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James A. Smith, Town Administrator

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

May 14, 2018

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 2019 in the amount of \$32,404,527. The Fiscal Year (FY) 2019 budget is \$520,251 over FY2018 final budget or 1.63%. We have a balanced budget. Last year the town budgeted \$200,000 in new growth and we received \$459,945 difference of \$259,945. We utilized the additional new growth to pay off our debt service within the general fund. We currently have no debt within the general fund. Our only debt is debt exclusion debt voted on by our residents. Our plan is to use new growth for one time purposes which allows that money to be available in the following fiscal year. We currently are expecting that FY 2020 will look good, our challenge is to look forward to FY 2021 and utilizing new growth and at the same time focus on lowering our operating costs.

Governor Baker released his House One budget on Wednesday, January 24<sup>th</sup>. He has committed \$27,660 to chapter 70 and \$27,294 to Unrestricted General Government Aid (UGGA). We will continue to put pressure on the House and Senate leaders to increase the chapter 70 appropriation to the town. This increase is an additional \$20 per student that attends Sutton schools. Last year the legislature appropriated \$30 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.

As it is always, healthcare is the biggest uncertainty within our budget. In FY 18 the town switched from MIIA to Fallon Health. Fallon Health only has five months of experience to rate our premium for FY 19. Our health insurance increase is 9.5% or \$265,000. We were forced to make significant plan design changes which brought our rate down to an increase of 5.2%. We are adding deductibles to our Select plan and adding a high deductible Health Savings Account (HSA). The deductibles will be \$1500 for an individual plan and \$3000 for a family plan, the town will match 50% of those deductibles.

We had a significant increase in the individuals choosing to opt out of our health plan. During our last year with MIIA we only had four opt outs. With Fallon Health we have 18 opt outs. By opting out this benefits the employee as well as the town. The employee receives \$1500 on the

individual plan and \$3000 on the family plan. The town avoids the health insurance cost for those individuals.

All three town school options amount to a \$730,000 increase in expenses. The town is only bringing in \$675,000 in new revenue. Sutton schools are going up \$377,000; Blackstone Valley Vocational is going up \$243,000; and Norfolk Agricultural School is going up \$92,000.

The town has 11 additional students attending Blackstone Valley Vocational School (BVT) in FY 18. The budget for Blackstone is based upon the student enrollment as of October 1, 2018. The school committee for Blackstone Valley Technical Vocational School voted an increase of \$243,766 almost a 20% increase. The BVT budget increased by 4.74% in FY 19. The town of Sutton is the wealthiest member of this district and therefore the chapter 70 formula works against us.

Norfolk Agricultural School had five additional students apply to attend. Typical cost to attend Norfolk is approximately \$23,000. The number we have preliminarily budgeted may actually go down depending on the number of students that actually attend. This is the first year we've had a spike in the number of students applying to Norfolk Agricultural School.

The School Department's preliminary budget will receive an additional \$377,660. As of this writing, they still have a significant gap remaining. 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 23 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 biggest 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. We are currently in a waiting mode seeing what year-end will bring for special education costs. Last year the town of Sutton set up a Special Education Stabilization Fund and funded it for \$200,000. We really do not want to touch this account if at all possible. We will continue to invest in the School Department and we are hoping that the state does the same with chapter 70 funding.

The FY2019 budget raises \$23,464,222 in local property taxes or 72% of all revenues. This number reflects a budgeted 2 1/2% increase plus new growth (\$150,000) over FY18 which, in total, amounts to \$597,402 or 2.6%.

State aid to Sutton makes up 19% of Sutton's revenue. This reflects the existing funding of Chapter 70 and Unrestricted General Government aid (UGGA) formally lottery aid. This is the first year in some time that we are funding all of the State Aid in the Governor's budget. The Governor committed \$27,660 to Chapter 70 aid and \$27,294 for UGGA monies. Our hope and expectation is that the legislature will increase this amount in their budget process. The town's lottery aid is down approximately 24% or \$192,000 from the funding level in FY 09. Chapter 70 aid is very close to the number that was appropriated in FY 2009. 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. The Town averages about \$1,400,000 in motor vehicle excise taxes. 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 19 we will be receiving solar renewable energy credits (SRECs) from 5 separate municipal facilities, the Simonian Center for Early Learning, the Sewer Treatment plant, the Senior Center, the Middle School/High School 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 town owns these respective solar arrays outright and therefore the SRECs are revenues available for appropriation.

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 town eliminated the use of free cash from our revenues. Last year was the first year that we did not use free cash to support our operating budget. 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.

On the expenditure side, employee benefits, mainly health insurance, is one of the biggest budget items. We currently budget almost \$2.8 million in health insurance costs. The health insurance increase came in at a 9.5% renewal. In order to lower the premium to 5.2% we had to make significant plan design changes. We are adding deductibles to the Select plan and a high deductible HSA account. When employees enroll in the HSA account their premium will not go up 5.2% but will actually be reduced 9%, a net savings of 14.2%.

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 \$2 million in FY 17. 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 director and picking up \$60,000 for the data processing salaries and funding the capital program at \$299,000. This year we are picking up \$40,000 in the capital plan to pay for replacing the boilers at the Elementary School. These boilers are nearing end-of-life and it is important that we keep up with the HVAC systems

of these older buildings. Last year we put aside \$100,000 for the Early Learning Center boiler and applied for a green communities grant for the same purpose. We received full funding for the boiler through the grant and will be applying for another Boiler at the Elementary School. If we don't receive the grant we have the money to complete the project through the capital plan. This year we applied for a Green Community grant in the amount of \$243,000 all of which would go towards the School Department to reduce their energy costs. We find out about this grant in late June.

The town will be increasing their appropriation by \$377,660 in this preliminary budget. This amount includes the \$350,000 Town appropriation as well as the \$27,660 in Chapter 70 aid. If additional funds become available, either through chapter 70 aid or through the general fund, we will look to increase the School Department budget.

At last year's May Annual Town Meeting the town authorized building of a new Police Station at the former Blue Jay property. We are now under construction. The Police Station Building committee is overseen by nine members including Chairperson Wendy Mead and Board of Selectman Chairman Jesse Limanek. Our construction team is made up with our owner's project manager, Construction Monitoring Services; our architect, Tecton; and the general contractor, NELCO. We broke ground in December and our plan is to be complete in January 2019. Hopefully this is a building that all town residents can be proud to call the home to Suttons Police Department.

At the same time we are working to install a fiber network that will greatly increase public safety communications. For many years this has been an issue in the town of Sutton. With the hills and valleys of our town, radio reception is difficult. Our plan is to install fiber from the town hall tower past the new Police Station and all the way down to the Manchaug Water Tower. That fiber along with simulcast antennas will greatly improve communications. From the Town Hall tower we plan to run the fiber down Boston road to eventually the Wilkinsonville communications tower adjacent to Wilkinsonville water tower on Dodge Hill Road. This system should give redundancy if an accident was to happen and the fiber lines were knocked down. We are applying for a State Community Compact grant to assist us with the cost of this construction. The thought of having a patrolman or firefighter needing help but unable to contact anyone is an unacceptable situation that we want to avoid.

At this year's May Town Meeting we will be presenting a funding solution for the decaying roads in the town. The idea is to create a permanent override in the amount of \$300,000 which would have the tax impact on the average home in Sutton of approximately \$75, which will allow the town to borrow \$2 million to go to roadwork in the first year. Two years later we will be able to borrow an additional \$1 million to continue to address the roads in the town of Sutton. Eventually 10 years down the line we would be able to borrow \$500,000 every other year to go towards roadwork. State of Massachusetts has a Chapter 90 program where we receive approximately \$450,000 every year. This override would be in addition to the chapter 90 money's. There are simply not enough funds coming from the state to address this issue so we have to come up with a solution to help solve the town's problems.

Also at the spring Town Meeting we are proposing a Home Rule petition to go to the State Legislature for approval for tax abatements to homeowners that are on active duty in foreign countries. This formal petition is based off of one that exists in the town of Braintree. We believe it's a creative measure to give relief to the military homeowners during this time of difficulty and stress.

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 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. With David's efforts the town has seen increased revenue from a number of different areas as well as 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 \$739,000. The School Department will receive \$299,000 of the allocated capital funds. The remaining funds are allocated between the Fire Department (\$70,000), Highway (\$90,000), the Library (\$45,000), and the Town (\$190,000). The first year amount will be funded with the following resources:

1) New Growth	\$400,000
2) Free Cash	\$309,000
3) Retained Earnings	\$15,000
4) Cemetery General Care	\$15,000

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 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 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