



TOWN OF WALPOLE
COMMONWEALTH OF MASSACHUSETTS

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

From: _____
James A. Johnson, Town Administrator

Date: February 1, 2016

Re: Fiscal Year 2017 Budget Message

It is an honor and a privilege to provide you with the Fiscal Year 2017 Budget Message for your consideration. I am pleased to announce the Budget is balanced, comprehensive and most importantly within Walpole's means. As you may expect I have continued to maintain a conservative fiscal approach to the Fiscal Year 2017 Budget, and, as a result, the Town remains in a strong financial position.

This message will serve as the starting point in the budgeting process that will end in May at the Spring Town Meeting between now and then, I expect the Board of Selectmen, School Committee and the Finance Committee to make some changes.

Before I go any further I would be remiss if I did not mention the Special Town Meeting which is scheduled for Monday March 7th at which Town Meeting members will be asked to consider one article. The purpose of this Article is to decide whether or not to authorize the Board of Selectmen to enter into a Tax Increment Financing (TIF) Agreement with Siemens Healthcare Diagnostics for their proposed expansion project. The proposed TIF would allow for a 20 tax year exemption on a proposed expansion project at the Siemens facility in Walpole. I expect there will be a considerable amount of debate over the next month regarding this matter. I encourage residents to contact this office and to visit the Town website if they have any questions regarding this subject.

Over the next few pages, I will attempt to highlight the significant aspects of my Fiscal Year 2017 Budget recommendations so that each person who reviews these recommendations will understand some of the adjustments and the actions taken as part of the budget development process.

Budget

As we have in the past, the proposed budget utilizes the full capacity of Proposition 2½ and includes conservative revenue forecast for the upcoming fiscal year. The budget that is being presented tonight assumes level funding in State Aid. Governor Baker addressed municipal leaders at the annual Massachusetts Municipal Conference this past weekend and at the

conference he unveiled his proposed Fiscal Year 2017 State Budget. While his proposed budget was promising for Walpole, I am concerned that the House and the Senate will make further modifications as the budget process moves forward. My preference going forward is to proceed with cautious optimism with the state budget.

To that end, the budget I am recommending consists of total anticipated expenditures of \$84,610,466.

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

- Education – At this time I am recommending a 3% increase in the education portion of the budget. That percentage increase represents an increase of just about \$1.2 million to the Walpole Public Schools. This figure is consistent with the 66/34 split that the Town and the School Department have utilized for a number of years.
- Economic and Community Development – You may notice that there is now a clerical position line item in this Department; this is not a new position, but rather a reallocation of existing personnel and resources. The Zoning Board of Appeals clerical position became vacant in September 2015 and the individual who serves as the Clerk for the Conservation Commission has taken on additional hours serving as clerical support staff for the Zoning Board of Appeals. This, in turn, has resulted in an overall cost savings for the Town and since the Conservation Commission and the Zoning Board of Appeals share an office space, it has resulted in the office being open for the public a greater number of hours each day. The arrangement has been successful thus far and we have been able to realize a cost savings while continuing to provide the public with efficient and effective service.
- Police Department – The proposed budget for the Police department includes two new police officer positions, which will increase the total number of sworn police officers to 42. There are many reasons for increasing the number of officers in Walpole, including the growing addiction crisis that is impacting the entire State of Massachusetts, progressing the department's community oriented/problem solving initiatives, and the need to effectively serve and protect Walpole's growing population, which I fully expect to be more than 25,000 once the next census is completed.
- Fire Department – You may also notice that the Fire budget has an increase in the personnel line. At this time I am proposing that the budget include one new firefighter position. Ideally the preference would be to add four new positions at a time so each new position could be evenly distributed among all four fire fighter groups. Although this does not get the Town to the desired 4 new positions I believe it will allow the Walpole Fire Department to take a step in the right direction and possibly to reduce the ongoing overtime problem that has been a concern for the last few years. It is my hope that the Town may have the ability to add one additional firefighter position into the fire FY 17 budget as we progress through the budget process and state aid figures become clear.
- Stormwater Management – The budget includes \$30,000 for stormwater management. While this may seem like a small amount, I have chosen to highlight this because in upcoming years, the Town will be required by EPA to develop and then implement a detailed Stormwater Management Plan (SWMP) in order to comply with the renewed MS4 permit. The plan will include Public Education and Outreach components; an illicit Discharge and Detection Elimination Program (IDDE) which will include mapping, water

testing and data collection; review of all town owned land and buildings for compliance with the SWMP; inspect and enforce construction sites for compliance with the SWMP; and keep detailed and permanent records and evaluation of all the components of the MS4 permit to EPA on an annual basis. The renewed MS4 permit is anticipated to be released this winter and the bulk of the requirements will be due within the first 3 years.

- Debt and Interest - Our debt capacity continues to look very favorable. The Debt Budget will increase by 1.9% to just over \$3,735,000. This line item is an important factor as the Town continues to progress through the design process for the new municipal facility projects. By growing the debt budget a small amount each year the Town will be able to continue to sustain our infrastructure improvements projects.
- Insurance –This budget will see an increase of 2.8% to just over \$9.9 million. The Town’s due diligence negotiating a change to the health insurance last year will save more than \$1,000,000 this year.

Revenue

The Total Revenue projected for FY 2017 is \$84,610,466. The FY 2017 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, has been adjusted based on prior year actual receipts and current year estimates. I expect that the FY 2017 revenues may change as the State budget process progresses over the next few months.

Water and Sewer Budgets

The Sewer and Water budgets are balanced and they include some new approaches on how Walpole funds Sewer and Water infrastructure improvements into the next fiscal year and beyond.

The Total recommended amount for the Water Budget is just above \$5.7 million. This figure includes \$3.6 million borrowing requests for some of the upcoming projects that are set to begin in FY 2017. The current Water Retained Earnings balance is \$432,306. Going forward, I would urge the Town not to allow Water Retained Earnings to dip below \$500,000. Since being chosen to serve as the Town Administrator I have worked with Water and Sewer Superintendent Rick Mattson and Finance Director Marilyn Thompson to develop a long term capital infrastructure plan that will allow the Water Department to borrow for projects that need to be addressed without dramatic increases to the water rates. The water budget that I am recommending for upcoming Fiscal Year will see a modest increase of just over \$50,000 this year over last year. I am not recommending using any funds from Retained Earnings to balance the budget.

The total recommended appropriation for the Sewer Department is \$5.3 million. This appropriation includes funds to rehab some of the Town’s many pump stations. The current Sewer Retained Earnings balance is \$2,088,794. We have attempted to develop a similar long term budget for sewer capital infrastructure improvements. Going forward this plan will attempt to allow the Sewer Department to take on the projects that need to be addressed without dramatic increases to the sewer rates.

Reserve Balances

Walpole continues to have healthy reserve balances. Fall Town Meeting wisely voted to transfer \$50,000 into the Town's Other Post Employment Benefit Account, \$55,000 into the reserve fund account to cover any department shortfalls and \$100,000 into the Town's Stabilization Account. Currently the OPEB account has a balance of \$1.68 million and the Stabilization Account has a balance of just around \$2.11 million. In the FY 17 budget I continued the \$300,000 commitment that was started last year for the OPEB account. 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.

Free Cash

In July 2015, the Town's free cash balance was certified at \$4,168,847. As many know, Free Cash is the funds remaining from the operations of the previous fiscal year, which are certified by the State Department of Revenue. I am not recommending using any money from the certified Free Cash to fund the budget that is being presented tonight because it is not sustainable.

I am recommending that \$734,000 be taken from Free Cash for the Capital Budget. I am also recommending that Town place just over \$1.1 million in the Fire Building account for the purpose of allowing the Town to have some cash on hand for the new Fire Station. I continue to recommend that the Town 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 2017 Capital Budget includes just over \$8.3 million in requested items; however at this time I am not able to recommend funding for all these requests.

I am recommending just over \$7.3 million in capital expenditures. Funding for these expenditures includes:

- Water Borrowing
- Sewer Retained Earnings
- Borrowing for Road Improvements
- Ambulance Account
- Overlay
- Free Cash
- Chapter 90

Some of the Major Items that are being recommended include:

- \$3.6 million for water infrastructure improvement projects
- \$1.1 million for road improvement projects
- \$1.6 million for roof and window improvements to various schools
- \$158,000 to replace vehicles and equipment for the DPW
- \$74,000 in equipment purchases for the Walpole Police Department

Facilities

The Town is currently in the process of designing new Fire and Police Stations. In the fall of 2015, the Town selected Compass Project Management to serve as the project manager for the Police, Fire and Council on Aging projects. In late 2015, the Permanent Building Committee selected two separate firms to proceed with the design of the Police and Fire Stations.

I look forward to working with both Chiefs and the Permanent Building Committee throughout the design and building process over the next several months.

Spring Town meeting will be asked to consider an article to contribute funds toward the construction of a new Fire Station. These funds will come from free cash and an older workers compensation account that is no longer needed. This designation will allow the Town to continue to grow the Fire Station building account.

I remain optimistic that the Town will receive prison mitigation funds before the end of the current fiscal year. When we do, it will be my recommendation that they be designated for the Fire Station construction at the next Town Meeting.

The Town expects to have final bids submittals for the Fire Station prior to Fall Town Meeting. Once the bids are received and vetted Town Meeting will likely be asked to consider a borrowing appropriation to fund the remaining balance needed to construction of a new Fire Station.

South Street Superfund Site

In 2015, Town Meeting appropriated \$1,680,000 to demolish the Buildings on the East side of the site. I am pleased to inform you that the buildings have been demolished and the work around the foundation slabs is ongoing. The Town continues to work with the responsible parties and the EPA to the cleanup of the areas within the concrete foundations.

As I previously mentioned we are proceeding with the design and development on the east side of the street. The Town continues to work with the firm Wilcox and Barton to assist with the oversight of the cleanup process. I am optimistic that the cleanup of the East side of the site will be completed in late 2016. I would like to recognize Board of Health Director Robin Chapell for her coordination and oversight of this project. Robin has done an excellent job with this project and I would like to thank her for the hard work.

Conclusion

The budget is balanced and I am confident the recommendations included as part of the budget will continue to strengthen Walpole for years to come.

As you review the budget, I will continue to make myself readily available to answer any questions that may arise, and I welcome any input that residents and Town Officials may have.

I am honored to be able to provide you with this important budget message. I want to remind everyone that despite the conservative actions taken in preparing Walpole's revenue estimates; we must continue to watch the actions of the Governor and the Legislature as they address State Aid recommendations. As I previously mentioned, I anticipate that further adjustments will

be made to the FY 2017 Budget as new information becomes available between now and the Spring Town Meeting.

Lastly I would like to express my sincere appreciation to all of the financial team that we have in place here in Walpole. Cindy Berube, Marilyn Thompson, Jodi Cuneo, Dennis Flis, Val Donohue, Sue Abate and Tom Gregory were instrumental in the development of the Budget.

Most importantly, I wish to thank the Board of Selectmen, the School Committee, the Finance Committee and the residents of Walpole for the continued support this past year. I look forward to working with everyone throughout the adoption of the FY 2017 Budget.

Thank you for your time and consideration.