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James A. Smith, Town Administrator

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

May 14, 2012

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 2013 in the amount of \$26,777,005. The FY2013 budget is \$735,507 or 2.82% higher than the FY2012 final budget of \$26,041,498. This budget is based upon the Governor's budget which reduces our state Lottery Aid by an additional 7.2% while level-funding Chapter 70 aid to schools.

The past four years have been difficult, not only for the Town of Sutton, but for all families who have struggled during these difficult economic times. As a Town, our revenues have been reduced significantly since FY2007, where we continue to receive the same amount of money as we did in FY2007. That is six years that the only real growth has come from the local tax rate. To cope during the economic downturn, the Town has reduced departmental expenses, left positions vacant and looked to develop new revenue sources, all the while limiting our use of one-time revenues. With this budget we make every effort to maintain services at existing levels while dealing with state aid cuts.

The School Department, on the other hand, will have to go through the second year of significant layoffs to balance their budget. In FY 2012 they laid off seven people and consolidated classes in the middle school. This year, the School Department will likely layoff seven people and consolidate classes in the High School and increase class sizes in the Elementary school. These are challenging times for the school department budget. With state aid essentially level funded since FY2007 the only growth in revenues has come from the local property tax.

The FY2013 budget raises \$18,064,838 in local property taxes or 69% of all revenues. This number reflects a budgeted 2 1/2% increase plus new growth over FY12 which, in total, amounts to \$450,000. 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. The new school debt service net impact is approximately \$350,000. The increase in the tax levy by 2 1/2% increase plus new growth is once again the only increase in revenues to the Town.

State aid to Sutton makes up approximately 21% of Sutton's revenue. This is down from 25% in FY2009. This reflects a \$47,740 or 7.2% cut in lottery aid, and 0% increase in chapter 70 school aid. Since 2009, Lottery aid to Sutton has been cut \$360,000 or 37%. Chapter 70 school aid is level-funded in 2/3rds of all towns, and has been reduced \$394,000 or around 7%. While the State economy is on the upswing, and tax revenues are scheduled to increase by 2-3% this upcoming year, no additional aid is coming to Sutton.

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); the planned but not yet budgeted cell tower at Town Farm Rd (\$40,000); and for the first time we are budgeting revenue from solar renewable energy credits (SRECs).

SRECs are credits that the Town receives for generating solar electric power from the recently completed 200,000 watt/year system on the roof of the Simonian Early Learning Center. We will have approximately 200 SRECs to sell on the SREC market with a market floor of \$300/SREC and a ceiling of \$600/SREC. This year we have generated 215,000 kWh generating 215/SRECs. We sold 3/4ths of those SREC's for \$90,000 and we still have 1/4 left to sell. At this rate we will pay the debt service off in 8 years for a system that should last 30 years.

The final source of significant revenues is one-time revenues. 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 2013 budget funds the use of free cash at \$445,000, down \$55,000 from FY 2012. In addition, we are reducing the amount of interest from the Stabilization Fund from \$30,000 to \$0 to support the budget. Currently the stabilization fund has \$1.83 million and the Board of Selectmen voted to increase that balance to 8% of revenues or \$2 million dollars. 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.

Also this year, the Teamsters contract and the Sutton police union contract are both up for renegotiation. The Teamsters union signed a one-year deal in 2012 for a 0% increase. Similarly the police union signed a two-year extension, two years ago, that called for a 0% and a 1% respectively. The unions continue to do their share with these difficult economic times.

On the expenditure side, employee benefits continue to take a major portion of our budget increase. Employee benefits grew \$185,000 or 5.23% over the prior year. In comparison the total changes to departmental expenditures only goes up to \$250,000 or 1.2%. We will continue to pursue negotiations of our health benefits with the new health reform act passed in the summer of 2011. Once again we plan on budgeting \$140,000 for unemployment costs related to the school department.

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 that is not enough to avoid layoffs in the school Department. Chapter 70 to the school Department is level-funded in the FY13 governor's budget. That funding level is slightly over (\$80,000) the amount they received in FY2007. To assist the school department, the town is picking up \$35,000 in data processing salaries, funding the capital program at \$152,500, increasing their appropriation by \$32,000, and committing to fund unemployment at \$120,000. Even with this, the school department will be forced to eliminate a number of positions. We plan to fund a separate article placing \$120,000 of free cash to fund the school Department's unemployment.

After years of planning and design, the new middle school/high school project is now underway. We have installed portable classrooms currently housing the middle school and the project is now out of the ground and taking shape. While this project will take us through 2014, we have taken advantage of the historically low interest rates and have bonded \$25 million dollars at 4.03987%. We will borrow the remaining \$5 million or so towards the end of the project. The FY2013 debt service for the new school project is \$350,000. We anticipate the debt exclusion debt service for this project to peak in FY2015 and then to decrease annually from that point.

The annual town meeting will include two important warrant articles, the potential purchase of the Blue Jay property and a telecommunications easement at an existing cell tower location on Stone School road. The purchase of the Blue Jay property will be the potential, future location of the Sutton Police Department. That location is centrally located in the town and could be a perfect location for the Police Department, currently in an undersized location adjacent to the town hall. The Blue Jay property is currently controlled by the bankruptcy court and the owners are Robert Sadowski and Edward Kooyomjian, Sr.. We made an offer on the Blue Jay property that was accepted for \$110,000. Our intent is to pay for this with the revenues we receive from TriStar investors for the telecommunications easement at the existing cell tower site, adjacent to the transfer station. We don't intend to borrow for the future police station until the debt on the new middle school/ high school begins to decrease in FY2015. I expect that we will conduct a feasibility study for a police station at this location funded by the capital plan in FY2014.

We intend to pay for the Blue Jay property from the revenue we receive from TriStar investors for a telecommunications easement on Stone School road. We received a request from TriStar investors to put the cell tower land easement, adjacent to the transfer station, out to bid even though the lease does not expire until 2024. American Tower, the current owner of the tower, was aware that we were going out to bid and they took out a bid package. We only received one proposal back from TriStar investors. They agreed to give the town \$120,000 upfront, and in 2024, we will get 55% of the revenues from the tower. With today's current tenants on the tower, we will receive \$87,000 in rent in 2024.

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 except for cost of living adjustments.

The trash transfer station had another productive year and we ended the year with revenues exceeding expenses. We intend to maintain the existing sticker and bag fees for the sixth consecutive year in FY2013. The transfer station continues to provide a very low cost, high recycling rate, alternative to curbside pickup. In 2011 the recycling rate for the transfer station exceeded 50%.

This year's capital plan is funded in the amount of \$286,600. The school department, as the largest department in the Town, will receive \$152,500 of the allocated capital funds. The remaining funds are allocated between the Police Department (\$67,300), Fire Department (\$25,000), Highway (\$40,000), Town Clerk (\$7,000), and the gazebo at the Town Common.

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