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James A. Smith, Town Manager

**Town Of Sutton
Office of the Town Manager**

February 19, 2019

Sutton Board of Selectmen
Sutton Town Hall
4 Uxbridge Rd.
Sutton, MA 01590

Dear Members of the Board of Selectmen:

It is with great respect that I submit to you the Town of Sutton's preliminary annual operating budget for Fiscal Year 2020 in the amount of \$33,171,925. The Fiscal Year (FY) 2020 budget is \$714.094 over FY2019 final budget or 2.24%. The budget is very close to being balanced at this point in time. We still have a few placeholders in this budget that could go in either direction. We don't know the increase that we will receive from Blackstone Valley Vocational Technical School. We are aware that seven additional students attended that school as of October 1. We are unaware of any potential increases in Norfolk Agricultural School and we are still awaiting the Property Casualty number from MIIA. Our plan is to use new growth for one time purposes which allows that money to be available in the following fiscal year. We currently are expecting that we should be ok in FY 2021, our challenge is to look forward to FY 2022 and utilizing new growth and at the same time focus on lowering our operating costs.

Governor Baker released his House One Budget on Wednesday, January 23th. He has committed \$26,520 to Chapter 70 and \$21,793 to Unrestricted General Government Aid (UGGA). We will continue to put pressure on the House and Senate leaders to increase the Chapter 70 appropriation to the town. This increase is an additional \$20 per student that attends Sutton schools.

This year we received an early renewal from Fallon Health. Our rates are increasing 6.9%. Working with the IAC it was decided not to make any plan design changes this year. This is the first year in a while that we have decided not to make plan design changes thus giving the employees a break. Plan design changes often shift the burden from the employer to the employee. We have 25 family plan opt outs and 3 individual plan opt outs. The town currently

pays an employee \$3000 per family plan opt out and \$1500 for an individual plan opt out. The town saves approximately \$10,000 on every employee that opts out of a family plan.

As I mentioned last year the town adopted a high deductible Health Savings Account (HSA) to lower our cost of health insurance. We currently have a \$1500 deductible for an individual plan and \$3000 for a family plan. The town matches the deductibles with a 50% contribution. The individual plan member receives a \$750 contribution and the family plan receives a \$1500 contribution. We had 15 employees participate in the Health Savings Account and we hope to increase that number through education in open enrollment. The town has 190 active members on our health plans.

The School Department's preliminary budget will receive an additional \$400,000. There are no planned layoffs as a result of this budget. As a result of declining enrollment, the early learning center and elementary school average about 21-25 children per class. The middle school will average approximately 23 to 24 children per class. In the high school the average class size will be approximately 20 students. The school committee is interested in hiring two additional elementary school teachers and a curriculum coordinator. If the school committee is able to hire two additional elementary school teachers the class size will decrease to 19-23 students.

The biggest issue facing the School Department are special education costs. These costs are unpredictable from year-to-year. A lot of these costs are out of district placements which require sending students to other school systems or residential placements. We do receive circuit breaker money to help with special education costs but that account does not cover all of those costs. Last year the town of Sutton set up a Special Education Stabilization Fund and funded it for \$200,000. At the 2018 fall town meeting we added \$150,000 to that account for a total of \$350,000. That is the goal of the Board of Selectmen. We do not want to touch this account if at all possible. We will continue to invest in the School Department and we are hoping that the state does the same with Chapter 70 funding.

The town has 7 additional students attending Blackstone Valley Vocational School in FY 19. The budget for Blackstone is based upon the student enrollment as of October 1, 2018. We have put a placeholder of \$150,000 for the 7 new students. Often the state net school spending formula changes and the increase could be larger or smaller than I have budgeted. We will receive the cost as soon as Blackstone Valley Vocational school committee passes their budget in the beginning of March.

Currently there are no applications for Norfork Agricultural School. We have one graduating senior and we are budgeting for five students to attend at \$24,000 apiece. We still have to wait to see if any students do apply to attend.

The FY2020 budget raises \$24,049,554 in local property taxes or 72% of all revenues. This number reflects a budgeted 2 1/2% increase plus new growth (\$150,000) over FY19 which, in total, amounts to \$587,271 or 2.57%.

State aid to Sutton makes up 19% of Sutton's revenue. This year we are receiving \$6,342,768. This reflects the existing funding of Chapter 70 and Unrestricted General Government aid

(UGGA) formally lottery aid. The Governor committed \$26,520 to Chapter 70 aid and \$21,793 for UGGA monies. Our hope and expectation is that the legislature will increase this amount in their budget process. The town's lottery aid is down approximately 15% or \$142,625 from the funding level in FY 09.

Chapter 70 aid is very close to the number that was appropriated in FY 2009. The town contributes \$350,000-\$400,000 annually to the school budget. Where the State contributes \$30,000-\$40,000 per year. The State continues to put increasing reliance on the property tax by their failure to appropriately fund state aid.

Local receipts serve as the third major source of revenue for the town. This year we are appropriating \$2,377,612. The largest source of local receipts is the motor vehicle excise taxes. Sutton averages about \$1,400,000 in motor vehicle excise taxes. We have added small amounts of revenue with the leasing of the Manchaug Library (\$13,000/year); the regionalization of health services (\$20,000); and we continue to budget revenue from solar renewable energy credits (SRECs) approximately \$80,000.

In FY 20 we will be receiving solar renewable energy credits (SRECs) from 4 separate municipal facilities, the sewer treatment plant, the senior center, the Middle School/High School and the Manchaug fire station. The sewer treatment plant and the senior center will use all of the electricity at their respective sites. The Manchaug fire station is producing excess energy from their solar panels. We are doing a net metering program with the excess electricity generated from Manchaug fire station. We are planning on allocating the electricity that the Manchaug fire station does not use to the senior center. The senior centers electricity bill will decrease as a result. The town owns these respective solar arrays outright and therefore the SRECs are revenues available for appropriation. One thing to keep in mind is that the SREC program is a 10 year program. So after 10 years we no longer receive the SREC revenue.

The final source of significant revenues is one-time revenues. The most significant one-time revenues the town has are from the stabilization fund and free cash. We are not taking any money from the stabilization fund to support this budget. Free Cash is accumulated as a result of unexpended appropriations and excess revenues from the prior fiscal year. The town eliminated the use of free cash from our revenues. Last year was the first year that we did not use free cash to support our operating budget. The danger of using free cash is that it is one-time revenue, it is not recurring. To avoid a structural deficit, we have to continue to reduce our reliance on these revenues and avoid the temptation of using one-time revenue for items other than one-time costs.

On the expenditure side, employee benefits, mainly health insurance, is one of the biggest budget items. We currently budget almost \$3 million in health insurance costs. This year, with all the plan design changes and including the HSA and opt outs, we have had a surplus. This year we have assumed a 2.5% increase in health insurance costs.

The Town has annually exceeded Net School Spending Required (NSS) since Education Reform was enacted in 1993 and it has exceeded NSS by well over a million dollars per year since FY2005, but it had gone down below \$1 million during the recession. Since the recession, net school spending required has steadily gone up to over \$2.6 million in FY 18. The Chapter 70

formula is designed in such a way that puts more of the burden to fund the school system on the local tax payers if the town has a relatively high per capita income. We receive a lower Chapter 70 amount than the surrounding towns.

To assist the school department, the town is sharing the tech directors and picking up \$60,000 for the data processing salaries and funding the capital program at \$521,000. This year we are picking up \$100,000 in the capital plan to pay for replacing the Chillers at the Elementary School. These Chillers are nearing end-of-life and it is important that we keep up with the HVAC systems of these older buildings. The cost of the chillers are \$250,000 and we will be applying for Green Communities grant for \$150,000. In addition, we are applying for two hot water heaters in the Early Learning Center in the Elementary School through the Green Communities program.

The town will be increasing their appropriation by \$426,520 in this preliminary budget. This amount includes the \$400,000 Town appropriation as well as the \$26,520 in Chapter 70 aid. If additional funds become available, either through Chapter 70 aid or through the general fund, we will look to increase the School Department budget.

At the 2017 May Annual Town Meeting the town authorized building of a new Police Station at the former Blue Jay property. We are wrapping up this project and should be in the new Police Station within the next 45 days. I would like to thank Wendy Mead and her leadership of the police station building committee as well as our Owner's Project Manager, Construction Monitoring Services and our architect Tecton. Lastly I would like to thank the residents of Sutton who supported this project from the beginning and hopefully this is a building that all town residents can be proud to call the home to Sutton's Police Department.

At a special town meeting in February 2018 the town appropriated \$600,000 in free cash to install a fiber network for communications. With the cooperation of Wilkinsonville Water the town has replaced the 75 foot tower adjacent to the water tower in Wilkinsonville with 100 foot monopole which will greatly enhance public safety communications. In addition, the communications tower behind town hall was increased by 20 feet. We have been laying fiber cable from town hall, pass the new Police Station down to Manchaug water tower. In the end this will greatly improve the communications for a public safety officials. The thought of having a patrolman or firefighter needing help but unable to contact anyone is an unacceptable situation that we want to avoid.

At this year's May Town Meeting we will be presenting a plan to fund a sewer extension from the Villas to the center of town. As of this writing, we do not have the final number yet as it is currently under design by On-Site engineering. The plan is to bring sewer up to the center of town and allow for sewer tie-ins along the way. This will allow the town hall that has a failed septic system to go on to sewer. From there we will start to look at bringing sewer down to the School Department as phase 2 of this project.

The town is continuing to fund Lake Singletary and Manchaug Pond in the town's budget. Both Lake Singletary Association and Manchaug Pond foundation do a fantastic job in maintaining two of the town's greatest treasures. We are committing \$5,000 to Lake Singletary Association and \$2,500 to the Manchaug Pond foundation to assist them in their efforts to keep these lakes clean for the entire town. This will be an annual appropriation to the respective agencies.

The Town of Sutton also has two enterprise funds that are independent of the general fund appropriation. The transfer station and the sewer department are both responsible for raising enough revenue through their operations to support the expenses of their respective departments. The sewer budget has small increases due to the charges from the town of Millbury, a small amount to the OPEB allocation and some minor salary changes.

The trash transfer station operator David Arsenault does a great job at the transfer station. With David's efforts the town has seen increased revenue from a number of different areas. The town has seen an increase in retained earnings.

This year's capital plan is funded in the amount of \$2,480,000. The School Department will receive \$521,000 of the allocated capital funds. The remaining funds are allocated between the Fire Department (\$855,000), Police Department (\$88,000), Highway (\$810,000), the Assessors (\$38,000), Sewer Department (\$25,000), Cemetery (\$13,000), Planning Department (\$15,000) and the Town (\$35,000). The first year amount will be funded with the following resources:

1) New Growth	\$250,000
2) Free Cash	\$557,000
3) Capital Stabilization Fund	\$1,635,000
4) Retained Earnings	\$25,000
5) Cemetery General Care	\$13,000

This is the first year in a number of years that we are utilizing the Capital Stabilization Fund to fund three important items. The first is replacing Engine 3 at the Wilkinsonville Fire Station. This is the final of three pieces of Apparatus that were purchased in 1987. The second item we would like to do with the Capital Stabilization Fund is to use \$600,000 to repave Central Turnpike from Uxbridge Road to Rt. 146. The final item that we will purchase out of the plan is replacement of Dump Truck #12. Some years ago we would replace the large vehicles within the Highway Department using Chapter 90 funds. Since the town receives so little in road repair money we want to apply all of those funds to fixing the roads.

As I say every year our ongoing challenge continues to be to live within our means while growing at a rate supported by recurring revenues. The town has done a good job on eliminating our utilization of one-time revenues so there's less chance of a structural deficit. The challenge this year is a significant increase in educational expenses to the town. As I mentioned earlier in this address the educational costs alone are more than the revenue we are bringing in this year. The Board of Selectmen's goal is to make the town of Sutton a sustainable community and that begins with a sustainable budget.

Once again I want to thank all of the dedicated and hard working department heads and town employees that serve our Town. I especially want to thank my Executive Secretary Deb Jacques, for her outstanding service to the Town, and the Board of Selectmen. In addition I want to thank Tim Harrison for his assistance in putting this budget together.

Lastly, I want to thank the Board of Selectmen and members of the Finance and Warrant committee for their ongoing partnership in helping to make Sutton not only a great community but one that is financially well run.

Sincerely,

James A. Smith
Town Administrator