



April 14, 2010

To the Citizens of Walpole:

Government is expensive –and admittedly can sometimes be inefficient - but we should all take solace in the fact that public expenditures undergo far more rigorous scrutiny at the local level than by state or federal bureaucracies. For the most part, the Finance Committee, Board of Selectmen, School Committee, Town Administrator and Superintendent can tell you with exactitude how and where the approximately eighty million dollars that Walpole is projected to spend in FY 2011 is going to be used.

It's no secret that the bulk of that \$80 million will be spent on salaries and benefits for the Town's current and former employees and that personnel costs have been going up faster than inflation. Yet, given the limits of Prop. 2 ½, the Town can count on only modest increases in the amount of revenue that can be raised by taxation each year. Without new construction – and there's been little of that in these recessionary times – or increases in local aid – which have become even more scarce due to the state's fiscal problems – the cumulative effect of rising health insurance costs and annual 3% “cost of living” adjustments, merit raises and step and lane increases mandated by collective bargaining agreements means that we start off every budget cycle in a hole. Town officials frequently point to the difference between the finite amount of additional revenue that can be raised each year from taxation and the much larger wage and benefit obligations as creating a “structural deficit” that can only be solved with new revenue sources.

There has also been an ingrained belief, not just in Walpole but everywhere in the public sector, that the services provided by school and municipal departments are so vital that the community should be willing to pay for them, no matter the cost or the financial condition of the Town. No one on the Finance Committee doubts the value of the services rendered by our school and municipal employees. However, as the Town's workforce gets more senior, the same “level service” budget consumes an ever greater percentage of the overall revenue stream available.

This year in particular, with the School Department facing a multi million dollar shortfall due to already baked in wage increases and reductions in various types of state and federal aid, and with public safety and other town services being stressed to reach prior year levels, the Finance Committee, Selectmen, School Committee, Town Administrator and Superintendent came together early in the budget process to explore alternatives to “business as usual.” Specifically, we examined the propriety of giving “cost of living” increases at a time when many

residents had been laid off or had seen their wages and benefits frozen. All agreed that a health insurance regime in which the Town had to pick up 80% of the premium cost for employees hired before July 1, 2003 who had health plans requiring only \$5 co-pays seemed out of whack in the current environment. With this as a background, the Town fathers went to work with their various constituent groups and, after much negotiation and compromise, an entirely new budget emerged, one in which raises for all non-union and some union personnel were deferred or cut back and the Town's health insurance costs were reduced substantially. The result of these measures has saved over \$1 million dollars so far, with other municipal unions still involved in negotiations which may produce an even greater savings.

We say "saved" but, in reality, the Town will spend the same amount in FY 2011 after these changes to the budget are made as had been projected before. The savings comes back to the taxpayers in the form of an enhanced level of service. Remember, the amount that the Town can raise by taxation is fixed; it is how that amount is allocated that truly matters. A higher level of wages and a larger health insurance budget means fewer teachers and fewer municipal employees and services. It is that simple. The concessions made by some unions and the decision by the Board of Selectmen with respect to non-union personnel allowed the Finance Committee to direct additional amounts to the School Department budget and to other line items.

Unfortunately, these changes alone will not solve the School's financial dilemma. That would require more and deeper concessions from the unions in terms of either wages or health insurance cost sharing or both. While the Finance Committee would have welcomed such concessions, please keep in mind that (1) the unions were under no obligation to agree to any changes in their existing contracts and (2), although the Town could impose a wage freeze on non-union personnel and reduce their health insurance benefits, putting non-union personnel at a significant disadvantage to their union brethren does not seem entirely fair.

Turning to the Articles on the Warrant, Article 3 adjusts the salary schedule of non-union personnel to reflect a 3% cost of living increase. Although the non-union personnel will not receive any COL adjustment until January 1, with the result that their overall increase for FY 2011 is 1.5%, their *rate* of pay will be 3% higher on June 30, 2011 under this schedule. The vote on Article 2 was 7-4-3, with a minority of the Committee preferring that the salary schedule be adjusted by only the 1.5% increase the non-union personnel will in fact get over the entire year.

Thanks to Mother Nature and a boost in the FY 2010 snow and ice budget, Walpole's snow and ice deficit is a mere \$120,000 this year, down from \$818,000 in FY 2009. Yes, we had to deal with the flooding from multiple "100 year storms" but, as the Town Administrator has been heard to remark, we don't have to plow rain. Article 4 proposes to make up the snow and ice deficit by utilizing money from overlay surplus that the Assessors have released.

Article 5 would take an additional \$174,000 from that overlay surplus and funds from the health insurance account to offset other shortfalls in the Town's operating budgets for the current fiscal year, including Fire Department overtime and unemployment expenses.

Again this year, fiscal constraints have impacted greatly the amount that the Capital Budget Committee has at its disposal to maintain and improve our infrastructure, equipment and physical plant (see Articles 11-14, 18, and 19). The most significant projects include funding for

the third and final year of a lease program for school computers (\$150,000), a new road surface for East Street (\$200,000), a new roof for the Bird Middle School (\$400,000), and Phase Two of the renovations to the Delaney Water Treatment Plant (\$750,000). All of these projects, with the exception of the school computers, will be paid for by borrowing, as there is little surplus available to fund them from Free Cash and that situation is unlikely to change in the next few years.

Voltaire famously said “the perfect is the enemy of the good.” (Actually, he said “*le mieux est l'ennemi du bien*” but most people take Spanish these days.). The Finance Committee had that sentiment in mind when we voted 11-1-1 in favor of Article 23 which, if approved by the voters in June, would permit the Town to borrow \$8.5 million to fund construction of a new Police Station and the design of a new Central Fire Station. As in 2006, we heard from folks challenging the selection of the Robbins Road site, the design of the building, its projected cost, the wisdom of not combining Police and Fire in one centrally located facility, the absence of a concrete plan for the reuse of the old Town Hall, etc., but the Finance Committee believes the need is so great that postponing the process for another four years to find a *perfect* solution would be a mistake - and futile to boot.

There were several important Articles that the Finance Committee could not vote on prior to the publication date of this booklet. They include Articles 24 and 25 (dealing with changes to the Town’s Use Table to accommodate a Biotechnology Facility), Article 30 (to amend the Water Resource Protection District as it pertains to a parcel on Route 1), Articles 31-36 (union contracts which are still being negotiated) and possible additional Articles dealing with adopting local option meals and hotel taxes to raise revenue. We will vote on all Articles before Town Meeting begins on May 3.

The Finance Committee will hold a Public Hearing on all the Articles on the Warrant on Thursday, April 29, 2010, at 8:00 P.M. in Room 112 of the Walpole Town Hall.

Special thanks are extended once again to our very able Clerk, Clare Abril, for helping to guide the Committee in reviewing the Warrant and preparing for Town Meeting.

WALPOLE FINANCE COMMITTEE

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