



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 *Jodi Ross*

DATE: November 8, 2011

RE: Fiscal Year 2013 Budget Message

I am pleased to present to you the Fiscal Year 2013 operating and capital budgets for your consideration. During the preparation of our operating and capital budgets, we focused on maintaining the level of services we currently provide, with an increase in the level of service in our Veteran's Services department. We also added additional funding to our police and fire budgets, to account for protective clothing in their operating budgets, rather than capital, and we added a K-9 unit to our police department, which is fully funded through private donations. With a slight increase in state aid (+\$77,960) for FY12, but a decrease in the Federal Education Jobs Stimulus funds (-\$841,237), and with new growth projected at \$900,000 and a 2 ½% increase in local revenues, we were creative yet conservative in our budgets.

I initially requested the town departments submit budgets at a 2% decrease, and "level-funded", with the schools at a 2.5% increase, with additional funding to offset the absence of the Federal Education Jobs funds. While preparing our budgets, we awaited department closeouts, our FY11 year-end tax rate recap, health insurance bid results, and the settlement of collective bargaining agreements. It is important to note that when we "level fund" budgets year after year, we are actually reducing budgets, as the departments must absorb increases in fixed or increasing expenses, without an increase in their appropriations. During the process, all department heads worked diligently, creatively, and collaboratively to find any areas to reduce their budgets, yet be able to continue to provide their services to the public.

We were fortunate to have some successes to help contain costs for FY13. Five of the twelve town unions settled collective bargaining agreements, accepting 0% COLAs for both FY12 and FY13, and in addition, these employees agreed to forego step increases for FY12 in an attempt to help the town control expenses. For these actions, I acknowledge and thank these employees for their understanding and willingness to sacrifice their anticipated increases for the future financial stability of our town. In addition, we were fortunate to receive a bid for health insurance from Tufts Health Plan that held our premiums at a 0% increase. The town's commitment to annual competitive bidding of health insurance saved the town an estimated \$1.2 million over projected

increases, which will close out to Free Cash at the end of FY12. The Insurance Advisory Committee and I recommended the carrier change to the Board of Selectmen, and all twelve town unions, and the non-union employees' and retirees' representatives agreed to make the change to Tufts. The Board of Selectmen recently adopted the new health care legislation (MGL Chapter 32B Sections 21-23) which will allow us to bargain further health insurance plan design changes with the unions and retirees, thus increasing co-pays and further controlling the town's health insurance costs.

### **Impact of Fiscal Years 2011 & 2012 on the FY2013 Budget**

Over the past 18 months, we made several conservative, fiscally-responsible decisions to reduce or hold expenses level town-wide. In FY12, town departments increased their operating budgets by just .28%, while the schools held their increase to 2.5%. The Budget Solutions Task Force, which was formed in FY11, made recommendations to the Board of Selectmen and School Committee to negotiate collective bargaining agreements at 0% COLAs, with no steps in FY12 and FY13 if possible. This would allow the town to keep our personal services budgets level, which would help the town avoid layoffs and not reduce service levels for our residents. The task force also recommended the town adopt MGL Chapters 64L and 64G Section 3A, to allow the town to collect an additional .75% on meals tax and 2% on hotel tax. The annual revenue from this action was projected to be \$350,000, however as of September 2011, we are tracking at \$280,000 per year. The task force also recommended implementing health plan design changes, which we are actively pursuing.

The Ad Hoc Public Works Committee provided us with recommendations to achieve efficiencies, such as consolidating procurement of facility maintenance contracts, which has made us more efficient, helped to preserve our town's capital assets, and saved valuable dollars. The Board of Selectmen established a Public Works Initiative Committee to continue to implement the recommendations of the ad hoc committee. Over the past two years, the town has repaired or replaced roofing systems on ten municipal buildings using a combination of operating funds, lease revenue, and Community Preservation Fund appropriations. We have made improvements to the Center Fire Station, Nabnasset Fire Station, the cabins at East Boston Camps, and the town kennel by using volunteer and staff resources. The Westford Museum, Museum Cottage, and the Town Farm Building were surveyed by a structural engineer and architectural preservationist who made repair and preservation recommendations.

In collaboration with the Energy Committee, the police, library and school departments conducted energy audits on facilities this year. These audits led to energy efficiency upgrades that were completed at little or no cost, and provided us with recommendations for future efficiency upgrades.

In FY12, with the support of the Board of Selectmen and Finance Committee, we established an Other Post Employment Benefits (OPEB) Stabilization fund with a \$50,000 appropriation to begin funding our future retirement costs. We took advantage of an early retirement bill and reorganized the Finance Department. With the retirement of our Finance Director/Treasurer and Collector, we combined the two positions into a

single Treasurer/Collector position, with the Finance & Budget Analyst assuming some of the duties of the Finance Director, and becoming a Budget Director – thereby saving one high-level full-time job. A lieutenant and dispatcher in the fire department also retired. These four retirements resulted in projected savings of \$244,000 over a 3 year period.

The Library discontinued its bookmobile service on June 30, 2011. The library is still able to make homebound visits to the physically challenged and shut-ins, while still providing Monday morning operating hours, Sunday hours during the winter, and Saturday hours during the summer.

The Ambulance Enterprise account was estimated to increase revenue due to the implementation of the Advanced Life Support (Paramedic) department on August 3, 2010. However due to some staff injuries, which limited our ability to provide paramedic services, the revenues did not meet projections, thus resulting in a change of funding source of \$350,000 at our fall town meeting. The Recreation Enterprise Fund experienced a decrease in revenues, resulting in a change in funding source of \$125,000. Both departments are working with our Budget Director to refine projections or reduce expenses for FY13. We anticipate that the Recreation Department will continue to be self-sustaining for FY13, and the Ambulance Department in the near future.

The Capital Planning Committee recommended capital projects in FY12 totaling \$2,034,550. The funding for capital was appropriated from the following sources:

Bonding	\$925,000
Capital Stabilization	\$767,701
Available Funds	\$146,849
Water Enterprise Free cash	\$195,000

We received an increase of \$207,284 in Chapter 90 funding for FY12, bringing the overall budget available for road maintenance and improvement to \$886,045. We were able to supplement our capital replacement program by purchasing two pieces of road building equipment from these additional funds.

Fortunately, local receipts ended up \$883,219 over projections for FY11, due to several one-time revenue opportunities, and with the implementation of a spending freeze in January 2011. This allowed the town to exceed projected closeouts, thus leaving us total cash reserves of \$5,639,541. This figure represents a reserve balance of 6.6% of our total operating budget, which is an important factor considered when our bond rating is set, and when we are seeking to borrow for capital projects.

### **Fiscal Year 2013**

Our goal in the development of our FY13 budget has been and will continue to be, to provide the excellent level of services that our town has been fortunate to expect and receive. Our public safety departments have continued to operate efficiently and effectively, but with the recurring severe storms we have been experiencing, coupled with

aging equipment and level staffing (even with an increasing town population, new businesses, and increased need for response) the need for additional funding is increasing. Although I believe this FY13 budget will allow us to adequately operate these departments, we must closely analyze and monitor these departments over the coming months. If additional resources become available, we may choose to provide more funding at that time.

The summary of my FY13 budget recommendation is as follows:

Revenues		Expenditures	
Tax Revenue	\$61,624,173	Westford Public Schools	\$47,741,283
Local Revenue	6,864,126	Community Preservation	891,266
State Aid	19,542,399	Other Town Departments	18,384,090
Enterprise Revenue	5,659,042	Debt Service	7,392,431
Reserves Applied	2,928,354	Enterprise	6,005,256
Other Available Funds	1,309,513	Unclassified	13,504,543
		N.V.T.H.S.	708,970
		Other Amounts to be Raised	3,299,768
<b>Total</b>	<b>97,927,607</b>	<b>Total</b>	<b>97,927,607</b>

**FY13 Budget Highlights – Samples of Savings**

- Changed health insurance provider \$1,267,000
- Reduction in excluded debt 114,660
- Continued savings from early retirements 101,711
- Reduced IT budget 30,000
- Reduced Tax Title budget 5,000
- Portion of commercial assessing brought in-house 5,000
- TOTAL \$1,523,371**

**Other Highlights**

- Increased funding in public safety 101,239
- Established new reserve fund in water enterprise 250,000
- Increased Veterans’ Services budget 5,933

The following variables will have an impact on our FY13 budget and need to be monitored for any necessary adjustments:

- Health insurance
- Retirement Assessment
- OPEB
- Unsettled collective bargaining agreements
- State aid
- New growth opportunities – Cornerstone, Red Hat, Graniteville Woods, Princeton

Properties, Abbot Mills

- Litigation –Newport Materials, perchlorate, etc.
- Ongoing perchlorate remediation expenses
- Storm response and cleanup expense
- Acceptance of new town roads
- Snow and ice deficit

### **Capital Investment**

The Capital Planning Committee has estimated that \$35,000,000 worth of projects have been requested over the next five years. For FY13, we have budgeted \$1,500,000 in capital appropriation, which includes restoring funds into our Capital Stabilization account, which was depleted last year. Allocating funds to the Capital Stabilization allows our town to have a funding source to meet future, anticipated capital needs.

### **Facilities and Infrastructure**

The newly renovated Cameron Senior Center has proved to be a huge success, with usage of the facility up 35%. Our new fitness center in the facility has attracted 307 residents, many of whom had not exercised in years. Recently the town installed a generator into the building and during a recent snow storm, 119 residents were welcomed into the center for “warming” and electricity. The Council on Aging and staff extended the open hours, and were visited by not only seniors, but students who came in to do their homework, or use the town’s computers. The Town Hall opened in December 2010 and we have received only positive feedback from all who have visited us. It is also wonderful to have most town departments back under one roof, and in the center of town. Both projects were completed on time and under budget. The Town Hall now has an elevator, and it is also connected to a standby generator which allows town operations to function during power outages.

### **Reserves**

Our town has been fortunate to be able to retain strong reserves, due to sound and disciplined fiscal management practices. During a time when many “affluent” towns had their bond ratings reduced, Westford continues to be rated Aa3 by Moody’s and AA+ by Standard and Poors. We are entering the FY13 budget process with reserves of \$5,447,248, which represents 6.23% of our budget.

### **State Aid**

With increasing state revenues, the future outlook regarding state aid appears more favorable, and although it is early in the state budget process, we feel we are being conservative to plan for level-funded state aid for FY13. With that assumption, we expect to be \$4,840 over 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 if necessary.

### **Summary**

As the budget process continues over the next couple of months, more information will be made available regarding state aid and revenues. For now, our goal is to be financially

conservative and (as mentioned) estimate a 0% increase in state aid and \$900,000 in new growth. If this situation changes during our finalization of the budget, adjustments may be made. We are projecting using \$2,929,354 in free cash to balance the budget. The increase over the amount we applied in FY12 is because the majority of capital in FY13 is being funded using general fund monies, instead of bonding and using available funds, as was done in FY12.

We are clearly in challenging fiscal times, and it appears this economic situation will continue for awhile. When projecting for future years, as there are many unknowns, we use conservative numbers. Currently our projections for FY14 show a significant deficit, and we plan to work closely with the Board of Selectmen, Finance Committee and Budget Solutions Task Force to monitor this situation, and take action if necessary.

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 to our residents.