

BUDGET MESSAGE FISCAL YEAR 2018

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 2016, the average rating of Town roads improved slightly from a rating of 7.34 in 2015 to 7.42 in 2016.

The Fiscal Year 2018 budget as presented, including other amounts that need to be raised is recommended at total expenditures of \$98,415,361. This is an increase of \$3,371,775 (3.5%) from the Fiscal Year 2017 comparable total expenditures (does not include R & A Articles) of \$95,043,586. 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.

- The Personnel Board budgets have been transferred into the Board of Selectmen/Town Manager's budget. For FY18 these amounts for Training/Education and Sick Leave Buy Back have been broken out to show the difference between these budgets and the same items that previously appeared in the Board of Selectmen/Town Manager's budget.
- Conservation Commission – In FY10 the Clerical position was cut from 32 hours per week to 19 hours per week. I am recommending that this position be restored to 32 hours per week. The additional cost of this increase in hours is \$16,676.
- No funding has been included for Forbes Municipal Building Repairs or heat since this building will be under renovation and heat will be the responsibility of the contractor.
- The insurance budget includes an 8.5% increase in health insurance costs and a 5% increase in Casualty/Property Insurance. We believe the health insurance increase will be closer to 7.5% (-\$88,277) and we've been informed that the Casualty and Property Insurance may be closer to 10% (+\$35,000) resulting in a net decrease of approximately \$53,000. These are still preliminary numbers that will change during the budget process. Additionally, the Town is involved in negotiations with all unions to make health insurance plan design changes (for the third time since 2010). The results of these negotiations may reduce the health insurance budget approximately \$500,000. If this is successful, a recommendation will be provided to the Selectmen to either use this savings to increase the OPEB transfer or to reduce the budget.
- The Police Budget has a slight decrease due to the remaining costs associated with the dispatchers being transferred to the Fire Department.
- Similarly, the Fire Department Budget has an increase with the full year of the centralized dispatch center being incorporated into their budget.
- The Animal Control Budget has a large decrease due to the decision to make this a part-time position resulting in a decrease of \$37,636 (-51.5%).
- The Assabet Regional School Budget has an approximately \$50,000 increase due to the number of students attending and the additional costs associated with the renovation of the school.
- The Snow/Ice Budget contains an increase in the Expenses that incorporates discussions over the past several years related to ensuring this budget accurately reflects recent spending patterns. I reviewed both 5-year and 10-year historic spending which was \$458,000 and \$438,713 respectively. Based upon this spending level, I'm recommending the expense line be increased from \$381,815 to \$440,000. Spending on Wages in this budget was pretty much on target with the same review.
- I am recommending the Council on Aging Homemaker be increased from 14 to 16 hours per week resulting in a \$1,560 increase.
- The Historic Commission requested increasing their clerical hours from 9 to 12 hours per week. I am not recommending this increase.

Revenues

- Revenue estimates include approximately level property tax revenues (approximately \$68 million); an increase in local receipts of \$68,183; and a projected state aid increase of \$194,464. This may need to be revised once the Governor releases his budget in late January.
- Operating revenues are sufficient to cover operating expenditures, therefore no use of reserves is recommended in this budget.

Expenditures

The budget as presented appears to be within the 2.0% goal of the Selectmen 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 FY18 tax base. In the Forecast, it appears that FY18 – FY22 will be above the Selectmen's goal.

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

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

School Department	2,305,793.0
MIS/GIS	32,776
Insurance	815,700
Fire Department	310,542
Assabet Regional	49,957
Public Works	43,345
Snow/Ice	58,185
Total:	3,616,298

The items above equates to 101.8% of the \$3,552,401 General Fund budget increase.

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

Selectmen/Town Manager	(15,126)
Election/Registration	(15,475)
Police	(15,959)
Animal Control	(37,636)
Debt Service	(81,857)
Sewer Operations	(117,799)
Wastewater Treatment	(57,636)
Water Operations	(18,704)

The decreases noted above relate to fewer employees taking classes/sick leave buy back in the Selectmen's/Town Manager's budget; fewer elections in the Town Clerk's budget; dispatch being 100% removed from the Police budget; Animal Control going from a full time to 19 hour per week position; and a reduction in debt in the General, Sewer and Water Departments and an electricity savings in the WWTP.

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), which 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 Clerical and Fire Unions. No increase has been budgeted for the open contracts currently in negotiations.

Other Issues

There are several large projects that have been proposed that could have a significant impact on the Town's finances. These include a new Fales Elementary School (after MSBA Reimbursement - \$25.65 million); a stand-alone Pre-K and renovation of Hastings (\$13.8 million); a Community Recreation Center (\$17 million); and a tear-down of the 2 story addition to the library and replacement with a 3 story addition (after State reimbursement - \$11.9 million). These projects taken together would have a debt service impact to the Town of approximately \$5.8 million per year. At the same time, the Town will be receiving property taxes for the former Westborough State Hospital property for the first time. I will be recommending the creation of an annual Capital Stabilization Fund that will seek to transfer the equivalent amount of property taxes raised at the Westborough State Hospital to this Capital Stabilization Fund for the purpose of paying the debt on the projects listed above. The proposal approved by the Board of Selectmen awarding the redevelopment to Pulte Homes is estimated to generate approximately \$6.0 million per year in new property taxes that can offset these projects and result in no net impact to residents. I have attached a chart that is now familiar on the 7.0% goal and how the sale of the state hospital property impacts both these projects and the stated goal.

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, Jonathan Steinberg, Chief Assessor and Joanne Savignac, Treasurer/Collector for their assistance.

James J. Malloy
Town Manager