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James A. Smith, Town Administrator

**Town Of Sutton
Office of the Town Administrator**

May 13, 2013

Dear Residents of the Town of Sutton:

It is with great respect that I submit to you the Town of Sutton's annual operating budget for fiscal year 2014 in the amount of \$27,892,488. The FY2014 budget is \$980,000 or 3.3% over FY 2013 final budget. This budget level funds state aid. The Gov.'s budget is predicated on a 1% increase in the income tax and a reduction in the sales tax. We will wait to see what the legislature will do. If necessary we will appropriate the increase in state aid at the fall town meeting.

While there remains a question on state aid, the rest of the budget is looking fairly positive. The past 5 years have been difficult, not only for the Town of Sutton, but for all families who have struggled during these challenging years. The town budget is looking better due to a couple of reasons:

- 1) Healthcare costs have decreased by \$350,000 as a result of switching our health plan to the Enhanced Value Plan. These changes will take place in fiscal year 2014. Typical increase is \$150,000.
- 2) Blackstone Valley regional vocational school decreased by \$10,000. Typical increase is \$50,000-\$100,000.

The School Department's budget will receive an additional \$548,000, although they will have to go through a few layoffs to balance their budget. On the positive side, this may be the last year of significant layoffs. The School Department budget is only spending the receivable on school choice. Meaning they only spend what they receive. This year is hopefully the bottom.

The FY2014 budget raises \$19,356,358 in local property taxes or 69% of all revenues. This number reflects a budgeted 2 1/2% increase plus new growth over FY13 which, in total, amounts to \$480,000. The remaining increase in the tax levy is due to the net increase in debt exclusion debt due to the new Middle School/High School project.

State aid to Sutton makes up approximately 21% of Sutton's revenue. This is down from 25% in FY2009. This reflects level funding of chapter 70 and lottery aid. While the Gov. did propose increasing state aid by \$70,000 to the town, it is based upon an increase in the state income tax. I am level funding this for now, and if the House and Senate agree I will add this additional funding to the budget.

Local receipts serve as the third major source of revenue for the town. The largest source of local receipts is the motor vehicle excise taxes. While some of the revenues like vehicle excise taxes and investment income are off their highs, overall local receipts have held steady in part due to efforts to try to generate revenue from additional sources. We have added small amounts of revenue with the leasing of the Manchaug Library (\$12,000/year); the regionalization of health services (\$5,000-\$10,000); and we continue to budget revenue from solar renewable energy credits (SRECs) that we receive from the solar panels at the Early Learning Center.

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. Free Cash is accumulated as a result of unexpended appropriations and excess revenues from the prior fiscal year. The Fiscal Year 2014 budget funds the use of free cash at \$248,000, down \$112,000 from FY 2013. In addition, we are eliminating the stabilization fund as a funding source. Currently the stabilization fund has \$1.85 million and the Board of Selectmen voted to increase that balance to 8% of revenues or \$2.2 million dollars. We have an article on the town meeting warrant to appropriate \$70,000 from free cash to the stabilization fund. 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 have improved greatly due in large part to the \$350,000 reduction in healthcare. I would like to thank the insurance advisory committee (IAC), made up of all town and school unions, for their efforts on working with the town on health care changes. I would also like to thank Cathy Van Dyne for all her assistance with the IAC. We made moderate changes in our health care, which save a significant amount of money. In addition, we are creating a health reimbursement account or HRA. The HRA will help offset some of the employee's deductibles for outpatient surgery and inpatient hospital care.

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 has gone down to roughly \$1 million dollars in FY 12. In FY 13 the number is even lower at roughly \$800,000. The chapter 70 formula is designed in such a way that puts more 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 \$52,000 for the data processing salaries, funding the capital program at \$130,000, increasing their appropriation by \$525,000, and committing to fund unemployment at \$80,000. Even with this, the school department will be forced to eliminate a few positions.

The new middle school/high school project is now halfway complete. The middle school is almost ready to open and students should be in there shortly. Our plan is to move high school students into the middle school, and leave the middle school in the modular units. The entire project should be complete next year. We anticipate the debt exclusion debt service for this project to peak this year in FY2014 and then decrease annually from that point.

There are a few additional items that I would like to address that are a part of this budget. The first is we intend to add one additional police officer position to the Police Department. This individual will serve as a school resource officer. The Newtown, CT shootings at Sandy Hook elementary school highlight this need for a school resource officer to work in the town's schools at least on a part-time basis. We have also decided to fill the vacant Sergeant's position which has been vacant for 3 1/2 years. In addition, we have set aside \$50,000 in the capital plan for additional security measures at the schools. Sutton is a very safe town we want to assure students and parents that our schools are just as safe.

The second issue that I would like to address is the cemetery commission. The cemetery commission has three members on the commission. Town meeting authorizes the cemetery commission to employ themselves for eight months out of the year. This year we have two retirements and rather than to find two individuals willing to work on a part-time basis for \$12 an hour, we are recommending hiring an additional employee in the Hwy. Department to work on the cemeteries. I'm still recommending that the town have a volunteer cemetery commission to oversee the cemeteries, but this Highway Department individual will work a full-time schedule of 40 hours a week and during the spring, summer and fall will be responsible for maintaining the cemeteries. In addition, we are planning to hire two part-time individuals during the summer months to assist with work at the cemeteries. We are able to cut the cemetery budget in half, but we also need to add one full-time employee to the Hwy. Department. So while this is a more efficient plan it will cost us more money.

The final issue I would like to address is the need to fund the other post employment benefits trust fund (OPEB). I am recommending that we appropriate \$70,000 in free cash to the OPEB trust fund for FY 13 and the town appropriate \$100,000 to the OPEB trust for FY 14. The other post employment benefits for the town's employees are the town's retiree healthcare costs. In 2010 our unfunded liability anticipated for 2012 was \$25 million. Because we made some changes and partially funded the OPEB trust, our actuarial liability, in 2012 was \$8 million less than anticipated or \$17 million dollars. Ideally, we would make an annual contribution to OPEB trust while we make plan changes for active employees and retirees that reduce our overall liability. Our goal is to fully fund the OPEB trust, because if we do nothing the OPEB liability in 30 years is estimated to be approximately \$93 million dollars. This will be a significant burden to future taxpayers if we don't act.

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 is level funded over FY2013, excluding an increase for OPEB liabilities. The sewer Department is requesting town meeting approval to use retained earnings (free cash) to purchase a vehicle as well as to install solar panels on the sewer Department buildings. This will

reduce the retained earnings by a little over \$100,000. Retained earnings for the sewer Department are currently just under \$600,000.

The trash transfer station lost just under \$4,000 for fiscal year 2012. The costs of running the transfer station had been maintained, but the employee costs and Wheelabrator tipping fee have been going up. I am recommending a \$10 sticker fee increase for fiscal year FY 2014. While we have been getting by, the equipment gets a year older and we still do not have any additional revenue for capital purchases. The last time we had a sticker fee increase was FY 2007.

This year's capital plan is funded in the amount of \$646,000. The school department will receive \$130,000 of the allocated capital funds. The remaining funds are allocated between the Police Department (\$70,000), Fire Department (\$80,000), Highway (\$16,000), Waters Farm (\$50,000), the Assessors (\$80,000), and the Town (\$220,000).

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. We live in a very special town and we will work together to protect and ensure that Sutton emerges from these economic challenges with the same high quality of life that our residents have grown to expect.

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, the Board of Selectmen and myself. In addition I want to thank Tim Harrison and Catherine Van Dyne for their 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