

“Show Me The Money!”

Understanding Westford’s Finances

Selectman Elizabeth Almeida

&

Finance Director Dan O’Donnell

WEDNESDAY, NOVEMBER 8, 2017

HOSTED BY THE LEAGUE OF WOMEN VOTERS OF WESTFORD



“Show Me The Money!”

Agenda

- Where Does the Money Come From?
- Where Does it Go?
- The Budget Process- Who Decides?
- How are we Planning for the Future

Where does the Money Come From?

Intro:

- Property Taxes
- State Aid
- Local Revenue
- Enterprise Revenue
- Community Preservation Funds
- Free Cash
- Other Available Funds
- Grants

Where does the Money Come From?

Real Estate and Property Taxes – 72%

Property Tax is the primary source of revenue for the Town of Westford, which accounts for approximately 72% of general fund revenue.

Property taxes are levied on real property (land and buildings) and personal property (equipment).

- Residential: 86.32%
- Commercial: 6.52%
- Industrial: 5.13%
- Personal: 2.03%

Due to Proposition 2 ½, the **levy limit** increase for property taxes cannot exceed 2.5%. This amount does not include “New Growth” which are additional taxes added from new properties, nor does it pertain to debt exclusions.

Westford passed a \$1,600,000 operational override in FY18.

Where does the Money Come From?

Real Estate and Property Taxes – 72%

Pre 1981, municipal budgets in Massachusetts were driven by expenditures. Local communities could raise taxes to the extent that the local authority appropriated. Then in 1982, Proposition 2 ½ (M.G.L. Ch. 59 ~ 21C) was enacted limiting the increase to the tax levy to 2.5%. Since that time, municipal budgets have been shaped by revenue limitations

Does this mean my property tax bill can only go up by 2.5%?

No, the levy increases by 2.5%. Individual property bills fluctuate based on a variety of factors.

Where does the Money Come From?

Real Estate and Property Taxes – 72%

Fiscal Year 2018 Levy Limit Calculation:

FY17 LEVY LIMIT	\$69,606,943
PROP. 2 ½ INCREASE	1,740,174
NEW GROWTH	408,857
OVERRIDE	1,600,000
DEBT EXCLUSIONS	<u>2,741,369</u>
TOTAL FY18 LEVY LIMIT	<u>\$76,097,343</u>
EXCESS LEVY LIMIT	(1,085,699)
FY18 ACTUAL TAX LEVY	\$75,011,644

Where does the Money Come From?

Real Estate and Property Taxes – 72%

Town	FY17 Residential Tax Rate	FY17 Commercial Tax Rate
Acton	19.06	19.06
Andover	15.18	26.46
Carlisle	17.62	17.62
Chelmsford	17.92	17.92
Concord	14.07	14.07
Groton	18.26	18.26
Littleton	18.15	28.37
Tyngsboro	17.16	17.16
Westborough	17.80	17.80
Average	17.25	19.64
Westford	16.41	16.41

Where does the Money Come From?

State Aid – 20%

	FY14	FY15	FY16	FY17	FY18
Revenue					
Chapter 70	16,189,875	16,313,850	16,436,625	16,706,565	16,853,055
Unrestricted Aid	1,840,033	1,891,061	1,959,139	2,043,382	2,123,074
Veterans' Benefits	50,919	58,907	64,493	43,391	41,576
Exempt: Vets, Blind, Surv Spouses	72,853	73,245	71,697	71,697	69,304
State-Owned Land	202	230	230	227	227
Charter Tuition Reimbursement	31,958	22,766	8,960	38,448	25,269
Subtotal	18,185,840	18,360,059	18,541,144	18,903,710	19,112,505
School Construction	1,557,026	1,557,026	1,557,026	1,557,026	1,557,026
Subtotal	1,557,026	1,557,026	1,557,026	1,557,026	1,557,026
Offset Items - Reserve for Direct Expenditure					
Public Libraries	18,384	25,464	25,512	25,834	26,240
School Lunch Programs	23,040	22,033	-	-	-
School Choice Receiving Tuition	337,641	378,741	381,375	416,682	552,174
Subtotal	379,065	426,238	406,887	442,516	578,414
Total State Aid	20,121,931	20,343,323	20,505,057	20,903,252	21,247,945
% Increase		1.10%	0.80%	1.94%	1.65%

Where does the Money Come From?

State Aid – 20%

Chapter 70 (79.3%) funding and Unrestricted State Aid (10.0%) make up the majority of funding from the state.

- The Chapter 70 program is the major program of state aid to public elementary and secondary schools. The program also establishes minimum spending requirements for each municipality's share of school costs.
- Unrestricted State Aid comes from Lottery revenue

The \$1,557,026 is from the Mass. School Building Authority and we will no longer receive it once the WA Construction bond is paid off in FY20.

Where does the Money Come From?

Local Revenue – 8%

Motor Vehicle Excise – Payments are due in 30 days after bills are sent out. The majority of estimated collections will be received in mid-March.

Local Option Taxes – An additional .75% meals tax and 2% hotel tax were approved at the March 26, 2011 Annual Town Meeting and instituted on July 1, 2011.

Penalties & Interest – Fees collected on late property tax and motor vehicle excise payments.

Payments in Lieu of Taxes – Revenue collected from tax exempt properties, with MIT being the largest contributor.

Fees – The largest contributors include: Demand Fees, Municipal Lien Certificates, Planning Board Fees, Police Detail Admin Fees, Fire Alarm Monitoring Fees, and Bulk Curbside Pickup Fees.

Dept. Revenue – Cemeteries – Grave openings.

Other Dept. Revenue – Tax statements, tax filings, rentals, and other departmental revenue.

Where does the Money Come From?

Local Revenue – 8%

Licenses & Permits – Inspection permits made up 70.7% of the FY16 Actual Permit Revenue. Licenses and Permits are heavily dependent upon new growth.

Special Assessments – Street and sidewalk betterments. Budget amount coincides with assessments due for FY18.

Fines and Forfeits – Health and smoking, civil substance possession, motor vehicle, parking violations, court fines, and animal fines.

Investment Income – Bank interest and other general fund investments

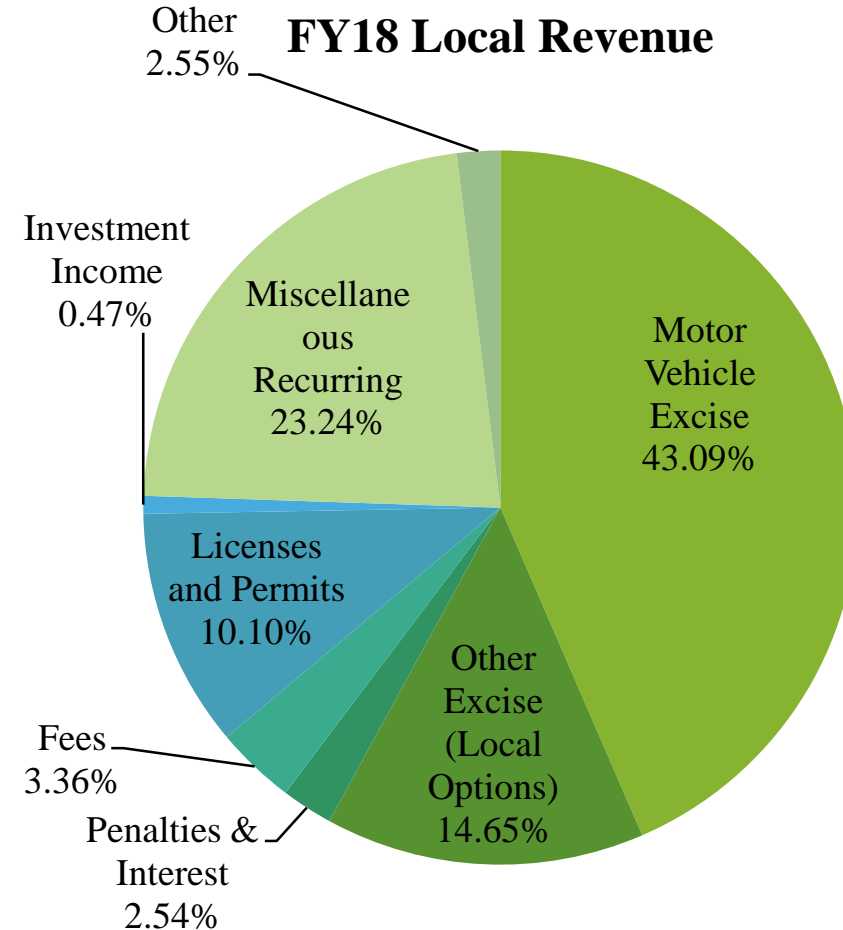
Miscellaneous Recurring – Mass School Building Authority's advanced refunding for Stony Brook, Rita Miller, and Crisafulli schools. Lump sum payment from the MSBA held in a separate account and a portion of principal and interest (earning 4+%) are transferred to the general fund each year. Also includes reimbursement for NVTSH School Resource Officer, CPE Program Receipts, and Medicaid Receipts.

Miscellaneous Non-Recurring – Sale of tax possession properties, sales of equipment, settlement proceeds, and FEMA/MEMA reimbursements.

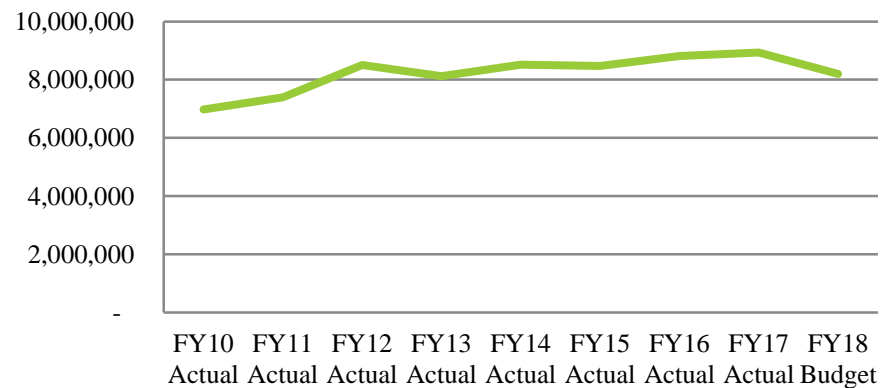
Where does the Money Come From?

Local Revenue – 8%

Fiscal Year 2018 Projected Local Revenue	
Motor Vehicle Excise	3,567,416.45
Other Excise (Local Options)	1,185,520.00
Penalties & Interest	190,820.00
Fees	296,380.00
Licenses and Permits	888,125.00
Investment Income	65,975.00
Miscellaneous Recurring	1,846,646.64
Other	160,598.00
Total	8,201,481.09



Local Revenue: FY10-FY18



Where does the Money Come From?

Enterprise Revenue

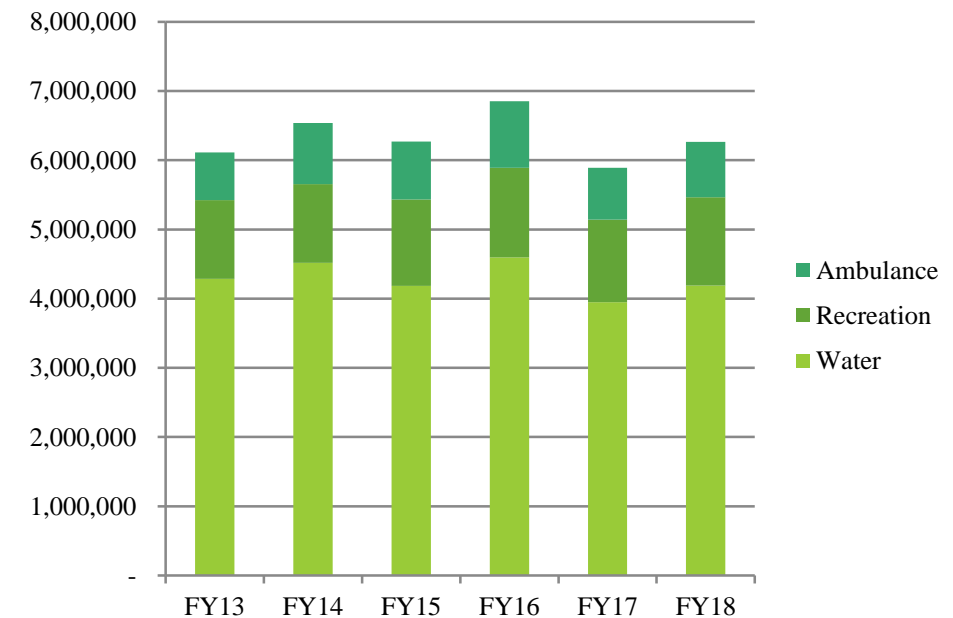
Enterprise Funds allow communities to show the total cost of a service that is recovered through user charges and the portion that is subsidized by the tax levy.

Enterprises can either be self-supporting, or receive financial assistance from the city or town.

Enterprise General Fund Subsidies: Fiscal Year 2013 to Fiscal Year 2018					
	FY14	FY15	FY16	FY17	FY18
Water	-	-	-	-	-
Recreation	117,224	99,060	173,431	110,969	148,133
Ambulance	403,441	382,023	401,848	427,533	494,403
Total	520,665	481,083	575,279	538,502	642,536

Enterprise Revenue: Fiscal Year 2013 to Fiscal Year 2018					
	FY14	FY15	FY16	FY17	FY18
Water	4,517,803	4,185,227	4,594,562	3,950,259	4,190,534
Recreation	1,137,042	1,247,594	1,295,860	1,189,205	1,275,000
Ambulance	882,017	836,223	963,432	750,000	800,000

Enterprise Revenue - FY13 to FY18



Where does the Money Come From?

Other Funds Used to Balance the Budget

Community Preservation Funds

- The Community Preservation Act (CPA) allows Westford to preserve the community character in the areas of open space, community housing, historical resources, and land for recreational use.
- Westford residents currently pay a 3% property tax surcharge to fund such projects.
- The Town receives a state match of 20.6% in FY17.
- The current amount listed under available funds for appropriation for the CPC include the debt payments due for both East Boston Camps and the Town Hall in Fiscal Year 2018, along with an appropriation of \$15,000 for administrative expenses.

Where does the Money Come From?

Other Funds Used to Balance the Budget

Revenue History					
Fiscal Year	Penalties / Interest	Other Taxes - CPA Surcharge	CPA - State Share	Earnings on Investments	Total
2003	1,395.53	927,877.35	815,485.00	32,765.41	1,777,523.29
2004	2,724.99	1,010,454.76	924,436.00	76,600.82	2,014,216.57
2005	1,820.31	1,077,557.22	1,005,454.00	120,934.60	2,205,766.13
2006	1,433.27	1,139,232.16	1,078,627.00	116,414.27	2,335,706.70
2007	1,978.27	1,188,066.11	1,137,231.00	197,197.75	2,524,473.13
2008	2,348.42	1,220,210.29	1,190,322.00	289,460.41	2,702,341.12
2009	2,204.36	1,250,223.28	885,461.00	228,229.44	2,366,118.08
2010	2,527.72	1,284,730.99	485,429.00	175,070.12	1,947,757.83
2011	2,929.67	1,303,521.74	386,547.00	144,429.70	1,837,428.11
2012	2,355.58	1,361,387.74	385,895.00	106,484.46	1,856,122.78
2013	2,488.53	1,407,988.61	402,455.00	41,425.07	1,854,357.21
2014	2,915.23	1,456,660.02	818,612.00	63,390.85	2,341,578.10
2015	3,840.41	1,568,218.57	514,377.00	72,906.91	2,159,342.89
2016	4,048.90	1,644,891.63	513,583.00	96,236.22	2,258,759.75
2017	3,933.95	1,702,514.48	373,932.00	106,405.88	2,186,786.31
Total	38,945.14	19,543,534.95	10,917,846.00	1,867,951.91	32,368,278.00

Where does the Money Come From?

Other Funds Used to Balance the Budget

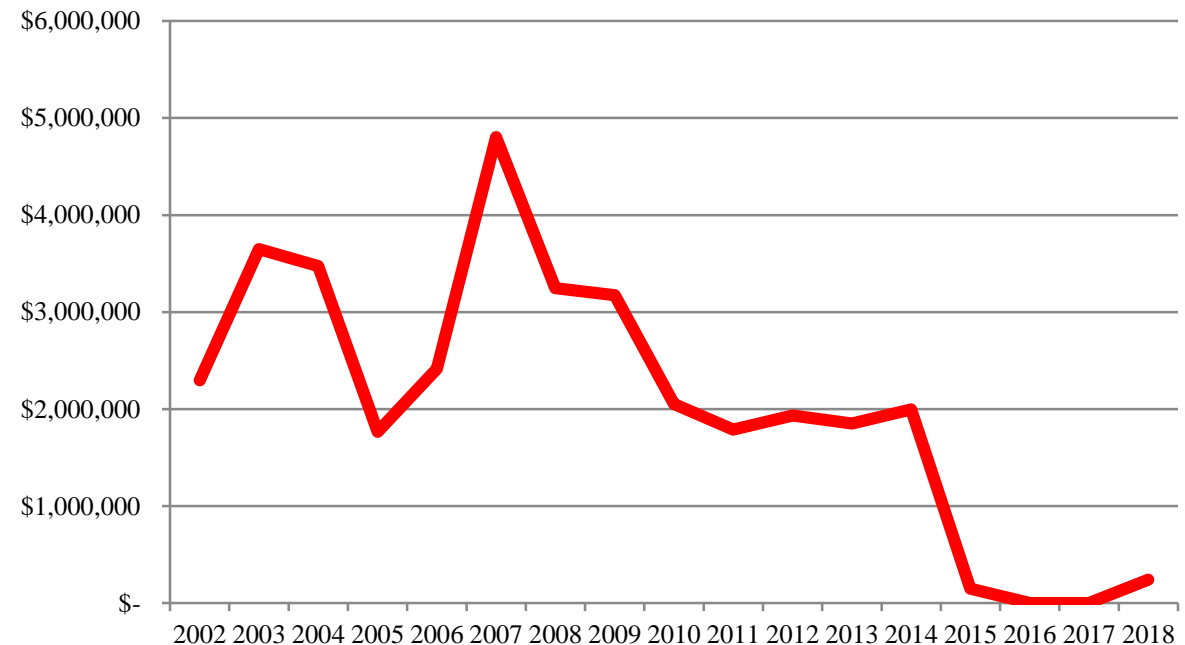
Revolving Funds

- Each year, the Town authorizes expenditure limits for the Town's Ch. 44 Sec. 53E ½ Revolving Funds.
- Revolving funds cannot have a negative balance.

Free Cash & Other Available Funds

- The town may appropriate Free Cash or Other Funds, such as Overlay Surplus or Stabilization, to fund appropriations or to offset the operating budget.

Free Cash Applied to Balance Operating Budget



Where does the Money Come From?

Grants

Examples of grants received in FY17 include:

- Complete Streets Grant for pedestrian improvements \$399,860
- FEMA Hazard Mitigation Grant for Keyes Culvert \$391,523
- Green Communities Grant for energy efficiency projects \$250,000



Where does the Money Come From? Questions

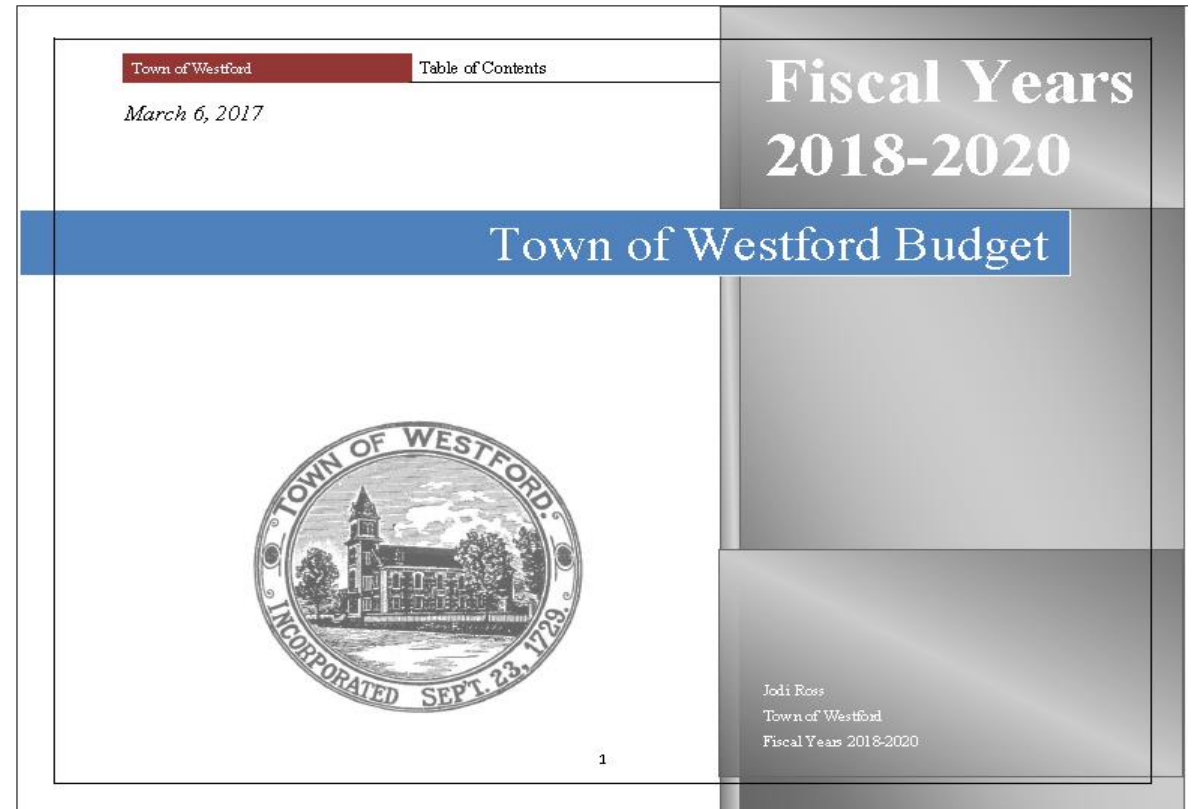


Where does the Money Go?

FY17 Actual Expense by Category

Here is a summary of the FY17 actual expenditures. Most of the revenue is spent on personnel because government is a service based industry.

- Personnel – 61.1%
- Health insurance – 8.8%
- Debt Service – 7.5%
- Retirement Assessment – 4.1%
- OPEB, General Ins., Medicare – 2.6%
- Utilities – 1.7%
- Other Expenses – 14.2%



Where does the Money Go?

Operating Budget

Here is a summary of the FY17 actual amount spent vs. the FY18 budget.

**FISCAL 2017
ACTUAL**

**FISCAL 2018
BUDGET**

APPROPRIATION SUMMARY

Public Safety: Police, Dispatch, Fire, Building, etc.

Public Works: Engineering, Highway, Trash Collection, etc.

Unclassified: Retirement, Health Insurance, General Insurance, Unemployment, Medicare, OPEBs, etc.

GENERAL GOVERNMENT	3,884,290.29	4,294,767.00
PUBLIC SAFETY	9,316,746.45	9,619,095.00
EDUCATION	55,104,551.89	57,256,582.00
PUBLIC WORKS	5,120,566.55	4,964,061.00
HEALTH & HUMAN SERVICES	1,041,868.22	1,079,985.00
CULTURE & RECREATION	1,950,889.01	2,089,186.00
DEBT SERVICE	6,693,430.37	6,787,368.00
UNCLASSIFIED	14,992,592.29	16,561,968.00
COMMUNITY PRESERVATION FUND	878,664.61	881,574.00
WATER ENTERPRISE FUND	3,396,652.88	4,255,509.00
RECREATION ENTERPRISE FUND	1,373,824.00	1,426,875.00
AMBULANCE ENTERPRISE FUND	1,270,507.10	1,351,403.00

TOTAL ARTICLE

105,024,583.66

110,568,373.00

Where does the Money Go?

Budget Pressures

Health insurance

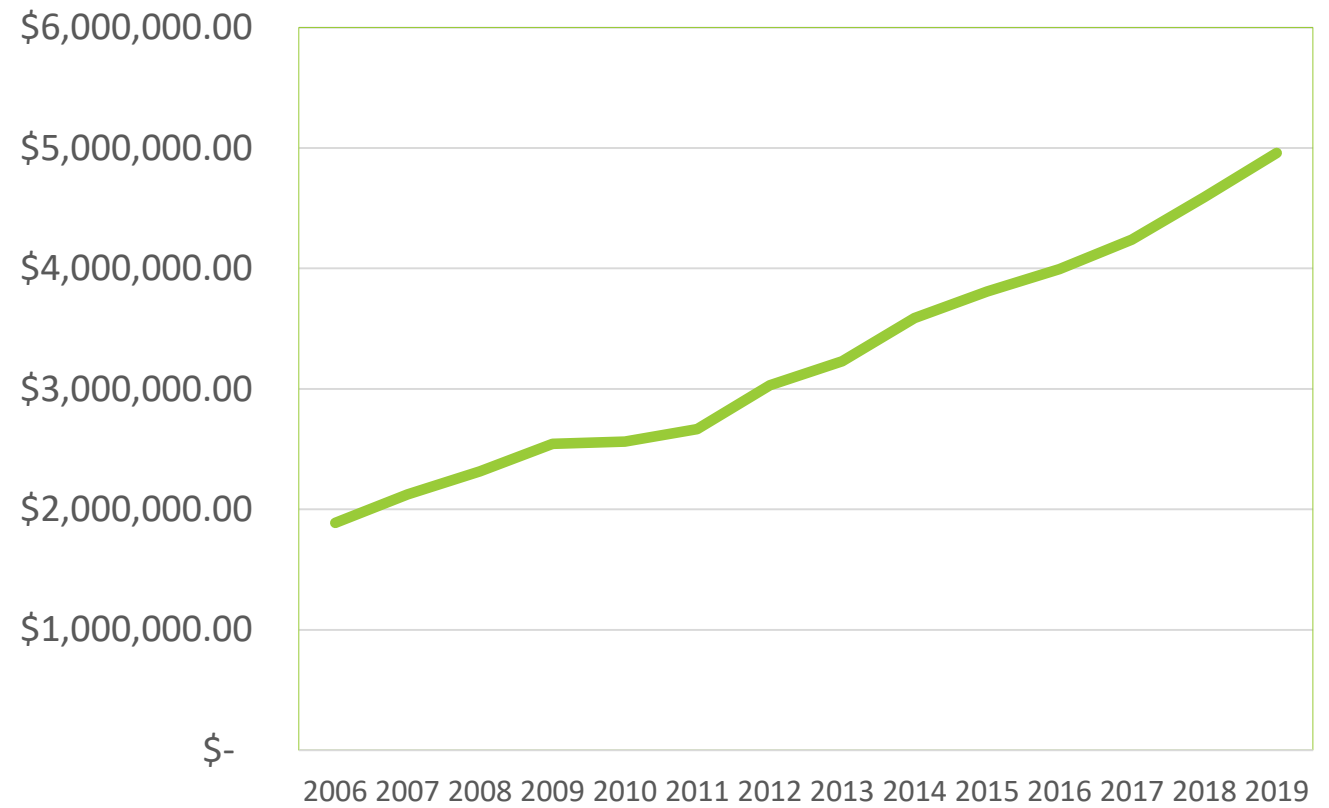
Unfunded liabilities (Pension and Other Post Employment Benefits)

Special education mandates

Collective bargaining agreements

Infrastructure and facility repairs and maintenance

Middlesex Retirement Assessment: FY06 to FY19



Where does the Money Go?

Capital Planning

Capital is defined as “Major non-recurring tangible assets and projects which are purchased or undertaken at intervals not less than 5 years, have a useful life of at least 5 years, and cost over \$10,000.

- Items acquired by the technology department (excluding software) are exempt from these restrictions due to the rapidly changing nature of technology and advancement of costs.

The Committee is made of 9 voting members and 2 alternates

- Met 6 times to review requests with departments to make a recommendation to the town manager

Departments are required to submit a 5-year capital plan, including quotes. The 5-year total request is \$41.6 million.

Where does the Money Go?

Capital Planning

The budget policy states that a minimum of \$1.5m should be spent from free cash on capital each year.

After reviewing all of the capital, the Chair drafts a “straw-person” capital plan for discussion.

The Committee votes on a recommendation to the Town Manager

- Town Manager and Finance Staff work together on how to fund the plan

If information changes (needs, quotes, etc) throughout the year, the Committee will continue to meet to address those changes up to the Annual Town Meeting

Capital Planning Meetings are typically on Friday mornings at 8:30 am in the Town Hall Meeting room. They are open to the public!

Where does the Money Go?

Capital Planning

Capital Approved at the March 25, 2017 Annual Town Meeting

From Free Cash	\$1,818,667
Bonding – Non Excluded (Fire Truck, WA Wastewater Upgrades, 10% Roudenbush Rehab)	1,827,612
CPC Bonding – (90% Roudenbush)	6,300,000
Water Ent. Bonding (Prospect Hill Water Tank)	3,200,000
Ambulance Ent. Retained Earnings	21,000
Water Ent. Retained Earnings	77,000
Total	\$13,244,279

Where does the Money Go? Questions



The Budgeting Process: Who Decides?

From the Town Charter:

SECTION 11. The financial management powers, duties and responsibilities of the town manager shall include but not be limited to the following:

- to prepare and submit, after consultation with all town departments an annual operating budget and capital improvements program for all town departments;
- - to insure that complete and full records of the financial and administrative activity of the town are maintained and to render reports to the board of selectmen as may be required;
- - to keep said board of selectmen and finance committee fully informed as to the financial condition of the town and in consultation with the finance committee to make recommendations to said board and to other elected and appointed officials as deemed necessary or expedient;
- - to prepare, annually, a five year financial forecast of town revenue, expenditures and the general financial condition of the town. Said plan shall be submitted to said board of selectmen, the finance committee, the board of assessors and the school committee and shall be available to the public.

The Budgeting Process: Who Decides?

When is the budget timeline?

Internal Process:

- At the end of July, budget worksheets are sent to department heads
- They are due back 3 weeks later
- Town Manager, Asst. Town Manager, Finance Director, and Budget Analyst review line by line with each department head
- Work with the school department to settle on a total budget figure.
- Town Manager makes a recommendation for each budget as authorized in the town charter

The Budgeting Process: Who Decides?

What is the budget timeline?

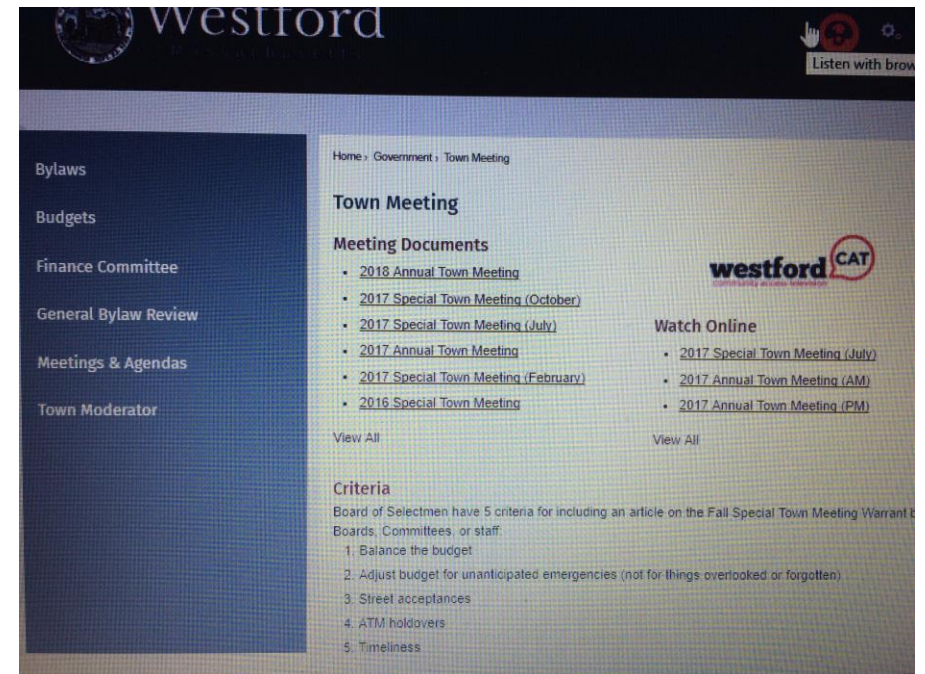
Public Process:

- Town Manager Budget Presentation November 28th
- Finance Committee Budget Hearings Nov. 30th to Jan. 25th
 - Six hearings scheduled held on Thursday nights
 - Board of Selectmen also attend
- Annual Town Meeting Warrant Article Review February
- Finance Committee Book Mailed to Residents March 12, 2018
- Annual Town Meeting March 24, 2018

The Budgeting Process: Who Decides?

Where can I find information about the budget?

- Town website: www.westfordma.gov
 - Budget information dating back to Fiscal Year 2010
 - Budget Message
 - Budget Presentation
 - Latest draft of the budget for Annual Town Meeting
 - Financial Model
 - Revenue Detail
 - Q&A with the Finance Committee
 - Finance Committee Budget Hearings – Packets Online
 - Finance Committee Book (mailed 10 days prior to ATM)



The Budgeting Process: Who Decides?

The Role of the Finance Committee

- Acts as the legislative branch
- Represents the taxpayers
- Holds budget hearings to review budget
 - Analyzes data
 - Asks questions
 - Prepares a report
 - Makes a recommendation on the budget
- Reviews all financial articles for annual and special town meetings
- Has authorization to approve mid year transfers for extraordinary and unforeseen expenses; \$150,000 for general fund and \$250,000 for water enterprise

The Budgeting Process: Who Decides? Questions



How are we Planning for the Future?

Forecasting:

- We use a 5-year financial model to ensure that the town manager is recommending a balanced budget where revenues equal expenditures.
- Use 2 scenarios – 5-year outlook with departmental requests & 5-year outlook with a balanced budget that limits expenditures.
- Health insurance rates rising at 9% inflation in Massachusetts and prescriptions are increasing by 20%
 - Involving Insurance Advisory Commission in decision making process
- Policies to fund pension and Other Post Employment Benefit liabilities
 - Pension funded at 46% and is scheduled to be fully funded by 2035
 - OPEB's are health and life insurance for retirees (\$61M unfunded liability)
- Labor contracts
 - Balance between staying marketable and keeping costs within budget
- Revenue – Information from State, local revenue trends, building permits

How are we Planning for the Future?

The Town has financial policies in place to ensure its financial stability.

Policy to have at least 5% to 10% of the operating budget in reserves (Free Cash and Stabilization)

Free Cash – A revenue sources certified by the state that typically includes actual receipts in excess of revenue and unspent amounts in departmental budget line items for the year just ended. It is recommended that Free Cash be used for one-time expenditures.

Stabilization Funds – Special reserve accounts created as a “rainy day” fund.

- General Stabilization Account
- Other stabilization accounts for capital and health insurance
- Have been transferring Free Cash to Stabilization to capitalize on investment returns

How are we Planning for the Future?

Why is the Town's bond rating important?

- Whenever we issue bonds to pay for capital, we have an extensive interview with Standard and Poor's
- S&P's rating affects the interest rates we pay
- It tells us and other about our financial condition and financial management

Our most recent rating review was completed on October 31, 2017

- Rated AAA, which is considered the best investment quality.
- Saving about \$600,000 taxpayer dollars over the life of the Fire Station Loan
- Report cited Westford's strong economy, strong management with good financial policies, strong budgetary performance, very strong budgetary flexibility, very strong liquidity, very strong debt and contingent liability position, and strong institutional framework scores.

Community Preservation Funds

The Town adopted the Community Preservation Act at the May 5, 2001 Annual Town Meeting.

- 3% surcharge on your taxes (first \$100,000 of assessment is exempt)
- Receive a matching state share, which has been decreasing as more communities adopt the CPA Act.
- Must use at least 10% of revenue on Affordable Housing, Historic Resources, and Open Space each year. Can also be used for Recreation.
 - If there are no projects, money is appropriated within the CPA fund to a “reserve”
- Any Westford organization or individual can apply for funds.
 - Must meet CPA Guidelines.
 - Needs Assessment Hearing on Dec 5th and applications due January 12, 2018.
 - Requires vote of the Community Preservation Committee and Annual Town Meeting.

Submitted Question: Using the term Debt Exclusion vs. Override

Override sought for a municipal spending purpose and is most often used when additional revenue is sought to fund an annual operating budget.

- Once approved, the override amount becomes a permanent part of the levy limit and will increase by 2.5% each year after its acceptance.
- Only needs to be used for the stated purpose in the first year.
- Requires a majority Town Meeting vote and majority ballot vote

Debt exclusion used for paying debt service costs to finance a capital project.

- Cost of the debt is added to the tax levy each year
- Once the debt is paid, the amount is removed from the levy limit
- Requires a 2/3's Town Meeting vote and majority ballot vote

*Only the Selectmen are authorized to place an override or debt exclusion question on the ballot.

How can I get involved before Town Meeting?

- Attend or watch the Finance Committee Budget Hearings
 - Thursday nights at 7 PM
 - Download packet to computer or mobile device
 - Review the FinCom Q&A
- Review the information online: www.westfordma.gov
 - Budget process begins with Town Manager presentation on November 28th
 - Budget message and presentation give a high level overview of the budget
- League of Women Voters holds a warrant review prior to Town Meeting
- Reach out to local officials with questions or ideas



Final Questions

