



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 18, 2014

RE: Fiscal Year 2016 Budget Message

I am pleased to present the Fiscal Year (FY) 2016 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 2016 Budget Recommendation

Revenues		Expenditures	
Tax Revenue	\$70,446,608	Westford Public Schools	\$53,641,373
Local Revenue	8,224,072	Other Town Departments	21,439,965
State Aid	20,330,882	Community Preservation	885,610
Enterprise Revenue	6,206,314	Debt Service	6,716,135
Reserves Applied	1,223,400	Enterprise	6,748,579
Other Available Funds	926,232	Unclassified	15,092,051
Free Cash Appropriation	3,720,000	N.V.T.H.S.	728,960
		Other Amounts to be Raised	5,824,835
Total	\$111,077,508	Total	\$111,077,508

FY16 Budget Highlights

During the preparation of our operating and capital budgets, we strived to adhere to the Board of Selectmen FY16 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 FY16 budget include:

- Westford Public Schools are allocated an additional \$2,286,213, a 4.45% increase; the town departments are allocated an additional \$662,701, a 3.13% increase.
- Health Insurance budget increased by \$10,060 over FY15.

- Funded \$4,200,000 in capital projects.
- Increased OPEB funding to \$712,425 up from \$500,000 in FY15.
- Funded perchlorate remediation at \$220,000 to address annual DEP required actions.
- Transferred wastewater treatment plant operations funding from the School Department and 440 Sewage Collection to 442 Wastewater Treatment Plants.
- Added two employees to be shared between the 650 Parks and Grounds Department and the 421 Highway Department at a cost of \$94,153, not including benefits. Care and maintenance of East Boston Camps was transferred to Parks and Grounds with an offset of \$14,000 from the Land Management 650 budget.
- Created a non-union Deputy Fire Chief position from an existing Firefighter/EMT position, with an incremental cost of \$40,000.
- Police overtime budget was increased by \$36,332 for contractual increases and to assist with funding shift coverage.
- Added \$25,000 to 199 Public Buildings and Properties Maintenance to assist with town facility maintenance, and \$7,830 for using staff resources to provide Owner's Project Manager services.
- Increased by \$7,000 the 152 Human Resources Professional Development to cover education expenses for town employees.
- Increased the hours of the shared administrative assistant in the Assessors and Treasurer/Collector's offices by 4 hours a week (to 37.5 hours total per week) at a cost of \$4,992 due to the Assessor's additional personal property work performed in-house.
- Added a stipend to the Assistant Planner to produce minutes for the Planning Board (\$4,400) and Board of Appeals (\$2,100) outside of her regular 24 hours per week in response to work load requirements.

Health Insurance

In FY15, we budgeted for an 8% increase in our health insurance budget. In November 2014, we negotiated a 5.1% increase in our non-Medicare supplemented health insurance plans and a 4.1% increase in our Medicare supplemented plans. We currently have \$500,000 in a Health Insurance Stabilization Fund, which was established in March 2014 to be prepared in the case of an unanticipated premium or enrollment increase. For FY16, we are budgeting for an 8% increase over actual FY15 projections.

Other Post Retirement Benefits (OPEB)

Our contribution to our OPEB Trust Fund, which funds retiree health and life insurance, is being increased from \$500,000 in FY15 to \$712,425 in FY16. The OPEB Fund has a current balance of

\$1,418,267, with \$700,000 in contributions from both the general fund and water enterprise along with \$18,267 in investment earnings. Westford's last actuarial study performed in 2013 showed that Westford had a \$72 million liability, but after the January 1, 2014 decrease of 36.55% in Medicare premiums from switching to Blue Cross Blue Shield, our revised OPEB liability is approximately \$50 million. Another actuarial study will occur this fiscal year. Our plan to finance OPEB is to fund the normal costs, or accrued liability, for every employee hired after January 1, 2012 each year.

Public Facilities

The town-wide facility condition assessment was completed by Drummey Rosane Anderson, Inc. and presented to the public on September 11th. This report included a comprehensive review of 28 town and school buildings and identified more than \$21 million in needed capital repairs over the next ten years - categorized, prioritized, and ranked to serve as an index of our building needs. In addition to repairs, the consultant recommended that the Center Fire Station, the Town Farm, and the Town Farm Storage Barn are in need of replacement or major reconstruction. Our Capital Planning Committee is working with the Permanent Town Building Committee and town staff to prioritize and recommend which projects to tackle in FY16, and we have allotted \$400,000 through capital funding for this purpose.

Capital Investment

The Capital Planning Committee has met eight times since September 5th to review capital requests from various departments - including almost \$58 million in capital requests over the next five years. This figure includes a proposal for a new Center Fire Station and a possible renovation of the J.V. Fletcher Library. The committee is preliminarily recommending approximately \$4.2 million in capital be funded for FY16. As suggested by our bond rating agencies, we will continue funding these capital projects with Free Cash as much as possible, and we may rely on prior appropriations and/or our capital stabilization fund (with a current balance of \$1,127,710) as we fine tune these requests. The Board of Selectmen will hear the results of the Center Fire Station study from the Permanent Town Building Committee in December, and we have a \$1,000,000 placeholder for the design in our Capital budget.

The FY16 proposed Capital budget also continues our past practice of reserving at least \$1,000,000 for non-excluded debt payments. There are two reasons for forecasting the non-excluded debt in this manner. First, the additional funding will help us pay for some of the \$58 million in requests over the next five years, and 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. The current FY16 non-excluded debt service budget is \$777,140, which leaves \$222,860 in additional borrowing capacity. We anticipated the cost of the MSBA approved Norman E. Day and Colonel John Robinson school window replacement project at approximately \$192,895 per year.

Impact of Fiscal Years 2014 & 2015 on the FY2016 Budget

As we budget for FY16 we have settled four of the town's six collective bargaining agreements. Those include the CWA (communication and other workers), OPEIU (mid-management), WPA (Westford Police Association), and WPWA (Westford Public Works Association). The School Department has settled with both the Unit A teachers and the Unit C school nurses through FY17. In addition, they have a settled contract with both the Unit E teacher assistants and custodians

through FY16.

As mentioned earlier, in FY15 we negotiated a 5.1% increase for non-Medicare supplemented health care plans, and a 4.1% increase for Medicare supplemented plan. This modest increase in premium will result in an anticipated close out of this line item of \$1.1 million at the end of FY15.

We were pleased to receive increases in revenues that exceeded our projections. Local receipts in FY14 ended up \$937,620 over projections due to \$228,000 in unexpected one-time revenue opportunities, \$108,000 more than projected in licenses and permits, an additional \$438,000 in motor vehicle excise tax, and a substantial increase (\$105,000 more) in meals and hotel excise tax. New growth for FY15 has been certified at \$1,808,449, exceeding last year's growth of \$1,728,677. In FY14 Westford received an overall 0.84% increase in State Aid, which resulted in additional revenues of \$153,431. These increases in revenues combined with closeouts from operating budgets left us with total cash reserves of \$8,530,709, or a reserve fund balance of 9.4% of our total operating budget, as of June 30, 2014. All of these factors enabled us to use only \$149,339 to balance the budget at the October 2014 Special Town Meeting. This figure is about \$1,846,000 less than the previous fiscal year, and the closest to a truly balanced budget we have had since 2000. This is one of the main factors Standard & Poors considered when they increased our bond rating from AA+ to AAA, which is the highest rating a town may receive.

Budget Variables to Consider

The following variables may have an impact on our FY16 budget and need to be monitored for adjustments:

- Infrastructure and facility-related capital requests
- Health insurance
- N.V.T.H.S. Assessment
- Collective bargaining agreements
- State aid
- New growth
- Middlesex Retirement Assessment
- Litigation
- Perchlorate remediation expenses
- Energy costs
- 12 North Main Street
- 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 \$1,218,800 in Free Cash to balance the FY16 budget. With these assumptions, we expect to be \$605,743 over minimum recommended reserves.

The past few years have shown some significant signs of economic recovery. When projecting for future years, as there are many unknowns, we use conservative numbers. Currently our projections for FY17 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.