



TOWN OF WESTFORD
OFFICE OF THE TOWN MANAGER

55 Main Street
 Westford, MA
 978-692-5501 Fax 978-399-2557

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

FROM: Jodi Ross *Jodi Ross*

DATE: November 12, 2013

RE: Fiscal Year 2015 Budget Message

I am pleased to present the Fiscal Year (FY) 2015 operating and capital budgets for your consideration. As always, our goal in this budget document is to provide information in a transparent manner. Each department has included a mission statement, organizational chart, and goals, along with an explanation of any significant changes proposed. This document will be available on the town's website www.westfordma.gov so our residents may review the information, and follow along during our televised budget hearings if they wish to do so.

Summary of Fiscal Year 2015 Budget Recommendation

Revenues		Expenditures	
Tax Revenue	\$67,199,027	Westford Public Schools	\$51,508,160
Local Revenue	7,496,512	Other Town Departments	20,139,099
State Aid	20,160,232	Community Preservation	887,023
Enterprise Revenue	6,557,845	Debt Service	6,913,278
Reserves Applied	1,984,988	Enterprise	7,074,375
Other Available Funds	949,276	Unclassified	14,725,714
Free Cash Appropriation	3,622,000	N.V.T.H.S.	720,885
		Other Amounts to be Raised	6,001,346
Total	\$107,969,880	Total	\$107,969,880

FY15 Budget Highlights

During the preparation of our operating and capital budgets, we strived to adhere to the Board of Selectmen FY15 Budget Policy Direction, to sustain our town assets through capital investment, and to maintain the level of services we currently provide. The major changes in the FY15 budget include:

- Westford Public Schools are allocated an additional \$2,256,594, a 4.58% increase; the town departments are allocated an additional \$883,024, a 4.44% increase.

- Health Insurance budget increase is reduced from 12% to 8% due to the creation of a \$500,000 Health Insurance Stabilization Account
- Funded \$2,500,000 in capital projects with an additional \$500,000 into Capital Stabilization in preparation for anticipated facility needs
- Increased OPEB funding to \$500,000
- Fully funded Water Enterprise OPEB Liability at \$700,000 appropriated from Water Enterprise Retained Earnings
- Funded perchlorate remediation at \$250,000 to address annual DEP required cleanup actions
- In process of transferring wastewater treatment plant operations funding from the School Department to 442 Wastewater Treatment Plants, with an additional \$100,000 to fund the operation and maintenance of our four treatment plants
- Increased funding for Veterans Services expenses by \$42,000. Veterans Services has seen an increase from 2 cases in 2010 to 19 in 2013 with associated benefit expenses reimbursed 75% by the state
- Increased the Snow & Ice budget by \$50,000 to \$400,000
- Restored Library funding to meet Municipal Appropriation Requirement (MAR)

Health Insurance & Other Post Retirement Benefits (OPEB)

In November 2013 the Board of Selectmen authorized switching health insurance carriers from Tufts to Blue Cross Blue Shield, after Blue Cross submitted a bid that represented a 1.44% premium increase for non-Medicare plans, along with a 36.55% *decrease* for Medicare supplemented plans (which saved our retirees \$756 in their annual premium). This year we are proposing to establish a Health Insurance Stabilization Fund. With this fund in place, we will lower our estimated health insurance increase from 12% to 8% each year. The fund will be approximately 5% of the health insurance budget, or \$500,000, set aside as a reserve fund in case the town earns a higher than predicted increase in premium rates; sees a large migration onto the plan (currently only 62% of eligible personnel are on the town's health insurance); or we encounter more retirements than anticipated. If any of these scenarios occur, we would request a transfer from the Health Care Stabilization Fund at the October Special Town Meeting to supplement the health insurance budget. The health care stabilization fund would then be replenished at Annual Town Meeting. If a health insurance supplement is not needed, then the \$500,000 would carry forward to the next fiscal year.

Our contribution to our OPEB Trust Fund, which funds retiree benefits other than pensions, such as health and life insurance, is being increased from \$100,000 to \$500,000. The OPEB Fund has a current balance of \$204,355. Westford's last actuarial study performed in 2013 showed that Westford had a \$72 million liability, but after the aforementioned decrease in Medicare premiums from Blue Cross Blue Shield, our revised OPEB liability decreased to about \$50 million.

Public Facilities

Town Meeting supported funding a town-wide facility condition assessment to provide us with a professional analysis of our future building maintenance and capital needs. This report will be complete in the spring of 2014.

Funding has been recommended by the Community Preservation Committee and authorized by Town Meeting to support efforts to preserve our historic facilities; such as the Town Museum and the Roudenbush Community Center. We will continue to pursue grant funding and other sources of revenue to help preserve our public facilities whenever practicable.

Capital Investment

The Capital Planning Committee has received \$55 million in capital requests over the next five years, including a proposal for a new center fire station and renovation of the J.V. Fletcher library. The committee is preliminarily recommending approximately \$2.5 million in FY15 capital needs; therefore we have budgeted \$2.5 million for “pay as you go” capital appropriation with an additional \$500,000 into Capital Stabilization, which has a balance of \$265,730 as of October 1, 2013. As suggested by the bond rating agencies, we will be funding these capital projects with Free Cash. In addition, we will recommend that Town Meeting authorize bonding for the Day and Robinson School replacement windows. 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 million. For example, the FY15 debt service budget includes the \$969,321 in FY15 non-excluded debt obligations. Therefore, an additional \$30,679 has been included in the debt service model for FY15 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 \$55 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 likely be absorbed into operational expenses and become unavailable for future capital needs.

Impact of FYs 2013 & 2014 on the FY2015 Budget

As we budget for FY15 we have not settled any of the town’s collective bargaining agreements for FY14 and beyond. The School Department has settled with the school office professionals, central office support staff, and food service workers for FYs 13,14,15, and the school custodians for FYs 14,15,1546.

Our teachers agreed to 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. Non-union employees were budgeted at a 1% COLA for FY14 to be consistent with the teacher’s contract.

As mentioned earlier, in FY14 our town employees agreed to switch from Tufts Health Insurance to Blue Cross Blue Shield. This modest increase in premium, along with a decrease in retiree premiums, will result in an anticipated close out of this line item of \$1.5 million.

We were pleased to receive increases in revenues that exceeded our projections. Local receipts in FY13 ended up \$665,760 over projections for FY13, due to \$386,000 in unexpected one-time revenue opportunities, \$84,000 more than projected in building permits, an additional \$35,000 in

motor vehicle excise tax, and a substantial increase to the meals and occupancy excise tax - \$160,000 more than expected. New growth, which is not yet certified, is projected to be \$1.85 million versus our original \$1.1 million estimate. Westford received an overall 1.05% increase in State Aid, which resulted in additional revenues of \$205,154. These increases in revenues combined with closeouts from operating budgets left us with total cash reserves of \$8,394,897, which represents a reserve fund balance of 9% of our total operating budget. We have been fortunate to retain strong reserves which allows us to continue to be rated Aa3 by Moody's and AA+ by Standard and Poors.

Budget Variables to Consider

The following variables will have an impact on our FY15 budget and need to be monitored for adjustments:

- Health insurance
- N.V.T.H.S. Assessment
- Collective bargaining agreements
- State aid
- New growth
- Litigation – Newport Materials
- Perchlorate remediation expenses
- Storm response and cleanup expenses
- Snow and ice deficit
- Stormwater regulations

Summary

As the budget process continues over the next several months, more information will be made available regarding state aid and revenues. For now, our goal is to be financially conservative and estimate a 0% increase in State Aid and \$1 million in new growth. If this situation changes during our finalization of the budget, adjustments may be made. We are projecting using \$1,999,988 in Free Cash to balance the FY15 budget. With these assumptions, we expect to be \$517,119 over minimum recommended reserves.

We have finally seen some signs of economic recovery. When projecting for future years, as there are many unknowns, we use conservative numbers. Currently our projections for FY16 show a significant deficit, and we plan to work closely with the Board of Selectmen and Finance Committee to monitor this situation, and take action as 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 for our residents.