Scott D. Galvin
Mayor

City of Woburn
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May 22, 2018

Richard Haggerty, President, and Members of the City Council
Woburn City Council

Re: FY 2019 Budget

Dear President Haggerty and Honorable Members of the City Council:

I am pleased to present the FY 2019 budget to the Woburn City Council for review and approval. Overall spending is projected to increase by 3.04 % above last year's totals. The General Fund budget will increase 3.9% and the water and sewer budget will decrease 3.05%. The grand total Fiscal Year (FY) 2019 budget is $149,209,027.

We will continue to collaboratively focus on maintaining and improving our strong financial position. Our commitment to conservative budgeting and spending, and the implementation of a number of operational best practices has helped to strengthen our financial position and retain our Aa1 Bond rating. Our excellent bond rating has helped us save taxpayers substantial money as we borrow funds to pay for important infrastructure projects.

In addition, we have continued to increase our reserves and unreserved fund balance while strengthening our balance sheet. A significant threat to our balance sheet is GASB 43&45, which requires all cities to report the financial costs of retiree insurance as they are incurred—just like pensions—not when the employees retire. We have started to address this monumental cost with the creation of an OPEB Trust, which has accumulated over $4 million through appropriations and investments. In addition, I have recently forwarded to the City Council a proposal that will allow the City to further reduce our significant OPEB obligation by reasonably increasing contributions for retiree health insurance, only for those employees retiring after July 1, 2018.

I have prepared a lean budget primarily funded by the tax levy and water and sewer fees. The budget is partially funded by locally generated receipts, state aide and Chapter 70 school funding. This year, we anticipate local aide and Chapter 70 funding from the State to slightly exceed last year's numbers. We continue to use conservative estimates for locally generated receipts. We are forecasting modest new tax growth in our residential and commercial tax base, which reflects completed construction as of December 31, 2017. The City side of the budget represents a level service budget. As always, our City employees continue to provide a high level of service to residents and taxpayers.

The FY 2019 General Fund budget will increase by approximately $4.9 million. The budget is being driven by increases in pensions, trash costs, maturing debt, public safety salary increases, Medicare taxes, as well as staffing and maintenance needs at the new library.

As I advised the City Council last year, there is another significant increase in our pension funding obligation. The appropriation for FY 19 increased by more than $800,000 from last year's budget and now totals $8,170,542. In the past two years, the City obligation for funding pensions has increased by more than $2 million (36%). Based on the most recent 2016 audit filed with PERAC, we continue to forecast that our pension system will be fully funded by 2036.

Four years of contractual obligations for public safety employee wage increases, which were settled last year in arbitration are included in the budget and account for $1.6 million of the increase in the FY 19 budget. In addition, increases in payroll have also impacted Medicare taxes, resulting in a $100,000 budgetary increase.

All City contracts will expire on June 30, 2018, except teachers, which expire August 31, 2018. We have made provisions in the FY 19 budget for salary increases and legal assistance as we begin a new round of contract negotiations with City unions.

We continue to incorporate planned increases in our maturing debt for outlays to the new library, the new Hurld Wyman Elementary School, the newly constructed City parking lot and the recently acquired $1.2 million ladder truck for the Fire Department. The combined principal and interest payments for debt service increased by $750,000, totaling $5,132,215, which represents less than 4% of General Fund spending.

We recently negotiated a three-year contract for trash pickup with Waste Management. The appropriation required for FY 19 will increase by $303,000 (10%) over last year, and 5% in each of the remaining years. The renewal increase is being driven by the collapse in the price of recycling materials, which is heavily driven by policies in China that limit the use of recyclables. We will continue to monitor and explore different avenues to address this impact over the next three years.

The budget for the Woburn Public Library will increase by $145,000 (12%) as we plan for the grand opening of the rehabilitated Richardson Building and new addition in January 2019. We have conservatively increased the maintenance budget, added a Teen librarian and a general part timer, as well as including provisions for additional custodial hours.

The budget reflects a $75,000 decrease in City health insurance costs. This is the result of a very good renewal increase from MIIA of 1.59% and the recently negotiated 25% employee contribution towards health insurance premiums.

The budget appropriation for the Woburn public schools will increase by 3.5%, to $ 62,321,962. In addition, the budget provides for $ 1,728,898 (3.3% increase) to the Northeast regional vocational school and $190,630 (14% increase) to the Essex regional vocational school.

After extensive collaboration, the School budget has identified two key areas as priorities—social and emotional support and instructional leadership. The budget proposal will reallocate existing funds and use new funding to provide teachers and students with the support and resources they need to learn and thrive in a positive environment. We continue to offer a great education to all students, providing free full-day kindergarten, and no busing fees nor user fees for athletics and arts.

I look forward to discussing this budget during your committee meetings.

Sincerely,

Scott D. Galvin
Mayor

SDG/ml
Proposed FY 2019 City of Woburn Budget