to rebid electrical contracts. We have signed our first contract after marketing our technology department's permitting software, and expect to sign with more towns this year. It is also important to note that our cash reserves are almost \$300,000 higher than at this time last year.

### **Fiscal Year 2011**

Cognizant that we are still facing an uncertain economy, with possible further reductions in state aid, and projecting local receipts cautiously, we need to continue to be conservative for FY11. With these factors in mind, our goal is to continue to provide the excellent level of service that our town has been fortunate to expect and receive.

For FY11 we have planned minor increases in Motor Vehicle Excise Tax, due to incentives offered by the federal government, and we have planned a slight increase in new growth due to several commercial projects underway, namely Cornerstone, Boch Honda, Abbot Mill, the Boston Road development, Graniteville Woods, and phase 2 of the Stonybrook housing development.

I am pleased to report that the Recreation Department has successfully achieved their goal of eliminating the need for a General Fund subsidy for the Recreation Enterprise Fund for FY11. The Ambulance Enterprise account is estimated to increase revenue due to the plan to become an Advanced Life Support (Paramedic) department. Our projections show a decrease in General Fund subsidy for the next several years ultimately resulting in the Ambulance Department being a self-supporting department.

As noted above, our health insurance bid resulted in a modest 5.5% increase in the town's health insurance premium, a premium which crosses fiscal years. We are currently going out to bid and locking in reduced rates for both electricity and natural gas. Through participation in regional bidding with the Northeast Solid Waste Consortium our tipping fees dropped from \$73 to \$67 per ton. We fully expect that through the efforts of the Recycling Committee, we will further reduce waste costs by continuing to educate the public (and town departments) about the benefits of recycling.

There is an article on the special town meeting warrant to create a Department of Public Works. While we are operating quite well with our current organizational structure, we believe this will have a significant impact on the town's ability to control costs, reduce expenses, and improve the level and quality of services we offer. By centralizing operations and consolidating staff, functions, resources and equipment, we will operate more efficiently and cost effectively, as we continue to grow, by removing any

institutional barriers.

By adhering to sound fiscal management practices, the town of Westford is fortunate to have been able to retain strong financial reserves. We are entering the FY11 budget process with reserves of \$5.5 million, which is significantly higher than the \$4.2 million we had projected at our May 2009 town meeting.

In consideration of all of these factors, we are requesting that town department heads, boards and committees submit fiscally conservative budgets for FY11, reflecting level funding for expenses (other than fuel expenses which have seen a decrease) with a 2% adjustment in personal services over FY10 levels. Schools have been projected at a 2.75% increase, for both expenses and personal services. We will also ask department heads to be prepared for further reductions if necessary. Submitted budgets should reflect streamlined operations with any specific cost reductions noted. Where possible, we encourage innovative ideas to maintain or even improve delivery of services, including ideas for increasing revenue to the town. As was done last year, we will evaluate all fees to insure we are in line with surrounding communities.

Predicting whether we will see further reduction in state aid is difficult. We feel it prudent to base this budget on a further reduction in state aid of 5%. With that assumption, we expect to be \$69,308 above minimum recommended reserves. We will cautiously monitor the state situation over the next several months, and will be prepared to make adjustments to our budgets accordingly.

As we begin the FY11 budgeting process, it is critically important to be creative and consider all avenues of efficiency in the way we operate. We continue to examine every department for possible cost savings, and challenge our department heads to use all financial resources available while preparing their budgets, including incorporating ideas outlined in the Commission for Efficient Town Government, Long Range Fiscal Policy Committee, and Comprehensive Master Plan reports where appropriate.

This continues to be a challenging economic climate for all of us, but we are enthusiastic about embracing it, and presenting a balanced budget to carefully manage the town, maintain the level of services our residents expect, and carefully control our resources to protect our town for now and into the future.