



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 7, 2011

Re: Fiscal Year 2012 Budget Proposal & Message

It is with great respect that I present to you the proposed Fiscal Year 2012 budget. This budget proposal, much like those that you have received and reviewed over the past several years, is presented with an expectation for state aid reductions and resulting cuts necessary to bring it into balance. This budget proposal makes every effort to maintain the top quality services Walpole residents and business owners have become accustomed to. And, this budget proposal achieves the objective of not only providing day to day services, but also protecting our capital investments in the infrastructure of the Town. The road to achieve these objectives will again not be easy, but it is now here before you outlined in the pages that follow.

When considering the impact the economic downturn has had on our local budget in the last three years, specifically the loss of \$3 million dollars from the structural base, it is very clear that the keys to our operational stability has been the dedication, creativity, and passion of our department heads and staff in school and municipal departments. In addition, the sound and conservative budgeting practices implemented in prior years has also played a critical role in maintaining a consistent level of services. While it is true that we have not been spared position cuts in the past several years, we have avoided major fluctuations in service delivery, fluctuations that would have resulted from less prudent tactics such as using one-time revenues for operational accounts. This budget proposal will continue those prudent tactics.

The proposed Fiscal Year 2012 budget is \$66,803,782, an increase just under \$1.5 million dollars or 2.29% over the current year. The largest projected increase as of this date is in our assessments and fringe benefits category. With a projected seven percent rise in health insurance and a five percent jump in our county retirement assessment, this group of budgets represents an increase of roughly 6.3% overall. However, it is important to note that final rates, both health and casualty insurance rates, are not final as of yet. It is hoped that greater savings here can provide additional funds for other needed accounts. Obviously the reverse scenario would apply should actual rates exceed projections. Other notable changes from the current year include a reduction in our debt budget of approximately 4.7 percent, and a slight overall

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decrease in General Government spending. A more detailed review of operations follows below. As you will clearly see, this spending plan has little if any so called “wobble-room” for unanticipated expenses. It once again requires that all departments manage accounts methodically and precisely to carry us through the year. As noted above, however, that type of exercise has become commonplace for our team of department heads.

Operationally, this proposed budget does not contain sufficient funding to avoid position reductions and reductions in hours, yet the reductions proposed appear manageable at this time. The position of Purchasing Coordinator is eliminated altogether in fiscal year 2012. Those duties and responsibilities will be assumed in large part by our Assistant Town Administrator. Yet, this should not be considered as a permanent solution if at all possible. As the year progresses, we will monitor purchasing activity and evaluate the outcomes created through this reduction. Further, reductions in hours are also planned for the Information Technology Director position as well as the Town Planner post. Again, these are not desired but have been deemed necessary at this time and are possible through contributing factors. It will be most appropriate to explore other service delivery options, including the possibility of a regional service approach, for these and other jobs and departments as we move forward. Yet, despite the impacts to be felt with these changes, all other municipal positions remain in tact at this time. It will be necessary to monitor all changes in insurance costs and revenues as we progress toward Town Meeting as further revenue decreases will require us to revisit personnel budgets elsewhere.

It will seem redundant for certain, but Fiscal Year 2012 will begin with fewer dollars in state aid than the current year. Utilizing figures released as part of the Governor's House 1 budget submission, Walpole is slated to receive \$9.4 million in state aid for FY'12, an amount just under \$170,000 less than this year. This will mark the third consecutive year that we have seen a decrease in state aid, and the sixth time it has occurred in the last ten years. In fact, Walpole's state local aid figure for FY'2012 is nearly \$1.8 million less than the FY'2009 amount. Taken one step further, non-education state aid alone is over \$1 million less than the amount received in 2001. The challenges at the state level are well documented, however this trend of reductions has added greater challenges here in Walpole as well. Yet there is reason for optimism and appreciation. Through Governor Patrick's leadership and vision, funding for education will rise in FY'2012, a fact that helps to mitigate the loss of general government dollars and one that allows our bottom line losses to be lessened. We have historically viewed all cherry sheet accounts as one state aid figure for Walpole, and the same holds true in this budget. With many education-related support costs occurring in multiple municipal budgets, it is necessary that this practice continue. As the state budget makes its way through the Legislature, we must again call on our delegation to take all steps necessary to support, at a minimum, those amounts slated for Walpole in House 1.

Local revenues are projected to rise in FY'2012 by \$58,000. This amount is modest at best, but it continues a trend started this year in traditional local receipts. Prior to the inclusion of the local meals tax revenue this year, local revenues were suffering under losses in motor vehicle excise and interest income. FY'2011 marked the first time in three years that motor vehicle excise increased. That is expected to continue into FY'12 as well. Interest income, which dropped to a ten year low at \$50,000 one year ago, is projected at \$65,000 in FY'12. However, as that projection is less than the current year, we will monitor receipts through the remainder of FY'11 to make any required adjustments. Other accounts that suffered during the economic slowdown, such as Town fees and licenses and permits revenue, are essentially level funded in

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FY'12. As for the meals tax revenue, FY'11 estimates are increased by \$10,000 for next year. There are no substantial changes to other local revenues such as ambulance fund receipts. Revenues from local property taxes are projected to increase by roughly \$1.2 million dollars, the amount allowed under Proposition 2 ½. In addition, New Growth is projected at \$500,000. Tax payers will however see a reduction in excluded debt taxation by just over \$45,000.

Municipal budgets, as stated above, represent few changes from the current year. There are no new positions funded, however FY'12 does show full funding for the now separate positions of Animal Control Officer and Veteran's Agent, and a restoration of previously reduced general fund hours in the Recreation department. In terms of expense budgets, all departments that utilize motor vehicle and heating fuels must be very diligent in the managing of these funds. Gasoline costs have risen by roughly 40 cents per gallon in the past year, while some heating oil prices have risen by more than 60 cents. While we are in a fortunate position to have a natural gas option for heating our buildings (mostly all are gas heated), we must be watchful of dramatic spikes in motor vehicle fuel costs. Many budgets as presented have been adjusted for an increase, yet observation will still be needed on these and heating budgets. Fuel costs are another factor in the projected increase in our solid waste budget for the next year. That budget is projected to increase by nearly \$50,000 as we enter the final year of our curbside collection contract. With the expiration of that pact now in sight, we will begin to look at other options for collection of solid waste, including single stream and possibly even a regional approach. In our Building Maintenance budget, a projected increase of \$15,000 in contractual services is requested to provide for greater preventive maintenance services on key equipment, such as elevators and boilers. This is less than the amount requested by the Department, but is a step in the right direction as we try to enhance the life expectancy of our facility components. The Personnel budget shows a reduction of over \$7,000 as we are now able to take advantage of EAP services provided as part of our property & casualty insurance program. Finally, our legal services budget is slated to rise by \$22,000 to address cost increases as well as projected Town Counsel needs related to Superfund Site cleanup activity.

One area that bears watching as we enter FY'12 are costs associated with our new Library. The Building Maintenance budget at this time has been increased slightly to add additional custodial services and hours projected as needed when the new building opens by late fall. While design efforts have been made to truly allow this facility to operate at peak energy efficiency, we will need to monitor actual expenditures when it opens to establish a new cost baseline. Further, added costs for Library operations may be required and in turn result in a need for adjustment.

As mentioned above, additional funding has been restored to Recreation personnel services. In Fiscal Year 2010, a nearly 50% cut was made to the permanent part-time line, and a complete elimination of temporary part-time funding was implemented. These funds, used previously to support the operation of our Town pool programs, were expected to be fully recovered through revenues from user fees via the revolving funds. Unfortunately that has not occurred and in fact has caused a deficit condition in the 53D pool revolving fund. The revenue from the pool programs has not been sufficient to meet cost demands, even with such concessions as a reduction in water charges due to the Water enterprise fund. Further, additional increases in pool tags will serve to only drive users away, further compounding our dilemma. As such, a choice between likely pool closures altogether or a return to general fund support is before us. It is my recommendation that closing the pools at this time is not the choice to make. This personnel funding will help to ease the existing revolving fund shortfall and will also allow the fund to meet utility charge obligations next year.

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Educational spending in Fiscal 2012 will increase by 1.83 percent. For the Walpole Public Schools, that increase is \$678,126 or 2.14% higher than FY'2011. This figure represents 66% of the increase in available discretionary revenue over the current year. Since 2003, we have maintained a very positive, consistent, and working balance between school and municipal funding, and this budget continues that effort. However, it is understood that even this amount is not sufficient to meet all school needs heading into the new year, with School leaders projecting a funding gap of nearly \$1.25 million dollars. As such, additional reductions may be necessary to close that gap. The expected loss of roughly \$250,000 in Medicaid funding contributes to this budget dilemma for the School Committee, however a possible increase of \$325,000 in Circuit Breaker funding will help to somewhat mitigate the impact. The projected budget for Tri-County Regional Vocational next year will be reduced by approximately \$80,000. The reduction is attributed to the decrease of eight students from Walpole attending Tri-County, as well as formulas contained in the Governor's budget. Should those amounts change, it is still possible that we will need to adjust this line. Lastly, it is anticipated that we will again pay a "tuition" bill to Norfolk County Agricultural High School in FY'12. The \$37,500 pass through from "The Aggie" occurred for the first time this year, and its amount is level funded at this time for 2012.

In terms of the debt status, the reduction in the coming fiscal year is due primarily to the completion of financing for several small projects, including the Town Hall elevator, and the ability to budget actual versus projected borrowing costs for our new library project. However, as our five year capital needs assessment dictates, we must employ a prudent re-use plan for our debt services budget. The ability for the Town to keep pace with facility, equipment and infrastructure maintenance through free cash alone is not feasible. As we move into FY'2012 and looking ahead to FY'2013 and beyond, it is critical that the Town replace retiring debt with projects that are proper candidates for borrowing due to their cost and life expectancy. A manageable schedule of indebtedness, where capital needs are met without a disruption of annual programs and services, is a very sound investment for Walpole's future.

As we approach FY'2012, all municipal collective bargaining agreements are set to expire on June 30. As such, department budgets reflect only required step increases for eligible union staff. Cost of living increases are not built into department budgets for union staff, however offsets for collective bargaining agreements have been accounted for. Non-union staff, per vote of the Personnel Board, will have COLAs limited to one and one-half percent for the fiscal year. As a reminder, non-union town and school staff, as well as school union personnel and police department employees accepted significant changes in health insurance plan design during this fiscal year. As negotiations get under way with municipal unions, that issue remains at the forefront.

The annual Capital Budget is projected to be relatively lean once again. Even with a free cash contribution of approximately \$950,000, we are still nearly fifty percent lower in available spending than we were just three years ago. As such, we will look to our borrowing program more heavily in this cycle with a projected debt budget impact in FY'13. As discussed above, this financing method is manageable and will allow us to address critical needs. One additional source of revenue to be utilized by RTM will be our ambulance fund. Among the items being considered by the Capital Budget Committee are the funding of over \$400,000 in technology upgrades for the Public Schools, \$90,000 in textbook replacements, \$150,000 in engineering and hydrological assessments regarding the Brown Drive/Audubon Lane/Lewis Avenue flooding condition, \$140,000 to replace a Highway dump truck, the second phase of firefighter turnout

gear replacement, replacement of automatic defibrillators in Police cruisers, \$80,000 in improvements to the Stone Field/Spring Brook park area, conversion of a former pump station into a Town animal shelter, and funding to make repairs to playing fields at Boyden School. In addition, we will seek to continue with Year 4 of the 5-year road rehabilitation program, and further we propose to bring back a so-called “Nantucket Chip” program for a number of streets throughout Town. We have an immediate opportunity to preserve the roadway integrity of a number of roads, and this program is the most cost effective and productive method available.

We are also very excited about a major initiative being proposed by the Board of Selectmen. As of this writing, the Board is proposing the purchase of a significant portion of the Walpole Woodworkers property on East Street. This endeavor, combined with the added benefit of preserving Woodworkers at the location they have called home for over eighty years, will bring to the table additional options the Town may consider when planning for future facility needs. Its size and location within our downtown provides the Boards with a strategic and cost effective benefit. The cost effective component is arrived at from calculating the costs that would be incurred if multi-unit housing were to be located upon that parcel. As this proposal moves forward toward to Town Meeting, the Board will be soliciting the input and suggestions from the Community to ensure all issues and ideas are considered.

Water & Sewer budgets reflect routine operational costs for the coming year. As enterprise funds, these accounts have done exceptionally well and maintained an outstanding level of self sufficiency. This year, the major changes come in the form of needed capital projects and equipment. As an example, the replacement of large diameter water meters is slated for FY'12 at a cost of \$175,000. That cost is expected to be funded through retained earnings. A much greater project, however, is also proposed for FY'2012. This significant and much needed project will construct a 2 million gallon water storage tank to be located on Old Post Road. Several smaller tanks are in dire need of repair and/or replacement. As it is simply not cost effective to repair and recoat these aged structures, the new large scale tank is proposed. In terms of the proposed Sewer rate impact, through cost decreases in the Sewer fund, rates would decrease by approximately 1.2%. On the Water side, as proposed, a rate increase of 5.9% would be required. However, if the Commissioners increase the amount of retained earnings to stabilize rates as has been the custom, the rate increase could be reduced to a 3% or lower amount.

The current fiscal year financial picture remains healthy and stable. With a few exceptions, the vast majority of accounts are well within budgeted amounts and will have no problem in completing the year. The notable exceptions are our legal services budget, Fire Department overtime, and of course, Snow & Ice control costs. At the beginning of the fiscal year, there was a great deal of activity surrounding cleanup proposals for the Superfund site on South Street. As such, the Town required the use of Town Counsel beyond anything that was predicted. In addition, legal costs related to litigation and 40B permitting have driven costs higher in FY'11. It is therefore, likely that a Reserve Fund transfer will be required here before year end. The Fire Department issue is one for notation only at this time. Chief Bailey is actively working to keep these costs within budget, however unanticipated expenses such as storm coverages have given reason to further monitor this line. And unless you are reading this budget message online in Pompano Beach, you are well aware of the winter we have suffered through thus far. I would be remiss if I did not recognize and commend the amazing efforts of Bob O'Brien and all of the DPW leadership and staff who have kept us both safe and mobile this winter! As of this date storm costs are approaching \$500,000. Given that this is only the beginning of February

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and we have two months of snow potential ahead of us, our budget of \$707,000 is in jeopardy of not being sufficient. If a deficit occurs, we will look to reserves to cover the cost. It is truly worth noting and commending the wisdom of the Board of Selectmen, the Finance Committee, and Town Meeting for increasing this budget in the past two years. In addition, the decision to not spend down all our free cash and stabilization accounts to plug operational holes has also been rewarded here. These are most important experiences to focus on as this budget review process commences.

What would a budget message be without a suggestion for reform or change? This one shall be no different. This time, however, the reforms are within our own financial planning process. Without question we have endured very challenging fiscal times of late. We have done well to maximize, within reason, available revenues to keep operations moving forward. However, we have done so without truly looking toward the future. It has been not less than five years since we added to our stabilization fund. And, despite suggestions from our audit team, we have yet to begin the funding of our Other Post Employment Benefits (OPEB) obligations. I am proposing that we change those practices effective with this budget. Beginning this Spring, I am recommending that \$100,000 be added to the stabilization fund from certified free cash each spring. Only in times of critical shortfalls should this appropriation be suspended. This will provide the Town, over time, with greater options in looking at high cost ventures such as facility planning, or even emergency repairs to buildings and equipment. Secondly, I recommend that \$100,000 also be transferred from free cash to our OPEB trust fund each year as a matter of protocol. Further, unexpended health insurance budgeted amounts may also be allocated toward this fund. With large scale projects looming within the next ten years, it will be essential that Walpole make a good faith effort to fund this obligation, and in so doing show our bond rating agents that we indeed have a vision toward the future and are prudently working toward it.

The review process for Fiscal Year 2012 now officially begins. I want to thank all of our department heads and staff who have spent the last three-plus months working on this budget. I especially want to thank the members of our financial team and Town staff who have worked on everything from revenue estimates to data entry and the assembling of the budget books. Mark Good, Arti Mehta, Jim Johnson, Dennis Flis, Valorie Donohue, Cindy Berube, and Sue Abate have again gone above and beyond, and I thank each of them very much. I too thank and recognize the efforts and leadership of the Board of Selectmen. Their goals related to financial planning and investment are manifested in this budget document before you now. I also want to thank Superintendent of Schools Lincoln Lynch for his partnership in the operations of our Community. This is absolutely a partnership, and collectively we must all partner together to achieve success. It is my pleasure to answer any questions you may have, and I invite you to call on me if I may be of assistance to you at anytime as we approach Town Meeting. I am most appreciative of the opportunity to serve this Community we call Walpole and to be part of the greatest municipal organization in the Commonwealth.