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James A. Smith, Town Administrator

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

May 8, 2017

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 2018 in the amount of \$31,390,056. The Fiscal Year (FY) 2018 budget is \$499,756 over FY2017 final budget or 1.62%. We currently have a balanced budget. Last year the town budgeted \$250,000 in new growth we received \$1,067,000 difference of \$817,000. We utilized the additional new growth to eliminate free cash from the budget, paid off \$88,000 in debt, and put \$100,000 aside for the overlay account and \$500,000 for Police Department design and OPM services. Our plan is to use this additional revenue to pay down our long-term debt. Our challenge is to look forward to next fiscal year FY 19 as well as FY 20 and make sure that our budget is sustainable over a longer period of time.

Governor Baker released his House One budget on Wednesday, January 25th. He has committed \$28,440 to chapter 70 and \$21,650 to Unrestricted General Government Aid (UGGA). This increase is an additional \$20 per student that attends Sutton schools. The House Ways and Means Committee increased Chapter 70 to \$30 per student. I have increased the School Department budget by the Gov.'s numbers (\$28,440). I will wait to the legislature finalizes their budget and will make a final appropriation at fall town meeting. Last year the legislature appropriated \$55 per student. The bottom line is the state is not going to rescue the town from our fiscal situation; we are going to have to do it ourselves.

The biggest uncertainty in this budget is healthcare. Our healthcare continues to be a budget buster. The original budget for healthcare was \$400,000. The open enrollment period last year was in late May after our budget had been approved. During the open enrollment period we had 14 new participants in our health plan. Those costs were not budgeted for and we will have to make a transfer from free cash to healthcare at the May town meeting. Our insurance company MIIA was proposing to increase our rates to 13.3%. Working with the insurance advisory committee (IAC) and our advisors we went out to bid to test the market. We received a competitive bid from Fallon Health. The town received a rate from Fallon of 1.5% increase over our current rate. There are two plans in Fallon. Direct Care and Select Care. The combined rate

is 1.5%. Direct care is a limited network that typically have Fallon doctors. That rate is -5%. Select care is a broader network and that rate is 5% increase.

So for the first time in over 10 years the town is switching healthcare providers from MIIA to Fallon Health. We are budgeting for the worst case scenario and that is 6% for last year's open enrollment, plus 5% if everybody chose Select Care. We are holding off on deductibles because the rate is fairly attractive. We will look to add deductibles if the rate increases in the future.

The town had 5 fewer students attend Blackstone Valley Vocational school in FY 16. The budget for Blackstone is based upon the student enrollment as of October 1, 2016. As a result of this we are able to reduce this budget by \$52,000.

The School Department's budget will receive an additional \$378,440. Any additional chapter 70 money approved by the legislature will go to the School Department at fall town meeting. 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 24 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 20 students.

The School Department is no longer facing a structural gap. After the closeout of last fiscal year they deposited all their budgeted school choice funds back into their revolving fund. It doesn't mean the School Department is out of the woods. We will continue to invest in the School Department and we are hoping that the state does the same with chapter 70 funding.

The FY2018 budget raises \$22,371,208 in local property taxes or 71% of all revenues. This number reflects a budgeted 2 1/2% increase plus new growth (\$150,000) over FY17 which, in total, amounts to \$574,000 or 2.6%.

State aid to Sutton makes up 19.5% of Sutton's revenue. This reflects the existing funding of chapter 70 and lottery aid. The town's lottery aid is down approximately 24% or \$192,000 from the funding level in FY 09. Chapter 70 aid is down 2% or \$112,000 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. Between the years 2013-2015 the town averaged \$1,420,000. We have added small amounts of revenue with the leasing of the Manchaug Library (\$12,000/year); the regionalization of health services (\$20,000); and we continue to budget revenue from solar renewable energy credits (SRECs) approximately \$80,000.

In FY 18 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 centers electricity bill will decrease as a result.

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 2018 Budget eliminates free cash from our revenues. This is the first time in my 10 years of service that we have eliminated free cash as a funding source. 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.

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 \$1.3 million in FY 16. 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 \$243,000. This year we are picking up \$100,000 in the capital plan to pay for replacing the boilers at the Early Learning Center. These boilers are nearing end-of-life and it is important that we keep up with the HVAC systems of these older buildings. The town will be increasing their appropriation by \$350,000 in this budget.

At the May Annual Town Meeting our plan is to put forward a request for funding for a new Police Station at the former Blue Jay property. In 2014 we conducted a feasibility study by Tecton Architects. At the fall town meeting in 2016, Town Meeting authorized expending \$500,000 in new growth on hiring a project manager and designer with the intent of bringing the project to May Town meeting. Prior to the police station building committee being formed the Designer Selection Committee recommended Construction Monitoring Services as the town's Owner's Project Manager (OPM) and Tecton architects as the designer. According to the feasibility study the estimate on the total cost is \$7.5 million. We will need a debt exclusion override to fund construction of the police station. The tax impact right now for 20 year borrowing at level principle on \$8 million averages \$140 on the average home. It peaks at \$180 and goes down to \$100 at the end of the borrowing.

This year the town completed a compensation study for department heads which showed a few department heads were slightly underpaid. After reviewing, I have increased five department heads salaries between \$2200- \$4500. I have also increased the role of the Executive Secretary to include assistant purchasing agent and have increased her salary commensurate with the increasing responsibilities. In addition, I have eliminated the tree department and have incorporated that into the Highway Superintendent's role. Matt Stencel has served this role in other communities in the past and will renew his license as an arborist. I have increased his salary to reflect this new role.

The town is purchasing Code Red, an Early Notification System for emergencies. In the past we have relied upon Worcester County Sheriff for emergency notifications. The sheriff no longer provides the service and many communities are switching over to an Early Notification System. We have rarely used the sheriff service, however, when incidents occur it is an invaluable way to get the word out to the public. We have used this service in the past when we have had E. coli breakouts in the water system. Cost of the services is approximately \$4500/yr.

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 on maintaining 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 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. With some of these retained earnings we are replacing equipment for the first time since the establishment of the transfer station. We have purchased one compactor and two containers. In FY 18 we are purchasing an additional container.

This year's capital plan is funded in the amount of \$803,800. The School Department will receive \$243,000 of the allocated capital funds. The remaining funds are allocated between the Police Department (\$79,000), Fire Department (\$65,000), Highway (\$70,000), the Sewer Department (\$50,000), Planning Department (\$8,700), Waters Farm (\$50,000) and the Town (\$180,300). We are also budgeting \$50,000 in Cemetery General Care funds to purchase one acre of land at Pigeon Hill Cemetery. Article 13 is to purchase the land for \$22,000 and Article 14 is to pay for the surveying the one acre and paving the access road to the cemetery. The first year amount will be funded with the following resources:

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| 1) Free Cash | \$696,300 |
| 2) Retained Earnings | \$57,500 |
| 3) Cemetery General Care | \$50,000 (article 13 and 14) |

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 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