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James A. Smith, Town Administrator

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

April 13, 2010

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 2011 in the amount of \$24,294,562. The FY2011 budget is \$1,637,387 or 6.34% less than the FY2010 budget of \$25,931,949. This significant reduction is due to the refunding and paying off of the Elementary School debt and elimination of \$1,317,510 in debt service from our budget as well as another \$313,000 cut in State Aid to Sutton.

The past two years have been difficult not only for the Town of Sutton but for the residents and businesses who have struggled during these difficult economic times. As a Town our revenues have been reduced significantly since FY2009, however we are still effectively weathering the downturn. We have done this by, reducing departmental expenses; using one-time revenues in a prudent manner; not filling vacant positions; and finally, creating efficiencies and new revenue sources. As a result of our managing the downturn, as we begin to emerge from this severe recession we will be able to return some of the essential positions and expenses to the Town and School while having created some efficiencies that will lower our operating costs in the future.

Ninety percent (90%) of all of the revenues that support the Town's operating budget in FY2011 come from three sources, the property tax (60%), state aid (23%), and local fees and motor vehicle excise taxes also known as local receipts (7%). The only revenue increases in this year's budget come from the local property tax and an anticipated \$45,000 from an increase in the meals and hotel tax. Should the meals and hotel tax not pass Town meeting then an additional \$45,000 will need to be cut from this budget.

The FY2011 budget raises \$15,450,919 in local property taxes. This number reflects a 2 1/2% increase plus new growth which amounts to \$418,825 in new revenues. This number includes a record low of \$75,000 budgeted for new growth. The net change in the property tax over FY2010 is actually \$53,000 lower than in FY2010 due to the early payoff of the elementary school borrowing.

The next largest source of revenue to support our budget is state aid. State aid to Sutton makes up approximately 23% of our Town's revenue. The Governor's House One budget reduced state aid to Sutton by approximately \$70,000 through reductions in a number of various revenue programs including Quinn bill reimbursements and PILOT payments on State land. The House and Senate, while still

debating their budgets, have agreed on an additional 4% cut in Lottery Aid and School Aid to cities and towns. This 4% cut equals \$243,116 in total or \$215,605 in School Aid and \$27,511 in Lottery aid for the Town.

Making up 23% of the Town's revenue, state aid is a critical funding source to help the Town maintain services. Our challenge is to continue to fund fixed cost increases like health care, pension contributions, property and casualty insurance, and employee raises when the FY2011 state aid is \$738,000 or 9% less than it was in FY2009. In fact, lottery aid which makes up 80% of non-school state aid to Sutton is over a \$100,000 less than it was ten years ago in FY2001 and Chapter 70 school aid is \$321,000 less than in FY2009. In FY2002 state aid made up over 30% of all Town revenues, and today state aid makes up 23% of our revenues.

The third major source of revenue for the town is local receipts. The largest item in this area is motor vehicle excise taxes. While we are receiving much less revenue in areas like investment income and building fees we are expecting a leveling off of motor vehicle excise tax revenues which had slowed with the economy and the drop in new car sales. We have added a small amount of revenue (\$10,000) with the leasing of the Manchaug Library and we are looking to add two cell towers, one at Whittier Farms to help pay for the Town's share of protecting 380 acres and another at Shaw Farm to support the Town budget.

One final source of revenue that I would like to mention is free cash. The Town accumulates free cash as a result of unexpended appropriations and excess revenues from the prior fiscal year. In FY2007 and FY2008 the Town budgeted all of the free cash from the prior fiscal year. With the slowdown in the economy and major reductions in operating expenses less free cash is being certified on an annual basis. FY2011 will be the third year that we budget less than the prior year with the goal of continuing to reduce our reliance on this non-recurring revenue. To avoid a structural deficit, we have to avoid the temptation of spending more one-time revenue in this budget.

In an effort to balance this year's budget the Board of Selectmen has voted to recommend to Town meeting the adoption of the local option meals tax and a 2% increase in the hotel/motel tax this spring. Approximately 70 communities have adopted the local meals and hotel tax increases over the past year with a number of additional communities considering it this spring. In our area the Towns of Auburn, Webster, Worcester, and Shrewsbury have all adopted these revenues and Millbury is voting on it at their May Town Meeting. The State Department of Revenue estimates that Sutton could realize an additional \$45,000 in revenue by raising the meals tax by  $\frac{3}{4}$ 's of 1% or .75 cents on a \$100 meal bill and an additional 2% on the hotel/motel tax. These articles will be presented prior to the budget article so if Town Meeting does not adopt them we will be able to reduce the budget by the \$45,000 amount.

On the expense side the story is similar to previous years. Department budgets are mostly level funded or cut except for previously approved contract increases, while we are challenged to fund a \$240,000 increase in employee benefits and another \$150,000 in Blackstone Valley Technical School. Those two cost centers alone take all of our increase in revenue for FY2011 forcing us to reduce other budgets.

Employee benefits make up the largest increase in this year's operating budget. Our health insurance increase of \$180,000 amounts to a 10% increase overall. Other benefit increases in this year's budget include: pension contributions 5.4%; property and casualty insurance 7%; and unemployment compensation 60%.

With these increases and the stagnating revenues we will need to level fund or cut many other budget items. While we have been able to avoid layoffs up to this point, we have a number of vacant positions. On top of frozen positions in the Planning Department, Council on Aging, and the Highway Department, we will be freezing a Sergeants position within the Police Department. As the economy recovers our first priority will be to hire the vacant police position. In addition to these vacant positions, we are reducing the hours within the Board of Health and the hours of a clerk's position in the Town Clerk's office.

On the School side both union contracts are open and being negotiated by the School committee. The Town has annually exceeded Net School Spending since Education Reform was enacted in 1993, to the tune of \$1.5 million in FY2008, \$1.6 million in FY2009 and budgeted for over \$1 million in FY2010. At this point the school appropriation is decreasing by the amount of the proposed State Aid Chapter 70 reduction of \$215,605 as well as another \$22,000 for a second student to attend Norfolk Agricultural School.

While the State is proposing to cut school aid by 4%, the latest House Ways and Means Budget actually reduces Chapter 70 by 6% or \$314,891 and then provides a 2% Stimulus grant in the amount of \$99,286. The House makes it clear that the \$99,286 is a grant and should not be included in the Chapter 70 appropriation. This brings the amount of non-recurring stimulus monies supporting the School Department to almost \$300,000. If this funding plan withstands the Senate and the Governor's final approval, then even if the State level funds Chapter 70 next year in FY2012, the School's will be facing a \$300,000 budget cut with end of the Stimulus.

The overall education budget, which includes Blackstone Regional and Norfolk Agricultural Schools, decreases much less overall as a result of the proposed \$150,000 increase in the Blackstone Valley Regional school budget. This increase on top of last year's \$200,000 increase equals a \$350,000 increase in our contribution to the Regional school over the past two years. These increases are a result of the expansion of Blackstone Regional School allowing for more Sutton students to choose this option. The difficulty for Sutton schools is that a loss of 35 students over the past two years does not allow you to significantly reduce costs to make up for the \$350,000 that now goes to Blackstone Regional.

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 as presented represents an increase of 1% over FY2010. This increase is due solely to contractual increases.

The trash transfer station had a very productive year in spite of the record low reimbursements we received for our recyclables. With the slow economy the market for recyclables dried up and we received \$8000 less than the previous year. Even with that the transfer station came within \$350 of breaking even for the year. Much of the credit for the financial turnaround of the transfer station belongs to Mark Brigham and Erik Bentley for their hard work and creativity. With the addition of trash compactors and consistent operations and enforcement, expenses have decreased while the recycling rate for users of the transfer station approaches 50%. We intend to maintain the existing sticker and bag fees for the fourth consecutive year in FY2011.

The Five year capital planning process, established in FY2008 with the development of the Capital Stabilization fund, is entering its fourth year. The Town has been able to fund annual capital plans while at the same time reducing the overall debt burden on our budget. One significant reduction in debt

service is due to the refunding and paying off of the Elementary School debt 9 years earlier than planned and elimination of \$1,317,510 in debt service from our budget. The Town was able to do this in partnership with MSBA in large part due to the Town's conservative "level principal" repayment method over the first 10 years of the borrowing.

This year's capital plan is funded in the amount of \$366,500. The school department, as the largest department in the Town, will receive \$134,500 of the allocated capital funds. The remaining funds are allocated between the Police Department (\$52,000), Fire Department (\$35,500), Marion's Camp Property Rehab (\$50,000), Town Building improvements (\$14,500), Assessors Reval (\$50,000) and a Town Master Plan (\$30,000).

The FY2011 capital plan will help us complete a major phase of the redevelopment of Marion's Camp. Over the past two years since the master plan for Marion's Camp was completed we have steadily moved the project forward. We have demolished Marion's house, the infirmary and many of the smaller camp buildings. We have also conducted topographical surveys and designed the parking lot, access to the beach and drainage. This spring, utilizing the capital appropriation as well as a recently awarded \$145,000 State DCR grant, we would will construct the parking lot, access road/ handicap access to the beach and address the drainage issues that cause annual beach erosion into Lake Singletary.

As we complete a major phase of Marion's Camp revitalization, we begin to turn part of our attention to the future of the Shaw property. The Town has recently entered into contract with Gates, Leighton and Associates, Inc. (GLA) to conduct a master plan for the site. GLA is the firm that worked with us on the master plan at Marion's Camp and the Village of Manchaug and we are excited to have them on board for this project.

Planning for Shaw property will be interesting and challenging. As we identify the uses on the property we will look for ways to consolidate operations and generate revenue to support the development. While we will be looking at a number of uses of the property, we are already working on locating a cell tower at the site and a Highway facility. The cell tower is part of an overall plan along with a site at Town Farm Road to increase the cell coverage in West Sutton and generate revenue for the Town. The Shaw cell tower will likely include public safety communications equipment.

The existing Highway facility located on Rt. 146 is adjacent to the proposed Stop and Shop site and has significant value as an economic development parcel. Our goal is to move this operation to Shaw thereby freeing up a valuable parcel for private sale and future commercial tax dollars. Our intention is to use the revenue generated from the sale of the land towards the new facility. In addition, in the future we will be looking at the possibility of developing the Highway Department into a Department of Public Works and centralizing the highway department, cemetery department, as well as looking at the future of public utilities and lands and buildings. Centralizing these operations needs to be examined as a possible way to share equipment, staff and reduce overhead costs.

It is said that every crisis is also an opportunity, and while these challenging times have forced us to freeze important positions and dramatically reduce expenses it has also provided an opportunity to review our operations and to look for more efficient ways of delivering services. Towards this goal we have undertaken a number of efficiency projects that have lowered the overall cost of delivering services to the Town.

Fiscal year 2010 was the first year that cemetery commissioners went from a 12 month schedule to and eight month seasonal schedule. The commissioners are still available for burials that are paid out of a

cemetery receipts. The commissioners made this work and we were able to save the Town \$15,000 over the course of the year.

Also in FY2010 our focus on energy efficiency helped us reduce energy costs in the Town and School and led us to convert our Streetlights to higher efficiency lamps saving the Town a little over \$4000. In addition, utilizing State and Federal funds as well as funds remaining from the roof replacement, we are looking to install a Photovoltaic system at the Early Learning Center, which when completed, will save the school department over \$30,000 in year one and over \$2 million dollars over the 30 year life span. The Town has received a \$150,000 Stimulus grant to help pay for this system and we are proposing a warrant article to authorize the Town to borrow for the remaining amount of construction. This is not a debt exclusion vote. Our intent is to borrow these funds for a period of ten years and pay the debt service out of the Solar Renewable Energy Credits received through the State Solar program.

In addition to these efforts in FY2010 we also participated in efforts to study the regionalization of health services and the regionalization of our 911 call center. We will continue these discussions with our surrounding communities in an effort to reduce operating costs and still provide the same high level of service residents of Sutton expect.

Another way we have addressed the economic downturn is to identify ways to generate income beyond the property tax and State aid. With this in mind, the Town conducted a Request for Proposals to lease out the vacant Manchaug Library. Puckihuddle preschool responded to the RFP and after a summer of work they opened their doors at the Library bringing a positive presence to the Manchaug village and generating \$10,000/year in lease payments for the Town as well as relieving the Town of utility costs for the building. In addition, as I mentioned above, we are planning on installing cell towers at Town Farm Rd and Shaw Farm to address the lack of cell coverage in West Sutton and to generate additional revenue.

And last but certainly not least, Article 9 on this year's Town Meeting Warrant will be the vote to fund the construction of a new Middle School/ High School for the Town of Sutton. After five years of work by the Sutton School Building Committee and 2 feasibility studies, the Massachusetts State Building Authority (MSBA) has approved and agreed to fund Sutton's design option of a new Middle School/ High School at the same site as the existing schools. This design, which preserves the Core building and Romasco gym, has a total project cost of \$59,945,474 of which MSBA will pay \$29,843,511 or 55.39% of eligible costs. Passage of this article will require a 2/3rds vote at Town Meeting and it will be on the May 25<sup>th</sup> Town Election Ballot. If approved by the voters then we will finalize the design and go out to bid for contractors with construction beginning in the summer of 2011.

The tax impact on the average single family property tax bill including our total town debt situation will be approximately \$356/year on average. This analysis is based upon the average single family home value in Sutton of \$340,000 over the 20 year payback of this single borrowing and includes the Town paying off the final 9 years of the Elementary School borrowing in FY2011, and 8 other loans being paid off in FY2011.

The expected payoff of Debt will allow us to absorb up to \$11 million in debt in FY 2012 without any increase in tax impact. If one assumes a cost of \$30 million dollars as the Town share of the project, and \$11 million dollars absorbed by expiring debt, then the net increase on the single family tax bill would be an average of approximately \$356/yr over 20 years starting in FY2012. If the Town did not have the 9 loans being paid off in FY2011, then the average impact would have been \$510/year on average for the average single family tax bill.

As a Town our ongoing challenge continues to be to live within our means while growing at a rate supported by recurring revenues. While we continue to face revenue challenges including \$632,000 in State Aid cuts over 2 years, continued slow growth, stagnant local receipts, and one-time stimulus monies supporting the recurring school operations, we are weathering the storm through expense reductions, freezing positions, and cost savings/revenue enhancements. We are doing this at the same time we are preserving our Stabilization account, lowering our debt burden, continuing to invest in our capital plan and establishing a very solid AA Stable bond rating.

Once again I want to extend my thanks to a terrific staff of department heads and town employees that do a great job serving 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, Catherine Van Dyne and Cheryl Ouillette 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 leadership and partnership throughout this process.

Sincerely,

James A. Smith  
Town Administrator