



**TOWN OF WALPOLE**  
COMMONWEALTH OF MASSACHUSETTS

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Town Administrator

**Michael E.**

**MEMORANDUM**

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

From: Michael E. Boynton,  
Town Administrator

Date: February 6, 2012

Re: Fiscal Year 2013 Budget Proposal & Message

For several years, the budget messages that I have presented have discussed the challenges of meeting increased cost demands with insufficient revenue. This message, to the surprise of no one, will be very similar. As we look ahead to Fiscal Year 2013, we again find ourselves in the town-wide position of funding the overall operations of our community with little to no added assistance from the Commonwealth. With Governor Patrick's budget level-funding local aid to Walpole, we will overwhelmingly rely once again on local taxes to meet our obligations. In some cases that will be achievable within the tax levy. However, the annual levy will not be enough to address the most glaring hole, a hole created with the loss of nearly \$1 million dollars in federal aid to schools. That said, it is expected that we will turn to the community for the added revenue support to close that gap and to begin the restoration of programs and positions lost over the past four years. The Fiscal Year 2013 budget process will collectively challenge us once again, and once again we will rise to that challenge.

Four years ago, we began the Fiscal Year 2009 budget process with a fairly promising outlook. Local aid to Walpole from the Commonwealth was just under \$11.5 million dollars. Walpole was again slated to receive another year of \$750,000 in Prison Mitigation funds. Interest income had just closed at \$578,000 and motor vehicle excise revenue had topped \$3.3 million dollars. Fast forward to today. With local aid level funded, we will expect approximately \$9.5 million dollars. Prison mitigation is not a guarantee despite its return last year. Interest income will unlikely exceed \$50,000, and excise revenue is targeted at \$3.1 million. Added together, that accounts for nearly \$3.5 million dollars that was available for budgeting just four years ago that is not today. For four years we have utilized a series of scenarios to mitigate this loss. The School Department has relied on Federal stimulus funding as a stop-gap. Town employees have worked with us to reduce health insurance costs by roughly \$1.2 million dollars. We have and continue to look for cost saving measures in both positions and programs. And, we have relied on our department heads and staff to do more with less. While that may seem like a cliché, in Walpole it has been standard operating procedure. Yet, as stated above, Fiscal Year 2013

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appears to be the year when creativity, effort, and passion alone will not be enough to close all funding gaps.

Thus the topic of a general override rises to the forefront. At this time, it is anticipated that an override of \$3 million dollars will be presented to the Board of Selectmen for consideration to be placed before voters in June. This amount is made up of \$1.3 million dollars to close a projected FY'2013 Walpole Schools deficit, \$1.2 million dollars to provide a partial restoration at targeted specific and sustainable School needs, \$200,000 dollars to fund anticipated benefits costs, and \$300,000 to restore lost positions in Building Maintenance, Parks, and Police Departments, positions that one could argue "pay for themselves". Over the coming months we will present all of the facts and figures related to this request and answer any questions that Committee members and residents may have. The last successful general override in Walpole was in 2001 at an amount of \$3.7 million. Since then, with the reductions in State Aid on at least three occasions and the local losses stated above, the benefit to our base budget realized by that override is long since gone. The School budget proposed today falls over \$2.7 million dollars short of the Department request, and \$1.3 million short of level services. The immediate reality facing our Public Schools, given the loss of state and federal aid, is to seek the local increase, or make significant reductions yet again. As a Community, we can not afford such an outcome.

The Fiscal Year 2013 budget that I present to you this day totals \$68,879,384, an increase of \$1,556,137 or 2.31% over the current year. This budget does not include proposed override funding, and instead is balanced using all available revenues know to us at this time. If an override is successful, a Special Town Meeting will be needed to appropriate those funds. Proceeding on any other course is not advised and would serve to create a structural imbalance. In looking at known revenues for FY'13, the local tax levy is slated to rise by the 2.5% growth amount of \$1.27 million dollars, along with a projected new growth amount of \$500,000. It is important to note that this new growth figure must be monitored over the next few years as residential development winds down in East Walpole. That could reduce this figure if additional growth is not in place. Local receipts are projected to rise by little more than \$50,000. Other available funds are targeted to increase by \$30,000 with the return of the Prison Host Community Program, and as stated previously, Local Aid will essentially remain level funded. That said, we are projecting an overall revenue growth of \$1.556 million dollars. After deducting the non-discretionary budget increases of \$56,137, a total of \$1.5 million is available for expenditure by the Departments. Utilizing our established 66%/34% split, the Walpole Public Schools will receive a net increase of \$988,055 while \$511,945 will be divided among the Municipal budgets.

The budget includes modest increases across the board, ranging from a 4.5% increase in Public Works to 3.4% in Public Safety. These increases are driven largely by the inclusion of an added police officer and cruiser in the Police budget, to a nearly seven percent spike in the Solid waste account. As of this writing, we are completing negotiations on a new five-year hauling contract. Based on research conducted and feedback received, it is likely that a change to automated trash and recycling collection will be recommended. It appears that such a move will not only be more cost effective, but will also promote and facilitate a greater utilization of recycling within the Community. Health Director Robin Chapell has done an extraordinary job with these negotiations, and it is anticipated that a presentation for the Board of Selectmen will be made by month's end. Further, Education will rise by just under 3% in this budget proposal, while general government costs will increase by 2.21%. Overall, the FY'13 spending plan will allow municipal operations to carry forward a level services standard with five notable staffing

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changes that will be discussed shortly. As stated above, School accounts, however, will fall short of level service delivery in this budget, again due to the loss of federal revenue.

Normally, it is at this place in the budget message where a focus is brought to the high cost of health insurance here in Walpole. However, FY'2013 represents a dramatic deviation in that regard. As you are aware, the Town and all of our employee groups, union and non-union alike, have worked collaboratively to bring the so-called Rate Saver plans to fruition. With the Town Hall Clerical Union agreement to move to rate saver plans in December, we have fully achieved our collective goal of health reform here in Town. The initial savings this created was approximately \$1.2 million dollars. Today, that savings is enhanced yet again. With over three years of actual experience to base rates on, the West Suburban Health Group has established a zero percent increase for Rate Saver plans for next year. As all of Walpole's health rates are based on a Rate Saver funding mechanism, the net effect is a cost freeze for next year. Combine that with the mid-year transition to Rate Saver plans by municipal unions in this Fiscal Year ('12), the overall impact for next year is a reduction in health insurance costs of over \$200,000. Now, it is important to note that not all health plans rates are remaining flat next year. The so-called Legacy plans will see increases as high as 14.7%. Under such a scenario, with out Rate Saver plans, the increase to Walpole next year would have easily exceeded \$800,000. Again, it is important to recognize the partnership we have forged with our employees to help bring the costs under control and in turn provide us with the ability to preserve programs and services.

Staying on the topic of our assessments and benefits costs, this budget projects cost increases in property & casualty insurance rates at ten percent, and our Norfolk County Retirement assessment at just under five percent, for a combined increase of \$196,000. Our unemployment projection is level funded at this time, however this could change drastically if major cuts are needed in the School Department should an override be unsuccessful. In recent years, despite a reduction in the number of positions eliminated by the Town due to budget cuts, costs here have remained constant due to continued extension of unemployment benefits by both the federal and state governments. This will need to be considered as well should this account need to be increased.

The creation of this budget was once again done with precision by both municipal and school department heads. Goals and objectives of the policy committees have been employed in prioritizing expenditures, and several small advancements are possible as a result. In the area of public safety, this budget will restore one of two patrol officer positions to the Police Department. The department has operated down two sworn officers for several years. The restoration of this position, in addition to providing for enhanced security on our streets, will also provide Chief Stillman with an added resource as his department seeks to implement programming for the drug and alcohol task force. In addition, as the Board of Selectmen has established financial planning as a goal for the year, we will work to solidify our revenue generating departments, specifically the Assessors and Treasurer/Collector's offices, with the restoration of a clerical position. This position was cut in 2010 resulting in the two departments sharing one person, a less than desirable practice for two departments charged with generating and collecting nearly seventy million dollars per year. And lastly, the municipal budget will restore one part-time inspector's position in the Inspectional Services department. This is not a full restoration as this job was once full-time at 35 hours per week. Instead, we will look to add 18-hours of inspection time with this partial restoration, thus ensuring safety is observed with

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the addition of several large construction projects in Town, including Longview Farm, Norfolk Aggie, and Wal-Mart as well as a possible 40B on the Woodworkers site.

By no means do these position restorations make us whole. We are still below staffing levels of not only 2009, but in some cases 1980. As an example, our Parks Department had 9 full-time staff members in 1980. Today we have five. Since 2009, our Building Maintenance Department has operated down two maintenance craftsmen. These staffing levels are clearly ill-advised for the long term if we are to protect the integrity of the facilities and fields we have, especially given the age of many. Thus, while we will make some improvements next year, we have a distance yet to go.

FY'2013 will not, however, result in simply restored positions. The position of Town Planner has been eliminated by the Planning Board effective January 1<sup>st</sup>, and as a result not funded in next year's budget. The slowdown in activity for that Board has made it possible for us to look at utilizing outside consulting services at lower costs to the Town. It without question is a significant move, and we will monitor the results closely over the next year. In an effort to assist the Planning Board, as well as provide for some recovery of lost duties, this budget proposes to rename the current Economic Development department and position as Community and Economic Development. All existing duties will continue to be served, as well as the assumption of support duties for our Housing Partnership and Master Planning committees. The change at this time is in title only as the compensation grade shall remain as current. Nevertheless, it is expected that despite the reduction in staff we will realize an enhancement in service delivery as this new structure evolves into and beyond FY'2013.

Salaries and wages within this budget reflect agreed upon collective bargaining contracts, mostly in the two percent range in terms of cost of living adjustments. For each of the five Municipal unions, we are entering the second year of the three-year agreements. For non-union Municipal employees, the budget reflects a two percent COLA as voted by the Personnel Board. Within the past few months, a survey was conducted of 23 benchmark communities to see how Walpole compensates its non-union staff as compared to the survey pool. The findings showed that Walpole employees were and are paid within one percent of the overall average. The survey did reveal some positions that were on the higher and lower ends of the average, and as such we see that as a need to respond. In the next six months, we will look at all Municipal non-union posts as well as the existing fifteen-step compensation system and work toward a major overhaul. In short, the initial plan will be to replace our step-plan system, one where employees move up based upon longevity, with pay scales that allow for employee movement within the plan solely upon merit. Further, the rather inflexible single scale will be proposed for replacement with new scales that will properly rate our positions on the benchmarked averages and like positions. It is hoped that this new system will be ready for presentation to the Personnel Board by early Fall.

Water & Sewer budgets next fiscal year will show a combined total just under \$10 million dollars. The Sewer budget, projected to total \$4,343,933 represents a decrease of roughly five percent over the current year. This reduction is made possible largely through a cut in capital equipment funding of approximately \$180,000. On the Water side, an increase of over 11% is projected. This is not likely to result in a significant increase in rates, however, as the reason behind the increase is the capital expenditure of a replacement membrane system for \$690,000. This expenditure, along with \$250,000 proposed by the Commissioners, is slated to be funded through water retained earnings. The \$250,000 is proposed to be used as rate

stabilization. With the budgets as proposed, rate projections for Fiscal 2013 are a reduction of 0.49% for Sewer and an increase of 1.07% for Water.

On the topic of Capital Budgets, FY'2013 looks to be a very difficult, yet unique year in the amount available and manner in which we fund capital. With the reduction of several hundred thousand dollars for operating expenses in FY'2012, as well as a decreasing level of fund balance due to lower than desired revenues and extremely tight expense projections, the amount of Free Cash available for the Spring Annual Town Meeting process is \$730,000. Consider if you will that these amounts were as high as \$1.9 million in FY'2009, you will clearly see that we are handcuffed with today's available pool. It is critical to note that despite the reduction in free cash, the equipment, facility, and infrastructure needs have not shown a corresponding decrease. Nevertheless, we will again work with what is available, and will be creative with our funding mechanisms, both this year as well as next. One such example surrounds Building Maintenance needs. Initially targeted for this FY'13 cycle, roof and floor repairs at the Fisher School are slated for deferral until FY'14. At that time, we will look to take advantage of a reduction in the debt budget for FY'2015, and what are anticipated to be very low borrowing rates, and we will propose a debt borrowing for three years worth of projects at one time. The alternative of borrowing now for over \$470,000 worth of projects would create too great a strain on the FY'14 budget. Instead, we will look to stagger these projects commencing next year and limit the overall impact on our budget.

In addition to the borrowing deferral, we will delay some of our capital items until this Fall, when we anticipate some of the non-reoccurring receipts from FY'12 to become available for appropriation. Specifically, we will look to the availability of \$470,000 in remaining prison mitigation funding as well as over \$155,000 in FY'2012 state "reversion" aid to fund additional equipment and capital costs. Items slated for the Spring include siding work on the Old Post Road School portable classrooms, a turf mower for the Parks Department, system-wide ceiling tile and window replacements, public safety radio communications equipment, computer upgrades in the Police Department, various sidewalk and catch basin repairs, hazardous tree removal, and required dam repairs. We will utilize up to \$250,000 from the Ambulance Fund to replace a 2007 ambulance, as well as other advanced life support equipment including a new defibrillator. And, we will allow for the possible expenditure of up to \$150,000 to remove the former library building on Common Street if a re-use analysis so dictates. Among the items deferred to the fall include removal of old boilers at Town Hall, a replacement dump truck and plow, and drainage improvements at the DPW facility. In the Spring, we will also ask Town Meeting to authorize additional Chapter 90 funding of \$200,000 and finally, we will look to complete our five year road rehabilitation program with Year #5 of \$200,000 in borrowed funds.

Our FY'2013 debt budget will grow by \$52,057 or 1.93%. While debt across the board continues to be reduced, this year's increase is attributed to the first year of repayment for the school technology equipment purchased this year. Where once this was funded via the capital plan, the new three-year repayment program was channeled to the debt budget to free up capital funds elsewhere. We will also see an increase in short-term interest costs as we repay BANs on several smaller projects completed this year. The full principal & interest payments will commence in FY'2014 at a first-year amount of just over \$111,000. As noted above, we will look to combine three-years of Building Maintenance projects in the FY'2014 process. The projected impact commencing in FY'2015 will be roughly \$200,000. However, as previously stated, we are also projecting a drop off in debt costs in subsequent years. As an example, non-excluded

debt is forecast to drop from \$703,000 in FY'2013 to \$299,000 by FY'2018, and \$206,000 in FY'20. It is essential for us to maintain a consistent level of debt spending if we are to have any capacity to complete much needed repairs within our tax levy, and as such, it is vital that we continue with that long-term outlook.

It indeed seems amazing that Fiscal Year 2012 is now more than half over. Perhaps the perceived speed in which our year is passing has much to do with the major events that have occurred, and even those that haven't occurred, in the past seven months. The events that I refer to are all weather related, and have cost implications both bad and good. For those that lost power for days on end both in August and again in October, you need little reminder about the effects of Hurricane Irene and our Halloween snowstorm. Those storms caused a combined hit of over \$200,000 on our FY'12 budget. In terms of Irene, we are still working with FEMA representatives to finalize reimbursement figures. At this time, it appears that costs eligible for reimbursement will be just over \$80,000, of which we will receive approximately 75% back from the federal government. However, as of this date, none of our nearly \$90,000 in costs for the Halloween Storm will be reimbursed as FEMA denied eligibility for Norfolk County. While we have asked our state MEMA to appeal that ruling, we are likely not looking at any relief here. Fortunately from an accounting perspective the storm costs are fully related to the snowstorm, thus they have been funded from our Snow & Ice budget and have not caused or worsened departmental deficits. Combine that with the rather mild winter season we have had to date (knock on wood please), our Snow & Ice budget is in good condition at this time. Total costs expended and encumbered in that line item as of this day are \$194,000. Now, before anyone targets the remaining balance of \$500,000 for expenditure, please bear in mind that it is still only February 6<sup>th</sup>. Our largest snowfalls still occur in February and March, and given that even a moderate storm requiring the use of private contractors will cost over \$70,000, we are a long way from proclaiming available funds here!

All municipal accounts at this time appear to be sound, with the exceptions noted above, specifically the Parks Overtime & Tree Services accounts, Emergency Management expenses, as well as the Highway Department Overtime line and Police expenses. These are directly attributable to the Irene storm. We will address these shortfalls through use of the Reserve Fund, or through inter-budget transfers at Town Meeting. We will make a final decision on the mechanism to be used when we receive a final notice on FEMA aid. Other accounts that bear watching right now are the Veterans Benefits line, as well as the Police expense line. We will also be reviewing Recreation revolving funds in the coming weeks to ensure stability moving forward. As always, we will continue to monitor all accounts and address any issues that arise. However, it is most fitting to again compliment all department heads for very solid fiscal management in difficult times. In looking at the major storms this year, our Public Works and Public Safety crews, combined with all other Departments involved, kept the services coming in very difficult conditions, and did so in a most cost effective manner. Well done to one and all!

Before closing, I want to offer a comment or two on the topic of a general override. In 1980, voters in the Commonwealth adopted the so-called Proposition 2 ½ to limit the amount the property tax levy can increase from year to year. It is, by all practical measures, a very simple mathematical calculation. However, in addition to the limitation on growth, the new law also provided a mechanism for local policy setters, which in Walpole's case is the Board of Selectmen, to ask voters if they would support an increase to the overall levy, and if so by how much. Again, it is a rather "simple" process. It is a question that asks the Community what level

of service they wish to receive. It is not a referendum on policies, Boards or positions. It is a financial question pure and “simple.” Now certainly we recognize that for each person who answers this question, their individual reasons for how they decide are theirs’ and theirs’ alone. And for each of those persons, there is a financial impact that they must weigh in advance. I assure each and everyone that we as municipal leaders are extremely sensitive to that. It is for that reason above all others that we have cut budgets and staff, and have searched for every available non-Walpole tax dollar we could find to hold the line over the past four-plus years. It is that reason that we have challenged department heads and staff to think outside of the box and create new ways of doing business, and I am proud of their efforts. But as I stated earlier, especially in the Walpole Public Schools, the immediate funding need is compelling and can not be delayed. The days of waiting for the State to right its ship and restore local aid are not coming nearly soon enough, nor is the much needed relief from unfunded and underfunded state mandates. And without added revenue, major education cuts are unavoidable. Without the added revenue, we will fall further behind in school programming, facility maintenance, and field upkeep to name a few. We as a Community are at a financial crossroads, and as such the so-called “simple” financial question must now be asked.

You have heard me profess this many times before, and it is worth repeating again: Walpole is an incredible Community. The passion with which residents become involved and engaged is a cherished part of our organization. We are driven by the volunteers who give so much of themselves for the benefit of this Town, and we are motivated to perform and produce at the highest of levels. I wish to thank all of our elected and appointed volunteers for all that you do. I especially want to recognize the contributions and the leadership of the Board of Selectmen. It is an honor to serve you. I also want to commend all of the staff and department heads, especially Assistant Town Administrator Jim Johnson, and Executive Assistant Cindy Berube for their amazing work. It is an honor to serve with you. The year ahead will be challenging, but collectively we will succeed.