



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 2, 2009

Re: Fiscal Year 2010 Budget Proposal & Message

It is said that some of the steepest and most breathtaking roller coasters in the world reside at the Cedar Point amusement park in Sandusky, Ohio. Yet even having experienced them first hand, I will suggest to you that even they can not compare to the terrifying twists and turns, and unexpected steep drops that can be found on the roller coaster that has become known as the municipal budget setting process in Massachusetts. The problem for Walpole and most Bay State cities and towns is, however, that the free-fall on this ride does not seem to be ending. And as such, the projections for Fiscal Years 2009, 2010 and into the foreseeable future appear as frightening as any budget setting ride I can remember. As is said before your car leaves the platform, please be sure you are buckled in, because this ride is going to be bumpy.

The Fiscal Year 2010 budget that I present to you this day is, to the best of our projections, balanced. But it is not good. Despite our greatest efforts to minimize negative impacts on the delivery of services to our community, this budget is roughly \$3.86 million dollars short of meeting even level service needs. This budget will cause service disruptions in education, police, fire, highways, parks, building repair, Town Hall, our library, and the list goes on. Virtually every department will be effected by the cuts required by this budget through either a loss of personnel, assumption of added duties, or reduction of hours. There will likely be inconveniences experienced by residents and businesses, but this point can not be understated. The staff, department heads, administrators, and volunteer members of our boards and committees who serve this community will work to lessen these impacts through their spirit, their skills, and their professionalism, all of which is second to none. We are most fortunate in Walpole to have such a dedicated workforce and it has been through their dedication and commitment that we have recovered from pitfalls and downturns in the past. While this recovery will take some time, I am most confident that the same will hold true yet again. The fiscal distress that we currently find ourselves in has occurred through the actions and inactions of others far from the borders of Walpole, yet it is the team in place right here at home that we will rely upon to bring us through this difficult period.

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The proposed Fiscal Year 2010 budget totals \$62,500,979. This amount is \$890,107 lower than the current Fiscal Year 2009 budget plan, a reduction of 1.4%. While revenue from property taxation sources is expected to rise by slightly more than \$1.5 million dollars, many other revenues are projected to be significantly lower next year. Of those, the projected loss of \$1 million dollars in state aid tops the list of cuts. This projection is based upon amounts shown in the Governor's House 1 budget, less proposed meals & room taxes which have yet to be enacted. This loss of base aid does not however take into account the non-receipt of additional Chapter 70 foundation aid increases, increases that in the past three years have approached nearly \$1 million dollars over the prior year's figure. Given that, and based upon a history of needing that increase to preserve level services, the loss of state aid can be argued to have a negative effect closer to \$2 million dollars in FY'10. In terms of other revenue sources, we project a suspension of the prison host community program in FY'2010 as the State looks to trim additional costs. This would be a loss of just over \$65,000. Combine this with the expectations that our \$750,000 in prison mitigation funds will not return, the overall state impact will approach \$3 million dollars. In addition, we are projecting a twenty percent loss of motor vehicle excise revenue, an eleven percent drop in licenses & permits and a near forty-one percent loss of interest income. Those three figures alone represent \$910,000 in lost revenue. Overall, excluding property taxes, local receipts are projected to drop by eighteen percent next year. On the "plus" side, we project an increase of ambulance fund revenue to the general fund by \$50,000 or just over eight percent. Yet while I am comfortable that this increase is sustainable in FY'2010, and that sufficient funding is also in place to purchase a new ambulance, I am concerned and watchful of any revenue decreases in this account into next year and beyond.

Decreasing revenues into the next fiscal year are only part of our problems. Cost increases, particularly in some of our non-discretionary accounts, will further restrict the amounts available for general operating services & programs. Tri-County Voke will rise by \$131,091. Our health insurance budget, at this date, is projected to rise by approximately eleven percent, or \$818,438. On the whole, our insurance, assessments and fringe benefits category will rise by nine percent, an amount equal to nearly \$1.1 million dollars, in FY'2010. Once again, these costs, primarily our health insurance line, continue to rise unchecked and in need of reform. The Board of Selectmen have joined with many community leaders across the state in requesting legislative assistance from the Commonwealth to provide municipalities with the same plan design authority enjoyed by the state to help bring these costs under control. On a positive note, we remain optimistic that final health rates set during this month of February will be lower than budgeted, and in turn provide some level of savings from that which is proposed here.

As mentioned earlier, the combination of reduced revenues and increased non-discretionary costs has created a most challenging problem in funding department budgets, a problem that totals \$3.86 million dollars. To close this gap, budgets and programs, and unfortunately personnel have been cut from this budget. Based upon the available funding known to us today, this budget, cutting roughly \$1.29 million dollars from municipal departments, will result in 26 municipal staff positions no longer being funded after June 30. The reductions will occur as follows. Three Police Officer positions. Three firefighter/paramedic positions. Four Department of Public Works positions with one each in the Highway and Parks divisions, and two in the Building Maintenance division. Clerical positions will be cut in the Board of Assessors', Treasurer/Collector's, and Town Accountant's office. One part-time inspector position in the Engineering Department will be eliminated, as will one full-time position in the Inspectional Services Department. A part-time position currently vacant in the Animal Control and veteran's

office will remain unfilled. Funding for two part-time positions in the Recreation Department will also be eliminated from this budget with every effort being made to move those positions into the Recreation revolving fund. This budget may require a reduction in hours at the Council on Aging, however, a possibility exists that some private funding may enable full coverage there to remain. The part-time position of secretary to the Permanent Building Committee will also be removed from this budget, and as such any future project will have to account for this staff time. All part-time funding for seasonal laborers in our Parks Division has also been eliminated. And rounding out the municipal personnel reductions, a combination of seven full and part-time staff will be eliminated from the Library budget as they attempt to absorb a \$250,000 reduction. It can not be stressed enough that these cuts are not fat or fluff, they are very real and they begin to cut deeper into the muscle and bone of the body that is our operations. Further, the loss of the employees who hold these positions, all of whom are dedicated staff members with many years of experience, will be deeply felt throughout our organization. As you can see, business as usual is now clearly a thing of the past.

Lost positions are not the only impacts on municipal operations. Several programs and services are also proposed to be reduced or eliminated. The majority of departments will experience reductions again in FY'2010 in expense lines. In the Administration budget, the funding for Walpole's participation in the Regional Working Group has been eliminated. Storm drain projects in the Highway Department are slated to be reduced by an additional \$5,000. \$7,500 used to fund a street tree program will be cut from the Parks budget. \$15,000 will be trimmed from the Building Maintenance expense line all but eliminating in-house renovation projects. Professional services in Engineering will be further reduced by \$2,500. And with the exception of \$5,000 remaining to fund Town requested VNA programs, all Town funding for outside human services agencies has been eliminated from the Board of Health budget. These decisions are not popular, but the alternatives are worse.

On the education side of the ledger, this budget expects to fund the Walpole Public Schools at an amount of \$29,812,609. This amount is \$1,320,290 less than the current FY'09 appropriation, and \$3,247,178 less than the \$33,059,787 amount budgeted by the School Committee for next year. If we used that requested figure, the projected town-wide deficit for FY'2010 would soar to \$4.53 million. To explain the difference, those that have been part of this budget process over the past several years will recall that once department budgets have been submitted, it is my responsibility to review those requests and make reductions and adjustments in an effort to arrive at a balanced budget. That also involves the requirement to recommend a figure for School department funding, which most often is lower than that requested. This year is no different in that regard as my initial projections, assuming that sufficient revenues would have been available and honoring the 66/34 percentage split used since FY'2003, projected an FY'10 School budget at not more than 4% higher than FY'09's adjusted figure. That amount would have been \$32,378,215. As you can see, this figure alone is \$681,572 lower than the requested 5.9% School department increase. This explains the difference in deficit amounts.

Yet, regardless of which budget number is used, the ability to close a minimum School budget gap of approximately \$2.57 million dollars is a massive task that is certain to have repercussions throughout the system. And, while it is not known yet how many positions will be cut as part of the School Committee's balancing process, outcomes such as higher class sizes, higher fees, and other education disruptions are all possible. From school-aged children to our senior citizens and every age group in between, the cuts required under this budget will have impacts throughout the Town.

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There is one budget in Town that is projected to grow significantly. However, it does so out of need to maintain future fiscal stability rather than a desire to increase services. For several years, I have indicated that our snow and ice budget was underfunded, perhaps by as much as \$250,000. Today, I wish it was only \$250,000. Walpole, not unlike many communities, has relied in the past upon a practice of keeping snow and ice budgets artificially low with the hope that Old Man Winter would be kind and keep costs low. More often than not, however, accounts have drifted into a deficit situation, and we have been required to tap reserves in the Spring to cover budget shortfalls. The alternative was to reduce other municipal positions or programs to provide for increases in that budget. That alternative was consistently rejected. Going forward, however, this is a recipe for fiscal disaster. As Walpole will most likely turn to cash reserves in the current fiscal year to cover unexpected revenue losses and a growing snow & ice deficit, the ability to rely on reserves that will no longer exist to make up several hundred thousand dollars in snow & ice shortfalls is a dangerous game, one that we can no longer play. This budget proposes an increase in the snow & ice account of \$275,550. This figure was arrived at after comparing snow & ice cost increases and spending history since 2002. While it is uncertain that even this will be sufficient to cover all costs, it will provide for greater fiscal security. In addition, I would recommend that consideration be given to further increasing this line should additional funding become available.

Personnel costs for next year for the most part have been set, with the exceptions being the Firefighters and Library union contracts. Negotiations with those unions are continuing at this time. For most others, the cost of living increase projected for FY'2010 is set at three percent, with step increases for those eligible. This applies generally with both union and non-union staff members. It can be noted that consideration has been given to a salary & wage freeze for the next year. However, while this option has not been taken off the table, I can not emphasize enough that any such move, if implemented, must apply to every employee in every department, municipal and school, union and non-union alike. Walpole need not look any further back than the 1990s to see the problems created from a partial wage freeze. Such a move is disruptive and quite simply is ineffective. Rather, meaningful and across the board changes in the manner in which Walpole provides health insurance benefits would provide more significant and long term relief to our bottom line. In the coming weeks, I will look to join with the Superintendent of Schools and other department heads to reach out to collective bargaining unit leaders on this very topic. This is a most important point, and to emphasize its importance, beginning June 1, I will voluntarily increase the amount I pay for my health insurance from twenty to thirty percent. If I look for others to follow, it is my responsibility to take the lead.

An expected fall-out from the personnel reductions we will make as part of this budget will be a significant rise in unemployment costs for FY'2010. The actual amount of that rise will not be fully known until actual positions, town and school, are finalized, likely by mid-April. At that time, we will work with the Finance Committee to move any health insurance savings from lost positions to the unemployment budget. Further, any needed additional funds could appropriately be transferred from reserve accounts as unemployment spending represents a one-time occurrence.

Debt figures for FY'2010 are projected to drop by approximately \$160,000. This however does not represent additional dollars available to programs and services as the debt that has dropped off our rolls is excluded debt, meaning we have a corresponding loss of revenue as well. In terms of general fund projects, we will again look to continue our five year road rehabilitation program, this year again borrowing \$200,000 to make much needed repairs to several

neighborhood streets & sidewalks. This program is essential if we are to prevent falling further behind our maintenance responsibilities as Chapter 90 funds are insufficient to keep pace with demands.

Water & Sewer budgets for Fiscal 2010 are balanced in this presentation. The water enterprise fund reflects a 6.86% increase. The bulk of this increase is attributable to two items. First, the department has seen an unprecedented 54% rise in the past two years for chemicals used in the water treatment process. Second, a new capital project to rehab or replace two Washington wells will be required next year. That projected cost of \$275,000, along with other equipment replacement, is expected to be funded through water retained earnings, thereby reducing the impact on rates. On the sewer side, the budget, although converting one part-time position to full-time status, actually shows a net decrease of just less than one percent. These enterprise funds remain quite healthy, and credit must be given to the Sewer & Water Commission and the Department Superintendent for effective and prudent management of those funds. As we look forward, the Commission expects to commence a borrowing project in FY'10 for a phase one rehabilitation of the Delaney treatment plant. Maintaining and rehabilitating treatment plant equipment is essential for not only the long term health of the facility, but more importantly for the health of consumers who use that drinking water.

The Capital program for FY'2010 has also been negatively impacted by the fiscal conditions we now face. In the current year, we were able to continue a very positive trend of improving and repairing the infrastructure and physical resources of the community with the utilization of roughly \$1.8 million dollars from free cash. In FY'10, that number will be reduced by \$1.2 million to \$600,000 dollars. With department requests topping out at just over \$4.1 million, it is easy to see that we will not have the ability to make a very positive impact on our five-year plan. However, the items that are proposed for funding from free cash next year, such as the second year of a school technology lease, roof repairs, municipal technology replacements, a plow & sander truck, and energy savings programs & initiatives, must be programmed for expenditure. Delaying or deferring any or all of these items will further hinder our ability to keep pace with essential equipment & infrastructure demands. The capital program also will utilize funds from other sources as well, with the purchase of a new ambulance from ambulance receipts, and the purchase of video and broadband service technology from funds provided by Verizon as part of their new cable television contract. In that situation, the use of Verizon funds is restricted for the purposes stated. In terms of previously approved but unexpended capital funds, the amounts are divided into two categories: funds from capital projects that have yet to be completed (\$1,351,080), and funds from projects that have been completed and are no longer needed (\$107,887). The latter amount is projected to be used for new projects, such as the introduction of sprinklers in Blackburn offices & activity areas, replacement of fire department pagers, and much needed catch basin repairs.

In addition to the planning for Fiscal Year 2010, we have also been attempting to first identify, and then respond to the additional budget deficits that are now projected for the current fiscal year, FY'2009. In the fall, Walpole was forced to make budget adjustments and cuts in response to Governor Patrick's elimination of our supplemental prison mitigation funds. That loss of \$750,000 in state funding required cutbacks across all departments, including the elimination of one position each in the fire and police departments. We had hoped that was the end of reductions. Today, it is clear that those hopes have not been met. Despite the already major loss of state aid in the fall, Governor Patrick has again reduced local aid to Walpole, this time by \$309,098. In addition, revenue estimates for motor vehicle excise and interest income

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will also miss their marks. And most significantly, the unusually snowy and cold winter has left us in a serious deficit situation, currently over \$400,000 in the red and growing with two full winter months yet to go. The following is a summary of lost revenue and budget deficit projections as we see them today:

State Aid Reductions – Round 2:	\$ 309,098
Motor Vehicle Excise Revenue Deficit (<i>projected</i>):	\$ 300,000
Interest Income Revenue Deficit (<i>projected</i>):	\$ 125,000
Snow & Ice Deficit (<i>projected</i>):	\$ 600,000
TOTAL:	\$1,334,098

The ability to close this gap, with only four-plus months remaining in the fiscal year, through budget reductions is limited. We have identified some budgetary savings as shown below, but the majority of this FY'09 deficit will need to be closed through the use of cash reserves. It is indeed an option to consider implementing position reductions proposed for FY'2010 earlier than July 1, but that option should be considered as close to a last resort as possible. The following funding formula is suggested to close this immediate fiscal deficit:

Health Insurance FY'09 Surplus:	\$ 125,000
Free Cash:	\$ 500,000
Debt Reserve Stabilization Fund:	\$ 650,000
Reserve Fund:	\$ 75,000
TOTAL:	\$1,350,000

This proposal, while consuming a large portion of our cash reserve, is a realistic attempt to preserve operations for the remainder of this fiscal year. Further, with emergency spending restrictions in place, it is anticipated that additional savings will result at years' end. However, it is important to note that deficits or revenue losses higher than those projected here will require further reductions, and the likelihood of operational cuts grows proportionally.

In addition to the Town-wide deficits and reductions noted above, we are also monitoring all other Town FY'09 budgets for any projected troubles. At press time, the Fire Department has identified a projected imbalance in overtime costs again this year. The Fire Chief and his department are attempting to identify a solution, however use of the Reserve Fund may be necessary.

In recent weeks, some discussion has developed regarding the possibility that so-called "federal stimulus" monies will become available and save our day. I couldn't be less optimistic on the topic. First, the funds have not yet been identified. Second, it is completely unclear if restrictions or earmarks will be placed on funds, and more importantly it is unknown how or if they will be directly distributed to local governments. Third, I believe that it is safe to expect that these funds will most likely be targeted for infrastructure projects, and not necessarily operations. Lastly, any funding received from the federal government is most certainly a one-time occurrence, and as such the use of any portion of it for general budget O&M is ill advised. Our mid-year budget-cutting experience with the prison mitigation funds should be fresh in our minds here.

The process of assembling this budget involves every department head and Board & Committee. The efforts of those who have searched for every efficiency, identified creative solutions to operational challenges, and made difficult decisions to help us arrive at this day are to be commended. While the outcomes are less than desired, the role each department head plays is a critical one, and for that I extend my most sincere appreciation. I too thank our

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Financial Team, Appraiser Dennis Flis, Finance Director Mark Good, and Town Accountant Arti Mehta for their assistance with everything from revenue estimates to balancing suggestions. I thank Assistant Town Administrator Jim Johnson for all of his efforts, notably in the oversight of the Capital Budget process. I thank Valorie Donohue, our Personnel & Benefits Coordinator for reviewing all of the salary & benefit information for that extra layer of accuracy. And I am also very appreciative of the hard work of Cindy Berube and Sue Abate in the final assembly of this budget package. And most importantly, I truly thank this Board of Selectmen for going above and beyond and demonstrating outstanding leadership during this process. The decisions in this budget recommendation were and are ultimately mine, but your guidance and suggestions were exactly what was needed.

If I have left anyone with the impression that this budget process is over, I want to instead assure you that it now begins anew. For the next three months, as the Finance Committee, Board of Selectmen, School Committee and Capital Budget Committee deliberate and ultimately prepare their documents for Town Meeting presentation, municipal and school leaders will continue to monitor every financial development that can effect this budget, positive or negative, from inside our town or beyond our borders. We will work to be sure that no stone is unturned as we look for revenues to mitigate the impacts that this budget will create. Yet, perhaps the most critical role of any official here in Walpole will be that of teammate. No one is happy with cutting nearly \$4 million dollars. No one is pleased with a budget that eliminates personnel. And no one who considers himself or herself a professional can ever feel a sense of accomplishment with a budget that takes operations and services apart rather than building for current and future needs and demands. We recognize that once again we will need to do more with less. But in a similar passion, it is critical to recognize and realize that no one department or individual is greater than the overall organization. In times of distress, the leaders of any organization emerge as team builders and ambassadors of unity. As we deal with the financial challenges this year and next, we will rely on all department heads and officials to be just that type of leader.

At the outset, I compared municipal budgeting in this state to a roller coaster. Since 2001 we have indeed experienced a wild ride, with unfortunately more downs than ups. Yet at the same time, we recognize that families and businesses across the country, state and yes right here in Walpole have also been experiencing their own roller coaster ride. As we work to address the operational issues that will arise in the next year, we do so in a way that pledges sensitivity to those around us who are dealing with their own challenges. Without question one day our economy will rebound. Unemployment will recede, businesses will again thrive, and the housing market will again bounce back to new life. And until that time of economic health is again upon us, be assured that we will work collectively doing our part to hasten its arrival. Now is the time for creativity, ingenuity, and a renewed sense of perseverance. That being said, Walpole will once again demonstrate to others those qualities are what makes us special.