

*David Hall, Chair
Wendy M. Mead, Vice-Chair
Jesse Limanek, Clerk
Jonathan Anderson
Jeffrey Bannon*



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

James A. Smith, Town Manager

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

June 22, 2020

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 2021 in the amount of \$34,223,941. The Fiscal Year (FY) 2021 budget is \$997,950 over FY2020 final budget or 3%. We are in unprecedented times. Schools, Town halls and nonessential businesses have been closed in the state of Massachusetts since March 23, 2020. Businesses are starting to slowly reopen. This action put significant downward pressure on State revenues. While we are still awaiting the state budget we have taken action in preparation. In the H1 budget submitted by the Governor in January, he proposed a \$76,000 increase in state aid to the town of Sutton. In response to the economic downturn, we have level funded state aid and are waiting on the state for a potential cut in local aid.

The town of Sutton has been preparing for a rainy day for years and it is raining out now. We have significant reserves and excess new growth that can help us withstand a temporary downturn. We have put a hold on the OPEB funding policy and moved the \$100,000 to the reserve account. Our reserve account currently has just shy of \$170,000 to absorb any cut in state aid or local receipts. We are also preserving our free cash to deal with the downturn. Our capital plan has been reduced since the preliminary budget to \$607,000. The preliminary capital plan had an additional \$550,000 that is now being deferred. Free Cash is certified by the Department of Revenue as of June 30. We currently have approximately \$1.8 million in free cash. We may access these funds to offset the downturn in the state. We need to be careful utilizing free cash because it is one-time revenue. We need to keep our expenses in check and await for the state revenues to bounce back.

Governor Baker released his House One Budget on Tuesday January 22th. He has committed \$39,630 to Chapter 70 and \$23,210 to Unrestricted General Government Aid (UGGA). All of this was prior to the Coronavirus shutdown. We have since level funded state aid and are anticipating a cut when the state government submits its final budget.

Last year was the first year that we did not have plan design changes in healthcare for some time. Plan design changes often shift the burden from the employer to the employee. We absorbed

roughly 7% increase for all plans and the employees premiums went up 7%. This year we are facing some bad experience. Experience is essentially the loss ratio for healthcare. When the town has a loss ratio of 90% or lower the healthcare provider makes money. When the town has a loss ratio exceeding 90% then the healthcare provider loses money. Over the last year we've had loss ratios, which are done on a monthly basis, of 172%, 445%, and 130%. These loss ratios put pressure on the insurance company and ultimately our renewal.

With the help of the Town unions, the insurance advisory committee negotiated a plan design change that increased the deductibles to \$2000 individual and \$4000 for a family. As a result, the healthcare renewal was reduced to 1.1%. I would like to thank all of the Town's unions and the insurance advisory committee for their effort in making health care affordable for all the employees of the Town.

The School Department will receive an additional \$400,000. At this point there are no planned layoffs as a result of this budget. This may change with the final reduction in state aid. We still don't know what school will look like in the fall of 2020. It does not look like a vaccine will be available prior to the school year so we will have to adjust. The Superintendent and the School Committee are working with the State on a plan to provide a safe and healthy education for all of Sutton's children.

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. 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 1 less student attending Blackstone Valley Vocational Technical School in FY 20. The budget for Blackstone is based upon the student enrollment as of October 1, 2019. Blackstone Valley Vocational Technical School has passed a budget making our assessment increase by \$90,478. The town will be paying BVT \$1,754,000 for 113 students. The state aid formula penalizes "wealthier" communities and we pay more per student than our surrounding neighbors. Currently there are no new applications for Norfork Agricultural School. We are budgeting for six students to attend at \$23,000 apiece. We still have to wait to see if any students do apply to attend.

The FY2021 budget raises \$25,200,953 in local property taxes or 73% of all revenues. This number reflects a budgeted 2 1/2% increase plus new growth (\$150,000) over FY20 which equals \$689,622. The remaining increase in the tax levy is due to the amount of new growth we are appropriating as recurring revenue which, in total, amounts to \$946,838 or 3.90%.

State aid to Sutton makes up 18% of Sutton's revenue. This year we are receiving \$6,342,728. This reflects level funding the existing funding of Chapter 70 and Unrestricted General Government aid (UGGA) formally lottery aid. It is expected that the state will cut our state aid

for their final 2021 budget. We hope to have an estimate prior to the June 22 town meeting. If not, we will carry our reserves to the fall town meeting to address any cut from the State. The town's lottery aid is down approximately 13% or \$119,415 from the funding level in FY 09.

The town has made a practice of appropriating all Chapter 70 aid to the School Department. With the Governor's H-1 budget in January, Chapter 70 aid has just exceeded the amount that was budgeted in the FY 2009 budget, 12 years later. That will likely change for the worse. The town contributes an additional \$350,000-\$400,000 annually to the school budget. Where 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 \$2,292,612. We have reduced that number by \$40,000 from the preliminary budget in anticipation of a reduction in local receipts. 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 room and meals tax revenue from restaurants. That number has grown from \$88,000 in 2015 to \$164,000 in 2018. We have added small amounts of revenue with the leasing of the Manchaug Library (\$13,000/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 21 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. We hope to add solar to the carport at the new Police Station in the near future. 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 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 approaching \$2.5 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. We are planning to put \$100,000 of free cash towards the general stabilization fund. This will free up roughly \$50,000 in interest that we will appropriate up to that amount at fall town meeting. 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 next couple years we may need to use one-time revenue to absorb the downfall in state receipts.

On the expenditure side, employee benefits, mainly health insurance, is one of the biggest budget items. We currently budget \$2.98 million in health insurance costs. We were expecting an 8% increase to increase that number to \$3.2 million. With the help of the unions and the insurance advisory committee we brought that increase down to 1.1%. We were able to do this by making the following changes:

1. Increase the deductible on the Select plan from its current \$500 individual and \$1000 family to \$1000 for an individual and \$2000 for family.
2. This the first year we are putting deductibles on our direct plan. The deductibles on direct will be \$2000 for an individual and \$4000 for a family.
3. Increase the deductible on the HSA plans from \$1500 for an individual and \$3000 for a family to \$2000 for an individual and \$4000 for family.
4. The town will be matching HSA plans 50% and we will be helping employees meet their deductible with the Health Reimbursement account.

We were planning addressing a new sewer line from the Pleasant Valley Villas up to the School. We have decided to hold off on this item, until a later date, as it's not essential to continue the operation of the Town. In addition, we are utilizing the capital stabilization fund and not a debt exclusion article. The \$4.5 million project will go directly to the school campus and will not go down Singletary Ave or Uxbridge Road. All homes along this route will be able to tie in to the sewer. This project will help us avoid an estimated \$1 million replacement of the schools treatment plant, \$2.6 million in operations and maintenance over 20 year period, and replace the town hall septic system approximately \$250,000. After this project is complete we will repave Boston Road.

Another item that is deferred is the 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. As with the sewer project we hope to bring this up when we can get together safely at a town meeting.

The final item that we are deferring on for this town meeting is 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 Association and Massachusetts Municipal Association. At the Massachusetts Municipal Annual Meeting, the Massachusetts Selectmen's Association voted unanimously to change their title to the Massachusetts Select Board Association.

This year the town has created a new HR/Payroll Department. The Director is Erin Chinappi who serves as our combined town/school payroll department. Besides processing payroll for both

town and school, she has taken the HR role from the Treasurer and completes open enrollment, new employee orientation, our liaison to our healthcare providers, and a person employees can talk to about personal matters.

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. This year we will be raising the sticker fee at the transfer station by \$10. The new \$50 sticker fee and bags are still an affordable way to deal with one's trash and recycling. The last time we raised the sticker fee was 2013. During this unique time we are working with City Hall systems to provide online payment for a transfer station sticker. Anyone wanting a sticker will go to Sutton MA.org to the online payment section and put in all their information relative to a transfer station sticker. The treasurer's office will receive this information process the payment and send out a transfer station sticker to the recipient by mail.

As a result of the Coronavirus impact on the budget, the capital plan will address only those issues that are necessary improvements. The capital plan will be funded for \$607,000. \$67,000 of those funds are from the Sewer Enterprise Fund. The School Department will receive \$140,000 of the allocated capital funds. The remaining funds are allocated between the Fire Department (\$105,000), Police Department (\$160,000), Highway (\$85,000), Sewer Department (\$67,000), and the Town (\$50,000). The first year amount will be funded with the following resources:

- | | |
|----------------------------|-----------|
| 1) Free Cash | \$540,000 |
| 2) Sewer Retained Earnings | \$67,000 |

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. This is a unique year and hopefully just one year. As I said earlier we have prepared for this situation and working together we will get through this. 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 challenge this year is a significant increase in educational expenses to the Town. As I mentioned earlier in this address the educational costs alone are more than the revenue we are bringing in this year. 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