

BUDGET MESSAGE FISCAL YEAR 2014

The budget document contains several different sections for the Selectmen and Advisory Finance Committee's review. These include:

- Budget Summary – This spreadsheet is presented in the same manner as last year and is similar to the format that has been used by the Advisory Finance Committee for Town Meeting and includes the information as required by the Town Charter. The major difference from the information presented by the Advisory Finance Committee is that the summary at the end of the spreadsheet excludes Sewer, Wastewater, Water, Country Club and Assabet from the “Sub-Total General Fund” and the AFC’s Report included these items in the summary of General Fund Salaries and Expenses. Based upon this the General Fund numbers differ but the total budget figures are consistent.
- Five Year Forecast – There is a separate executive summary that provides a general overview of the spreadsheets. The result of this analysis is that the Town should be able to continue providing services at the current level and undertake the planned building projects over the next five years without having to seek either a Proposition 2½ debt exclusion or override.
- Detail budget information – This has been changed substantially from previous budget formats. Each department now has the following pages included in their detailed budget:
 - Cover page which includes (a) Activities, Functions and Responsibilities; (b) Successes and accomplishments from the previous fiscal year; and (c) Goals and Priorities for the upcoming fiscal year.
 - Budget Summary which includes (a) the summary of previous, requested and Town Manager’s recommendation on Salaries and Expenses; (b) number of Personnel; (c) Activity Indicators; and (d) Performance Measures.
 - The detailed budget worksheet by specific line items within the Salaries and Expenses as has been presented in the past.
 - Expense Ledger as has been included in the past with a more detailed explanation of what each line item includes.

In discussions last year, there was agreement to exclude the detailed salary and wage worksheets from the budget, but that these would be maintained in the Town Accountant’s Office if backup data were requested for any specific department.

- Capital Expenditure Planning Committee Report – The process is the same process that was initiated a few years ago using a priority-based ranking system and contains an executive summary that explains the recommendations for Town Meeting. This year there was greater success in developing better information from department heads and all members of the Capital Expenditure Planning Committee participated at a greater level. Based upon comments at last year’s Annual Town Meeting, the information relative to the amortized life span for each piece of equipment and when it was scheduled to be replaced will be included in both the report and the Annual Town Meeting warrant in the Town Manager’s Statements for each capital item. The basis for the life span for each piece of equipment or vehicle is Table 1 – Bureau Recommended Capital Assets, Depreciation and Estimated Useful Lives from the “A Practical Guide For Implementation Of Governmental Accounting Standards Board Statement #34 For Massachusetts Local Governments” produced by MA Department of Revenue in 2001.

- Road Management System – This is the third year of having a Road Management Plan to prioritize the future work of the DPW. Roads that were rated in 2011 have been updated to reflect current condition and work that has been accomplished over the past year. This report again demonstrates the need to provide additional funding beyond what is provided in Chapter 90 for the Town to maintain its roads on a rotational basis based on the useful life of the specific road types. Based upon the ratings conducted in the Fall of 2012, the average rating of Town roads declined from a rating of 7.05 in 2011 to 6.86 in 2012.

The Fiscal Year 2014 budget as presented, including other amounts that need to be raised is recommending total expenditures of \$94,686,907. This is an increase of \$1,149,343 (1.2%) from the Fiscal Year 2013 budget of \$93,537,564¹. All departments were requested to provide a budget that would provide level services from FY13.

Revenues

- Revenue estimates include additional property tax revenue in the amount of \$2,226,000 which includes a new growth estimate of \$625,000; an increase in local receipts of \$41,911; and a projected state aid increase of \$129,423. This may need to be revised once the Governor releases his budget in late January.
- Operating revenues are sufficient to cover operating expenditures.

Expenditures

The General Fund FY14 budget is proposed to increase by \$2,335,806 over the FY13 budget (which is approximately \$710,174 less than the increase between FY12 and FY13). The School budget that is included in the proposed budget is the budget as voted by the School Committee on 12/19/12. On the detailed sheets this year, an effort was made to make changes to the specific line items within the departments to reflect actual costs over the past 3-5 years and also take into consideration peak costs during these times. In most cases this worked out to no net difference in the bottom line of the budgeted expenses of a department, but provides more accurate information for review. In some cases it did result in a reduction of expenses as described below.

The major increases (over \$50,000) in the budget are as follows:

Table 1
Major Increases (Over \$50K)

Insurance	574,800
Fire Salaries	91,188
Westborough School Department	1,291,299
	1,957,287

¹ Does not include expenditures for warrant articles, Water, Sewer or Country Club articles, Ch. 90 or transfers.

The following are the largest decreases in the budget:

Table 2
Top 10 decreases in the FY13 Budget

Buildings/Grounds Expenses	(29,355)
Landfill Expenses	(27,106)
Elections	(13,090)
Library Expenses	(11,306)
Street Lights	(11,000)
Assessors Expenses	(10,000)
Wastewater Budget	(191,178)
Water Budget	(211,234)
Sewer Expenses	(36,091)
Country Club Budget	(29,460)

All other departments had minimal increases/decreases. The following is a summary explanation of each increase and notable decrease:

Increases

- Insurance – This line item contains all of the Town's various insurance coverages. Most were level funded with the following exceptions which netted an \$574,800 increase:
 - Group Medical Insurance (Health Insurance) – This line item is projected to increase 5.6% over the FY13 amount or \$600,000. This is one of the smaller increases in health insurance costs over the past several years. We based the figure on an average 9% increase over actual costs and added in the additional amount we have been using for net new subscribers. We will not have the actual rates until sometime late in January and at that time, we may either be able to decrease or need to increase this line item further.
 - Casualty/Property/Workers Compensation – This line item is budgeted to decrease by \$25,000 based on the credits from the MIIA Rewards Program the town has received and past final costs.
- Fire Department Salaries are budgeted to increase \$91,188 – this large increase is due to FY14 being the 15th anniversary of the Town moving to Paramedic level service. Fifteen fiscal years ago, the Town hired 8 additional Firefighter/Paramedics all of whom reach the 15 year anniversary and are all due a bump in wages at the same time, resulting in this increase.
- The Westborough School Committee voted on their budget on 12/19/12 and the final figure is a \$1,291,299 increase from the FY13 Budget.
- Additional increases include two specific items that are new:
 - The availability of Reverse 911 for the Town will be gone after July 1, 2013 and if the Town wishes to be able to contact residents during emergencies or for notifications of meetings, water main breaks, etc. some alternative will need to be provided. I have contacted two of the companies that provide this type of service and have obtained prices and have

included a price in the Communications budget. In January, I will have demonstrations of both products and will base the final expense figure on the program selected. These will be higher quality than the Reverse 911 and will allow for notifications to be provided via landline, cell phone, email or text.

- The second item is that during the course of FY13 Town Counsel, the Library Board and I discussed the use of Library Trust Funds and the State Grant to offset their operating budget. After discussion and legal review, Town Counsel provided an opinion that the Town could not be using these funds in the manner that they have been used in the past to offset a portion of the Library's expenses. Therefore, in the budget summary, you will note that these have been removed for FY14. I have attached Town Counsel's opinion to this Executive Summary.

It's important to note the General Fund (non-School) Expenses are proposed to increase by \$566,574 and that Insurance alone is estimated to increase by \$574,800 meaning all other non-school accounts add to an \$8,226 decrease.

Decreases

- Buildings and Ground Expenses (\$30,355) – This line item is decreasing mostly due to decreases in the cost of electricity and heating cost due to the new electric contract (went from \$0.124 per KWH to \$0.065 per KWH and lower natural gas rates.
- Landfill expenses (\$27,106) – This line item was reduced to more accurately reflect actual costs.
- Elections (\$13,090) – This line item was reduced based on the number of elections in FY14.
- Library Expenses (\$11,316) – This line item was reduced to reflect lower electricity and heating costs.
- Street Lights (\$11,000) – This line item was reduced to reflect lower electric rates.
- Assessors Expenses (\$10,000) – This line item was reduced to reflect removing the additional funds appropriated in FY13 to provide additional assistance on the revaluation.

Outside of the General Fund, the following were the largest reductions:

- Wastewater Treatment Plant Expenses (\$191,310) – This account was reduced to reflect the lower electric rates.
- Water Debt (\$121,473) – This line item was reduced based on retiring debt.
- Sewer Expenses (\$36,091) – This line item was reduced to reflect the lower electric rates.
- Country Club Expenses (\$28,340) – This line item was reduced to reflect lower revenues and as a result of the lower electric rates.

Accomplishments

Last year I included a section for accomplishments for each department. This is now outlined in the new detailed budget sheets for each department.

Staffing

There are no staffing increases planned for the Town's General Fund (town departments).

Non-union staff are proposed to receive a 1.6% Cost Of Living Adjustment (COLA), the Personnel Board is currently considering this COLA and will vote on it at their January meeting, this is based on the average Union increase the previous year. Union increases are 2.0%.

Conclusion

The budget as presented is balanced within the provisions of Proposition 2½ and does not require free cash to support the operating budget. The budget meets the needs of the Town departments to continue providing quality services to the public.

To control the property taxes, the Board of Selectmen set a directive early in the budget process to maintain spending at a level that would require no more than a 2% increase over the FY13 actual taxes levied and to not include new growth as part of the Town's estimated revenues for FY14. This was achieved with the original estimate that was used for the School Department at a \$1,000,000 increase which equated to a \$1,282,700 increase (+3.1% over FY13) for the School Department when the reduced electricity costs are included. The School budget is included as per Section 6-4 of the Town Charter "as voted by the School Committee" with a \$1,411,299 increase (not including the \$282,700 in electricity savings). Based upon this number, the Town is \$351,661 over the Selectmen's goal of 2.0%. Over the past 3 years the overall net property tax impact of the Town and School Departments (including Assabet) are as follows (Total School-related Expenses less School specific Revenues and Town-related Expenses less Town specific Revenues):

Table 3
Schools/Town Net Property Tax Implication

	<u>FY12</u>	<u>FY13</u>	<u>FY14 Est.</u>	<u>Change FY12-13</u>	<u>Change FY13-14</u>
School Budget	39,982,853	41,402,909	42,694,208	1,420,056	1,291,299
School Share - Insurance	7,536,166	7,721,319	8,303,446	185,153	582,127
School Debt Service	6,809,892	6,347,299	5,175,208	(462,593)	(1,172,091)
School Retirement	745,742	780,863	800,882	35,121	20,019
Total School Expense	55,074,653	56,252,390	56,973,743	1,177,736	721,354
Ch. 70	(4,206,047)	(4,475,455)	(4,609,719)	(269,408)	(134,264)
Medicaid Reimbursement	(117,724)	114,500	119,625	232,224	5,125
Pro-Rated Share Unrestricted	(659,544)	(714,841)	(724,741)	(55,296)	(9,900)
School Construction Aid	(3,778,460)	(3,778,460)	(2,845,371)	-	933,089
Net Applied to Tax Rate	46,312,878	47,398,134	48,913,538	1,085,256	1,515,404
	<u>FY12</u>	<u>FY13</u>	<u>FY14 Est.</u>	<u>Change FY12-13</u>	<u>Change FY13-14</u>
Town General Fund Budget	14,401,328	14,644,614	14,946,942	243,286	302,328
Town Share - Insurance	2,776,934	2,568,881	2,766,500	(208,053)	197,619
Town General Fund Debt	1,560,967	1,623,806	1,542,069	62,839	(81,737)
Town Retirement	1,429,784	1,497,119	1,534,050	67,335	36,931
Total Town Expense	20,169,013	20,334,420	20,789,561	165,408	455,141
Town Department Revenues	(6,305,098)	(7,006,490)	(6,904,069)	(701,392)	102,421
Pro-Rated Share Unrestricted	(249,751)	(266,436)	(270,126)	(16,686)	(3,690)
Net Applied to Tax Rate	13,614,164	13,061,494	13,615,366	(552,670)	553,872
Assabet	686,187	632,037	701,008	(54,150)	68,971

From the information presented in Table 3 above, the following is the property tax impact of the Town and Schools:

Table 4
Tax Impact Schools/Town

	<u>FY12</u>	<u>FY13</u>	<u>FY14 Est.</u>
School %	76.4%	77.6%	77.4%
Assabet %	1.1%	1.0%	1.1%
Town %	22.5%	21.4%	21.5%
Tax Rate	19.21	18.97	19.14
School Share of Tax Rate	14.68	14.72	14.81
Assabet Share of Tax Rate	0.22	0.20	0.21
Town Share of Tax Rate	4.31	4.06	4.12
Avg Single Family Home Value	405,530	420,266	428,706
School Single Family Tax Bill	5,952	6,185	6,348
Assabet Single Family Tax Bill	88	82	91
Town Single Family Tax Bill	1,750	1,705	1,767
Total Single Family Tax Bill	7,790	7,972	8,205

As shown above, the property tax implications of Town and School Services have been relatively stable over the past three years with the School's total share of the property taxes increasing from 76.4% to an estimated 77.4% and the Town's share of the overall property taxes decreasing from 22.5% to an estimate of 21.5%. Assabet has remained relatively stable during this three year period staying at 1.1%.

I would like to take this opportunity to thank all of the department heads for their work in submitting budgets that maintained costs and continue to provide quality services to the public. Specifically, I would like to thank Leah Talbot, Town Accountant, Linda Swadel, Chief Assessor and Joanne Savignac, Treasurer/Collector and Kristi Williams, Assistant Town Manager for their assistance.

James J. Malloy
Town Manager