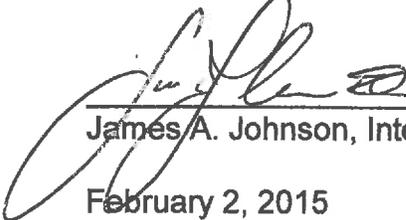




TOWN OF WALPOLE
COMMONWEALTH OF MASSACHUSETTS

Walpole Town Hall
135 School Street
Walpole, MA 02081
Phone (508) 660-7289
Fax (508) 660-7303

To: Board of Selectmen
Finance Committee
School Committee
Town Meeting Members
Town Residents

From: 
James A. Johnson, Interim Town Administrator

Date: February 2, 2015

Re: Fiscal Year 2016 Budget Message

The Town Charter requires that the Town Administrator provides a detailed explanation of the budget for all Town Agencies. It is my privilege to present this budget message to all of you for your consideration. I am pleased to inform you that after working on the Budget for more than 3 months, the Fiscal Year 2016 budget is balanced and comprehensive.

Over the years Walpole has maintained a conservative fiscal approach to the budget, and, as a result, the Town remains in a strong financial position. Given that this is my first budget process, I have continued this conservative practice. .

It is important to note that this presentation is the starting point in the process. Over the next few months there will be changes that need to be made and I anticipate that the Board of Selectmen and the Finance Committee will have substantial input during this process.

It is important to note that the largest and most impactful change that is being made from FY 15 to FY 16 is the Health Insurance Coverage that is being offered to all municipal employees. This office and the Board of Selectmen were able to work collectively with all of the employee groups in Town to develop an agreement that allows the Town to withdraw from the West Suburban Health Group and join the Massachusetts Interlocal Insurance Association. This is a notable transition that will likely save the Town of Walpole millions of dollars over the next few years. I would like to personally commend and thank the employee groups, and their representatives, who worked with the Town and the Board of Selectmen for the hard work and long hours that went into this transition.

Budget

This budget utilizes the full capacity of Proposition 2½ and includes a conservative revenue forecast for the upcoming fiscal year. With Governor Baker recently taking office we will not know what the initial State budget looks like until the beginning of March. The budget that is being presented tonight assumes level funding in State Aid.

To that end, the budget that I am recommending consists of total anticipated expenditures of \$81,648,242.

Sections of the Budget that I would like to draw your attention to include:

- Education – At this time I am recommending a 2.3% increase in the education portion of the budget. That percentage increase represents just over \$917,000. Walpole Public Schools is slated to receive an increase of just over \$864,000. This figure is consistent with the 66/34 split that the Town and the School Department have used for a number of years.

It should be noted that at this time, Walpole Public School Officials are projecting a substantial deficit in FY 2015, due to increased Special Education Costs since the start of the Fiscal Year. Town Meeting may be asked to take action in May to assist with this deficit, which could be in the hundreds of thousands of dollars.

- Building Commissioner – The Commissioner has requested, and I am recommending, a new part-time clerical position to address increased demands on the office. The cost of this position, which will not be eligible for benefits, will be partially offset by the reduction of the part-time building inspector line item.
- Police Department – It's anticipated that Town will reach an agreement with the Walpole Police Union prior to the Spring Town Meeting. It is expected that the bottom line of the police department will change prior to Town Meeting, reflecting changes that are negotiated.
- Fire Department – I am recommending a net increase of \$20,000 for overtime to properly reflect the needs of the Department.
- Waste and Recycling – It should be noted that, in 2014, Walpole served as one of the lead negotiating communities in an effort to reduce the amount charged per ton for trash collection. In FY 2016, the Town will realize a reduction of more than \$79,000 in this line of the budget. I would like to recognize and thank Board of Health Director Robin Chapell for her successful negotiation efforts.
- Town Parks Department – I am recommending a moderate increase for the Parks Department budget to cover the increased demands on the fields and assist with the anticipated maintenance at Jarvis Farm.
- Retirement - The Town's retirement assessment from the Norfolk County Retirement System will increase by 11.2% in FY 16. This is a mandated amount that the Town is required to pay. I will continue to work with the Norfolk County Retirement System throughout the budget process. That said, I am not optimistic that we will see any reductions to this figure.
- Debt and Interest - Our debt capacity is looking very favorability. The Debt Budget will increase by 5.8% to just over \$3,500,000. It is expected that the Town will proceed with a scaled-back facilities plan that will use a combination of cash-on-hand and borrowing to fund a new Police Station, design of Fire Station and a design of a new COA. The goal of this debt plan is to sustain a consistent level of debt and move forward with addressing the Town's building needs. I will address this later in this message.

- Health and Dental Insurance – As I previously mentioned, the Town collectively reached an agreement with our employee bargaining groups at the end of 2014 to transition from the WSHG to MIIA. At this time, it is projected that this move will save the Town and its employees over \$1 million dollars in FY 2016.

We also have recently successfully negotiated a decrease with our dental insurance provider. That said, the Employee Fringe Benefits section of the budget from FY 2015 to FY 2016 is projected to increase just over \$100,000. This is about a 1% increase.

Revenue

The Total Revenue projected for FY 2016 is \$81,648,291. The FY 2016 Revenue estimates were developed in collaboration with Finance Director Marilyn Thompson, Town Accountant Jodi Cuneo and Town Appraiser Dennis Flis. Non Tax Revenue, such as local receipts, have been adjusted based on prior year actual receipts and current year estimates. We will continue to monitor the current year revenues. It is expected that the FY 2016 revenues will change once the State Aid figures come in and when we have a better idea of what the Motor Vehicle Excise Bills and Building Permits in FY 2015 will come in at.

Water and Sewer Budgets

The Total recommended amount for the Water Budget is just above \$5.6 million. This figure includes a \$30,000 expense line for Jarvis Farm. As many Town residents already know, the Town purchased the Sharon Country Day Camp in late November 2014. The Sewer and Water Commissioners have recently voted to rename the property Jarvis Farm. The Sewer and Water Commissioners and Board of Selectmen have moved forward with the development of an advisory committee that will assist with the oversight of the property. I urge Town residents interested in serving on this committee to complete a volunteer response form. These forms can be found at both the Sewer and Water, and Board of Selectmen offices.

The total recommended appropriation for the Sewer Department is \$5.1 million. This appropriation includes improvements to the Town's Septic Facility, a review of the Town's Sewer System and the replacement of a vehicle in the department.

Free Cash

Free Cash is the funds remaining from the operations of the previous fiscal year, which are certified by the State Department of Revenue. As of July 1, 2014, the Town's certified Free Cash figure was \$7,326,016. This is an increase of \$1,972,909 over the previous Fiscal Year. This increase is a result of several factors such as, receiving two years' worth of prison mitigation funds that totaled \$1,600,000, a one-time reimbursement from FEMA, additional building permit fees, and Motor Vehicle Excise tax coming in higher than expected.

I am not recommending using any funds from the certified Free Cash to fund the budget because it is not sustainable. I am recommending that \$1.75 million be taken from Free Cash for the Capital Budget and \$1.55 million be used to fund the facilities project. I also am proposing that we continue to roll a portion of Free Cash over into the next year in order to cover any potential shortfalls in potential litigation cases, Special Education, Snow and Ice and State Aid reductions.

Capital Budget

The FY 2016 Capital Budget includes just over \$5.3 million in requested items; however at this time I am not able to recommend funding for all these requests.

I am recommending just over \$3.9 million in capital expenditures. Funding for these expenditures includes:

- Water Retained Earnings
- Sewer Retained Earnings
- Borrowing for Road Improvements
- Free Cash
- Chapter 90 local transportation aid funding

Some of the Major Items that are being recommended include:

- \$1,149,000 for Improvements to the Downtown Business District.
- \$902,000 for other road improvements
- \$150,000 for a sidewalk plow
- \$110,000 to purchase two trucks
- \$93,550 in motor vehicle purchases for the Walpole Police Department
- \$160,000 in improvements to the exterior of Blackburn Hall
- \$180,000 for improvements to the Town's Septic Facility
- \$200,000 for water distribution investigation

It is important to note that at this time my capital recommendations include using \$1,611,445 in Free Cash. There is \$138,555 in Free Cash available that was originally slotted to be included in the capital budget. However, given the School Department's potential shortfall, I am concerned that this money may be needed to balance the FY 2015 School Budget.

South Street Superfund Site

In the Fall, Town Meeting Members voted to appropriate \$150,000 for parking lot improvements on the West side of the Superfund Site and \$1,680,000 to demolish the Buildings on the East side of the site. I am pleased to inform you that the buildings on the West side are now down and the work around the foundation slabs is ongoing. The Town continues to wait for the land court process to work itself out for the East side of the property. I am hopeful that the Town will take ownership of the property within the next 30-60 days.

We are proceeding with the development of bidding documents to demolish all of the buildings on the East side and the specifications will be ready for advertisement once the Town takes ownership of the property. The Town has retained the services of Fuss and O'Neil to assist with the oversight of the demolition process. At this time we are comfortable that the funds appropriated in the Fall will cover the costs associated with the project.

Facilities

Spring Town meeting will be asked to consider a scaled-back facilities plan that addresses the Town's immediate building needs. This plan includes funding the design and construction for a new Police Station at \$9,000,000, funding the design of a new centrally located Fire Station at \$900,000 and funding the design of a new Council on Aging at \$410,000. Each of these items will be stand-alone articles in the Spring Town Meeting Warrant. I am pleased to report that the requested amounts that are being presented to Town Meeting were updated and vetted by

CDR McGuire in late November 2014. Each item includes an escalation rate factored into each request.

Some may question why this plan was not addressed prior to the override vote in the Fall and the answer is simple. The Fall override included a small portion of borrowing within the existing debt and interest budget that was spread over a much smaller portion of time. The new plan calls for borrowing for a portion of the Police Station over 20 years and it only addresses the design of the Fire Station and COA

Reserve Fund Balances

Walpole continues to have healthy reserve balances. Fall Town Meeting wisely voted to transfer \$67,000 into the Town's Other Post Employment Benefit Account, \$175,000 into the reserve Fund Account to cover any department shortfalls and \$175,000 into the Town's Stabilization Account. Currently the OPEB account has a balance of \$1.37 million and the Stabilization Account has a balance of just around \$2,000,000. In order to maintain,, and possibly grow our Double A2 bond rating with Moody's, I would like to continue to grow these accounts whenever possible. This year's Budget has a figure of \$300,000 slotted for the OPEB account. I am optimistic that I will be able to recommend at the Fall Town Meeting that additional funds be transferred into the Stabilization fund.

Conclusion

The FY 2016 Budget is balanced and I believe that the suggestions included in this message and in the budget will strengthen the Town financially and improve our community.

We continue to monitor the Commonwealth's FY 15 budget gap that as of January 20th was pegged at \$765 million. At this time we are not anticipating the prison mitigation funding in FY 2015. That said, I continue to urge our legislative delegation and State to restore this funding to offset the added burden that housing a prison brings to the Town of Walpole. Although Governor Baker has pledged not to reduce local aid to resolve this problem, it continues to be a concern until the deficit is eliminated.

I would like to express my sincere appreciation to all of the residents of Walpole and to all of the Municipal employees who have helped me during the last seven months. I would like to recognize and thank Cindy Berube, Marilyn Thompson, Jodi Cuneo, Dennis Flis, Val Donohue, Sue Abate and Nancy Genesky for their dedication and hard work throughout the budget process.

Finally, I wish to thank the Board of Selectmen, the School Committee and the Finance Committee for their continued support and the confidence that they have shown in me. I appreciate the support that I have been given and I look forward to working with all of the stakeholders throughout FY 2016 Budget process.

Thank you for your time and consideration

