

Michael Chizy, Chairman
John Hebert, Vice Chairman
Richard Hersom, Clerk
Ryan Fattman
Kevin Geraghty



*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, 2009

Dear Residents of the Town of Sutton:

It is with great respect that I submit to you the annual operating and capital budget for fiscal year 2010 in the amount of \$25,794,252. This budget represents a decrease of \$275 over FY 2009 making it essentially level funded. While nearly every department budget will be less in FY2010 than in FY2009, we will make every effort to continue to serve the Town at the highest possible level and to minimize the impacts of these cuts to the public. These difficult economic times may continue into next year and beyond and we will look to address these cuts in a responsible manner limiting one-time revenue solutions to solve longer term structural deficits.

The impact of the national and state economic downturn on the Town is resulting in a significant reduction in revenue. The three main sources of revenue for the town are the local property tax, state aid and local receipts. The bottom-line is that we will be building a budget with less revenue than we had in fiscal year 2009. Our challenge going forward is to continue to deliver services to the residents of Sutton while addressing increasing cost pressures with minimal increases in revenues.

In the FY2010 budget we are anticipating raising \$15,137,922 in property taxes. This number represents a 2 1/2% increase plus new growth. A 2 1/2 % tax increase raises approximately \$330,000. We are anticipating \$100,000 in new growth which would be about 60% below our average new growth for our Town. While Atlas Box has broken ground, many of the other large projects planned for Rt. 146 and the Town are currently on hold.

State aid to Sutton makes up approximately 26% of our Town's revenue. The Governor's House One budget cuts lottery aid to the Town in the amount of \$277,000 or 28.5%. The \$277,000 represents roughly a 2.5% reduction in overall State Aid to Sutton. Chapter 70 school aid is up an additional \$88,000 thanks to the Federal Stimulus Bill which allowed the Governor to increase the Chapter 70 allocation. The remainder of state aid to the Town is essentially level funded except for aid to the library which receives a 16.3% reduction. It is important to note that we are still awaiting final budgets from the State House and Senate that may affect how much State Aid the Town receives. So while we are ready to move forward with Town Meeting we may have to revise the budget at Fall Town Meeting based upon the final state numbers. State

aid to cities and towns has not kept up with inflation and actually state aid to Sutton over the past 8 years has grown barely 13% or less than 1.65% per year. Lottery aid to the Town is actually 10% less than what the Town received in FY2002.

The third major source of revenue for the town is local receipts. The largest item in this area is motor vehicle excise taxes. We are currently budgeting a 3% reduction or -\$60,000 over FY 2009. We are also anticipating a continued slowdown in most local receipts including excise taxes, investment income, fees, fines, and cell tower income. We revised many of the fees and fines during the spring and summer of 2008, however, we will not see much of that impact until construction and building permits increase.

As a result of the Governor's FY 2009 9C cut of \$94,000 in state aid to Sutton, the Town reduced its non-school expenses by \$94,000. The Town was in a relatively good position to address these cuts as the result of freezing a highway position and slowing down expenditures. The real impact of these cuts, however, is less money turned over to free cash at the end of fiscal year 2009. With less being turned back to free cash we have to limit our use of free cash to support the FY2010 budget. The worst case scenario is that this economic crisis continues and revenues don't bounce back quickly and in FY2011 we can't replace the free cash we budgeted in FY2010. If this happens then we will not only have revenue issues, but a structural deficit that will force dramatic cuts in staff and services.

The budget as presented does not include some of the Governor's proposed new revenues. If the State was to adopt the Governor's proposed 1% increase in the meals and lodging tax statewide, then Sutton would receive an additional \$110,000 in State Aid in FY 2010. Early indications are that the House and Senate are not supporting these new revenues.

With these reductions in revenues we are taking a number of steps to reduce costs and create efficiencies. A few of these savings include: Freezing a highway position; Reducing a clerk's position at the Council on Aging from Full-time to Part-time; Reducing the hours of the Cemetery Commissioners by 25% by returning the positions to seasonal versus year round; And All non-school Department Heads have forgone any raise for FY2010.

On the expense side, virtually all departments, excluding employee benefits, Blackstone Valley Technical School and the School Department, will be less in FY2010 than in FY2009. Non-School departments make up \$4.7 million of the total budget and are currently being reduced by \$245,000 or 5%. The Sutton School system which makes up \$13.4 million of the Town budget is scheduled to decrease by \$14,500. Interestingly the total education budget, which includes Blackstone Valley Technical School, actually increases by 1.3% as the result of 22 additional Sutton students attending Blackstone in 2008 than in 2007. At roughly \$10,000 per student the 22 students will cost the Town an additional \$200,000 over the FY2009 number of \$805,000.

While the Town has annually exceeded Net School Spending since Education Reform was enacted in 1993, to the tune of \$1.5 million in FY2008 and a budgeted \$1.25 million in FY2009, the School department was forced to make cuts in operations in addition to creating efficiencies that allowed them to operate within the planned appropriation. Contractual obligations commit the department to an increase of \$475,000 over FY2009 which forced the administration to

identify savings in other areas. In addition, the federal stimulus bill appropriation, of slightly over \$400,000 for the next two fiscal years, will help the school department avoid layoffs.

In addition to the Blackstone Valley School, the other areas increasing in this budget are health care, veteran's benefits and other employee benefits. We are currently budgeting a 8% increase or \$134,000 over the FY2009 budget for health care. In FY2009 our increase of 5.6% over the FY2008 budget, was below the average increase in health care costs for all Massachusetts Interlocal Insurance Association (MIIA) communities. MIIA is the non-profit health insurance pool that the Town along with 100 other cities and towns belong to. The town primarily offers an HMO with the employees contributing 30% and the town 70% of the cost while most cities and towns in Massachusetts pick-up 75% or more of their employee's health care costs.

The veteran's budget is increasing by 10% or \$5,500 to cover the additional veterans taking advantage of the benefit program. During difficult economic times it is not uncommon to see an increase in utilization of this important benefit. This program provides financial and medical help to veterans in need. Seventy-five percent of all the benefits paid out are reimbursed to the Town by the state on our Cherry Sheet.

The Town's contribution to the Worcester County Retirement System is increasing 7% or \$40,000 over FY2009. The FY2009 number was already 20% higher than FY2008. This year's increase in assessment is the result of an actuarial study that was completed last year, before the stock market slide. It is highly likely that as a result of the next actuarial study, our Town's assessment will increase substantially to make up for the loss in assets over the past year. There is some discussion at the state level regarding extending the 2028 timeframe for full funding of the retirement system. Without some changes the budget impact will be very significant.

The Town of Sutton also has two enterprise funds that are separate from 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 FY2009. This increase is due mainly to the costs of transporting the sewerage through Millbury to the Upper Blackstone Treatment plant.

The trash transfer station is expected to operate in the black in FY2009 and the \$30 Sticker fee and existing bag fees will remain unchanged for FY2010. This will be the third consecutive year of maintaining the current fee structure. The transfer station, supported by user fees, provides residents with a low cost option for trash and recycling which is especially important in these difficult economic times. I want to thank Mark Brigham and Erik Bentley for all their hard work in making the transfer station a more efficient and profitable operation.

This year's capital plan is funded in the amount of \$334,000. The school department, as the largest department in the Town, will receive almost half, or \$150,000 of the allocated capital funds. The remaining funds are allocated between the Police Department (\$65,000), Fire Department (\$31,000), Highway Department (\$8000), Planning (\$35,000) and Town Hall improvements (\$45,000). We have pared down the FY2010 capital plan in order to minimize the debt service in the next few uncertain years.

As I mentioned in last year's budget message, debt service expense for the town peaked in FY2009 and is falling slightly in FY2010 and more significantly in FY2011. The majority of this debt service roll-off is in Debt Exclusion, to the tune of \$116,462 in FY2010 and another \$389,422 in FY2011. This reduction in Debt Exclusion will allow us, should the voters of the Town agree, to fund two important Debt Exclusion Overrides for the Early Learning Center Roof, and a Fire Truck, all the while reducing the Debt Exclusion burden on the taxpayer by more than \$200,000 over two years.

Now for background on a few of the individual articles:

Article 8-We are requesting a Debt Exclusion Override in the amount of \$869,000 for replacement of the Early Learning Center roof. The roof at the Early Learning Center is 20 years old and has met its useful life. The school department has worked hard to extend the life of the roof with extensive patching, but we can't delay the replacement any longer. Town Meeting voted last May to appropriate \$75,000 for design of the roof. We have gone out to bid for design and have retained Russo Barr Associates who has prepared the construction estimate and is completing the design. If approved by Town Meeting and the voters of Sutton, we plan to construct this summer.

Article 9-The other Debt Exclusion Override we are requesting is for the replacement of Engine 4. A committee of firefighters has been studying ways to replace the aging Engine 4. The committee and I are recommending the purchase of a truck called a Quint that is both an engine and a ladder. With the proposed development of Rt146 and the ever increasing size of residential properties, it makes some sense to have access to a ladder with a reach of 75 feet or more. While most of the surrounding towns have ladders that are available for mutual dispatch, if not being used at the time of the call, these vehicles take time to reach a scene in Sutton. The Town applied for a grant from Homeland Security to request federal funding for a new Quint, but it has not been funded as of yet.

Articles 14-One other article before this spring's Town Meeting is a request to sell approximately 8 acres of gravel pit, located at the end of Hatchery Drive in Wilkinsonville. The Town acquired the former Sutton State Fish hatchery, roughly 24.3 acres, from the State of Massachusetts, Fish and Game in 1970 for \$29,500. The Town has used the property mainly for sand and gravel use for over 30 years and currently uses the material from the pit to supply sand for snow operations and gravel and fill for various projects. In December of 2006 the Town received an offer from Aggregate Industries (the abutter to the property) for \$1.52 Million dollars plus 5 Years worth of material.

After an appraisal of the property and much deliberation, the Board of Selectmen voted unanimously to surplus the 8+/- acres and solicit offers with a minimum bid price of \$2 million dollars. Bids are due back to the Town on May 8th so if we receive bids we will know by Town Meeting on May 11th.

Article 15-One of the issues with the sale of the property is how the proceeds of the sale may be used. Massachusetts General Laws Chapter 44 requires that the proceeds of the sale be used for

acquisition of similar capital assets. So while we could apply the proceeds to long term capital items, the loss in material would mean an increase of our annual operating budget by an estimated \$30,000 per year. While the Town may be interested in getting out of the gravel business and making a parcel available for economic development, the annual loss of material would affect the highway's operating budget.

To resolve this issue, the Board of Selectmen voted unanimously to forward a Home rule petition to Town Meeting that would allow 50% of the proceeds from the sale of the gravel pit, up to \$1,000,000, to be placed in a stabilization fund for the purpose of purchasing sand and gravel material for Town operations. The annual withdrawal from this stabilization fund would be capped at 5% per year. The remaining proceeds from the sale of the gravel pit would be used in accordance with the capital purchasing provisions of Massachusetts Laws.

Article 28- And finally, the Board of Selectmen will vote on May 5th whether to exercise the Town's right of first refusal to acquire a 5.6 acre property at 16 Uxbridge Rd for the price of \$199,900. The property is currently under Chapter 61A protection and the owner has an offer to sell the property. Under Chapter 61A the property owner's tax bill is reduced and the Town is given the right to purchase the property for a bona fide offer price. The property is located approximately 200 feet south of Town Hall and could provide needed parking for the Town Center as well as a possible site for a water storage tank or other public use.

While there are no funds in this year's budget concerning the renovation or replacement of the Middle School/High School complex, the planning for the project is still moving forward. The Sutton School Building Committee is in the process of hiring an Owner's Project Manager (OPM) that was funded at last spring's Town Meeting. The Owners Project Manager will serve as the Town's project manager from pre-design through construction of the Middle School/High School project. The next step in the process is to go out to bid and procure a design/engineering firm to work with the Town and the Massachusetts School Building Authority (MSBA) to get a more specific plan on the type of rehabilitation/ new construction needed to address the deficiencies of the Middle School/High School. Only when this work is complete will MSBA commit to funding the project and commit to the percentage of reimbursement from the state. If this work is complete by next spring, and the state commits to reimbursement of the project, then an Article at Town meeting and a subsequent Debt Exclusion override vote by the public could take place next May.

While we are experiencing difficult economic times in our country and state, the Town of Sutton is in a solid position to withstand this downturn and continue to address our longer term capital and operational needs. Utilizing tools like the capital stabilization fund and the proceeds of the gravel pit we will be able to continue to fund annual capital plans that protect and enhance our public buildings and assets. In addition, while we are looking for debt exclusions for the Early Learning Center Roof and Replacement of Fire Engine 4, the amount of debt excluded will actually decrease by approximately \$200,000 over the next two years.

As I have said before, our challenge continues to be to live within our means while growing at a rate supported by recurring revenues. We live in a great 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.

In closing, I want to thank all of my staff, department heads and all of the town employees that have assisted me with the budget process and continue to provide great service to the Town. I especially want to thank the department heads for their support in taking no raise for FY2010, saving the Town over \$40,000. In addition, I want to thank Tim Harrison, Catherine Van Dyne and Debra Jacques 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 support and input throughout this process.

Sincerely,

James A. Smith
Town Administrator