



TOWN OF WESTFORD
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TO: Honorable Members of the Board of Selectmen and
Finance Committee

FROM: Jodi Ross *Jodi Ross*

DATE: November 27, 2012

RE: Fiscal Year 2014 Budget Message

I am pleased to present the Fiscal Year (FY) 2014 operating and capital budgets for your consideration. As we strive to provide useful information, provide transparency, and involve our residents in our budgeting process, we introduced a new budget format this year. The new format includes a mission statement and organizational chart for each department, more narrative that explains the functions of the departments, and a section which articulates any significant changes to budgets. This document will be available on the town's website so our residents may review the information, and follow along with the televised budget hearings if they choose to do so.

During the preparation of our operating and capital budgets, we strived to maintain the level of services we currently provide, and we increased the level of service in our Police, Permitting, Building, and Veteran's Services departments. We increased the contribution to the trust fund set up for Other Post Employment Benefits (OPEB). We allocated a modest amount to purchase an Emergency Management shelter supplies trailer, and we created a new department, Public Building and Property Maintenance to support our centralized approach to maintenance of town buildings and prevent costly repairs that result from deferred maintenance.

We were fortunate to secure assistance in containing costs in preparation for FY14. Eleven of our twelve town unions settled collective bargaining agreements, accepting 0% base wage increases (COLAs) for both FY12 and FY13, and agreeing to forego step increases in one of those years. Our employees also agreed to health insurance changes that saved both our town and our employees from significant premium increases. 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.

We were pleased to receive increases in revenue that exceeded our projections. This coupled with closeouts from operating budgets left us with total cash reserves of \$7,583,838, which represents a reserve fund balance of 8.5% of our total operating budget.

Impact of FYs 2012 & 2013 on the FY2014 Budget

Over the past 18 months, several actions occurred to reduce or hold expenses level town-wide. In FY13, town departments decreased their operating budgets by 0.4%, while the schools held their increase to 2.5%.

Our teachers settled a three year contract, with a 0% COLA in FYs 12 and 13, and a 1% COLA in FY14. They agreed to delay their FY12 step until the last day of FY14, effectively giving them a double step in FY15. While budgeting for FY14, we must prepare for the impact of this double step in FY15. For this reason, we must be at least \$800,000 above minimum recommended reserves in the FY14 budget. Non-union employees were budgeted at a 1% COLA for FY14 to be consistent with the teacher's contract, and no other town contracts have been settled yet for that year.

Our town employees agreed to switch from MIIA Blue Cross Blue Shield to Tufts Health Insurance in FY12, thus earning a 0% premium increase. Unfortunately our rates for FY13 were not as favorable. An increase of large loss claims earned us a 21% increase, however, due to health plan design changes agreed to by our employees, and further negotiations with Tufts, we were able to negotiate the premium increase down to 12.7%.

In FY12, our town adopted Massachusetts General Laws, Chapters 64L and 64G, Section 3A, to allow us to collect an additional .75% on meals tax and 2% on hotel tax. In FY11, we collected \$372,024 in hotel tax. In FY12, we collected \$265,698 in meals tax and \$533,470 in hotel tax for a total of \$799,168, which is an increase in revenues of \$427,145. The first quarter revenue for FY13 was \$269,000, so we are tracking at receiving over \$1,000,000 this year.

Local receipts ended up \$722,218 over projections for FY12, due to several one-time revenue opportunities, a greater than expected increase in building permits and motor vehicle excise, and the aforementioned local options taxes. Westford received a 1.92% increase in State Aid, which resulted in additional revenues of \$369,029. Lastly, new tax growth was \$310,815 above projections for FY13. The increases to revenue combined with closeouts from operating budgets left us with total cash reserves of \$7,583,838.

The Capital Planning Committee recommended capital projects at the FY13 Annual Town Meeting totaling \$2,939,855. The funding for capital was appropriated from the following sources:

Raise & Appropriate	\$826,972
Bonding Authorization (Inside Levy Limit)	\$315,000
Appropriation to Capital Stabilization	\$171,528
Water Enterprise Bonding Authorization	\$1,300,000
Water Enterprise Free cash	\$145,364
Water Available Funds	\$180,991

The Capital Stabilization balance was \$189,288 as of July 1, 2012.

The Recreation Enterprise saw a substantial increase of \$139,881 in revenues in FY12, earning \$1,124,249. Ambulance Enterprise brought in \$619,740 in revenues, representing a 23.5% increase over FY11.

Summary of Fiscal Year 2014 Budget Recommendation

Revenues		Expenditures	
Tax Revenue	\$64,047,118	Westford Public Schools	\$48,801,566
Local Revenue	7,249,552	Other Town Departments	19,232,813
State Aid	19,862,504	Community Preservation	889,861
Enterprise Revenue	5,663,668	Debt Service	7,230,564
Reserves Applied	2,997,431	Enterprise	6,054,491
Other Available Funds	1,268,381	Unclassified	14,704,802
		N.V.T.H.S.	680,000
		Other Amounts to be Raised	3,494,557
Total	\$101,088,654	Total	\$101,088,654

FY14 Budget Highlights – Increases in Departmental Budgets

- Westford Public Schools is allocated an additional \$1,210,283.
- Employee benefits and general insurance required an additional \$1,127,795.
- \$193,260 to fund additional police personnel: This funding will support two additional officers, which will allow us to increase our minimum staffing. In addition, both Westford Academy and Nashoba Vocational Technical High School have requested school resource officers (SROs) in their respective schools. The N.V.T.H.S. officer is budgeted in the police department’s budget; however N.V.T.H.S. will be paying the town for the salary and benefits of the officer. The Westford Academy SRO will be paid out of the Westford Public Schools budget.
- \$88,424 to reallocate police cruisers from capital to police expense: Police cruisers have been reclassified from capital to expenses, as they are annually recurring expenses.
- \$50,000 increase to OPEB funding: The OPEB fund has a current balance of \$100,000. We feel additional funding is necessary; if revenues from state aid, new growth, or other one-time revenues exceed projections, we suggest allocating more funding to the OPEB stabilization fund.
- \$48,469 increase to Veterans’ Services expenses: Veteran’s Services has seen an increase from 2 cases in 2010 to 13 in 2012. These associated benefit expenses are reimbursed 75% by the state.
- \$46,287 for Building and Permitting increased staffing hours: We have increased the Assistant Building Inspectors hours from 20 to 37.5, and added an 18-hour per week, non-benefitted planner in the Permitting Budget.
- \$10,000 for Public Buildings and Property Maintenance: This budget will support our centralized approach to maintenance of town buildings.
- \$7,500 for Emergency Equipment: This funding will be used to purchase a portable trailer to store our emergency response equipment. This will also allow us to empty the Graniteville fire station in hopes of selling that property.

Capital Investment

The Capital Planning Committee has received \$20 million in capital requests over the next five years, not including a proposal for a new center fire station. For FY14, we budgeted \$1,500,000 for “pay as you go” capital appropriation, and the Capital Planning Committee is preliminarily recommending approximately \$2.4 Million in FY14 appropriations. We will recommend that Town Meeting authorize bonding for some of these capital requests. In order to address the growing number of capital needs, we have developed a plan to maintain the non-excluded debt budget at a minimum of \$1,000,000. For example, the FY14 debt service budget includes the \$860,188 in FY14 non-excluded debt obligations. Therefore, an additional \$139,812 has been included in the debt service model for FY14 to be used to make debt payments on new capital purchases authorized by Town Meeting. There are two purposes for forecasting the non-excluded debt in this manner. First, the additional funding will help us pay for some of the \$20 million in requests over the next five years. Second, the non-excluded debt budget decreases over time, and if not reserved for capital, those funds will be applied towards operational expenses.

Public Facilities

We have continued to make significant progress in centralizing the maintenance of our public facilities. Town-wide contracts have been established for major facility systems and regular inspections are now part of the operating budget. The newly created Public Building and Properties Maintenance Budget will serve as a resource to address town-wide facility issues.

The Permanent Town Building Committee presented preliminary recommendations for re-use of existing town facilities to better suit the needs of departments. The report identified the potential for disposing of under-utilized facilities, such as the former fire substation on Broadway Street, and the need to find a permanent location to house the Technology and Parks and Recreation Departments. We will be recommending that the Selectmen support funding a town-wide facility condition assessment, which will provide us with a professional analysis of our future building capital needs.

Reserves

We have been fortunate to retain strong reserves. We are entering the FY14 budget process with reserves of \$7,583,838, which represents 8.5% of our budget. Westford continues to be rated Aa3 by Moody’s and AA+ by Standard and Poors.

State Aid

With increasing state revenues, the future outlook of state aid appears more favorable, and although it is early in the state budget process, we are being conservative and planning level funding. We will monitor the state situation over the next several months, and be prepared to make adjustments to our budgets if necessary.

Budget Variables

The following variables will have an impact on our FY14 budget and need to be monitored for adjustments:

- Health insurance
- Retirement Assessment
- N.V.T.H.S. Assessment
- OPEB
- Unsettled collective bargaining agreements
- State aid
- New growth – Cornerstone, Red Hat, Graniteville Woods, Tadmuck Meadows
- Litigation –Newport Materials
- Ongoing perchlorate remediation expenses
- Storm response and cleanup expenses
- Snow and ice deficit
- Municipal and school treatment plants
- Stormwater regulations

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 \$2,985,431 in free cash to balance the FY14 budget, which would be a \$1,146,315 over FY13. With these assumptions, we expect to be \$1,012,692 over minimum recommended reserves.

We are clearly in challenging fiscal times, although we have seen signs of economic recovery. When projecting for future years, as there are many unknowns, we use conservative numbers. Currently our projections for FY15 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 Budget Solutions Task Force is currently finalizing recommendations to the Board of Selectmen regarding recycling and trash services, leasing space on town-owned properties for cell phone antennas, and the possibility of a debt exclusion or operational override.

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.