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James A. Smith, Town Administrator

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

May 9, 2016

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 2017 in the amount of \$30,182,232. The Fiscal Year (FY) 2017 budget is \$375,000 over FY2016 final budget or 1.26%. We currently are in the best financial situation as a town that we have been in a long time. The budget is balanced. Governor Baker has increased state aid to the town of Sutton. He has committed \$28,820 to chapter 70 and \$30,944 to Unrestricted General Government Aid (UGGA). We have included these numbers in our budget. 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. Last year the legislature appropriated \$25 per student.

The biggest uncertainties in this budget, as usual, are healthcare and the Blackstone Valley Vocational school. Our Healthcare continues to be a budget buster. After insurance advisory committee meetings (IAC) we were able to negotiate our health care increase down from double digits to a little over 6% increase. I would like to thank all of the union's in the town that worked closely with us on the healthcare proposal.

The town had 12 additional students attend Blackstone Valley Vocational school in FY 16. The budget for Blackstone is based upon the student enrollment as of October 1, 2015. The cost to the town of Sutton is \$1,294,846, an increase of \$182,563. This increase of 12 students is unusual for the town of Sutton. This is part of the bubble class (large enrollment for one year) that we've seen working its way through the school system.

The School Department's budget will receive an additional \$440,000. There are no layoffs as a result of this budget. As a result of declining enrollment, the early learning center and elementary school average about 22 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 19 students.

The challenge for the Town and the School Department is to deal with the structural gap with school choice funding. The School Department budget is allocating \$350,000 from school choice monies to balance this budget. The School Department will likely receive approximately \$250,000 in next year's

school choice funds. While it is still an issue, the once prominent structural gap with school choice money is being reduced.

The FY2017 budget raises \$21,079,392 in local property taxes or 70% of all revenues. This number reflects a budgeted 2 1/2% increase plus new growth (\$250,000) over FY16 which, in total, amounts to \$355,000 or 1.7%. At the same time we are raising property taxes, we will have \$340,000 in debt exclusion roll-off that will lower tax impact. So instead of a normal \$600,000 property tax increase in FY 17 we will only see a \$355,000 increase.

State aid to Sutton makes up 20% of Sutton's revenue. This reflects the existing funding of chapter 70 and Unrestricted General Government Aid (UGGA). The UGGA money is the same as the former lottery aid. The town's UGGA is down approximately 23% or \$220,984 from the funding level in FY 09. Chapter 70 aid is down 3.5% or \$190,992 from the FY 09 level. 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. The largest source of local receipts is the motor vehicle excise taxes. Motor vehicle excise taxes dropped from 2009- 2012 but since then we've seen a recovery. Between the years 2009-2012 the town averaged \$1,280,000 in motor vehicle excise tax. Between the years 2013-2015 the town averaged \$1,420,000.

Local receipts have also grown as a result of some creative projects that the town has implemented. We are currently leasing the Manchaug library to Puckihuddle preschool. In the summer of 2015 the town entered into a 25 year lease of this building. Starting rent was \$12,000 per year with a 3% escalator. At the end of 25 years the rent will be just shy of \$25,000. This is a triple net lease so Puckihuddle assumes all responsibility for the property.

Another effort that the town has been working on is solar renewable energy credits (SRECs). We've installed solar panels on the Early Learning Center, the Sutton Memorial High School, Manchaug Fire Station, the Senior Center, and the Sewer Treatment Plant. All of these solar panels have been paid off. The town will be receiving payment for 380 SRECs. At an average of \$300 per SREC the town will be collecting an extra \$114,000.

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 Fiscal Year 2017 Budget funds the use of free cash at \$100,000, down \$14,000 from FY16. Our goal continues to be zero reliance on free cash as a funding source for the budget. We continue to make progress towards this goal. 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 \$2.5 million in health insurance costs. I have budgeted a 6.8% increase or \$160,000. We have made significant plan design changes with the help of the insurance advisory committee. The health reimbursement account (HRA) will continue to offset some of the employee's deductibles for outpatient surgery and inpatient hospital care. In addition, this is the first year we are

offering an opt-out provision for our health care plan. Employees can opt out of our health plan and receive an annual stipend \$1500 for an individual plan and \$3000 for a family plan.

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 FY13 the number was even lower at roughly \$766,000. In FY14 the number was \$711,000. The FY15 number is higher at \$908,464. This is a \$200,000 increase in the net school spending situation. The FY 16 number is scheduled to be higher as the result of the appropriation of over \$400,000 in FY16. 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 \$358,000. We will be looking to do the usual technology replacement and building security and we will look to replace a walk-in cooler at the elementary school. In addition, we will look to reconstruct and pave the entrance way to the early learning center/elementary school. The town will be increasing their appropriation by \$440,000 in this budget. If additional chapter 70 monies are appropriated by the state then the School Department will receive that additional money.

This year the finance committee is recommending funding a Special Education Stabilization Fund. This fund will start off with a \$200,000 appropriation from free cash at the May Town Meeting. The idea of this fund is to help offset unexpected special education out of district costs. While the school Department appropriately funds special education prior to the beginning of the fiscal year, any unanticipated students moving into the district that requires an out of district placement, puts undue stress on the School Department budget. It is another insurance policy to help the School Department.

Article 15 of the May town meeting warrant is a Land Water Conservation Fund matching grant for Marion's Camp. We have applied for a \$150,000 State matching grant to Rehab Goddard Lodge and install a lakeside trail system. The town match is made up of \$127,818 in private donations and \$28,703 in existing appropriations. In addition to the \$300,000 appropriation, Sen. Ryan Fattman successfully included \$100,000 appropriation in the state budget. Town meeting will have to vote to make Marion's Camp parkland in perpetuity. All of this will be contingent upon the town receiving this grant.

In July 2014 the Board of Selectmen held their annual goals meeting and one of the goals was to look at LED streetlights. We went through a lengthy process and hired a consultant George Woodbury, we currently have most of the town owned streetlights converted to LED. I would like to thank the vision of the board particularly Mike Chizy and Doreen DeFazio the town's energy manager, for all their work in implementing this program. All you need to do is drive through Sutton at night and you can tell we are a Green Community.

The town applied for another Green Community grant in March of this year. As you may know we are one of six communities in the state of Massachusetts that has exceeded the 20% reduction in energy consumption which is a goal of the Green Communities. We are looking to focus on the Senior Center and the School Department. The Senior Center will be looking for installation of insulation in the attic

of the building to prevent the ice dams that occurred in the winter of 2015. In previous years we received over \$300,000 to implement Green Community projects.

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 decrease in 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 from \$4,000 at the end of FY 13 to \$33,832 the end of FY 15. We did create a capital plan for the transfer station and we have two expenditures out of the capital plan to fund containers for trash and glass.

This year's capital plan is funded in the amount of \$979,000. The School Department will receive \$358,000 of the allocated capital funds. The remaining funds are allocated between the Police Department (\$85,000), Fire Department (\$90,000), Highway (\$211,500), the Transfer Station (\$20,000), Assessors Department (\$180,000) and the Town (\$35,000).

1) Free Cash	\$614,000
2) Chapter 90	\$145,000
3) Retained Earnings	\$20,000
4) Borrowing	\$200,000

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. The town has done a good job on decreasing our utilization of one-time revenues so there's less chance of a structural deficit. 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