

February 2, 2009

FISCAL YEAR 2010 BUDGET
General Remarks

CHAIRMAN Michael J. Newhouse
MEMBERS of the BOARD OF SELECTMEN
CHAIRMAN John F. Doherty, III and
MEMBERS of the FINANCE COMMITTEE

Dear Members:

Thank you for the opportunity to present the fiscal year 2010 recommended budget for the Town of Wilmington. The precipitous decline in state revenues and an economy reluctant to show signs of recovery pose an enormous challenge to local officials. Communities across the Commonwealth are contending with declining local receipts and are feeling the effects of a growing state budget gap which grows wider with each monthly report of state tax collections.

The prospect of mid-year local aid cuts has become a reality. At the Massachusetts Municipal Association conference, held just ten days ago, the Governor announced the inevitable. The projected state budget deficit necessitated a \$128 million cut in fiscal year 2009 local aid. Although the Governor held Chapter 70 Education Aid harmless, his cuts in the two major general municipal aid accounts created a disproportionate effect on communities statewide. Wilmington is among 160 communities who rely on both major categories of general government revenue, lottery aid and additional assistance. While all communities receive Chapter 70 and lottery funds, certain municipalities, such as Wilmington, receive additional assistance as part of its base-line local aid. This category was established decades ago to correct inequities in the distribution of state funding. By reducing this line item, the Governor creates a disproportionate burden in state aid reductions and undermines the intended purpose of the Additional Assistance account. This burden increases in fiscal year 2010 as the Governor's proposed budget calls for a \$375 million reduction in local aid, most of which is from the same two local aid accounts.

To illustrate the point in terms of dollars, the town is being cut \$301,578 in the current fiscal year. Had the cuts been administered equitably among all communities, Wilmington's reduction would have been approximately \$252,000. The Governor's proposed general municipal aid budget for fiscal year 2010 for Wilmington amounts to an \$883,528 reduction, a cut of more than 28% from the original fiscal year 2009 local aid estimate. Again, a more equitable reduction would likely result in Wilmington receiving a \$762,000 decrease from a local aid account shared by all communities. These comments are not meant to suggest that municipalities should escape the state budget axe. The Governor and legislature have protected local aid to the extent possible recognizing that local government is on the front line in providing for critical core services. I believe however, each community should shoulder an equal burden.

There is no escaping the harsh reality that the fiscal downturn will continue for the foreseeable future. The financial plan proposed for fiscal year 2010 will meet our objective to fairly allocate the town's limited resources among competing needs. We will maintain services through operational efficiencies procure needed capital equipment and upgrade facilities and infrastructure. The budget is based upon the principles of affordability and fiscal responsibility. The town will live within its means. There are no plans to call for a tax override and the budget will balance without relying on free cash or any other non-recurring funding source.

The town anticipates that overall revenue in fiscal year 2010 will increase approximately 1% from our revised fiscal year 2009 projection. We have again opted for a conservative approach when projecting available funds. Such an approach, coupled with the vigilant monitoring of spending accounts, has enabled the town to meet unexpected costs and or revenue shortfalls. An examination of the town's fiscal year 2009 finances justifies this approach. Anticipating the likelihood of mid-year cuts in local aid, positions have been kept vacant and hiring has been delayed in several town departments. You will also recall that in fiscal year 2009, the town purposely budgeted below anticipated local aid levels. The adoption of this strategy will enable the town to use available funds to meet extraordinary increases in heating fuel and unexpected deficits in the snow and ice removal accounts in the event savings in other fiscal year 2009 accounts are not identified.

The Governor's local aid proposal includes a 1% increase in the meals and hotel tax to offset a portion of the cut in local aid. If the statewide increase in these taxes were to pass, Wilmington's allotment as recommended by the Governor would be \$351,638. The town's revenue projection purposely excludes these funds as a revenue source. We estimate that local aid in fiscal

year 2010 will be nearly \$935,000 less than the original fiscal year 2009 allotment, which is \$633,000 less than the town's revised entitlement after incorporating the mid-year local aid cuts.

In fiscal year 2008 local receipts rose by \$400,000. Retail development in Wilmington accounted for much of the new growth dollars that exceeded revenue expectations. At the close of fiscal year 2008, Wilmington calculated actual local receipts to be \$6,776,870. Unfortunately, the town is hardly immune from the effects of the sluggish economy. We anticipate that local receipts in fiscal year 2010 will drop by more than 17% from the fiscal year 2008 actuals to approximately \$5.6 million. Three specific revenue categories account for this decline, the most notable of which is motor vehicle excise. The town's highest annual return from excise tax collections occurred in fiscal year 2008 when collections amounted to \$3,420,484. An analysis of our commitments to date and the ominous sales forecast emanating from auto industry experts suggest that fiscal year 2010 revenue from this source will decrease by more than \$670,000 to \$2,750,000, the lowest level of receipts since fiscal year 2001. The other two categories of local receipts contributing to this diminished revenue stream are receipts from investment income projected to be \$170,000 less than in fiscal year 2008, and construction permit fees which we anticipate will decrease from more than \$560,000 in fiscal year 2008 to \$350,000 in fiscal year 2010.

Recognizing this dearth in available funds and taking into consideration the bleak economic forecast, the town's objective for fiscal year 2010 is to craft a lean budget that does not compromise on service. Every department, including the School Department, carefully analyzed each expenditure, reallocating dollars to improve efficiency. The result is an overall budget that enables the town to markedly increase its capital outlay expenditures for the near term and prepare for future increases in some of the more volatile accounts including utilities, pension costs and health insurance. The proposed budget for fiscal year 2010 is \$77,294,810. The budget increase of \$1.2 million is approximately 1.6% more than the fiscal year 2009 appropriation. In the aggregate, town departmental budgets will decrease by \$70,125, primarily due to staff reallocation, position reductions, the renegotiation of the trash disposal contract, anticipated savings from expanded recycling and a lock-in of the town's heating oil contract at just over \$2.01 per gallon for the period July 1, 2009 through June 30, 2010.

Efforts to control insurance costs have been successful as employees have opted for less expensive health insurance plans, resulting in both employee and town-wide savings. In fiscal year 2010 the overall insurance budget is expected

to increase by 3.2% inclusive of a 3.7% increase in the cost for health insurance. Costs to meet pension obligations will increase by approximately 6.5% as opposed to the 12% increase absorbed by the town in fiscal year 2009.

I am recommending a budget increase for the Wilmington School Department of \$740,500 which represents a 2.53% increase over the current spending level. This recommendation is the result of a collaborative effort with the School Superintendent to ensure that despite limited resources, there is no retreat on the School Department's mission to ensure educational excellence. I am assured by School Superintendent Joanne Benton that the fiscal year 2010 recommended level of spending will not compromise the town's objective to improve upon the quality of education for all students. The Superintendent has advised me that there will be staff reductions, but any reduction in classroom teachers and educational assistants will be enrollment driven. The reallocation of staff resources will continue to ensure advantageous class sizes at all levels. The budget continues funding for full day kindergarten, provides new funding for the high school accreditation visit and supports the creation of a new special education program at the West Intermediate School. The appropriation for the town's assessment for the Shawsheen Valley Technical School District will not increase.

The town's positive financial condition will enable funding for an expanded portfolio of important capital expenditures. I am proposing to commit over \$7.7 million from various funding sources to replace public safety and public works vehicles, upgrade school buildings, repair municipal facilities, improve roadways and other critical infrastructure and enhance technology. To assist in funding this ambitious proposal, the town is prepared to issue general obligation bonds for fiscal year 2010 in the amount of \$5.5 million. Consistent with our established policy to carry long-term debt for as short a term as practical, we expect the payment term for these notes to be ten years. Since the town issued its last permanent debt in 2001, rating agencies, independent auditors and the Department of Revenue have all commented favorably on the town's low debt burden and rapid amortization schedules.

The fiscal year 2010 budget includes \$50,000 for the costs associated with issuing debt. These costs include the cost of issuance, review by bond counsel and an analysis by a bond rating agency. At the end of fiscal year 2011 all obligations for debt which currently exist will have been paid. Principle and interest payments for the new debt will begin in fiscal year 2011 based upon a July 2009 issuance date. Repayment of this debt will come from both water receipts and the general revenues of the town. We are optimistic that the town will continue to receive a favorable bond rating. Despite the dramatic down turn

in the economy, Wilmington has actually improved its overall financial condition. The combination of strong financial policies and conservative budgeting has enabled the town to reach a general fund reserve level of nearly \$4.8 million which represents 6.28% of the current year's operating budget.

Among the capital expenditures, more than \$1,221,000 is designated for the schools. The School Department's strategic plan acknowledges and supports the premise that technology is an integral component of the support for student learning. Accordingly, I am recommending the appropriation of \$138,850 to assist in effectively integrating technology into classroom instruction at the high school. These funds will enable the purchase of 40 projectors, 51 smart boards and 80 computers.

Adoption of the budget will allow the town to upgrade school buildings in order to meet critical life safety needs, to improve handicapped access, to promote energy efficiency and to modernize learning space. These projects include upgrades to the existing fire alarm safety system at the Wildwood School (\$60,000) and at the Shawsheen School (\$150,000). The budget includes \$19,500 for the purchase and installation of a handicapped chairlift to enable disabled children and adults the opportunity to access the stage in the cafeteria. The spending plan identifies \$235,000 in the fiscal year 2010 capital outlay budget to remove and replace 27,700 square feet of vinyl asbestos floor tile in classrooms and other areas at the Woburn Street School with vinyl composite tile. Finally, we propose to fund by debt authorization the amount of \$620,000 to replace all of the exterior windows at the Shawsheen School with an energy-efficient window system.

Consistent with the Fire Department's long-range capital plan, we are proposing the purchase of a new first line ambulance anticipated to cost \$180,000. The purchase of this ambulance would allow for the current front line ambulance to serve as a primary back-up and enable the department to remove from its fleet the current back-up ambulance, a 2000 model with more than 100,000

miles. We are also recommending the inclusion of \$1,130,000 to be funded through the issuance of general obligation bonds, for the purchase of a new aerial tower ladder truck. Regular advances in fire apparatus design and technology justify the acquisition of a modern vehicle to better protect fire fighters and to enhance the department's capabilities to quickly and effectively meet emergency needs. The current vehicle is 23 years old.

The Commonwealth has mandated that communities comply by September 2009 with a new statewide emergency management system data collection program. The budget includes \$45,000 to purchase the appropriate EMS hardware and software in order to document emergency medical services in compliance with the new reporting system. The town also proposes to appropriate \$119,700 for the purchase of four replacement front line police cruisers.

The capital outlay budget recommends the appropriation of \$147,300 to purchase a sidewalk plow with flail mower for the highway division of the Department of Public Works. The new plow, which would replace a 21 year old vehicle, will allow the town to better clear snow from our expansive sidewalk system and the flail mower will expand the Department of Public Works versatility by improving upon the town's roadside cutting program. The budget also includes \$161,000 to replace a 1989 heavy duty rack body truck which will include a grapple type rear-mounted crane for the use of the tree division. The Water Department will fund the purchase of two new pick-up trucks at a cost of \$29,200. The capital budget for the Water Department includes \$90,000 to replace the roof at its maintenance garage and \$75,000 to replace undersized water mains with upgrades to eight inch pipes. The department has also earmarked \$30,000 in its fiscal year 2010 budget to conduct a hydraulic analysis of the water system as well as to update its master plan for the town's water distribution system.

The President's Federal Economic Recovery Bill, or so-called stimulus package, may include significant funding for "ready to go" infrastructure projects. Lieutenant Governor Timothy Murray, in his capacity as chair of the Municipal Facilities Task Force, invited communities to submit project requests that may be eligible for such funding. The town submitted four project requests which met the established guidelines. The town's infrastructure improvement plans identify two of those projects as critical and therefore necessary to go forward as a funding request at the 2009 Annual Town Meeting. The design, engineering and permitting for both of these construction projects are completed or near completion. Funding for both capital projects is included in the town's

debt financing program. Naturally, any federal funding for these projects would be a welcome alternative to the town's current financing plan.

The Water Department is recommending the replacement of the Brown's Crossing Wellfield and Pumping Station in order to restore lost water supply capacity to this wellsite. We estimate the cost for this rehabilitation project to be \$2,500,000 which would be financed over a period of 10 to 20 years through water rates. The second project, which may also be eligible for federal funding but nevertheless included as a component of the town's capital debt financing plan, is the rehabilitation of the town's Main Street Sewer Interceptor. The design and bidding process has concluded and the estimated construction cost has been established at \$1,250,000. The town is exploring the possibility of utilizing grant and or loan funds through the MWRA Loan Financial Assistance Program to assist in funding this project.

It is our expectation that the Commonwealth will make available to communities fiscal year 2010 Chapter 90 State construction funds. These funds, which we anticipate to be in the amount of \$579,190, will enable the town to continue its investment in improving its roadway and sidewalk infrastructure. More than 15,000 linear feet of roadway improvements will be undertaken on Woburn Street, Lowell Street, Woodland and Hanson Roads and in the Kenwood Avenue neighborhood.

The fiscal year 2010 capital outlay budget also recommends the appropriation of \$160,000 for the demolition of the Swain School. I fully realize the consternation that some residents will express relative to this proposal. The facts are clear however, the building no longer serves a useful purpose, presents a potential hazard to the public and is a liability to the town. The Swain School site has for many years been earmarked for an alternative future municipal use. Given the town's need to maximize resources, it makes little sense to invest precious dollars into a facility which would better serve the public by its removal.

The spending plan that I have submitted for your review is not merely intended as an overview of our plans for the next fiscal year. Moreover, it is a document that recognizes the need to establish a solid financial footing for the future. That is why a greater proportion of our limited expansion dollars are earmarked for important capital expenditures enabling the town to avail itself of what we perceive as an advantageous bidding and financing climate. By effectuating savings in departmental operating costs we are able to expand our reserve capacity to better meet unexpected shortfalls, revenue gaps and emergency needs. I believe the town is well prepared to weather the current economic

turmoil in part due to a deliberate strategy of careful spending, conservative forecasting and a collaborative approach to budgeting. The town has sufficient funds in its property tax overlay accounts and has budgeted \$450,000 in its fiscal year 2010 Finance Committee Reserve. The budget, for the second year in succession, does not contemplate an appropriation from free cash which, as you know, was certified last November at \$4,775,044, a better than 55% increase over the prior year.

The town is also in a financial position to further address its long-term solution for a reliable source of drinking water. To that end, I am recommending that the Board of Selectmen join with the Water and Sewer Commission to support Wilmington's entrance into the MWRA water system for the purpose of obtaining a supplemental public water supply. This action would relieve the town of the onerous and costly burden associated with the emergency declaration process and would guarantee an adequate source of water for the foreseeable future thereby solving the town's water shortage. In addition to the obvious benefit of a secure and reliable water source, townspeople would benefit from a lessening of the severe restrictions currently imposed on property owners due to the town's reliance on the state's emergency water declaration policies.

Membership in the MWRA would mean that the town would be subject to conservation restrictions similar to those imposed on other communities within the Ipswich River Watershed. If the town's membership application garners the approval of Town Meeting, the legislature and the MWRA Board of Directors, we would enter into a finance agreement with the MWRA. Based upon the town's present water rate structure, its projected budget needs and a buildup of adequate reserves, we are confident that membership in the MWRA will have a de minimis effect on the ratepayer. Membership in the MWRA does not relieve the Olin Corporation of meeting what the town believes is their responsibility for all appropriate mitigation pertaining to the closure of wells in the Maple Meadow Brook aquifer.

At the Annual Town Meeting we will be recommending the establishment of a new stabilization fund entitled Other Post Employment Benefits to comply with the Governmental Accounting Standards Board Statement Number 45 pertaining to accounting and financial reporting by employers for post employment benefits other than pensions. This policy requires all governmental entities to measure and report future liabilities for benefits, such as health insurance, that are or will be provided to retirees. The fiscal year 2010 budget recommends the initial funding of this account in the amount of \$100,000.

Beginning tomorrow evening the Finance Committee will convene the first of several budget meetings to review in more detail the plan that I have just

summarized. In addition, I have been advised by Board of Selectmen Chairman Michael Newhouse of his intent to include on future agendas discussion of issues related to the budget including MWRA membership, capital project requests and debt financing strategies. A constructive discussion of these important issues will better enable the town to formulate a productive plan for the future.

I have never been one to dwell on fiscal gloom. The story told in this budget is that of the glass being half full. It was Sir Winston Churchill who said "We make a living by what we get; we make a life by what we give." I am proud to acknowledge the good work of school and town employees who understand the importance of public service. I am appreciative of the leadership of this community who volunteer their time and expertise for the greater good. I applaud the business and civic communities who willingly contribute the "extras" that separate Wilmington from so many other communities. And I especially thank the residents of this community who care about their neighbors and strive to make Wilmington a better place in which to live. Thank you.

Respectfully submitted,

Michael A. Caira
Town Manager