



TOWN OF WESTPORT

816 Main Road

Westport, MA 02790

The Coastal Agricultural Resource Community of New England

WESTPORT FIVE-YEAR FINANCIAL PLAN

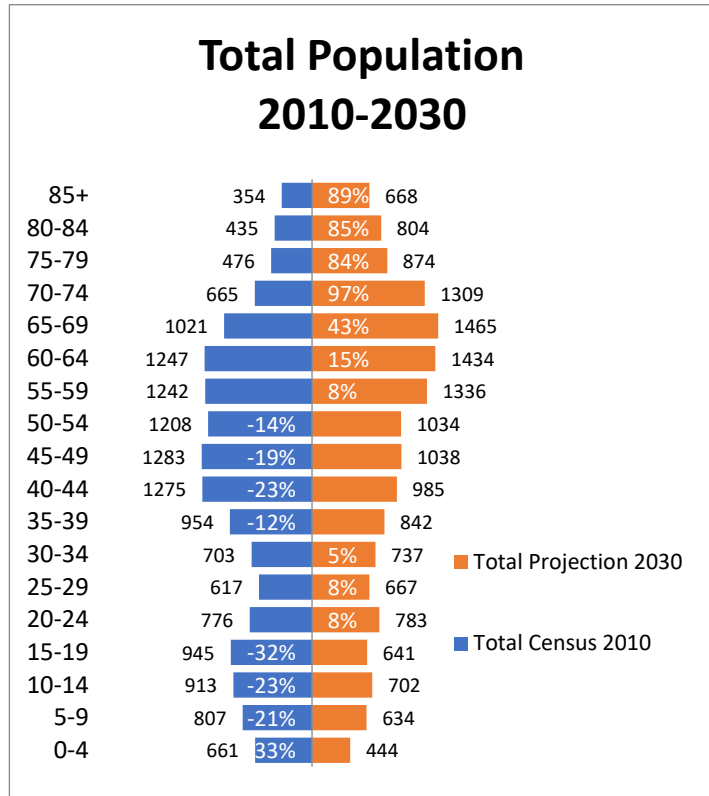
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Purpose

The Town of Westport faces significant challenges as the gap between revenue and expense growth continues to widen. Whereas many communities remedy budget problems by passing Proposition 2 1/2 overrides, Westport voters have been reluctant to do so, thus putting added financial pressure on the town budget.

The Five-Year Financial Plan sets forth some ideas to ensure that essential town services will continue to be met and budgets will be balanced. By looking at the budget from a five-year perspective, the Town will be better positioned to understand long-term needs and develop initiatives to ensure that central functions of local government are able to be maintained within tight budget constraints.

The economic and demographic assumptions for this plan are that population growth will not be robust as Massachusetts continues to lose population. However, there may be spill-over effects from the completion of South Coast commuter rail. As noted in the Town's 2016 Master Plan, the elder population is considered to be the fastest growing age groups. (2010-2030 Chart) This can be contributed to a number of factors but the low tax rate and rural community make it attractive to retirees. This increase in the elder population will affect demand for the services of the Council on Aging, elderly housing and emergency services.



Change in population per age group 2010-2030

Revenue growth is planned at 3.0-3.5 percent each year. This will come from the usual 2.5 percent property tax increase, new growth, excise taxes, and local receipts. The plan also assumes that the Town will continue to attract grant money at levels enjoyed in the past few years. The Town saw a significant increase in Chapter 70 funding for schools in FY 24 when the Town was unclassified as a “minimum aid community”. Depending on inflation and other factors considered in the State Chapter 70 formula, Westport may be classified as a “minimum aid community” again and this year which will have a negative impact the Town’s new revenue. For budgeting purposes the Town is planning on modest increases in state aid by way of Chapter 70 for schools and highway monies from Chapter 90.

The Town has utilized grant funding, state earmarks and ARPA funding for the design of the Route 6 water and sewer project. With a combination of funding sources including grants, loans and betterments, the Infrastructure Oversight Committee is hoping to construct Contract one within the next 12-18 months. The estimated cost for this work is approximately \$8 million dollars and the entire Route 6 work is estimated at \$32 million dollars. Providing property owners access to sewer and water may provide some impetus for new business development in that area. Growth in housing units will be similar to recent years with some likelihood that lower-cost housing, such as apartments and condominiums, will attract some interest. Housing costs will continue to be a challenge for younger buyers.

Generally speaking, the town will look much as it is today.

Budgets

The town is required, by law, to produce balanced budgets. The Town must also ensure that our financial ratings are maintained and that town auditors are always able to verify sound financial practices. The five-year plan is built with this in mind.

The largest budget item is our schools and they should have adequate financial resources to educate our children. The schools should provide a five-year plan that will go a long way in helping the town determine the appropriate amount of funding for the schools.

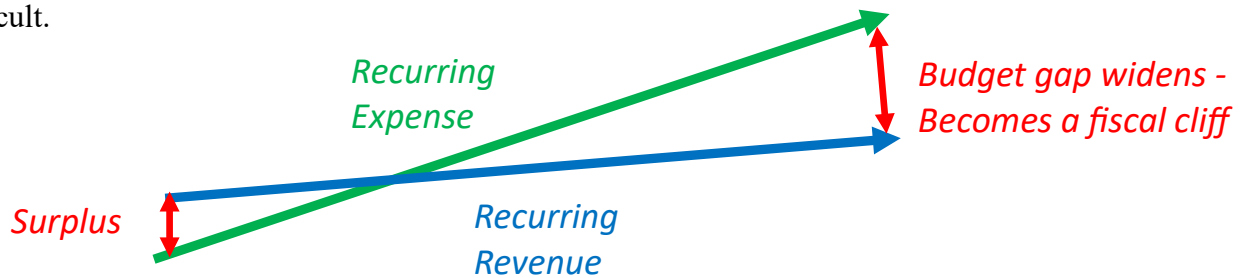
The Police and Fire Departments are the next largest budgets and we need to determine the appropriate funding to ensure long-term strength and viability is needed. Likewise, they should work with the Town Administrator on the multi-year plan.

The section on expenses gives some ideas on new approaches that might save money which will enable the principal functions of town services to continue without serious budget cuts. This may include privatizing some functions, seeking outside sources of funds and other measures. Should budget cuts become necessary, some of these ideas may be useful in going about that unenviable task.

Override

The Town is entering into the FY25 budget with another significant deficit. In addition, Westport is experiencing the same challenges as many Massachusetts communities where the cost of

providing services has outpaced revenue growth allowed under Proposition 2 ½. The Town has used one-time federal and local reserve funds in FY22, FY23, FY24 and most likely FY25 to offset these deficits. This is not sustainable and will only make future year funding more difficult.



In July of 2023, voters overwhelmingly voted against an override, so this plan assumes there will be no overrides. This does not preclude consideration of an override in some future year as conditions change

For this plan we will rely on the main sources of revenue such as property taxes, new growth, excise taxes, state aid, etc. In order to address the structural deficit, reduction in Town services will have to be considered over the duration of this plan.

Essential Services

While it is difficult to exclude any departments or functions from the list of essential services, the Town's financial situation will call for leaders to make judgements about which functions are the most critical.

The most essential are arguably the schools, police and fire departments. But all departments are, in varying degrees, essential and new and different approaches to funding should be considered so as to maintain these services. If we need to make budget cuts, we should do it only after exhausting other alternatives.

The Town will need to be reminded that a number of departments receive funding either from users (e.g., the Transfer Station) or state funds and grants (e.g., the Council on Aging). Veteran's Services and the Library are also recipients of outside funding. In these cases, cutting some budgets may not result in significant savings.

Areas to Consider for Expense Savings or Budget Cuts

A number of areas in the town may benefit from different approaches that could be more efficient and save money. We should strive to continue these services, but at the same time explore other "business models" that may allow these services to continue using new approaches to fund them within a tight budget. The following areas are worthy of scrutiny (in no particular order):

Transfer Station - Many Towns do not provide trash removal services and rely on private waste companies to provide this service. The town could decide to close the

transfer station, it could consider contracting with a private company to run the service in a financially agreeable arrangement. Running the transfer station with reduced hours of operation might be considered. The transfer station generates revenue from sales of stickers and punch cards, that offset the majority of the related costs

Council on Aging - As Westport's population ages, demand for services to seniors will increase. However, it is unclear how much annual financial support will come from Town in the years ahead. In order to continue to meet the growing needs, the COA might consider becoming independent of the town. In other words, it would be a separate entity domiciled in Westport and would build a base of contributors and state support. The town may contribute money as its finances allow or lease the building to the Council on favorable terms.

This is a different "business model" that might work to the benefit of the COA in the long run and should be considered as the organization engages in its long-term planning.

Regional Education - (Diman Vocational and Bristol Aggie) - Vocational education is coveted in Westport as recently demonstrated by the voter's willingness to approve an excluded debt measure to finance the Diman school rebuilding project but the Town pays a premium for each Diman student. In the event of serious financial difficulty, the Town would need to ask if we should continue to be part of the Diman system. This would need to be done carefully and in concert with the rules of Diman Regional participation and it must be recognized that the town, through excluded debt, has voted to pay approximately \$13 million over a 25-year period.

An alternative might be to subsidize the cost of tuition at some pre-determined percentage as opposed to paying the full amount. The cost of Diman and Bristol Aggie tuitions total over \$2 million per year. Amendments to the Diman agreement require approval from all of the participating communities, making any such changes challenging at best.

Similarly, the town passed a smaller excluded debt measure for Bristol Aggie, but could employ the same tuition idea in an effort to reduce costs.

Ambulance Services - Questions regarding the privatization of the Town's ambulance service have been raised. A preliminary assessment would suggest that there would not be a savings if privatized. Where firefighters are also paramedics, privatization would have a negative impact on the Town's ability to provide firefighting services. While it may not be cost effective at this time it is something that should be explored as conditions change. Other communities purchase outside services from outside companies, so this idea is not unusual.

Cemetery Services - The cemetery capital expenses are largely self-supported through perpetual care funds, but the Town does incur costs associated with staffing This is a service that must be provided to Town residents and there is little opportunity for cost savings, within the department. However there is an opportunity to share resources if

combined with another department such as the Transfer Station of the Highway Department. If combined, there would be a number of hurdles to overcome such as unions and Town meeting approval.

Veteran's Services- The town is reimbursed for 75 percent of the cost of maintaining services to veterans making any cost-reduction unlikely. The position of veterans service officer (VSO) is required for communities with a population of more than 12,000. It may be possible to become part of a district but there is still minimum staffing requirements based on the combined populations and communities must share a border, limiting the options for Westport.

Town Beaches - The Town Beaches are a natural resource that must be preserved and maintained. As the beaches are set up as an enterprise fund, any excess funds remain in the fund to support beach operations. In theory the enterprise fund could be discontinued or modified and this would make excess funds available to the town. Further study is needed.

Beach Permits - The issuance of beach permits is done by town employees, presently through the town clerk's office. The Town should determine if it would be better served by contracting with a private company and use beach permit funds to cover the cost. While this will not reduce staff, it may free up staff for other functions.

Harbor, Waterways and Shellfish - Harbors and waterways are also part of the town's natural resources and need to be maintained and enhanced. The Harbor function is largely self-supporting from fees, therefore the impact on town finances is not significant. These areas were brought under one management function several years ago. Consideration should be given to amend the enterprise fund to include shellfish costs as well, this would free up additional funds for the operating budget.

Library - The library receives monies from the town, but also relies on outside support. Similar to the Council on Aging, financial support from the town may wane in view of budget challenges. The library could become a self-funded, stand-alone entity, but whether this is even possible would have to be explored.

Legal Expenses - While we often think of this expense as being uncontrollable, we should determine if cost savings can be realized through other alternatives such as paralegals or structuring a new agreement with our present providers. Consideration might also be given to hiring a less-expensive law firm that would be suitable for our needs. This should be looked into to determine if this is a viable option.

Recreation - The recreation department generates fees that largely cover their expenses. It is recommended that a review of its finances be conducted to ensure it is generating sufficient funds for continued operation.

Other Budget Areas

Stabilization Funds - Capital Stabilization Fund - A Five-year Capital Plan is separate, but longer-term funding of capital needs is critical as buildings need to be maintained. The present *Capital Stabilization Fund* should be more aggressively funded which will reduce borrowing costs and enable a systematic approach to capital needs. The CIPC is limited to funding relatively small projects with a portion of the certified free cash, this requires the committee to consider projects based more on costs than needs. Current Balance \$318,118.

General Stabilization Fund – The state recommends the balance of a general stabilization account at 5% of the annual budget would require approximately \$2.6 million. Current balance is \$1,529,688.

Old High School - This is part of the capital plan, but it important enough to mention here because decisions regarding the old high school will have a significant impact on the budget. The long-range building committee has been tasked to make recommendations to the Select Board. A timely decision on the future use is critical to the Town's financial plan.

Investment Strategy - With our investment advisors, are there ways to improve investment income revenue consistent with the Town's financial policies? This area should be reviewed, but it's impact on the budget may not be significant.

Debt Service - The town should explore paying down some included debt to reduce interest payments. While this may not yield significant results, there may be some savings and additional funds would be available for the operating budget. The funds to do this would have to come from free cash.

Insurance - In 2023, the Town completed a comparison of costs for its current health insurance plans and the state GIC plan. At the time it was determined that the current plan was less expensive than the GIC plan. Insurance costs change yearly and this should be reviewed every other year, comparisons with other group plans should also be considered.

The Town has not completed an analysis of its property and liability insurance carrier recently and a price comparison should be completed within the next two years.

Ongoing Needs

The Five-Year plan cannot ignore major undertakings that have long-range importance and must continue to be pursued. However, they can only move forward as funds allow and outside monies such as grants need to play a major role. They include:

- Development of Broadband and Internet infrastructure.

- Water Main and Sewer Construction - Route 6.
- Clean water and nitrates in the watershed.
- The effects of climate change on existing infrastructure and development.
- Building Needs (Town Hall, Annex, Old High School, School Admin Offices, etc)
- Staffing Deficiencies

The Town has been operating at minimum staffing levels for years due to budget constraints. There are significant deficiencies in staffing levels that have a negative impact on Town services, including public safety, and potential increase costs to the Town in the form of litigation. Every year new rules and regulations increase the workload on the existing staff, one example would be the field of human resources. Regulations relating to discrimination, the Family Medical Leave Act, diversity, equity and inclusion, short and long term disability, working conditions, occupational safety hazards, and state ethics requirements are just a few of the regulations that have become part of the daily oversight of employees. The following positions are critical to the long term operations of municipalities.

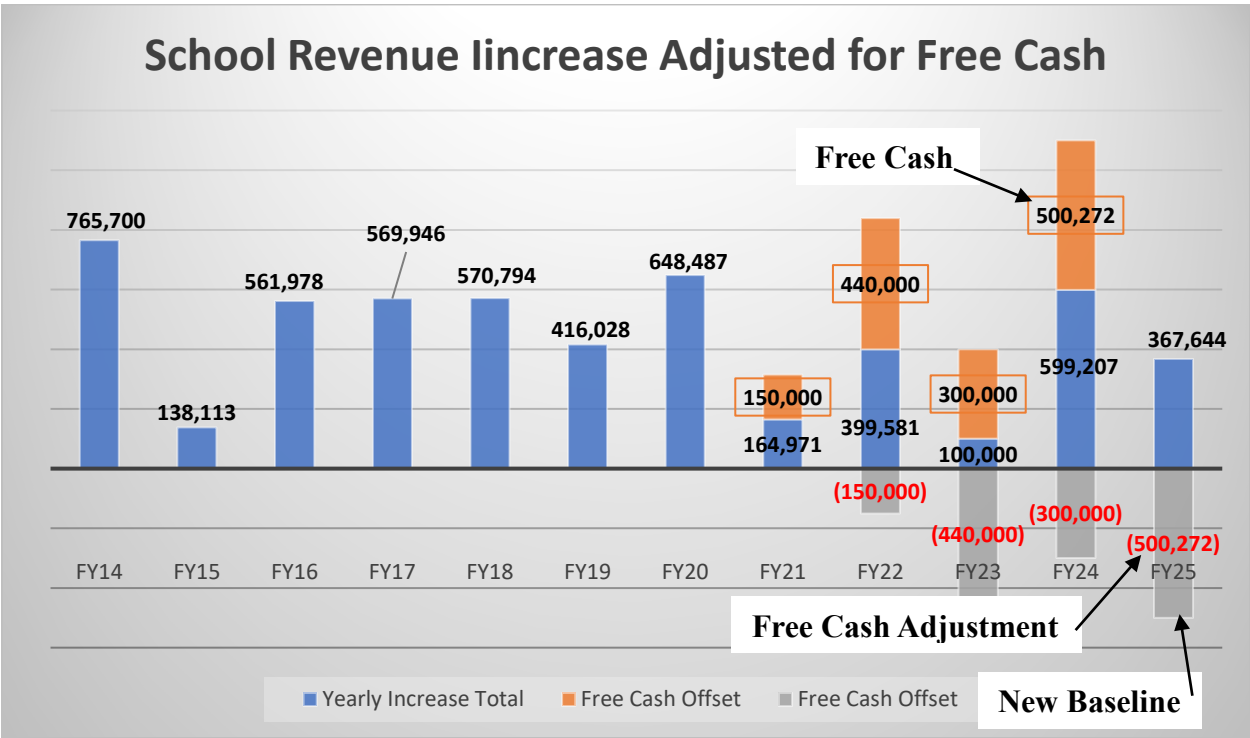
- Human Resource Director
- Financial Director
- Assistant Town Administrator
- Procurement Officer
- Town Engineer
- Additional Fire Fighting Staff
- IT Staff
- Code Enforcement

*Some of the responsibilities listed above could be combined into one position.

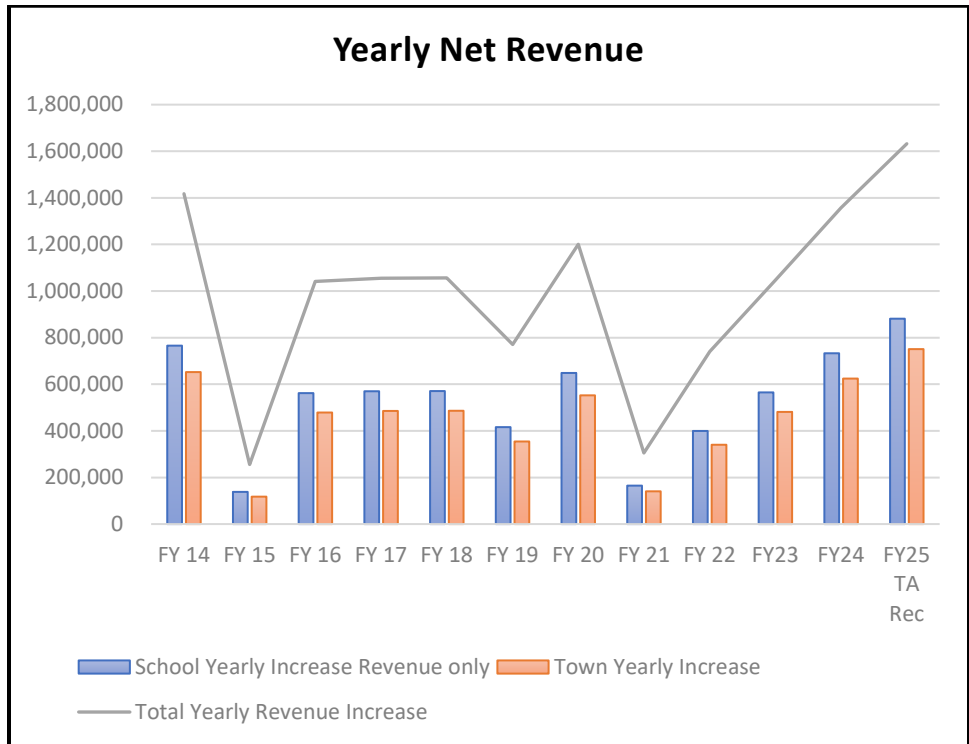
Financial Expense Projections and Five-Year Revenue Estimates

Over the years the Town has used free cash to supplement the operating budgets. Over the last four years Town Meeting has approved the use of free cash to supplement the school department Budget with a smaller amount used for general government. As the chart shows this only increases the structural deficit in the following years.

To offset this, the Town needs to eliminate the use of free cash from the operating budget and this is something that should be done over time to minimize the impacts. Over the last twelve years the average new revenue after required expenses is \$1,030,039. This equates with the School/Town 54/46 percent split to be approximately \$556,221 for the School and \$473,818 for the Town. Over the last two years the average new revenue has increased to about \$1.7 million which relates to \$937,000 for the schools and \$798,000 for the Town.



Use of free cash in one fiscal year must be accounted for in the following fiscal year creating a negative baseline for the next budget.



This graph shows the fluctuations in new revenue from year to year, for planning purposes budgets should be prepared using a 3.5% increase or total new revenue \$1.4 +/- (\$800K schools and \$680K for the Town).

As the “Yearly Net Revenue Chart” shows, there are varying amounts of new net revenue each year and accurately projecting forward is a challenge. Available revenue is impacted by a number of factors including regional, charter and school choice assessments, insurance increases, pensions and state aid, all outside of the Town’s control. Because of this, projecting budgets out five years is difficult.

Net Revenue

Years	Total	Average	School 54%	Town 46%
Last 12 Years	\$12,360,465	\$1,030,039	\$556,221	\$473,818
Last 6 Years	\$6,763,133	\$1,127,189	\$608,682	\$518,507
Last 4 Years	\$5,256,730	\$1,314,182	\$709,659	\$604,524
Last 2 Years	\$3,470,369	\$1,735,184	\$937,000	\$798,185

The table shows the Average Net Revenue after fixed costs for various years. The net revenue is the amount budgets can be increased yearly.

It was determined that new net revenue can support a 3.5% (\$1.5 million) yearly increase in department salaries and expenses. With the current split the school would receive \$810,000 and the Town approximately \$690,000 for FY26. Budgets would be adjusted yearly if revenues miss or exceed projections but for budgeting purposes the Town and School should plan on 3.5% budget increases.

The following table shows the approved budget for FY24, the proposed budget for FY25 and projected new revenue and overall budgets for the Town and School for FY26 to FY29. Fiscal Year 2025, has been increased to 4.25% based on current year revenue projections.

Five Year Budget Projection

		FY24	FY25	FY26	FY27	FY28	FY29
			4.25%	3.50%	3.50%	3.50%	3.50%
New Revenue School			910,994	782,115	809,490	837,822	867,145
School	Total	21,435,162	22,346,156	23,128,272	23,937,761	24,775,583	25,642,728
Town			4.25%	3.50%	3.50%	3.50%	3.50%
New Rev	Town		667,670	581,800	602,163	623,238	645,052
Town	Total	15,945,178	16,872,676	17,419,132	18,028,802	18,659,810	19,312,903
Total Revenue			1,588,664	1,363,915	1,411,652	1,461,060	1,512,197

The table shows the approved Budget for FY24, with a 4.25% increase for FY25 and a 3.5% increase FY26-FY29

Five Year Budget Recommendations

1. **Yearly Budget** - After FY25, the Town and the School should plan on annual budget increases of no more than 3.5%. If revenues in that fiscal year increase or decrease adjustments would be made accordingly.
2. **Free Cash** – The amount of free cash varies each year based on a number of factors, with more conservative revenue projections, free cash should be certified at \$1.3 million+/-/year. Free cash should be earmarked based on percentages:
 - Minimum of 10% of Free Cash carry over to next Fiscal Year
 - Minimum of 5% of Free Cash to Stabilization Accounts until such time as the Stabilization accounts equal or exceed 5% of the annual budget.
 - Minimum of 5% of Free Cash to Special Education Stabilization Account.
 - Minimum of 50% of Free Cash to be used for Capital Expenditures as recommended by the Capital Improvement Committee.
 - Maximum of 15% of Free Cash to be used for the annual budget and Warrant Articles*

*Use of Free Cash for the operating budget should be the exception and not the rule, it should be used for one time or non-reoccurring expenses within the operating budget, examples could be new computers or software upgrades, building repairs that exceed typical yearly maintenance, grant matches, etc. Use of Free Cash for Warrant Articles include studies, land acquisition, grant matching, etc.

3. **School Department Budget Planning Purposes** – Eliminating all of the Free Cash from the School Department in one year would have a devastating effect on the services the school provides. We recommend reducing the free cash for the school department over a period of five years, eventually eliminating the use of free cash for the operating budget.

	Free Cash	New Rev	Budget Offset	Total
FY25	\$400,000	\$381,000		\$781,000
FY26	\$300,000	\$410,000	\$100,000	\$810,000
FY27	\$200,000	\$510,000	\$100,000	\$810,000
FY28	\$100,000	\$610,000	\$100,000	\$810,000
FY29	\$0	\$710,000	\$100,000	\$810,000

The totals are based on new revenue of approximately \$1.5 million/year or a 3.5% budget increase/year. It should be noted that this is not a conservative number and the totals for both the school and town would be reduced or increased depending on the actual revenues. Budget offsets would be absorbed when new revenue is calculated (46% Town and 54% School).

4. **Health Insurance** – Health insurance coverage is approaching \$4 million dollars. Recommend cost comparisons with State GIC Plans and other Group Plans every other year, FY26 would be the next comparison year.
5. **Property & Liability Insurance** – Recommend comparison every 3-5 years.
6. **Investments** – Interest rates have increased and short & long term investments should be reviewed.
7. **Old High School** – It is critical that a decision be made as to the future use of this building, and any decision must come with an approved funding source.