

BUDGET MESSAGE FISCAL YEAR 2012

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 format deemed appropriate by the Town Manager as stated in the Town Charter. I am also providing a section formatted as the Advisory Finance Committee (AFC) had submitted to Town Meeting in the past to provide a comparison. Please note that I have inserted the Town Manager's recommended funding levels in the column identified as "FY12 AFC Recommend" so that formulas work.
- Five Year Forecast – There is a separate executive summary that provides a general overview of the spreadsheets.
- Detail budget information – This is presented in the same format that has been used in the past and provides the backup information on each specific line item that make up the "Salaries/Wages" and "Expenses" accounts.
- Capital Expenditure Planning Committee Report – The process is the same process used for FY11 which is a priority-based ranking system and contains an executive summary that explains the recommendations for Town Meeting.
- Road Management System – During the past year, the DPW Manager, his staff and I worked to rate every road in town on various criteria to provide an overall guideline on road maintenance.

The Fiscal Year 2012 budget as presented, including other amounts that need to be raised is recommending total expenditures of \$92,296,015. This is an increase of \$3,705,000 (4.2%) from the Fiscal Year 2011 budget of \$88,652,000. All departments were requested to provide a budget that would provide level services from FY11.

Revenues

- Revenue estimates include additional property tax revenue in the amount of \$2,608,938 which includes a new growth estimate of \$625,000; a decrease in local receipts of \$21,695; and a projected decrease in state aid in the amount of \$52,000. For the proposed FY12 budget, I am including the Governor's budget figures for Westborough. This includes an increase in Ch. 70 from \$4,184,000 to \$4,206,000 and a decrease in Unrestricted Aid (formerly Lottery) of 7% from \$980,165 to \$909,295.

Prior to this proposed budget, Westborough has used free cash (as high as \$2.4 million) as a revenue source to balance the budget. In FY10, the Town used \$1.2 million and last year, I proposed phasing out the use of free cash to balance the budget over 4 years by reducing it by \$250,000 per year. In FY11 (current fiscal year), the Town reduced its reliance on free cash to \$500,000. The FY12 budget as proposed eliminates the use of free cash to balance the budget. Operating revenues are sufficient to cover operating expenditures.

Given the Governor's budget has a minor increase (\$22,000) in Ch. 70 school aid and a 7% decrease (-\$71,000) in Unrestricted Aid and level funding of all other aid, I believe the Legislature will not reduce Local Aid much further. The existing reduction in the Governor's budget combined with eliminating the use of free cash to balance the budget provides the basis for using the Governor's revenue numbers for budgeting purposes. The Town has some room under Proposition 2½ (approximately \$60,000) and could appropriate some funds to offset any further local aid reductions by appropriating some funds from free cash if necessary.

and still be able to eliminate the use of free cash in FY13 (one year earlier than the original stated goal).

Expenditures

The General Fund FY12 budget is proposed to increase by \$4,610,000 over the FY11 budget. The School budgets that are included in the forecast and proposed budget are the result of discussions between town and school management. The Superintendent submitted a preliminary budget of \$40,107,853 which has been presented to the School Committee. In order to balance the budget I asked the Superintendent to reduce the school budget by \$125,000 to \$39,982,853 which is included in the proposed budget but has not been reviewed or voted on by the School Committee.

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

General Fund

| | |
|-----------|-----------|
| Insurance | 680,414 |
| Police | 85,485 |
| Debt | 3,168,012 |
| School | 700,518 |
| Total | 4,634,429 |

Other Funds

| | |
|----------------------------|---------|
| Wastewater Treatment Plant | 479,200 |
| Water Debt Service | 257,653 |

The following are the largest decreases in the budget:

General Fund

| | |
|------------------------------------|-----------|
| Selectmen/Town Manager | (18,360) |
| Personnel Board | (17,281) |
| Communications | (7,683) |
| Central Purchasing | (13,154) |
| Conservation Commission | (21,697) |
| Assabet Regional Vocational School | (56,187) |
| Total | (134,362) |

Other Funds

| | |
|--------------|----------|
| Country Club | (11,006) |
|--------------|----------|

All other departments had minimal increases/decreases.

Staffing

There are no staffing increases planned for the Town's General Fund (town departments). There is a proposed reduction in hours for the Conservation Commission Administrative Assistant from 32 hours per week to 19 hours per week and for the Administrative Assistant in the Engineering Department from 30 hours per week to 25 hours per week. Non-union staff are proposed to receive a 1.0% Cost Of Living Adjustment (COLA), the Personnel Board will be considering this on February 9, 2011. Union increases range from 0.5% to 2.0% and the Town is presently in negotiations with the Firefighters.

Benefits

The two main benefits (in terms of expense) the Town offers is health insurance and retirement. This section is aimed at discussing these two benefits and the long-term impact on the Town. Together, these two items equal approximately 13.3% of the overall General, Water and Sewer budgets.

Health Insurance – The FY12 budget for health insurance is \$8,735,000. The Town contributes 75% for both single and family coverage to the total cost of health insurance. According to a September 2010 study done by the Kaiser Family Foundation (Kaiser conducts an annual survey of health insurance trends) the average private sector contribution for health insurance is 81% of the cost of single coverage and 70% for family coverage, which shows the Town is in a reasonable range for employer contribution toward health insurance. Additionally, the Town has adopted MGL Ch. 32B, §18 which requires employees over 65 to transfer from the regular health insurance program to a Medicare extension program.

As part of the FY11 budget the Town was able to negotiate increased co-pays which reduced the overall FY11 insurance budget by approximately \$1.1 million. In FY12, health insurance costs are estimated to increase 10% or approximately \$680,000. As part of the health insurance plan design changes last year, in FY12 office visit co-pays are increasing from \$10 to \$15 and will increase again in FY13 to \$20. During the course of the next year, the Town will again work with the Insurance Advisory Committee to determine whether additional cost saving measures can be implemented in our health plans for FY13.

The Town is required to account for its long-term post employment health insurance obligation under the Governmental Accounting Standards Board (GASB) Statements 43 & 45 which requires the Town to engage an independent actuary every two years to establish the Town's Other Post Employment Benefit (OPEB) liability. In 2008, that obligation was approximately \$75 million. Based upon the health insurance plan design changes made in 2010, the Actuary reduced the estimate of that obligation to approximately \$49 million. The Town is not yet required to fund this obligation but if we were to start the annual funding schedule would increase the health insurance budget in FY12 by approximately \$2,064,000.

Retirement – The FY12 budget for retirement is \$2,175,526. Employees contribute to the retirement system based on their start date of employment. Those employees hired prior to 1975 contribute 5% of their wages and those employees that were hired after 1996 contribute 9% of their wages, additionally these employees contribute an additional 2% for any wages earned over \$30,000. The maximum benefit for employees is 80% of the three year average of their highest earnings. For most employees this requires 32 years of service and reaching the age of 65, for these long-term employees, this benefit is superior to Social Security.

Public employees in MA do not contribute the 6.2% contribution to the Social Security System and are not eligible for Social Security. As an employer, the Town also does not pay the 6.2% contribution to Social Security. The following table shows the additional cost to the Town if the current retirement system ceased to exist and the Town was required to pay into Social Security:

| | |
|-------------------------------|---|
| FY12 Total Salaries | 45,233,697 |
| FICA | 2,804,489 6.2% FICA (does not include the 1.45% Medicare) |
| Actual Retirement Assessment | 2,175,526 (FY12 Retirement assessment paid by the Town) |
| How much more FICA would cost | 628,963 |
| % Increase | 28.9% |

The Town's independent audit conducted each year includes the estimate of the Town's total long-term obligation for retirement for Town employees, which is \$21,641,000¹ for the retirement system which by state law is required to be fully funded by FY40.

Debt Service – The Town presently does not have a long-term debt management strategy. As part of this year's budget, I am recommending the Board of Selectmen consider adopting the Debt Management Policy attached to this budget message as the guideline for the Town of Westborough. In summary, this policy recommends that the Town establish guidelines when to borrow for projects or capital and to maintain a lower limit of 2% and an upper limit of 10% of the operating budget as the proportion of annual debt service. In addition to the recommended policy, I've reviewed how the Town has allocated it's debt service in the past and where the Town stands relative to the stated goal of limiting debt to no more than 10% of the overall operating budget.

Table 1 shows the total annual debt service payments (principal and interest) as a % of each fund's operating budget as well as the overall debt service as a % of the overall budget (for FY12 the overall debt service obligation is 9.5% of the Town's budget).

Table 1
Annual Debt Service as % of Operating Budgets

| | <u>FY12</u> | <u>FY13</u> | <u>FY14</u> | <u>FY15</u> | <u>FY16</u> |
|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| General | 6.0% | 5.5% | 4.9% | 3.6% | 2.4% |
| Sewer | 12.5% | 12.2% | 11.5% | 10.9% | 10.2% |
| Water | 46.0% | 44.4% | 42.3% | 37.8% | 32.3% |
| Wastewater | 15.1% | 14.6% | 14.1% | 13.5% | 13.0% |
| Total Town Budget | 9.5% | 8.7% | 7.9% | 6.4% | 5.0% |

Table 2 below shows how current debt service payments are allocated as part of the overall debt of each fund by the type of projects for which the debt was issued in each fund.

¹ FY09 Town of Westborough Audit

Table 2
Debt Allocation by Fund/Type of Projects

| <u>General Fund</u> | <u>FY12</u> | <u>FY13</u> | <u>FY14</u> | <u>FY15</u> | <u>FY16</u> |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| Computer Systems | 1.9% | 2.0% | 2.1% | 0.0% | 0.0% |
| Land Acquisition/Open Space | 7.0% | 7.3% | 7.4% | 9.3% | 12.7% |
| Road Projects | 13.0% | 13.5% | 14.1% | 18.0% | 25.0% |
| School Buildings | 61.6% | 60.6% | 59.0% | 67.9% | 55.7% |
| Town Buildings | 16.5% | 16.7% | 17.4% | 4.8% | 6.6% |
| <u>Sewer Fund</u> | | | | | |
| Sewer Extensions | 71.9% | 70.8% | 71.5% | 71.9% | 72.6% |
| Sewer Pump Stations | 19.2% | 20.8% | 21.1% | 21.6% | 21.8% |
| Buildings | 4.5% | 3.6% | 2.5% | 1.4% | 0.4% |
| Wastewater Studies | 4.5% | 4.8% | 4.9% | 5.1% | 5.2% |
| <u>Water Fund</u> | | | | | |
| General Water System | 19.7% | 20.1% | 19.4% | 8.9% | 11.0% |
| Buildings | 1.7% | 1.3% | 1.0% | 0.6% | 0.2% |
| Water Mains | 31.2% | 32.2% | 33.6% | 39.6% | 47.7% |
| Water Source | 16.9% | 17.0% | 17.1% | 18.7% | 21.9% |
| Water Tanks | 4.6% | 3.2% | 2.4% | 2.4% | 2.6% |
| Water Treatment | 25.9% | 26.2% | 26.6% | 29.8% | 16.6% |
| <u>Wastewater Plant</u> | | | | | |
| Wastewater Treatment | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

During the course of 2011, the Town may be asked to consider a project to make improvements to the Fire Station, Forbes Municipal Building and Town Hall. Should the Board of Selectmen adopt the attached proposed debt management policy, care should be taken to ensure the timing of any future projects is consistent with the guidelines in the policy to prevent an undue burden being placed on taxpayers.

Capital Improvement Plan

The Capital Improvement Plan was developed using the same priority rating system used in FY11 to establish the highest priorities for capital improvements and replacement. The recommendations for FY12 include two borrowing items to replace the roof on the Forbes Municipal Building and the HVAC system at the Library. Additionally, the capital plan recommends replacing two police cruisers, both defibrillators and the thermal imaging cameras in the Fire Department and permit tracking software program that would link the Building, Planning, Conservation, Health, Fire, Selectmen, Treasurer,

Public Works and other departments. The full details are included in the attached capital improvement plan.

Road Management Plan

Last year I discussed the development of a road management plan which benchmarks the condition of each road in town against all other roads in town, develops cost estimates and budgets for maintaining the Town's road system and provides a guideline/justification for upcoming road projects. Attached to this budget document is the Road Management System. This system catalogs the condition of all town roads as well as information regarding length, width, sidewalks, etc. Each road was analyzed for the following:

- Structural Condition
- Crack Sealed
- Rideability
- Utility-Related Work
- Quality of Drainage
- Cracking
- Roadside Deterioration
- Road Classification (by MADOT)
- Safety Issues
- Rutting/Winter Plowing

Each road was assigned an average life expectancy based on the road surface and condition and costs were assigned to maintain a schedule of re-paving or stone-sealing roads. Using the estimated life expectancy and miles to maintain the existing surface treatment would cost (current cost) approximately \$1,077,000 per year. The Town receives \$632,000 in Chapter 90 funds for roads and budgets another \$106,000 for materials, leaving the Town approximately \$338,000 short per year in meeting a regular maintenance schedule. One of the Governor's proposals is to increase Chapter 90 statewide funding from \$155 million to \$200 million which would equate to an additional \$184,000 for the Town of Westborough, which still leaves the Town short for developing a regular schedule. The MMA has proposed increasing Chapter 90 to \$300 million which would increase Westborough's share of Chapter 90 to \$1,225,000 which would meet the need to maintain a regular schedule. There is more detail provided in the attached Road Management System Report.

Conclusion

The budget as presented is balanced within the provisions of Proposition 2½ and no longer uses free cash to support the operating budget. The budget meets the needs of the Town departments to continue providing a level service 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 and continued 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, Asst. Town Manager for their assistance.

James J. Malloy
Town Manager

Fiscal Year 2012 Budget

| <u>Description</u> | <u>Actual FY10</u> | <u>Budget FY11</u> | <u>Dept Request FY12</u> | <u>Manager Recommended FY12</u> | <u>Selectmen Recommended FY12</u> | <u>AFC Recommended FY12</u> | <u>AFC Variance \$ FY11-12</u> | <u>AFC Variance % FY11-12</u> | <u>AFC - BOS \$ Variance</u> |
|--|------------------------|------------------------|----------------------------------|---|---|-------------------------------------|--|---------------------------------------|----------------------------------|
| <u>Town Moderator</u> | | | | | | | | | |
| Salaries & Wages | 250 | 250 | 250 | 250 | 250 | 250 | - | 0.0% | - |
| Expenses | - | - | - | - | - | - | - | 0.0% | - |
| Department Total | 250 | 250 | 250 | 250 | 250 | 250 | - | 0.0% | - |
| <u>Board of Selectmen/Town Manager</u> | | | | | | | | | |
| Salaries & Wages | 324,663 | 314,782 | 299,288 | 299,288 | 299,288 | 299,288 | (15,494) | -4.9% | - |
| Expenses | 56,708 | 43,100 | 43,085 | 43,085 | 43,085 | 43,085 | (15) | 0.0% | - |
| Department Total | 381,371 | 357,882 | 342,373 | 342,373 | 342,373 | 342,373 | (15,509) | -4.3% | - |
| <u>Finance Committee</u> | | | | | | | | | |
| Salaries & Wages | 3,154 | 2,113 | 2,933 | 2,933 | 2,933 | 2,933 | 820 | 38.8% | - |
| Expenses | 1,586 | 2,719 | 2,100 | 2,100 | 2,100 | 2,100 | (619) | -22.8% | - |
| Department Total | 4,740 | 4,832 | 5,033 | 5,033 | 5,033 | 5,033 | 201 | 4.2% | - |
| <u>Town Accountant</u> | | | | | | | | | |
| Salaries & Wages | 134,711 | 138,530 | 139,884 | 139,884 | 139,884 | 139,884 | 1,354 | 1.0% | - |
| Expenses | 448 | 545 | 545 | 545 | 545 | 545 | - | 0.0% | - |
| Department Total | 135,159 | 139,075 | 140,429 | 140,429 | 140,429 | 140,429 | 1,354 | 1.0% | - |

Fiscal Year 2012 Budget

| <u>Description</u> | <u>Actual FY10</u> | <u>Budget FY11</u> | <u>Dept Request FY12</u> | <u>Manager Recommended FY12</u> | <u>Selectmen Recommended FY12</u> | <u>AFC Recommended FY12</u> | <u>AFC Variance \$ FY11-12</u> | <u>AFC Variance % FY11-12</u> | <u>AFC - BOS \$ Variance</u> |
|----------------------------|------------------------|------------------------|----------------------------------|---|---|-------------------------------------|--|---------------------------------------|----------------------------------|
| <u>Assessors</u> | | | | | | | | | |
| Salaries & Wages | 222,838 | 223,112 | 230,513 | 230,513 | 230,513 | 230,513 | 7,401 | 3.3% | - |
| Expenses | 3,581 | 14,899 | 14,899 | 14,899 | 14,899 | 14,899 | - | 0.0% | - |
| Department Total | 226,418 | 238,011 | 245,412 | 245,412 | 245,412 | 245,412 | 7,401 | 3.1% | - |
| <u>Treasurer/Collector</u> | | | | | | | | | |
| Salaries & Wages | 211,258 | 212,576 | 217,241 | 217,241 | 217,241 | 217,241 | 4,665 | 2.2% | - |
| Expenses | 65,888 | 39,425 | 39,425 | 39,425 | 39,425 | 39,425 | - | 0.0% | - |
| Department Total | 277,146 | 252,001 | 256,666 | 256,666 | 256,666 | 256,666 | 4,665 | 1.9% | - |
| <u>Legal</u> | | | | | | | | | |
| Salaries & Wages | 116,113 | 121,972 | 125,072 | 125,072 | 125,072 | 125,072 | 3,100 | 2.5% | - |
| Expenses | 40,897 | 48,415 | 48,700 | 48,700 | 48,700 | 48,700 | 285 | 0.6% | - |
| Department Total | 157,010 | 170,387 | 173,772 | 173,772 | 173,772 | 173,772 | 3,385 | 2.0% | - |
| <u>Personnel Board</u> | | | | | | | | | |
| Salaries & Wages | 2,339 | 3,655 | 3,691 | 3,691 | 3,691 | 3,691 | 36 | 1.0% | - |
| Expenses | 30,934 | 48,578 | 31,297 | 31,297 | 31,297 | 31,297 | (17,281) | -35.6% | - |
| Department Total | 33,273 | 52,233 | 34,988 | 34,988 | 34,988 | 34,988 | (17,245) | -33.0% | - |

Fiscal Year 2012 Budget

| <u>Description</u> | <u>Actual</u> <u>FY10</u> | <u>Budget</u> <u>FY11</u> | <u>Dept</u> <u>Request</u> <u>FY12</u> | <u>Manager</u> <u>Recommended</u> <u>FY12</u> | <u>Selectmen</u> <u>Recommended</u> <u>FY12</u> | <u>AFC</u> <u>Recommended</u> <u>FY12</u> | <u>AFC</u> <u>Variance \$</u> <u>FY11-12</u> | <u>AFC</u> <u>Variance %</u> <u>FY11-12</u> | <u>AFC - BOS</u> <u>\$ Variance</u> |
|---------------------------|------------------------------|------------------------------|--|---|---|---|--|---|--|
| <u>MIS/GIS</u> | | | | | | | | | |
| Salaries & Wages | 140,922 | 139,346 | 146,886 | 146,886 | 146,886 | 146,886 | 7,540 | 5.4% | - |
| Expenses | 165,346 | 175,480 | 185,580 | 185,580 | 185,580 | 185,580 | 10,100 | 5.8% | - |
| Department Total | 306,269 | 314,826 | 332,466 | 332,466 | 332,466 | 332,466 | 17,640 | 5.6% | - |
| <u>Communications</u> | | | | | | | | | |
| Expenses | 28,338 | 41,383 | 33,700 | 33,700 | 33,700 | 33,700 | (7,683) | -18.6% | - |
| Department Total | 28,338 | 41,383 | 33,700 | 33,700 | 33,700 | 33,700 | (7,683) | -18.6% | - |
| <u>Central Purchasing</u> | | | | | | | | | |
| Expenses | 74,890 | 95,254 | 82,100 | 82,100 | 82,100 | 82,100 | (13,154) | -13.8% | - |
| Department Total | 74,890 | 95,254 | 82,100 | 82,100 | 82,100 | 82,100 | (13,154) | -13.8% | - |
| <u>Town Clerk</u> | | | | | | | | | |
| Salaries & Wages | 183,294 | 183,353 | 187,598 | 187,598 | 187,598 | 187,598 | 4,245 | 2.3% | - |
| Expenses | 2,893 | 4,350 | 4,250 | 4,250 | 4,250 | 4,250 | (100) | -2.3% | - |
| Department Total | 186,187 | 187,703 | 191,848 | 191,848 | 191,848 | 191,848 | 4,145 | 2.2% | - |

Fiscal Year 2012 Budget

| <u>Description</u> | <u>Actual FY10</u> | <u>Budget FY11</u> | <u>Dept Request FY12</u> | <u>Manager Recommended FY12</u> | <u>Selectmen Recommended FY12</u> | <u>AFC Recommended FY12</u> | <u>AFC Variance \$ FY11-12</u> | <u>AFC Variance % FY11-12</u> | <u>AFC - BOS \$ Variance</u> |
|------------------------------------|------------------------|------------------------|----------------------------------|---|---|-------------------------------------|--|---------------------------------------|----------------------------------|
| <u>Election & Registration</u> | | | | | | | | | |
| Salaries & Wages | 13,501 | 16,910 | 13,375 | 13,375 | 13,375 | 13,375 | (3,535) | -20.9% | - |
| Expenses | 15,828 | 19,655 | 17,800 | 17,800 | 17,800 | 17,800 | (1,855) | -9.4% | - |
| Department Total | 29,328 | 36,565 | 31,175 | 31,175 | 31,175 | 31,175 | (5,390) | -14.7% | - |
| <u>Conservation Commission</u> | | | | | | | | | |
| Salaries & Wages | 38,995 | 39,004 | 17,476 | 17,476 | 17,476 | 17,476 | (21,528) | -55.2% | - |
| Expenses | 483 | 1,185 | 1,185 | 1,185 | 1,185 | 1,185 | - | 0.0% | - |
| Department Total | 39,478 | 40,189 | 18,661 | 18,661 | 18,661 | 18,661 | (21,528) | -53.6% | - |
| <u>Planning Department</u> | | | | | | | | | |
| Salaries & Wages | 201,930 | 201,930 | 206,881 | 206,881 | 206,881 | 206,881 | 4,951 | 2.5% | - |
| Expenses | 5,862 | 5,302 | 5,302 | 5,302 | 5,302 | 5,302 | - | 0.0% | - |
| Department Total | 207,792 | 207,232 | 212,183 | 212,183 | 212,183 | 212,183 | 4,951 | 2.4% | - |
| <u>Board of Appeals</u> | | | | | | | | | |
| Salaries & Wages | 9,733 | 12,183 | 12,304 | 12,304 | 12,304 | 12,304 | 121 | 1.0% | - |
| Expenses | 770 | 1,610 | 1,540 | 1,540 | 1,540 | 1,540 | (70) | -4.3% | - |
| Department Total | 10,502 | 13,793 | 13,844 | 13,844 | 13,844 | 13,844 | 51 | 0.4% | - |

Fiscal Year 2012 Budget

| | Actual | Budget | Dept | Manager | Selectmen | AFC | AFC | AFC | |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------|----------------|--------------------|
| | FY10 | FY11 | Request | Recommended | Recommended | Recommended | Variance \$ | Variance % | AFC - BOS |
| <u>Description</u> | <u>FY10</u> | <u>FY11</u> | <u>FY12</u> | <u>FY12</u> | <u>FY12</u> | <u>FY12</u> | <u>FY11-12</u> | <u>FY11-12</u> | <u>\$ Variance</u> |
| <u>Buildings and Grounds</u> | | | | | | | | | |
| Salaries & Wages | 176,119 | 186,009 | 192,363 | 192,363 | 192,363 | 192,363 | 6,354 | 3.4% | - |
| Expenses | 224,018 | 224,590 | 227,590 | 227,590 | 227,590 | 227,590 | 3,000 | 1.3% | - |
| Department Total | 400,137 | 410,599 | 419,953 | 419,953 | 419,953 | 419,953 | 9,354 | 2.3% | - |
| <u>Insurance</u> | | | | | | | | | |
| Expenses | 9,413,590 | 9,634,686 | 10,315,100 | 10,315,100 | 10,315,100 | 10,315,100 | 680,414 | 7.1% | - |
| Department Total | 9,413,590 | 9,634,686 | 10,315,100 | 10,315,100 | 10,315,100 | 10,315,100 | 680,414 | 7.1% | - |
| <u>Police Department</u> | | | | | | | | | |
| Salaries & Wages | 2,449,656 | 2,532,294 | 2,619,768 | 2,619,768 | 2,619,768 | 2,619,768 | 87,474 | 3.5% | - |
| Expenses | 199,571 | 104,734 | 104,584 | 104,584 | 104,584 | 104,584 | (150) | -0.1% | - |
| Department Total | 2,649,226 | 2,637,028 | 2,724,352 | 2,724,352 | 2,724,352 | 2,724,352 | 87,324 | 3.3% | - |
| <u>Fire Department - Ambulance</u> | | | | | | | | | |
| Salaries & Wages | 2,857,874 | 3,043,888 | 3,066,892 | 3,066,892 | 3,066,892 | 3,066,892 | 23,004 | 0.8% | - |
| Expenses | 280,660 | 302,364 | 307,514 | 307,514 | 307,514 | 307,514 | 5,150 | 1.7% | - |
| Department Total | 3,138,534 | 3,346,252 | 3,374,406 | 3,374,406 | 3,374,406 | 3,374,406 | 28,154 | 0.8% | - |

Fiscal Year 2012 Budget

| | Actual | Budget | Dept | Manager | Selectmen | AFC | AFC | AFC | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|----------------|----------------|--------------------|
| | FY10 | FY11 | Request | Recommended | Recommended | Recommended | Variance \$ | Variance % | AFC - BOS |
| <u>Description</u> | <u>FY10</u> | <u>FY11</u> | <u>FY12</u> | <u>FY12</u> | <u>FY12</u> | <u>FY12</u> | <u>FY11-12</u> | <u>FY11-12</u> | <u>\$ Variance</u> |
| <u>Building Commissioner</u> | | | | | | | | | |
| Salaries & Wages | 271,260 | 271,493 | 271,202 | 271,202 | 271,202 | 271,202 | (291) | -0.1% | - |
| Expenses | 35,859 | 35,943 | 35,943 | 35,943 | 35,943 | 35,943 | - | 0.0% | - |
| Department Total | 307,119 | 307,436 | 307,145 | 307,145 | 307,145 | 307,145 | (291) | -0.1% | - |
| <u>Weights & Measures</u> | | | | | | | | | |
| Expenses | 2,150 | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 0 | 0.0% | - |
| Department Total | 2,150 | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 0 | 0.0% | - |
| <u>Animal Control</u> | | | | | | | | | |
| Salaries & Wages | 49,068 | 49,068 | 49,538 | 49,538 | 49,538 | 49,538 | 470 | 1.0% | - |
| Expenses | 22,343 | 21,969 | 22,173 | 22,173 | 22,173 | 22,173 | 204 | 0.9% | - |
| Department Total | 71,411 | 71,037 | 71,711 | 71,711 | 71,711 | 71,711 | 674 | 0.9% | - |
| <u>Assabet Regional Vocational School</u> | | | | | | | | | |
| Expenses | 775,285 | 686,187 | 630,000 | 630,000 | 630,000 | 630,000 | (56,187) | -8.2% | - |
| Department Total | 775,285 | 686,187 | 630,000 | 630,000 | 630,000 | 630,000 | (56,187) | -8.2% | - |

Fiscal Year 2012 Budget

| | Actual | Budget | Dept | Manager | Selectmen | AFC | AFC | AFC | |
|-----------------------------------|-----------|-----------|-----------|-------------|-------------|-------------|-------------|------------|-------------|
| | FY10 | FY11 | Request | Recommended | Recommended | Recommended | Variance \$ | Variance % | AFC - BOS |
| Description | FY10 | FY11 | FY12 | FY12 | FY12 | FY12 | FY11-12 | FY11-12 | \$ Variance |
| <u>Department of Public Works</u> | | | | | | | | | |
| Salaries & Wages | 1,411,059 | 1,437,301 | 1,478,489 | 1,478,489 | 1,478,489 | 1,478,489 | 41,188 | 2.9% | - |
| Expenses | 694,906 | 671,258 | 668,758 | 668,758 | 668,758 | 668,758 | (2,500) | -0.4% | - |
| Department Total | 2,105,965 | 2,108,559 | 2,147,247 | 2,147,247 | 2,147,247 | 2,147,247 | 38,688 | 1.8% | - |
| <u>DPW Snow & Ice</u> | | | | | | | | | |
| Salaries & Wages | 155,034 | 142,396 | 142,396 | 142,396 | 142,396 | 142,396 | - | 0.0% | - |
| Expenses | 434,967 | 306,815 | 306,815 | 306,815 | 306,815 | 306,815 | - | 0.0% | - |
| Department Total | 590,001 | 449,211 | 449,211 | 449,211 | 449,211 | 449,211 | - | 0.0% | - |
| <u>Street Lights</u> | | | | | | | | | |
| Expenses | 78,570 | 69,439 | 80,000 | 80,000 | 80,000 | 80,000 | 10,561 | 15.2% | - |
| Department Total | 78,570 | 69,439 | 80,000 | 80,000 | 80,000 | 80,000 | 10,561 | 15.2% | - |
| <u>Sanitary Landfill</u> | | | | | | | | | |
| Expenses | 696,297 | 752,700 | 757,812 | 757,812 | 757,812 | 757,812 | 5,112 | 0.7% | - |
| Department Total | 696,297 | 752,700 | 757,812 | 757,812 | 757,812 | 757,812 | 5,112 | 0.7% | - |

Fiscal Year 2012 Budget

| <u>Description</u> | <u>Actual FY10</u> | <u>Budget FY11</u> | <u>Dept Request FY12</u> | <u>Manager Recommended FY12</u> | <u>Selectmen Recommended FY12</u> | <u>AFC Recommended FY12</u> | <u>AFC Variance \$ FY11-12</u> | <u>AFC Variance % FY11-12</u> | <u>AFC - BOS \$ Variance</u> |
|---------------------------|------------------------|------------------------|----------------------------------|---|---|-------------------------------------|--|---------------------------------------|----------------------------------|
| <u>Health Department</u> | | | | | | | | | |
| Salaries & Wages | 256,323 | 256,543 | 265,040 | 265,040 | 265,040 | 265,040 | 8,497 | 3.3% | - |
| Expenses | 10,701 | 7,300 | 12,800 | 12,800 | 12,800 | 12,800 | 5,500 | 75.3% | - |
| Department Total | 267,024 | 263,843 | 277,840 | 277,840 | 277,840 | 277,840 | 13,997 | 5.3% | - |
| <u>Council on Aging</u> | | | | | | | | | |
| Salaries & Wages | 209,552 | 214,229 | 242,597 | 222,099 | 222,099 | 222,099 | 7,870 | 3.7% | - |
| Expenses | 30,185 | 31,124 | 34,128 | 31,424 | 31,424 | 31,424 | 300 | 1.0% | - |
| Department Total | 239,737 | 245,353 | 276,725 | 253,523 | 253,523 | 253,523 | 8,170 | 3.3% | - |
| <u>Youth Commission</u> | | | | | | | | | |
| Salaries & Wages | 151,891 | 152,238 | 153,475 | 153,475 | 153,475 | 153,475 | 1,237 | 0.8% | - |
| Expenses | 6,975 | 4,134 | 4,134 | 4,134 | 4,134 | 4,134 | - | 0.0% | - |
| Department Total | 158,865 | 156,372 | 157,609 | 157,609 | 157,609 | 157,609 | 1,237 | 0.8% | - |
| <u>Veteran's Services</u> | | | | | | | | | |
| Salaries & Wages | 16,680 | 16,680 | 16,837 | 16,837 | 16,837 | 16,837 | 157 | 0.9% | - |
| Expenses | 40,552 | 55,116 | 55,060 | 55,060 | 55,060 | 55,060 | (56) | -0.1% | - |
| Department Total | 57,232 | 71,796 | 71,897 | 71,897 | 71,897 | 71,897 | 101 | 0.1% | - |

Fiscal Year 2012 Budget

| <u>Description</u> | <u>Actual FY10</u> | <u>Budget FY11</u> | <u>Dept Request FY12</u> | <u>Manager Recommended FY12</u> | <u>Selectmen Recommended FY12</u> | <u>AFC Recommended FY12</u> | <u>AFC Variance \$ FY11-12</u> | <u>AFC Variance % FY11-12</u> | <u>AFC - BOS \$ Variance</u> |
|-----------------------------------|------------------------|------------------------|----------------------------------|---|---|-------------------------------------|--|---------------------------------------|----------------------------------|
| <u>Trustees Soldiers Memorial</u> | | | | | | | | | |
| Expenses | 1,263 | 2,800 | 2,800 | 2,800 | 2,800 | 2,800 | - | 0.0% | - |
| Department Total | 1,263 | 2,800 | 2,800 | 2,800 | 2,800 | 2,800 | - | 0.0% | - |
| <u>Library</u> | | | | | | | | | |
| Salaries & Wages | 648,186 | 648,956 | 660,164 | 660,164 | 660,164 | 660,164 | 11,208 | 1.7% | - |
| Expenses | 224,956 | 237,667 | 251,785 | 247,461 | 247,461 | 247,461 | 9,794 | 4.1% | - |
| Department Total | 873,142 | 886,623 | 911,949 | 907,625 | 907,625 | 907,625 | 21,002 | 2.4% | - |
| <u>Recreation</u> | | | | | | | | | |
| Salaries & Wages | 183,808 | 186,336 | 193,663 | 193,663 | 193,663 | 193,663 | 7,327 | 3.9% | - |
| Expenses | - | - | - | - | - | - | - | - | - |
| Department Total | 183,808 | 186,336 | 193,663 | 193,663 | 193,663 | 193,663 | 7,327 | 3.9% | - |
| <u>Cultural Council</u> | | | | | | | | | |
| Expenses | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | - | 0.0% | - |
| Department Total | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | - | 0.0% | - |

Fiscal Year 2012 Budget

| <u>Description</u> | <u>Actual FY10</u> | <u>Budget FY11</u> | <u>Dept Request FY12</u> | <u>Manager Recommended FY12</u> | <u>Selectmen Recommended FY12</u> | <u>AFC Recommended FY12</u> | <u>AFC Variance \$ FY11-12</u> | <u>AFC Variance % FY11-12</u> | <u>AFC - BOS \$ Variance</u> |
|------------------------------|------------------------|------------------------|----------------------------------|---|---|-------------------------------------|--|---------------------------------------|----------------------------------|
| <u>Historical Commission</u> | | | | | | | | | |
| Salaries & Wages | 14,734 | 18,400 | 18,581 | 18,581 | 18,581 | 18,581 | 181 | 1.0% | - |
| Expenses | 2,345 | 5,725 | 5,725 | 5,725 | 5,725 | 5,725 | - | 0.0% | - |
| Department Total | 17,079 | 24,125 | 24,306 | 24,306 | 24,306 | 24,306 | 181 | 0.8% | - |
| <u>Debt Service</u> | | | | | | | | | |
| Expenses | 8,262,547 | 8,689,339 | 11,854,241 | 11,854,241 | 11,854,241 | 11,854,241 | 3,164,902 | 36.4% | - |
| Department Total | 8,262,547 | 8,689,339 | 11,854,241 | 11,854,241 | 11,854,241 | 11,854,241 | 3,164,902 | 36.4% | - |
| <u>Country Club</u> | | | | | | | | | |
| Salaries & Wages | 5,775 | 7,310 | 7,382 | 7,382 | 7,382 | 7,382 | 72 | 1.0% | - |
| Expenses | 459,345 | 456,430 | 445,424 | 445,424 | 445,424 | 445,424 | (11,006) | -2.4% | - |
| Department Total | 465,120 | 463,740 | 452,806 | 452,806 | 452,806 | 452,806 | (10,934) | -2.4% | - |
| <u>Sewer O & M</u> | | | | | | | | | |
| Salaries & Wages | 599,499 | 645,593 | 656,261 | 656,261 | 656,261 | 656,261 | 10,668 | 1.7% | - |
| Expenses | 283,334 | 318,521 | 318,771 | 318,771 | 318,771 | 318,771 | 250 | 0.1% | - |
| Department Total | 882,833 | 964,114 | 975,032 | 975,032 | 975,032 | 975,032 | 10,918 | 1.1% | - |

Fiscal Year 2012 Budget

| <u>Description</u> | <u>Actual FY10</u> | <u>Budget FY11</u> | <u>Dept Request FY12</u> | <u>Manager Recommended FY12</u> | <u>Selectmen Recommended FY12</u> | <u>AFC Recommended FY12</u> | <u>AFC Variance \$ FY11-12</u> | <u>AFC Variance % FY11-12</u> | <u>AFC - BOS \$ Variance</u> |
|-----------------------------------|------------------------|------------------------|----------------------------------|---|---|-------------------------------------|--|---------------------------------------|----------------------------------|
| <u>Sewer Debt</u> | | | | | | | | | |
| Sewer Fund Principal | 564,757 | 562,164 | 596,854 | 596,854 | 596,854 | 596,854 | 34,690 | 6.2% | - |
| Sewer Fund Interest | 239,864 | 217,957 | 207,873 | 207,873 | 207,873 | 207,873 | (10,084) | -4.6% | - |
| Department Total | 804,621 | 780,121 | 804,727 | 804,727 | 804,727 | 804,727 | 24,606 | 3.2% | - |
| <u>Wastewater Treatment Plant</u> | | | | | | | | | |
| Salaries & Wages | 14,880 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | - | 0.0% | - |
| Expenses | 3,302,262 | 3,643,000 | 4,105,200 | 4,105,200 | 4,105,200 | 4,105,200 | 462,200 | 12.7% | - |
| Department Total | 3,317,142 | 3,658,000 | 4,120,200 | 4,120,200 | 4,120,200 | 4,120,200 | 462,200 | 12.6% | - |
| <u>Water O & M</u> | | | | | | | | | |
| Salaries & Wages | 489,090 | 509,633 | 514,160 | 514,160 | 514,160 | 514,160 | 4,527 | 0.9% | - |
| Expenses | 1,700,909 | 1,803,423 | 1,839,716 | 1,839,716 | 1,839,716 | 1,839,716 | 36,293 | 2.0% | - |
| Department Total | 2,189,999 | 2,313,056 | 2,353,876 | 2,353,876 | 2,353,876 | 2,353,876 | 40,820 | 1.8% | - |
| <u>Water O & M Debt</u> | | | | | | | | | |
| Expenses | 1,835,888 | 1,808,913 | 2,066,566 | 2,066,566 | 2,066,566 | 2,066,566 | 257,653 | 14.2% | - |
| Department Total | 1,835,888 | 1,808,913 | 2,066,566 | 2,066,566 | 2,066,566 | 2,066,566 | 257,653 | 14.2% | - |

Fiscal Year 2012 Budget

| <u>Description</u> | <u>Actual</u> <u>FY10</u> | <u>Budget</u> <u>FY11</u> | <u>Dept</u> <u>Request</u> <u>FY12</u> | <u>Manager</u> <u>Recommended</u> <u>FY12</u> | <u>Selectmen</u> <u>Recommended</u> <u>FY12</u> | <u>AFC</u> <u>Recommended</u> <u>FY12</u> | <u>AFC</u> <u>Variance \$</u> <u>FY11-12</u> | <u>AFC</u> <u>Variance %</u> <u>FY11-12</u> | <u>AFC - BOS</u> <u>\$ Variance</u> |
|--------------------------|------------------------------|------------------------------|--|---|---|---|--|---|--|
| <u>School Department</u> | | | | | | | | | |
| Expenses | 38,079,148 | 39,282,335 | 40,107,853 | 39,982,853 | 39,982,853 | 39,982,853 | 700,518 | 1.8% | - |
| Department Total | 38,079,148 | 39,282,335 | 40,107,853 | 39,982,853 | 39,982,853 | 39,982,853 | 700,518 | 1.8% | - |
| Grand Total | 79,963,885 | 82,425,866 | 88,048,177 | 87,895,651 | 87,895,651 | 87,895,651 | 5,469,785 | 6.6% | - |

TOWN OF WESTBOROUGH DEBT MANAGEMENT POLICY

A. Introduction

The use of long-term debt is a common and often necessary way for a community to address major infrastructure and equipments needs. It is also a means of spreading the cost of large capital projects over a larger, changing population base. However, when a local government incurs long-term debt, it establishes a fixed obligation for many years. Accumulation of such fixed burdens can become so great that a local government finds it difficult to pay both its operational costs and debt service charges. Great care and planning must therefore be taken when incurring long-term debt to avoid placing a strain on future revenues. The purpose of this policy is to establish guidelines governing the use of long-term debt.

Massachusetts General Laws, Chapter 44, Sections 7 & 8 regulate the purposes for which municipalities may incur debt and the maximum maturity for bonds issued for each purpose. Massachusetts General Laws, Chapter 44, Section 10, specifies that the debt limit for towns is 5% of Equalized Valuation. In FY10, the equalized valuation for Westborough was \$3,761,766,300. The debt limit for the Town would be \$188,088,315.

B. Capital Improvement Plan

The Town will establish and maintain a five (5) year Capital Improvement Plan (CIP), including all proposed projects and major pieces of equipment that exceed \$25,000 in cost, although items under \$25,000 may be included in the plan. The Town's long-term debt strategies will be structured to reflect its capital needs and ability to pay. No capital purchase will be placed on the Town Meeting Warrant without the approval of the Capital Planning Expenditure Committee and consistent with the guideline that borrowing for capital items should be reserved for items over \$100,000. The Town should plan on the need to budget for capital improvements of a non recurring nature and replacement/purchase of equipment with a useful life of at least 3 years as needed and recommended by the Town Manager and Capital Planning Expenditure Committee.

C. Bond Rating

The community's bond rating is important because it determines the rate of interest it pays when selling bonds and notes. Other things being equal, the higher the bond rating, the lower the interest rate. Bond analysts (Moody's, Standard & Poor's, Fitch) typically look at four sets of factors in assigning a credit rating:

- 1) Debt Factors: debt per capita, debt as a percentage of equalized valuation and rate of debt amortization.
- 2) Financial Factors: operating surpluses or deficits, free cash as a percent of revenue, state aid reliance, property tax collection rates, and unfunded pension liability.
- 3) Economic Factors: property values, personal income levels, tax base growth, tax and economic base diversity, unemployment rates and population growth.
- 4) Management Factors: governmental structure, the existence of a capital improvement plan, the quality of accounting and financial reporting, etc.

The Town will continually strive to improve its bond rating through sound financial management, improved receivables management, accounting and financial reporting and increased reserves, such as Free Cash and the Stabilization Fund, with a goal of maintaining a seven (7.0%) minimum balance in combined reserves.

D. Debt Guidelines

General Fund Debt Service: A limit on debt service costs as a percent of the Town's total budget is especially important because of Proposition 2½ constraints on town's budget. At the same time, the community's regular and well-structured use of long-term debt symbolizes the municipality's commitment to maintaining and improving its infrastructure. Municipal credit analysis often uses 10% as a maximum benchmark for financial soundness. The Town of Westborough is committed to establishing a declining debt service ratio to meet the 10% benchmark. The Town will also, by policy, establish a debt service "floor" of 2%, as an expression of support for continued investment in the town's roads, public facilities and other capital assets. In order to achieve the desired ceiling, it will be necessary for the Town to schedule future debt service to coincide with maturing debt service.

Debt Maturity Schedule: As previously stated, Chapter 44 of the General Laws specifies the maximum maturity for bonds issued for various purposes. However, a town may choose to borrow for periods less than the statutory limit. A reasonable maturity schedule, not only reduces interest costs, but will, by policy, establish a debt maturity goal of 7 to 10 years. The Town of Westborough is committed to establishing an average debt maturity goal of 10 years or a maturity that is consistent with the life of the structure financed. This can be accomplished through more aggressive amortization of new debt service and shortening terms for existing debt when the option to refinance a bond becomes available. (It should be noted that debt service for water and CPA projects will not be subject to this objective.)

E. Debt Strategies

Alternative Financing Strategies: The Town will continually pursue opportunities to acquire capital by means other than conventional borrowing; such as grants and low- or zero-interest loans from state agencies, such as the Mass Water Pollution Abatement Trust (MWPAT).

Managing Debt Burden: The Town recognizes that maintaining debt levels within industry standards allows the Town to more easily maintain its credit standing, as well as ensuring the community will have an affordable re-payment obligation on residents.

The Town will endeavor to manage debt so as not to exceed the 10% ratios of total debt service as a percent of total town expenditures.

Debt Issuance: The Town will work closely with the Town's Financial Advisor and Bond Counsel to ensure that all legal requirements are met and that the lowest possible interest rate can be obtained. This includes preparation of the all-important disclosure document (prospectus), as well as preparation of the required documents to be signed by the Board of Selectmen and the Treasurer and signed/notarized by the Town Clerk.