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James A. Smith, Town Manager

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

May 15, 2021

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 2022 in the amount of \$35,002,055. The Fiscal Year (FY) 2022 budget is \$733,114 over FY2021 final budget or 2.14%. This annual town meeting will be different. The meeting will be held outside the Middle School/High School on a Saturday. A couple of firsts for the Town of Sutton. We have a full warrant due in part to last spring and fall town meetings with only essential items being addressed. Be patient and hopefully the weather cooperates.

Fiscal Year 2021 was an interesting and challenging year. The Coronavirus forced us to shut down the entire country for a period of time. We had already presented the preliminary budget and were working on the final 2021 presentation. Not knowing what the future was going to hold, we planned a conservative FY 2021 budget. We increased our reserve fund to \$169,000, \$100,000 of that was intended for OPEB. We reduced our local receipts because we could not count on the meals tax, investment income, motor vehicle excise taxes, and building fees. In healthcare, we made significant plan design changes that lowered our premiums from the initial 15% down to 2%. We are still carrying approximately \$150,000 surplus in healthcare and are looking to create a healthcare stabilization fund with these surplus funds.

We worked very closely with the Select Board, the School Committee and the School Administration to make sure everyone was employed during this pandemic. The School Department took a hit on aftercare, sports programs, bus fees and special education costs. They had deliberately built up school choice funds as a sort of free cash to deal with these unforeseen issues. In 2022, we are looking to build up the Special Education Stabilization fund to help deal with the unpredictable special education costs.

Now that we have vaccines, and a regional clinic being held in Uxbridge, our town nurse Cheryl Rawinski and her staff are working diligently to vaccinate as many people as possible and hopefully put the Coronavirus in the rearview mirror.

Governor Baker released his House One Budget on Wednesday January 27<sup>th</sup>. He has committed \$37,710 to Chapter 70 and \$29,012 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. The town has funded the schools at an additional \$400,000 a year while the State funds the schools at an additional \$40,000 a year.

This year our biggest challenge was healthcare. We decided early on to go out to bid on healthcare. Our current healthcare provider Fallon submitted a 19.1% increase for FY2022. The Massachusetts Interlocal Insurance Agency or MIIA submitted a quote for our business with year one being a 5.7% increase. At the time we had no idea that Fallon was trying to get out of the commercial healthcare business. Working with the unions through the insurance advisory committee or IAC, we decided to go with MIIA and further decided on health savings accounts for all qualified employees. With the decision to go to HSA's, the average employee is saving 6.1% on healthcare versus the current year. MIIA has offered us a three-year deal with year one being a -6.1% decrease, year two would be the MIIA Trust average and year three the worst we could do is the high end of the trust average. I would like to thank the Board, Erin Chinappi and the town's employees for working together to get this deal done.

The School Department's preliminary budget will receive an additional \$425,000 from the town and \$37,710 in Chapter 70 from the State. 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 19-23 children per class. The middle school will average approximately 21 to 24 children per class. In the high school the average class size will be approximately 18 students depending upon course selection.

One 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. Currently we have \$350,000 in the Special Education Stabilization Account, and we are looking to add \$250,000 in free cash to this account. We do not want to touch this account if at all possible. We have been working with the Superintendent and the Business Manager to figure out a way that we can address the unpredictable special education costs.

The town has 7 additional students attending Blackstone Valley Vocational Technical School in FY 21. Our costs are increasing \$199,432 for a total of \$1,953,604. The budget for Blackstone is based upon the student enrollment as of October 1, 2020. The state aid formula penalizes "wealthier" communities and we pay more per student than our surrounding neighbors. Currently there is 1 new application for Norfolk Agricultural School.

The FY2022 budget raises \$26,032,097 in local property taxes or 73% of all revenues. This number reflects a budgeted 2 1/2% increase plus new growth (\$150,000) over FY21 which equals \$629,827.

State aid to Sutton makes up 18% of Sutton's revenue. This year we are receiving \$6,394,930. The Governor committed \$37,710 to Chapter 70 aid and \$29,012 for UGGA monies. This reflects the existing funding of Chapter 70 and Unrestricted General Government aid (UGGA) formally lottery aid.

Chapter 70 aid has just exceeded the amount that was budgeted in the FY 2009 budget, 13 years later. The town contributes an additional \$350,000-\$400,000 annually to the school budget, the State contributes an additional \$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 \$2,411,985. The largest source of local receipts is the motor vehicle excise taxes. Sutton averages about \$1,500,000 in motor vehicle excise taxes. With the development on Gilmore Drive with Primetals and IBA we are expecting additional motor vehicle excise taxes, property taxes and room and meals tax revenue from restaurants. On a positive note, Primetals and IBA are fully operational and doing well at the new address on Gilmore drive.

In FY 22 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. In addition, Solar was recently installed at the new police station carport. 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. The town eliminated the use of free cash from our revenues. The stabilization fund is at \$2.6 million, and in keeping with the Select Board's Stabilization Fund policy, we may budget the interest from the stabilization fund as an additional recurring revenue. 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, was the largest positive change in this year's budget. As I mentioned earlier in this address, the town will be saving approximately 20% on healthcare due to switching providers and enrolling all eligible employees into HSA accounts.

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 \$3.4 million in FY 20. 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 \$75,000 for the data processing salaries and funding the capital program at \$306,000. We have appropriated an additional \$130,000 to go with the existing \$100,000 to purchase new chillers for the elementary school, as well as money for replacing the gymnasium floor in the early learning center/elementary school. The school department was able to eliminate the computer labs in the library because the schools were able to purchase a chrome book for every student. We have put \$50,000 in the capital budget for a robotics lab.

The town will be increasing their appropriation by \$462,710 in this final budget. This amount includes the \$425,000 Town appropriation as well as the \$37,710 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.

During our due diligence for the sewer project from the villas to the schools, we came upon a new preferred option. The main part of the School's wastewater treatment plant is a Membrane Batch Reactor or MBR. The cost to replace the MBR is approximately \$1 million. Another option, that we are pursuing, is to recoat and paint the existing MBR tank, at a cost of approximately \$200,000, that will extend the lifespan by an additional 15 to 20 years. We are out to design for this work and will likely pursue rehab and repair in the month of July. We will be utilizing the remaining funds from the Middle School/High School project to complete this work.

At the Annual Town Meeting there will be an article to purchase 6 acres of land across the road from Waters Farm. This land has been used by the Town for many years to park cars for Waters Farm days. The owners of this land, the Beaton Family trust, allow the town to park cars on this land for the annual weekend event. It was always a risk that they could sell this property and three house lots would be created. With the purchase of this land the town would turn this property over to the conservation commission for preservation in perpetuity. In addition, we can look to improve the drainage at this location which could help with the use of that field for parking and other events. The total cost will be \$225,000. We will utilize \$80,000 from Conservation Land Acquisition Fund and \$145,000 in Free Cash.

Also at town meeting there will be a request to sell the 25 Acre Hatchery property to UNIFIED Global Packaging Group formally known as Atlas Box for \$1,450,000. The town purchased this lot from the State of Massachusetts in 1970 for \$29,500. The town used this property for many years as a gravel pit, but since 2008 it has remained dormant. The town is now subject to OSHA regulations which make it difficult, if not impossible, for the town to cut into that hill. The proceeds from the sale cannot go into the general fund. Because it is the sale of a town asset, we have to borrow for a minimum of five years for a capital asset. Our plan is to use the money towards road improvement. These funds along with the typical \$470,000 in Chapter 90 moneys, would allow the town to complete almost \$800,000 worth of roadwork a year for five years.

Last year the Board of Selectmen voted to change their title to Select Board. To officially change this title, Town Meeting needs to request a charter change. This has been an ongoing discussion at the state level with the Massachusetts Selectmen's Association and Massachusetts Municipal Association. At last year's Massachusetts Municipal Annual Meeting, the Massachusetts Selectmen's Association voted unanimously to change their title to the Massachusetts Select Board Association.

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. Last year we raised the sticker fee by \$10 to keep up with the cost increases. The transfer station offers a low-cost option for trash and recycling.

This year's capital plan is funded in the amount of \$1,472,000. The majority of this capital plan will be funded through free cash which was certified by the Department of Revenue at \$3,400,000. We will still have approximately \$1.6 million for year-end transfers and the remainder will go to the FY22 free cash number. The School Department will receive \$306,000 of the allocated capital funds. The remaining funds are allocated between the Fire Department (\$150,000), Police Department (\$232,000), Highway (\$491,000), Waters Farm (\$13,000), Sewer Department (\$80,000) and the Town (\$180,000). We also have new growth that can only be used for one time purchases and Federal dollars as a result of the \$1.9 Trillion stimulus plan.

This last year has been a challenging one. We have all worked together to budget conservatively and stay safe. 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 Select Board'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 Select Board. In addition, I want to thank Tim Harrison for his assistance in putting this budget together.

Lastly, I want to thank the Select Board 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 Manager