



TOWN OF WALPOLE
COMMONWEALTH OF MASSACHUSETTS

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Town Administrator

Michael E. Boynton

MEMORANDUM

To: Board of Selectmen
Finance Committee
Capital Budget Committee
School Committee

From: Michael E. Boynton,
Town Administrator

Date: February 4, 2013

Re: Fiscal Year 2014 Budget Proposal & Message

Tonight it is my pleasure to present to you the Fiscal Year 2014 budget plan for the Town of Walpole. For the first time in many years, the budget as proposed allows Town services to move into the next fiscal year without need for either reductions to our current year levels, or the need to seek additional revenues beyond the normal and customary levy increase. It is a most reasonable and prudent budget that provides sufficient resources to address immediate department needs, preserves the positive steps realized in the current year, and allows the community to move forward with the first steps toward facility upgrades in Walpole. This budget as proposed builds upon the enhancements made this year and without question demonstrates a commitment to the promises and practices of sustainable, proactive, and responsible financial management. In short, the proposed FY'2014 budget now before you will allow the Town to maintain the course that our community approved and funded last summer.

The FY'14 budget, while certainly not meeting all needs and restoring all lost positions and services, has as its intended goal to address the most pressing demands before us today. We will continue our commitment to fund an outstanding education system for Walpole's students. We will successfully mitigate the increased costs we are experiencing in such expense lines as utilities, fuel, and casualty insurance. We will begin to restore a long-overdue service need in Health Services in the area of required sanitary inspections and enforcement. We will continue our very successful local infrastructure rehabilitation program with an even greater attention this year on sidewalk repairs and replacement. We will implement an aggressive yet fiscally responsible building repair program as promised last year, a plan that will combine three years of projects into one borrowing cycle. And, we will accomplish each of these and in fact all objectives with a multi-year, stability based, outlook as our foundation. The department heads, both School and Town, have done an outstanding job once again in advocating for not only their departments but their community, with budgets that are both cost-effective and customer oriented. To each of them I congratulate them here on a job well done!

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The proposed Fiscal Year 2014 budget totals \$74,199,884, an increase of 2.75% above FY'2013. Overall revenues for FY'14 are projected at \$75,930,042, a number that reflects an increase of 2.80% over the current year. That revenue projection includes the two and one-half percent levy growth of \$1.39 million dollars, a projected new growth figure of \$500,000 dollars, and an increase of just over \$180,000 in local receipts. In terms of State Aid, the proposed budget is built upon an foundation of level funding in our Chapter 70 and Unrestricted Aid from the Commonwealth in the next year. Other cherry sheet amounts reflect the figures contained in the House 1 budget. Notwithstanding the unique and aggressive revenue proposals of the Governor, the prospects of added aid to Walpole in the amounts proposed in House 1 Chapter 70 and the new Local Aid Formula lines are too uncertain to guarantee at this time, thus problematic to build into this budget plan. As these initiatives and the overall State budget works its way through both Chambers on Beacon Hill, we will monitor the debate and ultimate outcomes and adjust our projections accordingly. One piece of State funding promised in FY'2013 is most certainly not included as revenue in this plan. The projected \$30,000 in Prison Host Community funding was eliminated as part of the Governor's 9C cuts in December. As such, our Other Available Funds category has been adjusted for FY'14 to reflect this loss. And, not surprisingly, this budget also refrains from any expectations of receiving prison mitigation funding, again following the \$750,000 cut implemented by Governor Patrick in the current fiscal year. While the loss of those funds have not directly affected day to day operations, the impact upon our Capital Budget is very real. Finally with respect to revenue, FY'2014 will be the final year that the former Health Trust funding will be available to us. We have been preparing for and expecting this event, and have commenced efforts to replace all or a portion of that \$103,000 through other local sources beginning in FY'2015.

Departmental budgets in FY'14 again reflect need based funding, with most reflecting modest increases yet others showing an overall decrease from the current year. Our General Government category next year will rise by 2.15%, Public Safety by 2.11%, Education by 2.49%, Public Works by 2.09%, Health and Human Services by 8.18%, Culture & Recreation by 5.89%, and Assessments & Fringe Benefits will increase by 5.1% in FY'14. Debt and Interest on the other hand will show a decrease of just under 3%. To better understand these general category figures, let's take a more detailed look at individual budget drivers here.

The increase in the Health & Human Services category is largely driven by adjustments in two departments. In our Board of Health budget, funding has been allocated to restore an Inspector position that was previously eliminated from this department. The Local Inspector will be an 18-hour per week, non-benefits position and will provide enhanced health inspections and food plan review for the restaurants throughout Town. Under Veterans Services, our Veterans Benefits line will rise by \$5,000 in FY'2014 as a result of increased utilization within our Veterans community.

Public Safety departments reflect normal budgetary movement from one year to the next, with noted increases in Inspectional Services in-state travel and Emergency Management contract services. The in-state travel line is used for our plumbing, gas, electrical and local inspectors who conduct their daily inspections with their personal vehicles. The increase represents a correction to the underfunding that is part of the FY'13 plan. The Emergency Management budget growth reflects a more realistic expectation of the usage needs of our Swiftreach system. In the last few years, the system has been used more frequently to alert residents to immediate Town-wide incidents or emergency conditions, and while the response from the Community has been very positive, we must address the cost involved.

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Our projected increases in the Culture & Recreation budgets are driven in large part by two line items. The first relates to the shortage we are experiencing in the current year with electricity funding in our Library. With nearly one full year of operation in the books on the new building, electricity and utility costs are trending higher than original FY'13 budgeted amounts. To put it in perspective however, figures used in setting the current year budget were carried forward from the old building, with every expectation that they would be revisited as operations in the new Library normalized. We are now at that point, and it is clear and understandable that a building more than twice the size of the former Library, with significantly higher utilization, is requiring additional funding to support. Electricity charges are expected to reach over \$60,000 annually for the new building, up from the \$25,000 used on Common Street. Similarly, water & sewer utility costs have also risen, an increase of \$440 on water and \$600 on sewer. Also in this category, water usage costs related to our pools operations are now reflected in the general fund budget. Until recently we had tried to absorb this cost as part of the tag fees revenue. However, and in keeping consistent with the direction we have taken that most non-personnel pools costs are part of the general fund, so too will this line now be handled in the same manner. The water utility cost for next year is targeted at \$4,500.

Most budgets in our General Government and Public Works categories will experience normal adjustments in the next fiscal year, however there are a handful to be noted for observation. Under normal circumstances, the Town would expect simply one election in the coming fiscal year. However, with Senator Kerry stepping down from his Senate post, two additional special state elections will be necessary this fiscal year in April and June. And, should the outcome of that electoral process result in any change in representation locally, additional polling days may also be needed. As such, some upward adjustment has been made to prepare for this. Under our Annual Audit & Town Report Budget, we will see a decrease of over 25% in that budget as we will be off-cycle with our OPEB Audit. That actuarial review is not required next year, thus the \$15,000 will not be budgeted for. And, under Public Works, we are projecting a very modest increase of just over 1.5% in the annual Solid Waste budget as we enter year #2 of our new hauling contract with Russell Disposal.

The proposed FY'2014 budget also includes, as expected, adjustments in our Assessments & Fringe Benefits category. The Norfolk County Retirement assessment will rise by \$124,715, an increase of 4.18%. Similarly, our casualty, police & fire accident, and workers compensation insurance lines will increase by just over \$140,000. These increases are due in large part to premium increases resulting from higher utilization costs in recent years. In addition, we along with all current and former MEGA Insurance communities will be required to pay a second of a three year special assessment of workers compensation costs following an order by the State's Division of Insurance placed upon MEGA. Despite our departure from MEGA in 2009 to the MIIA plan, Walpole's prior membership in the fund at the time of system claims overruns has obligated the community to fund the self-insured program, with next year's cost at \$21,000. Despite this however, Walpole continues to be very proactive in risk management programs through MIIA, such as driver training and equipment safety training, once again earning over \$37,000 in premium credits in Fiscal Year 2012, credits that have been applied to the current year budget. And, as expected, a projected increase in health insurance costs will also drive this category in the next budget - perhaps! At this time, the budget reflects a projected increase of 7% on health rates next year. The year-to-year budget impact, however, sits at 4.23% as the

current year budget is trending toward a surplus in this line. That said, final insurance rates will not be voted by West Suburban Health Group until February 19. It is my expectation that our Board of Directors will once again work aggressively, yet prudently, to lower the overall rate increase in FY'14. The healthy fund balance of WSHG will help to make this possible, but again, the utilization of too much to artificially reduce rates this year could have a very negative effect in future years. I am confident that we will strike the right balance here, which in turn will reduce this budgeted amount.

The Walpole Public Schools budget as proposed will total \$37,475,000 in FY'14, an increase of over \$916,000. This budget figure was again arrived at utilizing a revenue/cost sharing ratio of 66%/34%, with 66% on new non-discretionary revenue earmarked for our public schools. As noted above, any positive changes to our health insurance budgets and/or local aid will result in a further enhancement of available dollars here. I want to thank Superintendent Lynch and the members of the School Committee for their partnerships in this process, and for the true team-approach that we have embraced yet again. For our other education accounts, it is expected that Tri-County Vocational Technical High School's budget will increase by just over \$25,000 while the budget for Norfolk Aggie will decrease by \$10,000.

Looking at our Debt Services for FY'14, we project a decrease of just over \$76,000. This decrease is due in large part to a continuation of retiring principal & interest costs on older excluded debt projects, such as the purchase of Adams Farm and the High School construction. This trend on excluded debt will continue until the debt on those projects are retired, with Adams Farm for example being paid in full in Fiscal Year 2016. For certain there are a number of ways to view this trend. From my observations, it is an important piece of the puzzle that must be assembled when discussing new facilities. One of the most important factors to consider in moving forward with new construction is the projected impact on taxpayers. As the discussion evolves on this topic, we will need to provide, in very clear terms, the actual costs that the increased debt, combined with retiring debt, will have on homeowners, and for some the data will put the projects in perspective in terms of so-called new demands.

Early on in this message, the terms sustainable and planning were described as the benchmarks on how this budget is assembled. Staying on the topic of debt service, there would be no greater example of the utilization of those principles than that found here. Non-excluded debt, specifically the borrowings made within the levy limit, must be maintained at a consistent level to not only provide for maintenance, repair and replacement of buildings systems and major capital equipment, but also to avoid wild fluctuations from year to year. Such is the case in FY'2014 and ultimately into FY'15 and FY'16, and hence the need for a mechanism to create a manageable flow as we look to utilize short-term levy borrowing for just over \$3.1 million for our capital program. To illustrate, if we simply went forward without a plan for budget stability here, the projected increase from FY'14 to FY'15 would be roughly an additional \$420,000 in debt costs, followed by an over \$282,000 drop the following year in FY'16. To address this, it is my recommendation that a portion of our Free Cash be saved and made available in FY'15 to make the three year cycle manageable, and not create a burden on Town operations. In addition, I have already allocated \$65,000 in uncommitted funds to this line item to also ease the transition to FY'15. This financial planning is very possible, and in fact it is a "must". The result will be a sound utilization of our borrowing capacity to provide for much needed repairs & replacements.

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As most will recall, our debt budget was expanded at the Fall Annual Town Meeting to provide for sufficient borrowing costs to finance just north of \$5 million dollars toward facility construction. Again, assuming that this budget proceeds forward with the revenues realized as projected, then at least one piece of the facility plan may be advanced. Only an unexpected cut in local aid would derail that process. It may in fact be possible to advance the project management and design services of at least one facility with FY'13 debt funding already in place. In terms of the overall facilities plan presented by the Maguire Group, without question I am encouraged by the creative and balanced approach they have outlined. In fact, an opportunity exists through their recommended approach to save the Town considerable sums of money in design, site development, and construction costs. As the review and discussion of that plan progresses, we must keep that cost-savings concept at the forefront of deliberations. To that end, it is recognized that the facility planning process has now entered the next phase where input from our Boards, Committees, and the Community will develop a consensus approach going forward. Make no mistake however, the needs have now been identified, and the cost of delay will only increase the overall project costs in the years ahead.

Overall municipal personnel costs in Fiscal Year '14 will reflect a two percent cost of living adjustment, for both union and non-union staff. FY'14 will be the final year of the current collective bargaining agreements for each of the five municipal unions, and it is important to note the positive gains made in this most recent round of bargaining, specifically the ability to maintain and even enhance staffing when the cost to move to a succeeding year is within a two percent window. No other changes to our compensation system are proposed for the coming fiscal year beyond that discussed by the Personnel Board with Town Meeting in the fall.

One area of heightened interest of late has been our OPEB, or Other Post-Employment Benefits, funding obligations. At press time we are awaiting the results of our latest Actuarial Review to determine the scope of "annual" and overall "liability." However, we will again make a significant step toward meeting a portion of our obligation with a proposed appropriation of \$225,000 at the Spring Annual Town meeting from taxation. The increase of \$100,000 here is made possible by an expected reduction in our retiree health rates following a policy change by WSHG regarding Medicare Part D reimbursement. Going forward, costs for service will be reduced to reflect the so-called reimbursement being "forward funded." Thus, instead of receiving the reimbursements at the end of the cycle, they will be reflected in overall rate setting. For Walpole therefore it will also require a forward-funding approach, hence the inclusion in the "taxation" revenues, although any final payouts from WSHG from previous Part D funds should still be dedicated to the OPEB trust.

The Capital Budget in FY'14, as proposed will utilize a blend of financing options, from roughly \$985,000 in free cash, to \$56,500 in ambulance funds, to \$20,000 in overlay surplus, and as stated above just over \$3.1 million in borrowing. The projects funded via the so-called "cash" methods include over \$150,000 in security cameras for Schools & municipal buildings, \$119,500 for mobile testing labs at each elementary school, \$175,000 to replace our lone street sweeper, \$28,500 for a new medical quality assurance program for our EMS operations, \$30,000 for a new main radio communications repeater for our Police dispatch, \$20,000 to replace the fire alarm panel at the Old Post Road School, \$30,000 for a replacement leaf-vac system for the Parks Department, and \$25,000 for continued hazardous tree removal across

town. Included in the borrowing program are partial roof replacements and HVAC improvements at the High School, partial roof replacements at Fisher, Elm and Boyden elementary schools, boiler, windows, and safety floor replacements at the Fisher School, systematic final removal of all portable air conditioners at Town Hall, waterproofing at the High School, and a replacement fire pumper for the Fire Department. Again, while the list is long and the costs are substantial, the price of delaying these will not only be felt in immediate costs of service but added long term maintenance costs and the risks and costs associated with potential system failures.

One item of note for our Spring Annual Town Meeting in addition to those discussed here involves just under \$160,000 in repairs to Starlight Drive and Old Town Road, as well as street acceptances for the former Pine Brook Subdivision. Funding for these will be transferred from passbook and bond accounts intended for the purpose of completing the project work in the event the developer failed to. Such was the case and at this time the Town is prepared to proceed toward completion of the roadways & sidewalks.

Budgets for Water & Sewer operations will reflect a primarily downward trend in FY'2014, although the reductions are due to reduced capital project spending in the budget lines next year. The Water Enterprise Fund budget next year, at this time, is projected to decrease by 9.47%. At just over \$400,000 less than the current appropriation, Town Meeting Representatives will be asked to approve a total budget of \$5,011,465. On the Sewer side of the house, that proposed budget of \$4,412,992 reflects a less-than one percent increase. Again, capital equipment spending in this budget will drop by \$27,000, and debt costs will decrease by just under \$40,000. However, the decreases may be short lived as recent projects, specifically the new Old Post Road Water Tank, will expand the enterprise funds debt budgets commencing in FY'2015. Given that, my recommendation is to absolutely refrain from using any retained earnings for rate relief in FY'14, but instead focus on such a move the following year to possibly help minimize rate impacts from the borrowing for those projects.

As we enter the eighth month of Fiscal Year 2013, overall finances are again being maintained well within budgeted amounts. Notable exceptions to this are the previously discussed utilities costs in the new Library, our unemployment budget, and certain line items within the Parks budget. The costs associated with the cleanup from Hurricane Sandy, totaling just over \$32,000, along with the Library utility overruns are most appropriately addressed through the Reserve Fund with the Finance Committee. In terms of the unemployment budget, to date through 6-months \$120,000 of the \$250,000 appropriation has been expended, and on the current course another \$200,000 will be needed to close out the year, leaving a potential shortfall of roughly \$70,000. To address this, we will look to transfer a portion of projected unexpended funds from our health insurance line. Several of the positions currently receiving unemployment benefits were at one time receiving health benefits, costs that ceased upon their departure from the Town. Other accounts that we continue to monitor are overtime in the Fire Department, expense costs related to new officers training in the Police Department, Elections & Registrations as noted earlier, and Veterans Benefits expenses. In addition, as the overall warmth of last winter has thus far eluded us this year, we will need to watch all snow & ice control costs over the next two-plus months. At this time we remain with a healthy bottom line, however that can quickly disappear with one or two large storms, or a prolonged snow or ice

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event. Overall, revenues for the current year at the six-month check appear to be on or slightly ahead of overall targets, with the singular exception currently being prison funding discussed earlier. We will be able to better evaluate our estimates with the distribution of excise bills later this month.

As is customary, I want to thank all staff, department heads, and Boards and Committees who have worked well to establish this budget plan for FY'2014. In addition, special thanks are extended to Assistant Town Administrator Jim Johnson for his outstanding efforts and stewardship of our capital budget process, and to our entire Financial Team, particularly the work of our new Town Accountant Jodi Cuneo, and our Executive Assistant Cindy Berube for their fine work. And, without question, the leadership of the Board of Selectmen and their development of Town priorities, goals and objectives help all of us to best recommend a budgetary course for the next year. As I have stated repeatedly, this is a team effort, and from now through the Spring Annual Town Meeting our Team stands ready to assist each of your Boards and Committees as you review and ultimately make final recommendations on the budget for our RTMs. Each of us recognizes that this is the budget of the Town, not individuals. As such, only through a collaborative effort of understanding the positives, complexities and challenges of our Town & School operations, and needs of the Community as a whole will we achieve success. In fact it is what we do every year, and I expect that this year will be no different. On behalf of all Town staff, I thank you for the outstanding volunteer work you do to help make Walpole a simply outstanding place to live and work.

Very truly yours,

Michael E. Boynton,
Town Administrator