

*Town of Westerly*  
*Rhode Island*

BOARD OF FINANCE  
D. Jay Goodman, Chair



Town Hall  
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April 2, 2018

The Honorable President and Members of the Town Council  
Westerly Town Hall  
45 Broad Street  
Westerly, RI 02891

Dear Mr. President and Councilors:

As required by § 3-1-4 (c) of the Charter, the Board of Finance is pleased to transmit its recommendation of a consolidated town budget for FY 2019. The Board expresses its appreciation for the guidance of the Town Manager and Interim Finance Director and their staffs in preparing the budget.

The Board feels that there are several ongoing challenges to the annual budget review process that hampered our work and will continue to. These include questions about the proper role of the Board with regard to the School budget, the lack of a coherent long-term Town and School capital planning process, questions about the proper structure of the Town and School finance departments, and ongoing concerns about the Health Fund. These issues are detailed further in Appendix A at the end of this letter.

### **BUDGET SUMMARY**

Following public hearings, the Board of Finance voted unanimously at its meeting of March 29, 2018 to approve a recommended budget for FY 2019 of \$90,374,117; this is an increase of 2.2% and \$1,960,244 from the current budget of \$88,413,873. In our opinion, this budget provides adequate funding for the municipal and school departments to deliver all essential services to Westerly citizens.

The Board's recommended FY19 budget increases funding for Town departments and services by \$461,371 or 2.3%, and increases spending on Restricted, Capital and Debt by \$151,661 or 1.2%. With regard to the School budget, the Board's recommendation increases the Local Appropriation to the School budget by \$1,682,507 or 3.7%.

The following table shows the allocation of funds in the FY19 recommended budget.

<b>Budget</b>	<b>\$ Budget FY 2019</b>	<b>% Budget</b>	<b>\$ Budget FY 2018</b>	<b>\$ Change vs. FY 2018</b>	<b>% Change</b>
Town	34,183,393	37.82%	33,570,361	613,032	1.83%
School	56,190,724	62.18%	54,843,512	1,347,212	2.46%
<b>TOTAL</b>	<b>90,374,117</b>	<b>100.00%</b>	<b>88,413,873</b>	<b>1,954,488</b>	<b>2.22%</b>

Overall, the Board reduced this year’s budget requests by 1.93%. The table below summarizes the Board’s changes to the municipal and school budget requests.

<b>Budget</b>	<b>Budget Request</b>	<b>Board of Finance</b>	<b>\$ Variance</b>	<b>% Variance</b>
Town Budget	35,085,156	34,183,393	-901,763	-2.57%
School Budget	57,090,724	56,190,724	-900,000	-1.58%
<b>TOTAL</b>	<b>92,175,880</b>	<b>90,374,117</b>	<b>-1,801,763</b>	<b>-1.95%</b>

## **REVENUES**

The Board’s recommended FY19 budget results in an increase of \$1,621,227 or 2.53% in local property tax revenue, while motor vehicle revenue falls by \$232,709 or 4.83% due to the initial phase-out of this tax. State funding increases by \$676,339 or 4.86% driven largely by the initial payment to offset the loss in motor vehicle tax revenue.

The overall increase in the property tax levy reported to the Rhode Island Department of Revenue is 2.51%, which includes an increase of 1.53% in the residential real estate levy. Local property tax revenue is calculated based on a collection rate of 98.9% for residential real estate and 95.5% for personal property.

## **EXPENDITURES**

The Board’s recommendation is dependent on proposals brought to them relatively late in the budget process, neither of which is certain at this point. The first is a proposal from the Town Manager to “prepay” several one-time capital and restricted expenses by moving them into the FY18 budget. If approved by the Town Council this move would reduce the FY19 budget by \$731,100.

The second is a proposal by the school district to increase the school budget by \$1 million due to an unanticipated increase in healthcare costs, attributed to a significant recent rise in claims. Under this proposal, the school district would use its fund balance to pay for the additional \$1 million. This does not increase the town’s contribution if this proposal is approved by the School Committee.

The Board left the Town Budget relatively intact, with the exception of voting not to approve several new positions requested by the Town Manager, although it did approve the request for an Assistant Town Manager. This request was approved in the hope that it would free up time for either the Town Manager or Assistant to spend more time thinking strategically about effective use of the town's resources, and also to acknowledge the increasing demands on the Town Manager outside of management of staff.

The other significant adjustments were a reduction of \$149,795 in the Pension budget line and a \$116,820 increase in School Capital to fund new visiting side bleachers at Augeri Field. The reduction in pension contribution is still equal to 100% of the Annual Required Contribution provided by the auditor. The bleachers project was approved because it was ranked as the second highest priority by the School District.

Although it was the Board's desire to review the School budget on a line-item basis and make recommendations per the Town Charter, the Superintendent stated that this was not the Board's purview and instead requested that we provide an amount by which the School budget should be reduced. As a result, the Board's recommended School budget includes a \$900,000 decrease in the school district's request.

This amount is roughly equal to eliminating the budget line To Be Allocated, which was described as funding for new positions. While it is possible that two new paraprofessional positions at \$58,000 each are mandated, it is our belief that there are a number of other areas in the budget that could be adjusted to achieve the \$900,000 reduction. This includes \$32,000 in Other Benefits/ Central Office, up to \$298,000 in Special Education, and up to \$176,000 in out of district tuition to Chariho.

Even with this reduction, spending on education in Westerly remains robust. At current enrollment, if the Board's recommended budget is adopted per pupil spending will be \$21,099 which is among the highest in the state. When spending on School capital and debt are included, that amount climbs to \$23,489 per student. This is the highest level of funding per student of any school district in Rhode Island with K-12 education.

Thank you for the opportunity to present this proposed budget for FY2019.

Sincerely,

D. Jay Goodman  
Chair, Board of Finance

## **Appendix A. Recommendations**

There are several issues that have been raised with regard to problems the Board of Finance has experienced in its decision making process. The Board recommends that the Council take decisive steps in these areas as soon as possible, by tasking a small group to develop strategies for implementation prior to next year's budget process. One proposal raised was the possibility of a working group, similar to the Plan B Committee of past years, whose purpose is to resolve these outstanding issues and provide higher level guidance on an ongoing basis.

**Questions about role of Board of Finance in reviewing School budget.** There have been persistent questions regarding the propriety of the Board reviewing the School budget and recommending specific changes in the School budget. This year the Superintendent specifically stated that this was not the Board's territory. The Board has for years conducted a detailed review of the Town budget with the Town Manager, yet engaging the same process in the School budget has been met with ongoing resistance. It would be helpful if the School Committee and Town Council could come to an understanding about the role of the Finance Board going forward.

**Lack of a coherent long-term Town and School capital planning process.** While the Town Manager has developed a long-term Vehicle Replacement Plan that is close to being fully implemented in the FY19 budget, the same cannot be said for the School District. With a fleet of nearly 40 buses, replacement of 1-2 buses per year is seemingly inadequate. Maintenance of the Town and School buildings, plant and equipment also is not currently integrated into a long-term (five to seven year) planning process.

**Questions about the proper structure of the Town and School finance departments.** The Board strongly recommends that the Council direct the Interim Finance Director and the Town Manager to coordinate with the School District to outline the organization of the Finance Department, including the identification of personnel by duties/tasks, so that the financial affairs of the Town, including the School District, will be administered on a sustained basis in an efficient and responsible manner and that an appropriate amount be provided for, if necessary, in the budget for FY2019 to implement that organization.

**Ongoing concerns about the Health Fund.** After several years of asking questions, the details of the Health Fund's operation remain murky. It appears that the School budgets have underfunded healthcare for the past three years, resulting in an inadequate fund balance in the Health Fund. The School's portion of the Health Fund is currently at zero due to an unusually high number of large claims, and the District is facing a large premium increase for FY19. For these reasons, a review of the current health insurance strategy seems to be in order.

TOWN	FY 2018	Manager	Fin Brd	Incr. (Decr.)	% Chng.	Difference
	Budget	FY19 Budget	FY19 Budget			
Town Council	\$ 64,917	\$ 53,143	\$ 53,143	\$ (11,774)		\$ -
Town Manager	\$ 360,124	\$ 436,385	\$ 436,385	\$ 76,261		\$ -
Town Clerk	\$ 321,843	\$ 346,493	\$ 346,493	\$ 24,650		\$ -
Board of Canvassers	\$ 116,633	\$ 170,980	\$ 170,980	\$ 54,347		\$ -
Probate Court	\$ 77,134	\$ 81,292	\$ 81,292	\$ 4,158		\$ -
Municipal Court	\$ 64,674	\$ 67,781	\$ 67,781	\$ 3,107		\$ -
Legal Services	\$ 234,680	\$ 234,680	\$ 234,680	\$ -		\$ -
Finance	\$ 490,845	\$ 585,262	\$ 585,262	\$ 94,417		\$ -
Tax Collection		\$ 193,400	\$ 193,400	\$ 193,400		\$ -
Assessment Administration	\$ 336,791	\$ 359,438	\$ 359,438	\$ 22,647		\$ -
Information Technology	\$ 366,126	\$ 478,895	\$ 478,895	\$ 112,769		\$ -
Human Resources	\$ 150,753	\$ 212,759	\$ 212,759	\$ 62,006		\$ -
Development Services	\$ 805,553	\$ 905,037	\$ 821,349	\$ 15,796		\$ (83,688) Pg 137
Board of Finance	\$ 2,500	\$ 2,500	\$ 2,500	\$ -		\$ -
Conservation Commission	\$ 19,500	\$ 19,500	\$ 19,500	\$ -		\$ -
Munitipal Land Trust	\$ 10,000	\$ 10,000	\$ 10,000	\$ -		\$ -
Recreation	\$ 286,484	\$ 550,588	\$ 550,588	\$ 264,104		\$ -
Town Beach	\$ 318,460	\$ -	\$ -	\$ (318,460)		\$ -
Public Safety & Protection	\$ 6,353,096	\$ 6,477,845	\$ 6,427,845	\$ 74,749		\$ (50,000) Pg 188
Public Safety/Technology	\$ 185,888	\$ 205,181	\$ 205,181	\$ 19,293		\$ -
Public Safety & Civil Preparedness		\$ 15,000	\$ 15,000	\$ 15,000		\$ -
Building Maintenance	\$ 794,730	\$ 823,469	\$ 823,469	\$ 28,739		\$ -
Administration	\$ 252,700	\$ 313,174	\$ 313,174	\$ 60,474		\$ -
Engineering	\$ 116,545	\$ 124,870	\$ 124,870	\$ 8,325		\$ -
Tree Warden	\$ 6,000	\$ 11,000	\$ 11,000	\$ 5,000		\$ -
Highway & Grounds Maintenance	\$ 1,581,645	\$ 2,160,296	\$ 2,160,296	\$ 578,651		\$ -
Parks & Rec Maintenance	\$ 569,651	\$ -	\$ -	\$ (569,651)		\$ -
Snow and Ice	\$ 211,350	\$ 253,350	\$ 253,350	\$ 42,000		\$ -
Utiilities	\$ 400,000	\$ 667,100	\$ 667,100	\$ 267,100		\$ -
Equipment Maintenance	\$ 358,750	\$ 475,044	\$ 475,044	\$ 116,294		\$ -
Subsidies - Community Service	\$ 214,475	\$ 222,475	\$ 227,475	\$ 13,000		\$ 5,000 Pg 399
Subsidies - Town Extension	\$ 791,791	\$ 791,791	\$ 791,791	\$ -		\$ -
Subsidies - Economic Development	\$ 24,500	\$ 58,500	\$ 58,500	\$ 34,000		\$ -
Subsidies - Public Events	\$ 59,000	\$ 24,500	\$ 28,500	\$ (30,500)		\$ 4,000 Pg 405
Celebration - Public Events	\$ 9,731	\$ 24,200	\$ 11,200	\$ 1,469		\$ (13,000) Pg 409
Pension	\$ 4,523,226	\$ 3,873,021	\$ 3,723,226	\$ (800,000)		\$ (149,795) Pg 177
<b>Subtotal Town</b>	<b>\$ 20,480,095</b>	<b>\$ 21,228,949</b>	<b>\$ 20,941,466</b>	<b>\$ 461,371</b>	<b>2.3%</b>	<b>\$ (287,483)</b>
State Aid School	\$ 9,132,701	\$ 8,797,406	\$ 8,797,406	\$ (335,295)	-3.7%	\$ -
Local Aid School	\$ 45,710,811	\$ 48,293,318	\$ 47,393,318	\$ 1,682,507	3.7%	\$ (900,000)
<b>Subtotal School</b>	<b>\$ 54,843,512</b>	<b>\$ 57,090,724</b>	<b>\$ 56,190,724</b>	<b>\$ 1,347,212</b>	<b>2.5%</b>	<b>\$ (900,000)</b>
Restricted Programs	\$ 1,158,000	\$ 1,469,000	\$ 1,314,000	\$ 156,000	13.5%	\$ (155,000) * Pg 413
Town Capital	\$ 505,000	\$ 734,944	\$ 594,944	\$ 89,944	17.8%	\$ (140,000) * Pg 423
School Capital	\$ 428,000	\$ 641,424	\$ 322,144	\$ (105,856)	-24.7%	\$ (319,280) * Pg 427
Town Debt	\$ 3,446,514	\$ 3,612,571	\$ 3,612,571	\$ 166,057	4.8%	\$ -
School Debt	\$ 6,400,651	\$ 6,275,527	\$ 6,275,527	\$ (125,124)	-2.0%	\$ -
Transfer Out	\$ 1,152,101	\$ 1,122,741	\$ 1,122,741	\$ (29,360)	-2.5%	\$ -
<b>Subtotal Other</b>	<b>\$ 13,090,266</b>	<b>\$ 13,856,207</b>	<b>\$ 13,241,927</b>	<b>\$ 151,661</b>	<b>1.2%</b>	<b>\$ (614,280)</b>
<b>Total Spending</b>	<b>\$ 88,413,873</b>	<b>\$ 92,175,880</b>	<b>\$ 90,374,117</b>	<b>\$ 1,960,244</b>	<b>2.2%</b>	<b>\$ 1,801,763</b>

<b>TOWN</b>	<b>FY 2018 Budget</b>	<b>Manager FY19 Budget</b>	<b>Fin Brd FY19 Budget</b>	<b>Incr. (Decr.)</b>	<b>% Chng.</b>	<b>Difference</b>
<b>REVENUES</b>						
Current Property Taxes	\$ 64,196,610	\$ 67,219,600	\$ 65,817,837	\$ 1,621,227	2.5%	\$ 1,401,763
Motor Vehicles - Excise Taxes	\$ 4,821,440	\$ 4,588,731	\$ 4,588,731	\$ (232,709)	-4.8%	\$ -
Personal Property Taxes	\$ 1,339,282	\$ 1,359,199	\$ 1,359,199	\$ 19,917	1.5%	\$ -
Prior Year Property Taxes	\$ 737,728	\$ 641,351	\$ 641,351	\$ (96,377)	-13.1%	\$ -
Town Tax Interest	\$ 458,000	\$ 458,000	\$ 458,000	\$ -	0.0%	\$ -
Pro-Ration	\$ 65,000	\$ 50,000	\$ 50,000	\$ (15,000)	-23.1%	\$ -
Housing Authority - In Lieu of	\$ 15,000	\$ 15,000	\$ 15,000	\$ -	0.0%	\$ -
Licensed and Permits	\$ 501,065	\$ 516,028	\$ 516,028	\$ 14,963	3.0%	\$ -
Fines and Penalties	\$ 190,150	\$ 197,836	\$ 197,836	\$ 7,686	4.0%	\$ -
Use of Property and Money	\$ 518,822	\$ 522,822	\$ 522,822	\$ 4,000	0.8%	\$ -
State Grant In Aid General	\$ 2,924,407	\$ 4,021,478	\$ 4,021,478	\$ 1,097,071	37.5%	\$ -
State Grant In Aid School	\$ 10,977,752	\$ 10,557,020	\$ 10,557,020	\$ (420,732)	-3.8%	\$ -
Revenue From Other Sources	\$ 1,409,117	\$ 1,355,817	\$ 1,355,817	\$ (53,300)	-3.8%	\$ -
Recreation	\$ 259,500	\$ 273,000	\$ 273,000	\$ 13,500	5.2%	\$ -
Fund Balance	\$ -	\$ 400,000	\$ -	\$ -		\$ 400,000
<b>Total Revenue</b>	<b>\$ 88,413,873</b>	<b>\$ 92,175,882</b>	<b>\$ 90,374,119</b>	<b>\$ 1,960,246</b>	<b>2.2%</b>	<b>\$ 1,801,763</b>

\* Includes proposal to move \$731,100 in FY19 Restricted and Capital spending to FY18, to be voted on by TC.

SCHOOL	FY 2018	Manager	Fin. Brd.	Incr. (Decr.)	Difference
	Budget	FY19 Budget	FY19 Budget		
Other Benefits/Central Office	\$ 269,364	\$ 269,608	\$ 269,608	\$ 244	\$ -
Superintendent Office	\$ 525,114	\$ 485,102	\$ 485,102	\$ (40,012)	\$ -
School Committee	\$ 17,919	\$ 34,865	\$ 34,865	\$ 16,946	\$ -
Asst. Superintendent	\$ 47,859	\$ -	\$ -	\$ (47,859)	\$ -
Legal Services	\$ 95,500	\$ 95,500	\$ 95,500	\$ -	\$ -
Staff Development Supp	\$ -	\$ 147,266	\$ 147,266	\$ 147,266	\$ -
Program & Curriculum	\$ 393,645	\$ 591,611	\$ 591,611	\$ 197,966	\$ -
Student Support	\$ 38,110	\$ 36,495	\$ 36,495	\$ (1,615)	\$ -
Special Education	\$ 1,572,307	\$ 1,721,016	\$ 1,721,016	\$ 148,709	\$ -
Health & Physical Ed	\$ 87,146	\$ 92,928	\$ 92,928	\$ 5,782	\$ -
TSCC	\$ 796,337	\$ 743,509	\$ 743,509	\$ (52,828)	\$ -
Other	\$ 79,043	\$ 81,647	\$ 81,647	\$ 2,604	\$ -
District	\$ 84,738	\$ 82,394	\$ 82,394	\$ (2,344)	\$ -
Babcock Hall	\$ 445,144	\$ 452,036	\$ 452,036	\$ 6,892	\$ -
Fiscal Offices	\$ 605,690	\$ 548,501	\$ 548,501	\$ (57,189)	\$ -
Human Resources	\$ 273,995	\$ 279,950	\$ 279,950	\$ 5,955	\$ -
Technology	\$ 805,627	\$ 814,252	\$ 814,252	\$ 8,625	\$ -
Transportation	\$ 207,437	\$ 201,705	\$ 201,705	\$ (5,732)	\$ -
Crossing Guard	\$ 27,621	\$ 24,309	\$ 24,309	\$ (3,312)	\$ -
Building Operations	\$ 202,210	\$ 232,152	\$ 232,152	\$ 29,942	\$ -
Bradford	\$ 130,757	\$ 127,108	\$ 127,108	\$ (3,649)	\$ -
Tower St	\$ 14,554	\$ 13,532	\$ 13,532	\$ (1,022)	\$ -
State St	\$ 5,229,024	\$ 5,216,929	\$ 5,216,929	\$ (12,095)	\$ -
Dunns Corners	\$ 5,263,541	\$ 5,057,021	\$ 5,057,021	\$ (206,520)	\$ -
Springbrook	\$ 4,849,185	\$ 5,115,667	\$ 5,115,667	\$ 266,482	\$ -
Westerly MS	\$ 13,626,368	\$ 14,109,246	\$ 14,109,246	\$ 482,878	\$ -
Westerly HS	\$ 14,933,781	\$ 15,246,485	\$ 15,246,485	\$ 312,704	\$ -
Cranston/Orchard	\$ 51,000	\$ -	\$ -	\$ (51,000)	\$ -
RI School of Deaf	\$ 6,075	\$ 6,075	\$ 6,075	\$ -	\$ -
Homebound Students	\$ 19,500	\$ 19,500	\$ 19,500	\$ -	\$ -
Chariho	\$ 828,510	\$ 1,004,923	\$ 1,004,923	\$ 176,413	\$ -
Bradley	\$ 1,150,000	\$ 1,150,000	\$ 1,150,000	\$ -	\$ -
Eleanor Briggs School	\$ -	\$ 134,298	\$ 134,298	\$ 134,298	\$ -
Grove School	\$ 24,150	\$ -	\$ -	\$ (24,150)	\$ -
Harmony Hill School	\$ 58,200	\$ -	\$ -	\$ (58,200)	\$ -
Mount Pleasant Academy	\$ 479,485	\$ 479,485	\$ 479,485	\$ -	\$ -
Ocean Tides Inc	\$ 57,000	\$ -	\$ -	\$ (57,000)	\$ -
Pathway Strategic Teac	\$ 231,065	\$ 231,065	\$ 231,065	\$ -	\$ -
SARGENT	\$ 80,526	\$ 80,526	\$ 80,526	\$ -	\$ -
School One	\$ 32,500	\$ -	\$ -	\$ (32,500)	\$ -
The Groden Center	\$ 131,700	\$ 131,700	\$ 131,700	\$ -	\$ -
Crystal Springs	\$ 58,200	\$ -	\$ -	\$ (58,200)	\$ -
Nonpublic Text Books	\$ 5,000	\$ 7,500	\$ 7,500	\$ 2,500	\$ -
Preschool Babcock Hall	\$ 1,057,813	\$ 1,212,114	\$ 1,212,114	\$ 154,301	\$ -
Kingston Hill Academy	\$ 201,600	\$ 173,316	\$ 173,316	\$ (28,284)	\$ -
The Compass School	\$ 362,995	\$ 433,290	\$ 433,290	\$ 70,295	\$ -
The Greene School	\$ 201,600	\$ 274,417	\$ 274,417	\$ 72,817	\$ -
West Bay Collaborative	\$ 39,500	\$ 79,000	\$ 79,000	\$ 39,500	\$ -
Out of District Transp	\$ 341,775	\$ 369,596	\$ 369,596	\$ 27,821	\$ -
Retiree Benefits	\$ 175,611	\$ 229,748	\$ 229,748	\$ 54,137	\$ -
WMS Summer School	\$ 7,167	\$ 9,105	\$ 9,105	\$ 1,938	\$ -
WHS Summer School	\$ 18,045	\$ 18,045	\$ 18,045	\$ -	\$ -
Health Care Increase			\$ 1,000,000	\$ 1,000,000	\$ 1,000,000 *
To Be Allocated	\$ -	\$ 901,243	\$ 1,243	\$ 1,243	\$ (900,000)
<b>TOTAL</b>	<b>\$ 56,241,033</b>	<b>\$ 58,765,780</b>	<b>\$ 58,865,780</b>	<b>\$ 2,624,747</b>	<b>4.7% \$ 100,000</b>

<b>SCHOOL</b>	<b>FY 2018 Budget</b>	<b>Manager FY19 Budget</b>	<b>Fin. Brd. FY19 Budget</b>	<b>Incr. (Decr.)</b>	<b>Difference</b>
Local Appropriation	\$ 45,710,811	\$ 48,293,318	\$ 47,393,318	\$ 682,507	
Fund Balance	\$ -		\$ 1,000,000	\$ 1,000,000 *	
Tuition Preschool	\$ 67,150	\$ 57,375	\$ 57,375	\$ (9,775)	
Tuition From Other Districts	\$ 76,000	\$ 81,000	\$ 81,000	\$ 5,000	
Transportation Revenue	\$ 3,400	\$ 3,400	\$ 3,400	\$ -	
Community Service Revenues	\$ 240,220	\$ 237,220	\$ 237,220	\$ (3,000)	
Rental Income	\$ 115,604	\$ 120,164	\$ 120,164	\$ 4,560	
Miscellaneous	\$ 3,396	\$ 3,396	\$ 3,396	\$ -	
Unrestricted Grant in Aid	\$ 8,851,953	\$ 8,797,406	\$ 8,797,406	\$ (54,547)	
Medicaid Reimbursement	\$ 1,172,500	\$ 1,172,500	\$ 1,172,500	\$ -	
	<b>\$ 56,241,034</b>	<b>\$ 58,765,779</b>	<b>\$ 58,865,779</b>	<b>\$ 2,624,745</b>	

\* Includes \$1 million increase in Health Care paid by fund balance proposed by district, to be voted on by SC.