



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 28, 2010

RE: Fiscal Year 2012 Preliminary Budget Message

As we begin preparing the town's Fiscal Year 2012 operating and capital budgets for submittal to the Board of Selectmen and Finance Committee, we are mindful that we have been experiencing economic downturn for the past two years, and it appears that substantial and consistent recovery will take several more years to come. In Westford we are fortunate to have witnessed some signs of growth and improvement; residential building permits are up 25% over last year, our unemployment rates are lower than the state average, new businesses have located in our town - however the Commonwealth continues to struggle financially, which greatly affects us in terms of continued reductions in state aid.

Fiscal Years 2010 & 2011 - Expenditures

Last year we prepared for reductions in state aid and declines in local revenues, by taking several measures to control or reduce our town's operating expenses. For FY11 town departments increased their operating budgets by just .99%. This minimal increase was made possible by working together to insure our budget appropriations were allocated where most valuable. We began implementing recommendations made by the Ad Hoc Public Works Committee aimed at streamlining and centralizing procurement in town. We bid gasoline, heating oil, electricity, trash and recycling operations, health insurance, and virtually everything used by the Highway Department.

Although the School Department received a modest increase of 3.23% for FY11, the School Committee and the School Superintendent worked diligently to continue their outstanding performance - resulting in achieving stupendous MCAS scores and being named in the top 50 high schools in the Commonwealth by *Boston Magazine*. The town and schools are collaborating in their efforts of negotiating collective bargaining agreements to insure fairness and equity across contracts. The selectmen also requested that town and schools coordinate the expiration date of all contracts, to begin subsequent contract negotiations within the same financial climate.

Over the past two years our Capital Planning Committee worked diligently with department heads to understand, outline and prioritize capital needs. The result has been

the creation of a Five Year Capital Plan, with an estimated \$14,000,000 worth of projects and infrastructure needs to be considered over the next four years. Town Meeting has continued to support these capital appropriations, and in FY09 we established a Capital Stabilization Fund which has a current balance of \$780,125.

Listed below are reductions to expenditures we were able to achieve last year:

▪ Negotiated lower trash collection & tipping fees	\$207,000
▪ Recreation Enterprise became self-supporting	203,000
▪ Reduced computer replacement costs (virtualization)	150,000
▪ Reduced staffing levels	123,440
▪ Delay in filling vacant positions	50,000
▪ Internal hosting of financial system (Munis)	35,000
▪ Reduced compensation reserve	32,600
▪ Utility savings	26,000
▪ Reduced office supplies	5,800
▪ Installation of solar panels (reduction in electricity)	5,000
▪ Reduction in gasoline usage	5,300
▪ Reduced town printing cost	<u>1,850</u>
	\$844,990

Fiscal Years 2010 & 2011 – Revenues

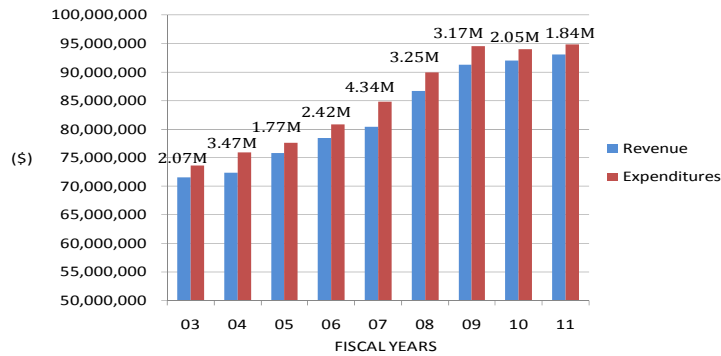
FY10 local receipts ended up \$54,789 over projections, which would not have occurred if we had not sought new sources of revenue. For example, we are the only municipality to market a product to other towns. We sold and continue to sell permitting software (developed by our IT staff) and we have begun to receive revenue from ten contracts we have with other communities. In addition, the Tax Possession Sale Committee held its first-ever auction of foreclosed properties resulting in new revenue of almost \$360,000.

As we prepare for our fall town meeting, our cash reserves are estimated to be \$5,442,025. This figure represents a reserve balance of 6.44% of our total operating budget. It is important to keep a minimum of 5% of the budget in reserves to maintain our town’s financial standing, to be prepared for unexpected emergency expenditures, and to insure high-quality bond ratings. The town’s bond rating is AA+ with Standard and Poors (S&P) and Moody’s recently restructured its bond rating criteria throughout the state, resulting in an upgrade of Westford’s rating from Aa3 to Aa2. According to S&P, Westford’s rating reflects “good and consistent financial position due, in part, to experienced management and its strong focus on multiyear planning.”

Historically, Westford has relied upon Free Cash to balance our operating budget. The Board of Selectmen established a goal of reducing this reliance, and 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 from Free Cash once again. We are proposing allocating \$1,846,535 to balance our FY11 budget at our October town meeting. This represents a reduction of Free Cash usage (specifically \$207,321 less than during FY10) 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, this result is reflective of the numerous measures we have undertaken to achieve this objective.

Revenue vs. Expenditure Gap



Additional Budget Considerations

Cameron Senior Center & Town Hall Expansion Projects

The \$4 million Cameron Senior Center construction project has been completed, and due to the conscientious oversight of the Permanent Town Building Committee, a surplus in funding will be returned to the town. The \$3.7 million Town Hall construction project is in the final stages, and we expect to relocate back into the building in December. There have been several unforeseen costs in the reconstruction of the Town Hall, including significant ledge removal for the new basement, relocation of the HVAC chiller, additional cabling and power source issues, and modification of the fire protection system. There is a placeholder article in the fall town meeting warrant in case additional funds are needed; however as of now they are within their original appropriation. With the expansion of these two municipal facilities, we will carefully monitor the operating costs and adjust budgets accordingly if necessary.

Perchlorate Remediation

In July of 2009 special town meeting authorized the town to borrow up to \$2.5 million for the purpose of remediating the perchlorate contamination by upgrading the Cote well, developing and installing a new well on the Stepinski parcel, and building a new perchlorate treatment plant adjacent to the Nutting Road facility. The town applied for a low interest loan and principal forgiveness from the Mass Water Pollution Abatement Trust and received 20% principal forgiveness in the amount of \$485,614, and a loan with an interest rate of 2%. The project is well underway with an expected completion date of December 2010.

Health Insurance

The town experienced higher utilization, which may be attributed to hospital stays doubling in the last 12 months, increased enrollment with the addition of 36 employees transferring

to the town's insurance plan, and some very large losses. Because of this, Westford earned a 23% premium increase, but due to Massachusetts Interlocal Insurance Association's (MIIA's) cap of 13%, we were able to benefit from a 10% subsidy, so our increased premiums will be 13% as opposed to 23%. After open enrollment in November we will again analyze and monitor this budget for future adjustments.

Minot's Corner

The intersection improvements for Minot's Corner are scheduled for construction during Fiscal Year 2012 and the estimate for our cost of this project is \$1 million.

Unaccepted Roads

The Unaccepted Roads Study Committee was formed to review the unaccepted roads in our town and recommend a policy for addressing this situation. This may include recommending a betterment assessment, or providing an alternative funding mechanism which may result in future requests for appropriations.

Legal Expenses

During FY10 and FY11 the town has been engaged in litigation which will result in ongoing increased legal costs.

Fiscal Year 2012 Operating Budget

Cognizant that we are still facing an uncertain economy, with possible 10% or more reductions in state aid, we need to be conservative while formulating our FY12 budget. Our goal is to continue to provide the excellent level of services that our town has been fortunate to expect and receive, but it will be challenging to not reduce service levels and difficult choices may have to be made.

Predicting what level of reduction in state aid we will receive is difficult. We feel it prudent to base this budget on a 10% reduction. With that assumption, our goal is to continue to maintain our reserves at 5% of our operating budget. We will cautiously monitor the state situation over the next several months, and be prepared to make adjustments to our budgets accordingly.

In searching for additional cost saving measures, we propose to take advantage of an early retirement bill, if authorized at our fall special town meeting. If approved, we plan to reorganize the Finance Department due to the retirement of our Finance Director/Treasurer and Town Collector. The duties of Collector will be added to the Treasurer duties currently in the Finance Director's job description, to become a combined Town Treasurer/Collector position. The budgeting and other duties of the Finance Director will be absorbed into the Finance & Budget Analyst, who will become the Budget Director, saving the town one full-time benefitted position. The savings over the next two years is estimated to be about \$254,000.

In the Fire Department, a Fire Lieutenant and Fire Dispatcher are also planning to retire. This creates an opportunity to advance the town's Advanced Life Support (ALS or Paramedic) service by hiring two paramedics at the fall special town meeting. The savings from the early retirements will offset the additional expense of the new paramedics. The Ambulance Enterprise Fund revenue is increasing due to the implementation of the ALS service which began August 2010. With the addition of the two new paramedics, the ALS Program is expected to be fully staffed by February 2012, and according to a recent analysis, this will enable the Ambulance Enterprise Fund to eliminate its dependence on a general fund subsidy by Fiscal Year 2014.

In consideration of all of these factors, we are requesting that town department heads, boards and committees submit fiscally conservative budgets for FY12, reflecting level funding for expenses with a 0% adjustment in personal services over FY11 levels. Only mandatory step increases should be budgeted for, with offsets in other areas to achieve the 0% increase. 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. 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.

As we begin the FY12 budgeting process, it is critically important to be creative and consider all avenues of efficiency in the way we operate. We are committed to centralizing our procurement processes, and improving our management and oversight of our municipal facilities. We will examine our method of funding capital expenditures during these difficult times. 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. While we will make every attempt to maintain the level of services which the town has been accustomed to, continued reductions in state aid, without new sources of revenues, may certainly result in decreased levels of service to our citizens. These continue to be challenging economic times, but we remain committed to working together to present a balanced budget to manage the town's current and future needs, while protecting our infrastructure and valuable resources.