

*Kenneth Stuart, Chairman
David Hall, Vice Chairman
Michael Chizy, Clerk
John Hebert
Paul A. Maynard*



*Sutton Town Hall
4 Uxbridge Road
Sutton, Massachusetts 01590
(508) 865-8727
Fax: (508) 865-8721*

James A. Smith, Town Administrator

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

May 11, 2015

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 2016 in the amount of \$29,579,655. The Fiscal Year (FY) 2016 budget is \$952,988 or 3.33% over FY 2015 final budget. The budget is balanced. The Governor's budget was released on March 4th and he increased Chapter 70 aid to schools by \$29,800 and General Government aid by \$25,000. We have decided to give the School Department the \$29,800. The legislative process has just begun with the House Ways and Means Committee releasing their budget. They have increased the Chapter 70 aid over what the Gov. proposed, however, we have included the lower number proposed by the Governor. The town is not counting on General Government aid so that number will be level funded until the fall town meeting.

While the state aid numbers will remain in flux until the budget is passed in July, the rest of the budget is balanced. The biggest issue in this budget is healthcare. You may recall that last year I informed the town that we were in a two-year agreement with MIIA with the second year was a guaranteed 3% increase. Now that we are no longer covered by a guarantee, we received a renewal rate of approximately 11%. We met with the Insurance Advisory Committee and worked on plan design changes to lower the premium. With the unions in agreement, the town agreed to double outpatient surgery co-pays and in-hospital co-pays. Those changes with some other small adjustments resulted in a premium increase of 6%.

The town had four additional students attend Blackstone Valley Vocational school in FY 15. The budget for Blackstone is based upon the student enrollment as of October 1, 2014. The town has funded the Blackstone Valley Vocational Technical School \$1,112,283 an increase of \$53,283.

The School Department's budget will receive an additional \$477,629. This, however, does not solve the financial gap in the School Department's budget. We are working diligently with the School Department, however, there may be some layoffs to balance their budget. The School Department budget is allocating \$375,000 from school choice monies to balance this budget. The School Department will likely receive \$300,000 in next year's school choice funds. The once prominent structural gap with school choice money is close to being eliminated.

The FY2016 budget raises \$20,519,305 in local property taxes or 70% of all revenues. This number reflects a budgeted 2 1/2% increase plus new growth (\$160,000) over FY15 which, in total, amounts to \$550,955.

State aid to Sutton makes up 20% of Sutton's revenue. This is down from 25% in FY2009. The town's lottery aid is down approximately 29% or \$277,000 from the funding level in FY 09. Chapter 70 aid is down 5% or \$256,000 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. 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).

In FY 16 we will be receiving solar renewable energy credits (SRECs) from three separate municipal facilities, the sewer treatment plant, the senior center, and the Manchaug fire station. The sewer treatment plant and the senior center will use all of the electricity at their respective sites. The Manchaug fire station is producing excess energy from their solar panels. We are doing a net metering program with the excess electricity generated from Manchaug fire station. We are planning on allocating the electricity that the Manchaug fire station does not use to the senior center. The senior center's electricity bill will decrease as a result.

The final source of significant funds 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 2016 Budget funds the use of free cash at \$150,000, down \$28,500 from FY15. 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.

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 scheduled to be at \$921,000. This is a \$200,000 increase in the net school spending situation. 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 \$58,000 for the data processing salaries and funding the capital program at \$290,000. This year we are picking up \$200,000 in the capital plan to pay for resurfacing of the tennis courts. These courts have become nearly unplayable in their current condition. The courts are used by the public in the summer time, weekends and nights. They are clearly a town-wide asset. The town will be increasing their appropriation by \$477,629 in this budget.

Last year at about this time we were working with Western Surety to find a replacement contractor at the middle school/high school facility. The Board of Selectmen voted to terminate TLT in October 2013 and the board voted to hire Braite builders to finish this project. The school is now officially open, we have sold the modular units, and are working on the landscaping and playing fields. The final completion date is likely June 30th.

In July the Board of Selectmen held their annual goals meeting and one of the goals was to look into buying the town streetlights and converting them to LED. After a little research was done on this project including contacting National Grid about the acquisition price, we hired George Woodbury as the town's consultant. Mr. Woodbury is the go-to person for streetlight acquisition. He authored legislation that enabled communities to acquire streetlights. He has helped over 80 communities in 11 states acquire their streetlight systems. Based upon Mr. Woodbury's report the payback period amounts to a little over five years. That's with acquiring the streetlights for \$34,000; purchasing the LED streetlights for \$60,000 net of incentives; and entering into a maintenance agreement for the LED streetlights. Right now between the town and the school we pay a little over \$27,000 to maintain our streetlights. That cost would go down to \$8,000 if we have LED streetlights. Assuming we buy these with a free cash appropriation our ongoing bill would be a little over \$8,000 per year. This is a perfect fit with being a green community and looking to save money over the long term.

This is the first year that we are including funding for 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, some minor salary increases and a decrease in the OPEB allocation.

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 \$24,229 at the end of FY 14. The plan is to create a capital plan for the transfer station utilizing retained earnings to purchase replacement equipment.

This year's capital plan is funded in the amount of \$815,000. The School Department will receive \$290,000 of the allocated capital funds. The remaining funds are allocated between the Police Department (\$76,500), Fire Department (\$76,000), Highway (\$185,000), the Sewer Department (\$78,500), and the Town (\$109,000). Part of the School Department capital appropriation, as I mentioned earlier, is the resurfacing of the tennis courts. We plan on borrowing over a three-year term. The plan is to fund these items in the following manner:

1) Free Cash	\$433,000
2) Chapter 90	\$140,000
3) Retained Earnings	\$42,000
(3 year note for tennis courts)	\$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