

## **BUDGET MESSAGE FISCAL YEAR 2017**

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.
- 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 several years without having to seek either a Proposition 2½ debt exclusion or override.
- Detail budget information – This is in the same format used in the past, providing more information regarding the activities of departments than past budgets provided. Each department 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.
  - Detailed salary and wage worksheets.
- Capital Expenditure Planning Committee Report – The process is the same process that was initiated in FY11 using a priority-based ranking system and contains an executive summary that explains the recommendations for Town Meeting. This year the Capital Planning Committee continued to build on developing better information from department heads on various requests. Based upon comments at a previous Annual Town Meeting, the information relative to the amortized life span for each piece of equipment and when it is/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.
- Street Management System – This is the sixth year of having a Road Management Plan to prioritize the future work of the DPW. Roads that were rated in 2015 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 2014, the average rating of Town roads deteriorated from a rating of 7.44 in 2014 to 7.34 in 2015.

The Fiscal Year 2017 budget as presented, including other amounts that need to be raised is recommended at total expenditures of \$94,599,048. This is an increase of \$2,999,282 (3.27%) from the Fiscal Year 2016 comparable total expenditures (does not include R & A Articles) of \$91,599,766. Notable budget changes are discussed below.

### **Budget Highlights**

The budget continues to provide a slightly increased level of service in FY17 than has been provided in previous years to provide improved management over services where there have been complaints, address some departments that have been seriously over worked and to address regulatory issues that the Town does not have the staff to be in compliance.

- Town Accountant – The Assistant Town Accountant has been funded at 35 hours per week in the past. With the additional reliance on the Town Accountant, during year-end and during the budget process (as well as all other times of the year). I am recommending this position be increased to 40 hours per week, with a corresponding cost of \$8,500 for FY17. This is already a benefitted position so there are no other additional costs associated with this recommendation.
- MIS/GIS Department – A few years ago, the Town added a part-time GIS staff person to assist the MIS/GIS Director in providing GIS services to the various town departments and for various projects related to the DPW and the State Hospital redevelopment efforts. This position has been funded at 10 hours per week but is being recommended to be increased to 19 hours per week starting in FY17. The estimated cost of the additional hours is \$10,963 per year. The reason for including this in the FY17 budget is that on a regular basis, the Director of the department is put in a position to work 55+ hours per week to meet the normal requirements of the department. Whenever there is any additional project or projects, the hours required of this position increase steeply. The part-time position has helped ease some of the peaks, but not entirely. Adding the additional hours will assist the department and will also assist the Town in retaining a high-quality department director. There is also an increase in the software maintenance account of approximately \$26,000 for MUNIS which is partially (approximately -\$20,000) offset by reductions in the Treasurer's budget for former payroll costs as fully discussed and approved at the Fall 2015 Town Meeting.
- There is a transfer of staff from the Planning Department to the Conservation Commission. The Assistant Town Planner/Conservation Officer has not been undertaking any Planning functions for years and has been fully engaged in the work of the Conservation Office supporting the Conservation Commission. It does not make sense to have this position under the Town Planner if the work being done by the position is related to another existing department. Daily oversight will be provided by the Town Manager. While there is a substantial increase in the Conservation Commission budget, there is a corresponding decrease in the Planning budget.
- Building & Grounds Department – This department is seeing a decrease only because I am recommending moving all of the electricity accounts from this and other departments (library, fire, street lights) into a new department simply called electricity. This is to address the administrative burden of maintaining the net metering program, which saves the Town approximately \$200,000 in electrical costs. All of the electrical accounts have been moved into the former "Street Lights" department.
- There are several line items in the Insurance budget that are estimated to increase in FY17. These include the Medicare Tax line item, as we see more of the employees hired prior to 1986 retiring and being replaced by new staff members, we are paying Medicare Tax on the new employees that we were not paying on the former employees, causing this line item to increase faster than the pay rate increases. For FY17 this is estimated to increase approximately \$47,000. Health Insurance costs are estimated to increase by 10% based on

conversations with the health insurance carrier and the Town's insurance consultant. We are also aware that the FY16 budget for health insurance may not be fully sufficient to cover FY16 costs, which may lead to a higher amount needed for FY17 (if we find that we are under-funded in FY16 it will require a supplemental amount to be funded at the Annual Town Meeting and the 10% would be based on a higher base for FY16). The other line item in the Insurance budget that is increasing is for Casualty/Property Insurance, Workers Compensation and Police/Fire IOD Insurance. With the additions of the new Fire Station, renovated Town Hall and the high cost of insuring the vacant buildings at the State Hospital, combined with the Town's experience rating this line item is budgeted to increase by approximately \$51,000. Overall, the Insurance budget is recommended to increase from \$10,427,281 to \$11,324,300.

- Fire Department – The new Fire Chief has recommended adding a fifth Captain to oversee the permitting and inspection function of the department. As part of this proposal, the new Fire Chief has requested and I am recommending that a vacant firefighter position (vacant due to internal promotions) be upgraded to Captain. The estimated net cost by upgrading this position is approximately \$14,000 per year in base pay. This Captain would work the day shift Monday through Friday which is the busiest shift, which the Fire Chief believes will reduce the number of call back shifts to cover the station (with a 2 hour minimum at overtime rates) and that it will possibly not cost any additional amount. As this is the area that the Town receives the most complaints from the business community, the additional oversight is warranted and should improve the management of this function in the Fire Department.
- Animal Control – The budget as presented has the contracted back-up service continuing in the budget, however, this service has ceased and we are working on developing a new program for weekends and vacations for the full-time Animal Control Officer. This budget is likely to change slightly during the budget process.
- Assabet Regional Vocational School Budget – This year is the first year that debt service for the regional vocational high school renovations will be included in the budget, this has impacted the budget with an approximately \$250,000 increase. Please note this is an estimated increase and the final figure will be provided in early February after the Governor releases his budget and the regional school system can calculate local assessments.
- Public Works Department – The DPW Manager has requested to fill two positions that had previously been funded in the Public Works Department but have been left unfunded (but in the pay classification plan) for several years. I am recommending these two positions be included in the budget because the Town is no longer meeting the requirements for stormwater management, specifically the Town is required to clean all catch basins twice per year. The DPW has considered contracting out this service and obtained estimates based on the actual amount an abutting town (Hopkinton) is paying (\$33.20 per catch basin). Westborough has 4,300 catch basins which would cost \$142,760 to clean once per year or approximately \$285,000 twice per year. The estimated cost of two additional employees is \$115,000. Based on the demands placed on the Public Works Department, I am recommending included these additional positions in the department.
- Snow Removal Budget – As the Board of Selectmen and Advisory Finance Committee are aware, we did increase this budget last year. I reviewed the 10 year average actual costs and am reporting the average cost during this period for overtime and expenses is \$560,035. The budget recommended for FY17 is \$554,211 which is very reasonable given the long-term average cost.
- Electricity – This account as noted above includes all of the electricity accounts from the Buildings and Grounds Department, Library, Fire Station, Street Lights, DPW and others. The purpose for combining these into one account is to facilitate the management of the net metering program (solar). Also of note is that the current rate (\$0.066 per KWH) paid by the Town for electricity supply from TransCanada is expiring in June 2016 and the budget anticipates the Town transitioning to the Municipal Aggregation Rate of \$0.0921 per KWH. Additionally, there is consideration in the budget for the Town using all of the space in the

Town Hall after the renovation. There may be additional costs associated with the Town Hall electrical account, but with only one month of billing since the re-opening of Town Hall, it is difficult to estimate this account at this time. Any issues will likely need to be addressed at the Fall Town Meeting.

- Senior Transportation – In keeping with the report filed by the Council on Aging and Assistant Town Manager on senior transportation, the fourth bus driver budgeted for the past two years has been removed and a lower amount for some additional hours spread among the existing bus drivers has been added.

## **Revenues**

- Revenue estimates include additional property tax revenue in the amount of \$1,306,864 which includes no new growth estimate; an increase in local receipts of \$60,772; and a projected state aid increase of \$167,545. This may need to be revised once the Governor releases his budget in late January. Total property tax increase is estimated at \$2,610,000.
- Operating revenues are sufficient to cover operating expenditures, therefore no use of reserves is recommended in this budget.

## **Expenditures**

The budget as presented is approximately \$1,952,941 over the Selectmen's goal of maintaining the total taxes levied at a 2.0% increase over the current total tax levy while not including new growth (estimate) as part of the FY17 tax base.

The Town is faced with several large budget increases, most notably:

Table 1  
Large Increases (Over \$25,000)

School Department	1,217,902
Insurance Expenses	897,300
Assabet Regional School	205,561
Debt	129,496
Public Works Salaries	128,588
Fire Dept Salaries	84,692
Electricity	37,189
MIS/GIS Expenses	26,715
Total	2,727,443

The items above equates to 86.7% of the \$3,144,480 budget increase, it is not possible without major cuts throughout the budget to meet the Selectmen's goal in FY17. Last year, I had projected that we would see these results in FY17 and FY18, but will stay substantially below the Proposition 2½ levy limit. For the foreseeable future, the Town should endeavor to stay within the normal Proposition 2½ limits (prior year's taxes levied + 2.5% + new growth), this would maintain most of the excess levy capacity the Town has built during the past several years and at some point in the future when costs normalize the Town can return to the 2.0% and not including new growth in the ensuring year's revenue base.

The FY17 budget continues to include funding of the Town's OPEB liability at \$1.1 million per year. While this is not the full Annual Required Contribution (ARC) toward the OPEB liability, it does provide a start to funding this long-term liability and was directly part of the Town's bond rating upgrade in 2014.

Table 2  
Largest Decreases

Building Commissioner Wages	(21,590)
Treasurer's Expenses	(20,700)
Assessors Wages	(19,515)
Total:	(61,805)

The decreases noted above relate to employee turnover in the Building Commissioner and Assessor's Office due to two retirements and the new employees being paid at a lower wage. The Treasurer's Expense line has been decreased consistent with the proposal at the Fall 2015 Town Meeting to upgrade the MUNIS system and bring payroll in house.

### **Staffing**

There are staffing changes in town departments that have been noted above under Budget Highlights.

Non-union staff are proposed to receive a 2.0% 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 in FY16. The Firefighter's Union increase in FY17 is 2.0%. The Town is presently negotiating with the DPW, Clerical, Police Superior and Police Officers/Dispatchers Unions.

No increase has been budgeted for the open contracts currently in negotiations.

### **Other Issues**

Last year I recommended the Board of Selectmen create a Service Level Study Committee to study the Department of Youth and Family Services, Historic Commission and Animal Control Departments. This Committee has not yet made their recommendations and these are expected in January 2016 for the Selectmen and Advisory Committee to consider as the budget is reviewed.

### **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.

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

James J. Malloy  
Town Manager

Stab Fund 6/30/2015  
\$2,536,298  
 Capital Equipment SF  
\$67,993

DATE: 12/21/2015 12:17 PM  
**FISCAL YEAR 2017 REVENUE & EXPENDITURES ESTIMATES**

<b>Fiscal Year 2016 Levy Limit</b>	\$73,322,434
Plus 2.5% @ 2% of FY15 Levy	\$1,306,864
Plus New Growth No New Grwth	\$0
Less Prior Year Excess Levy Capacity	-\$9,681,608
School Debt Exclusion Amount	\$1,546,038
<b>Fiscal Year 2017 Levy Limit</b>	<u>\$66,493,728</u>

**R & A:**

8B July 4th	\$2,500
8D HRA Acct	<u>\$8,000</u>
	\$10,500

**Revenue from Other Sources:**

State Receipts	\$6,619,450	12/2015 Estimate
SBA Debt Non-Excluded	\$2,535,987	Final number from MSBA
Local Receipts(excluding w/s)	\$8,188,372	FY2017 Estimate
Water & Sewer Revenue (Ind=\$288,966)	\$13,392,202	FY17 Budgets
Fee Based W/S/CC Articles	\$0	
Country Club	\$361,487	FY17 Budget
Free Cash	\$0	
Free Cash used for Articles - ATM 3/16	\$0	
Free Cash used for Articles - STM 10/16	\$0	
Retained Earnings W/S/CC	\$160,000	Resv Fund & CC Operating
Trust Fund Budget Transfers	\$10,800	FY17 Budgets
Other Available Funds(transfers)	\$0	TBD
Other Available Funds(transfers)	\$0	TBD
Other Available Funds(transfers)	\$0	TBD
Transportation Bond	\$1,168,460	Chapter 90

**Total Other Sources:** \$32,436,758

**Total Receipts from All Sources** \$98,930,486

**Fiscal Year 2017 Expenses:**

\*Sub total Budget Items

		FY2016	
Town Salaries/Wages	*	\$94,599,048	\$91,599,766 3.27%
Town Expenses	*	\$12,240,760	\$12,017,576 1.86%
Fixed Costs	*	\$3,371,029	\$3,449,787 -2.28%
School Budget	*	\$27,769,819	\$26,187,411 6.04%
Assabet Expense	*	\$46,330,691	\$45,107,479 2.71%
Warrant Articles - ATM 3/2015		\$804,724	\$599,163 34.31%
Warrant Articles - STM 10/20/15		\$10,500	\$10,500
Free Cash Articles - ATM 3/2016		\$0	\$0
Free Cash Articles - STM 10/20/16		\$0	\$1,236,412
FinCom Reserve G/F - R&A		\$0	\$899,600
Retained Earnings W/S/CC Resv Fund		\$250,000	\$250,000
Fee Based W/S/CC Articles - ATM 3/16		\$120,000	\$120,000
Retained Earnings W/S/CC Articles - STM		\$0	\$1,861,000
DPW Trans Bond		\$0	\$40,000
WRR Assessment with 2.04% disc		\$1,168,460	\$1,168,460
Cherry Sheet Offsets		\$3,158,399	\$3,007,999 5.00%
Central MA Assessment		\$21,993	\$21,993 Level
Cherry Sheet Charges (w/ WSH Payment)		\$4,859	\$4,740 2.50%
Overlay		\$550,169	\$330,173 Level
Transfers		\$1,000,000	\$1,000,000
Schl Debt & Interest (Excluded)	*	\$0	\$1,307,980 See Above
Schl Debt & Interest (Non-Excluded)	*	\$1,546,038	\$1,702,363 -9.18%
		\$2,535,987	\$2,535,987 0.00%

**Total Fiscal Year 2017 Expenditures** \$100,883,427 \$102,858,623 -1.92%

**Excess Levy**

-\$1,952,941

**\$68,446,669 Levy (with Overage)**

**Fixed Costs:**

\*Does not include Debt Exclusion #'s

Insurance	St Lights	Dump Cont	Debt Princ*	Debt Int*	Swr OM&TP	Water O & M	Sewer Debt	Water Debt
10,427,000	81,280	702,400	4,000,336	1,142,329	5,117,169	2,410,902	821,700	1,484,295
8.6%	216.7%	-0.1%	0.7%	13.7%	2.9%	2.5%	20.8%	-3.7%
11,324,300	257,450	701,400	4,029,921	1,298,865	5,264,749	2,471,155	992,518	1,429,461
			STP \$2,494,821	STP \$450,532			Total Fixed:	\$27,769,819
153,870	135,096	288,966	2,494,821	450,532		13,392,202		
Ind Costs	Ind Costs	Total	STP	STP		Water & Sewer Revenue		
Sewer	Water	Ind Costs	Debt	Interest				