

**TOWN OF MILLBURY
BOARD OF SELECTMEN MINUTES
SELECTMEN MEETING ROOM**

March 8, 2017

5:15 pm

Selectmen Present: Chairman Francis B. King, Mary Krumsiek, Scott Despres
Absent: Sandy Cristo, Jon Adams
Town Manager David J. Marciello, Katie McKenna, Grey Meyers, Jen
Nietupski, Rob Fucci-*Millbury Sutton Chronicle*, *Susan Spencer-T&G*,

Absent: Sandy Cristo, Jon Adams

Mr. Marciello is appointing the following to the IAC-Dan Daly, Police Local #128; Amanda Westerlind, School SEIU Clerk Rep; Bill Martin- SEIU \$888 School Custodian/Cafeteria Rep.

Motion to concur with the appointments made by Selectman Krumsiek, seconded by Selectman Despres.

Motion carried unanimously.

Drainlayer License to Lay Drains in the Town of Millbury- Renewal
Gustafson Plumbing, Inc. Bruce Gustafson, Worcester

Motion to approve the Drainlayer renewal made by Selectman Krumsiek, seconded by Selectman Despres.

Motion carried unanimously.

Town Manager Budget Presentation *see attached*

Selectman Despres asked what the 3.8% increase does to the tax rate. We need to address commercial growth, it needs to grow. We cannot rely on taxes. You lose money every house that is built.

Selectman Krumsiek asked why the overhead doors at the transfer station are on for town meeting? She thought we got a grant for that. The State did not fund that grant and we did not receive it.

Chairman King asked the Superintendent how Ch. 70 money came in for Millbury. It has not gone up that much, but they are hopefully the numbers will come through.

Selectman Krumsiek asked why he cut the budget for gasoline by \$40,000. Because of trends, costs and reduced usage he thinks we will be fine. She asked why the Energy Manager position is funded. He does not plan to fund that.

Mr. Marciello will be presenting in the next few meetings his town counsel ideas and his suggested potential policy changes.

Selectman Krumsiek asked why the Ambulance line is zero. The contract with Sutton and Grafton was negotiated before him. He does not see this being sustainable.

Mr. Fucci from the Millbury/Sutton Chronicle asked what does the long-term forecast for this town if we cannot create more growth in commercial and the residential growth continues going up.

Mr. Marciello said that if it continues at that rapid rate you need to adjust the bottom line somehow. Of the 100 that are sold, 72 are apartments. Of the 229 that are out there, they are all stand alone houses.

Jen Nieptupski asked if he has a plan to grow the commercial growth. He has a new organization chart and as part of the Planner role is economic development and grants.

Chairman King said thank you Mr. Manager and thank you for coming to the presentation Superintendent, Finance Director,

Motion to adjourn by Selectman Krumsiek at 6:35 pm, seconded by Selectman Despres.
Motion carried unanimously.

Respectfully submitted,

Tish Hayes, Secretary

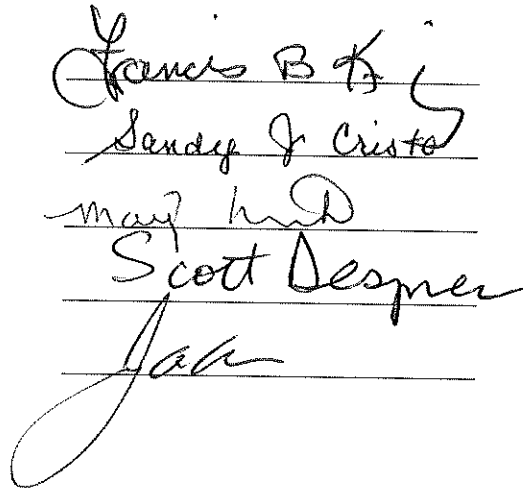
Francis B. King

Sandy J. Cristo

Mary Krumsiek

Scott Despres

Jon Adams

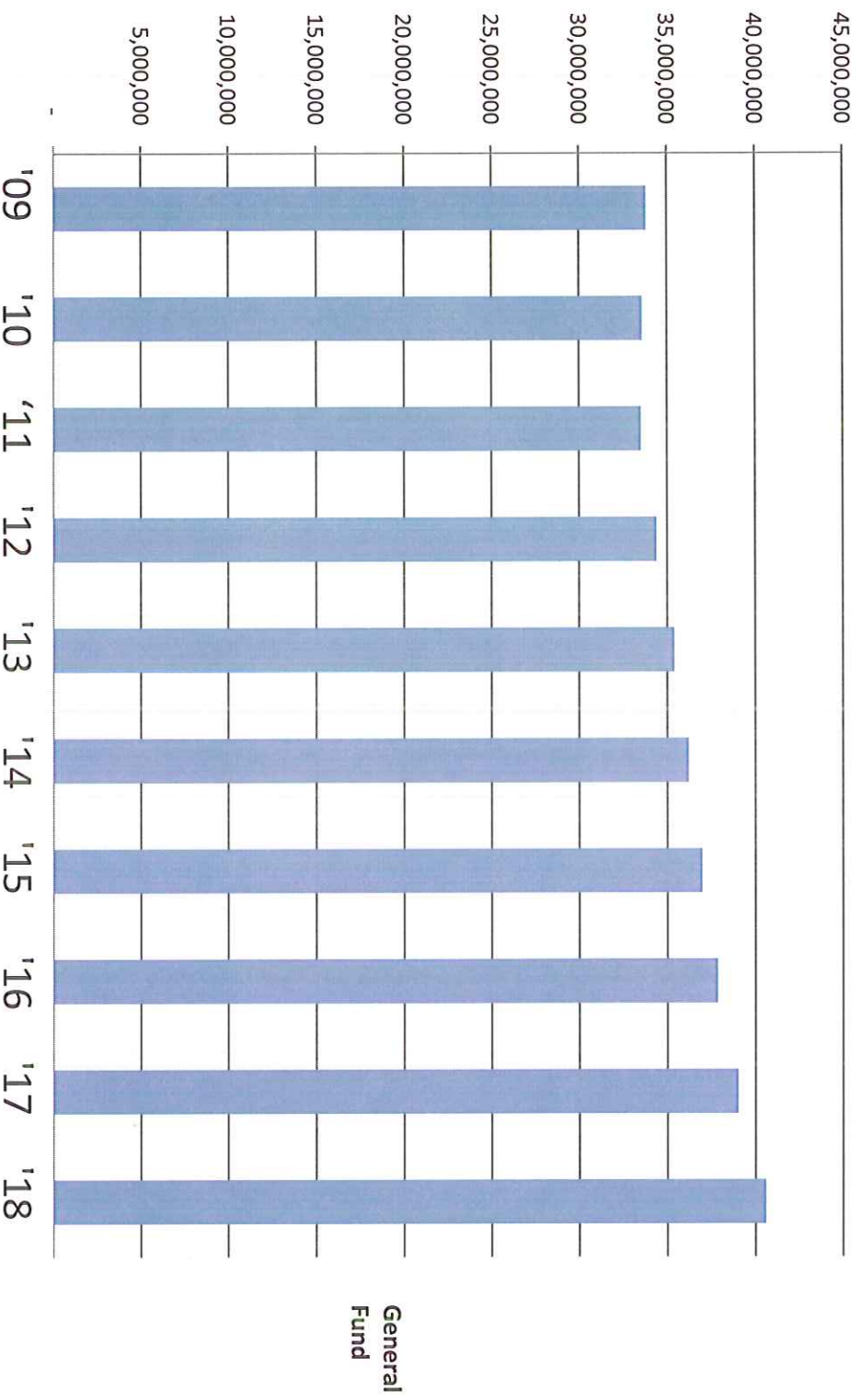


Francis B. King
Sandy J. Cristo
Mary Krumsiek
Scott Despres
Jon Adams

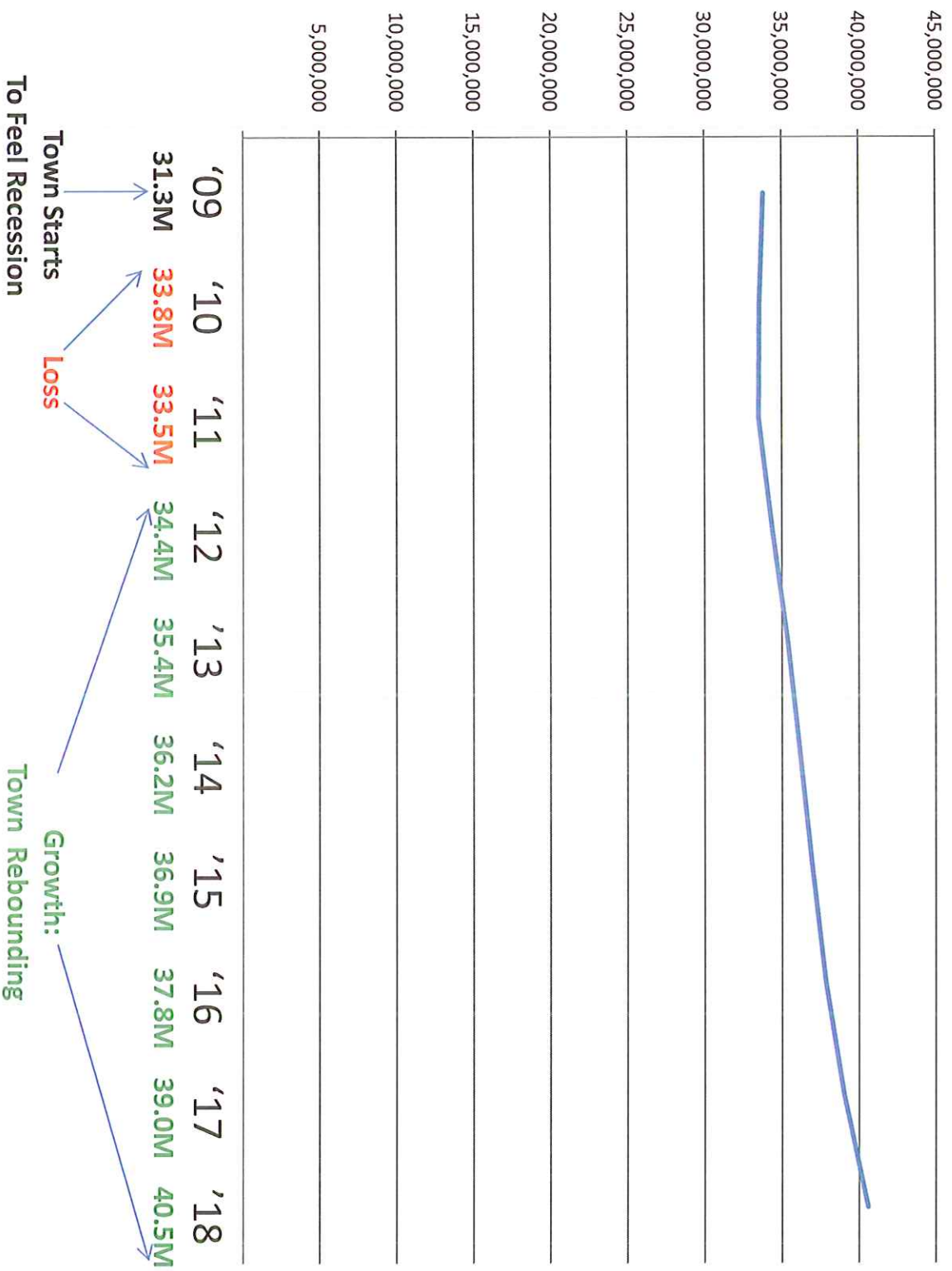
FY2018 Budget



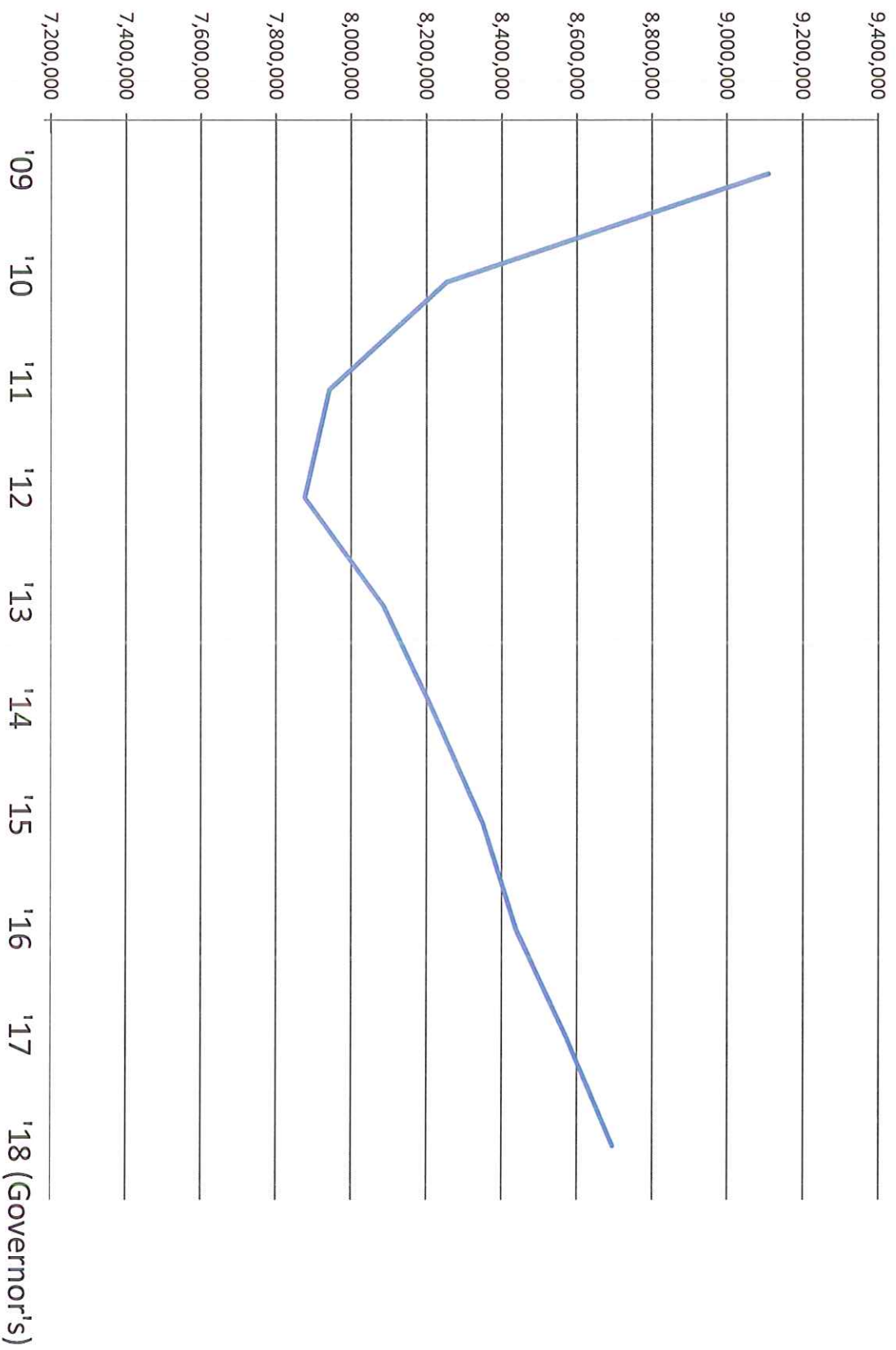
General Fund '09- '18

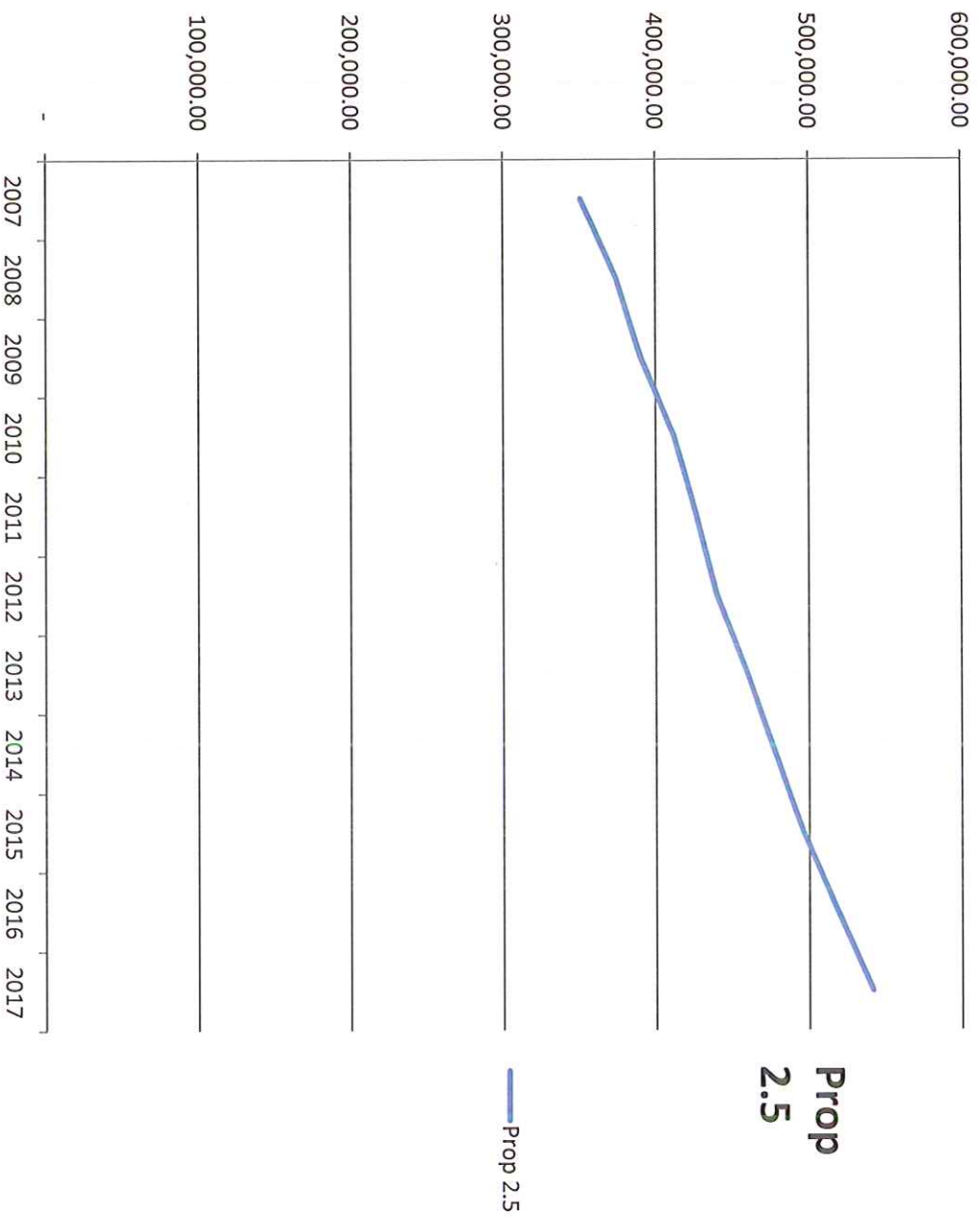


General Fund Trends Through The Recession & Recovery



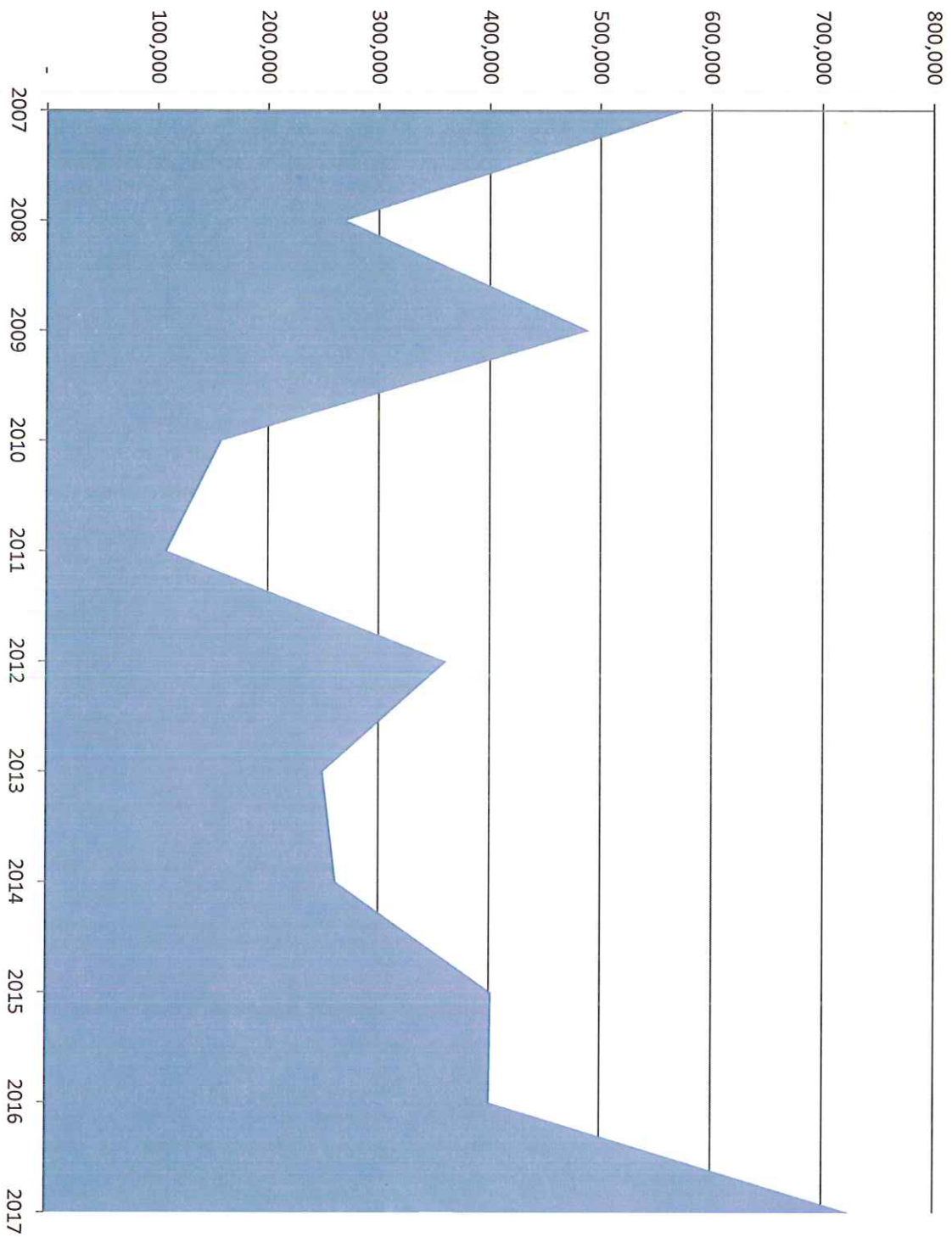
State Aid '09 – '18





- Proposition 2 1/2 is slow and steady

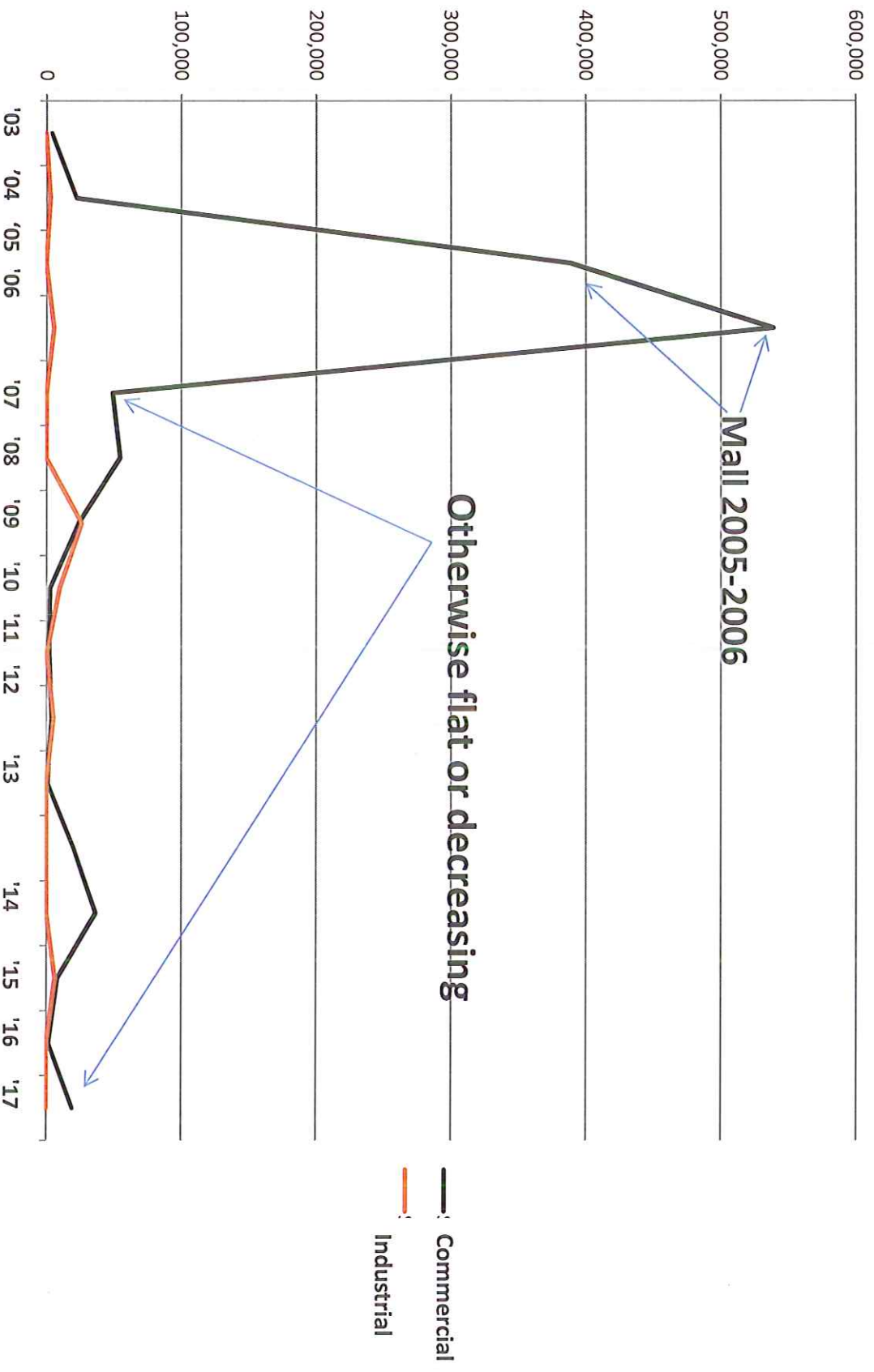
- Only slight deviations occur when there are minor growth fluctuations over time



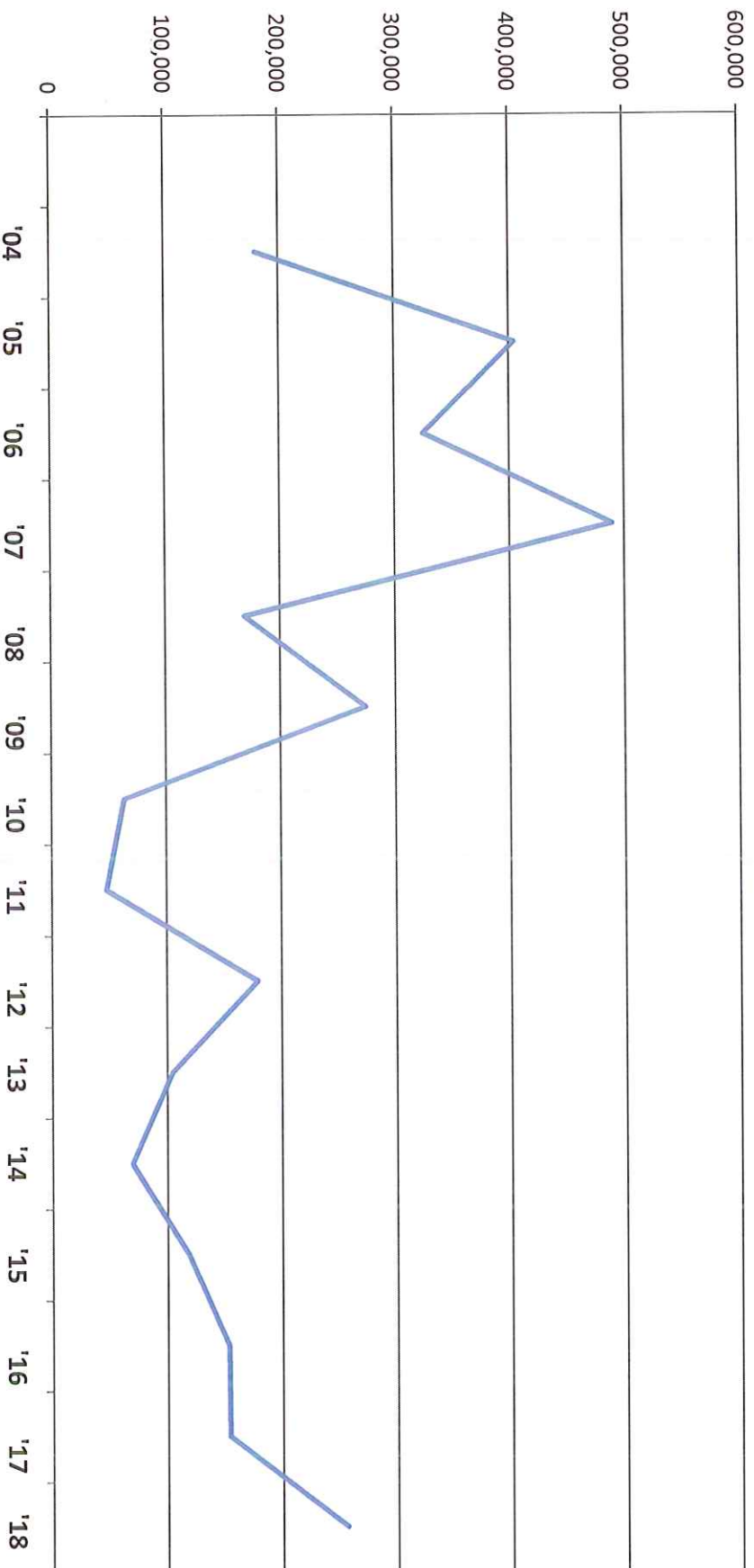
**Total
New
Growth:
All
Sources**

■ New Growth

Commercial and Industrial Growth '03-17

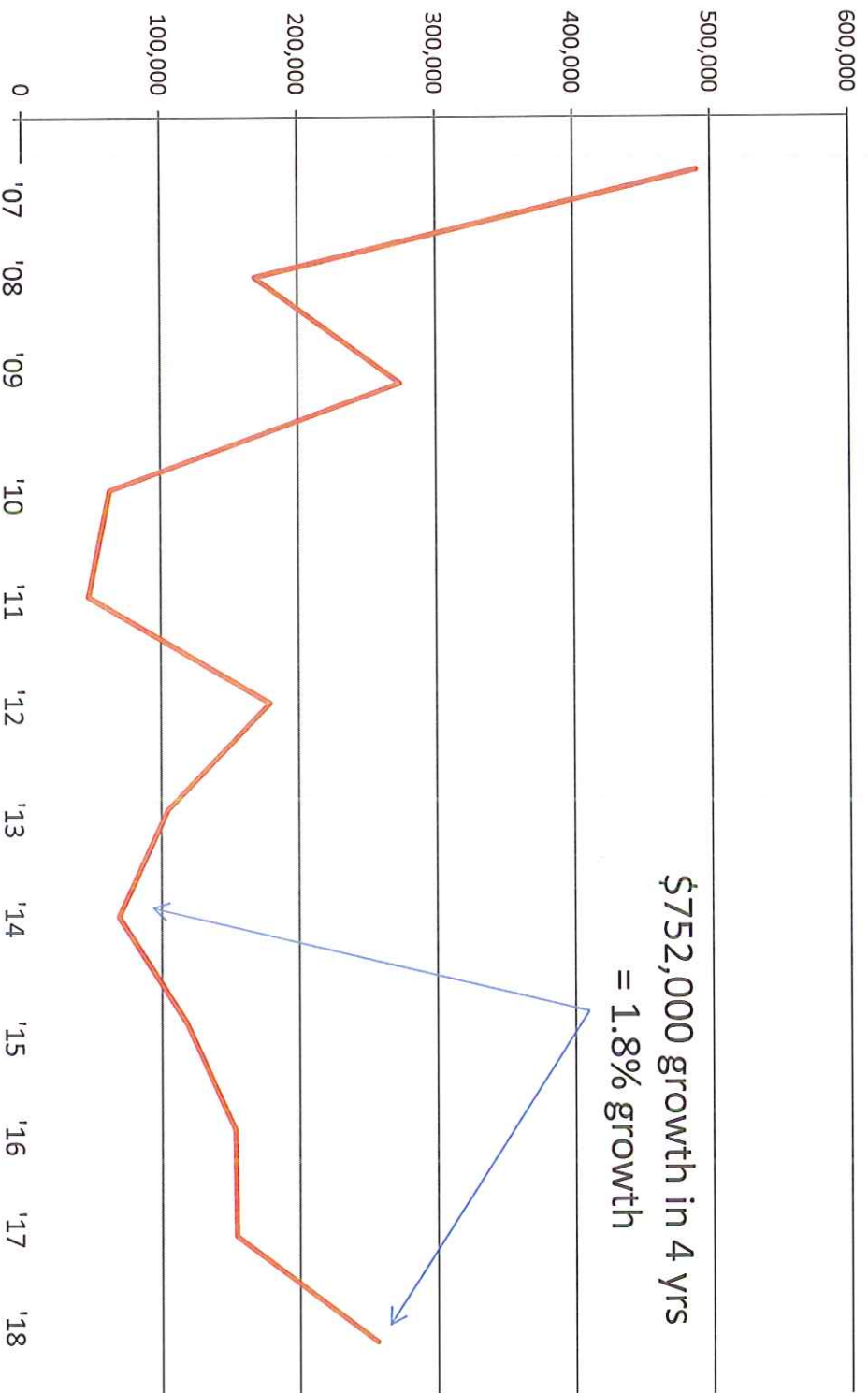


Residential Growth Over Time '04 – '18



Residential Growth Over Time

'07 – '18



**THE TOWN
CANNOT
SUSTAIN
RESIDENTIAL
GROWTH AT
THIS RATE**

The Plan:

We have Two Roads to Navigate:

Today

Tomorrow

Today:

- I need \$\$ to pay for services and administration as the needs come
- A flow-through / pay-as-you-go type scenario
- If you use the service, you pay for it
- If you need something administered, your fee should cover the cost of administration

Tomorrow:

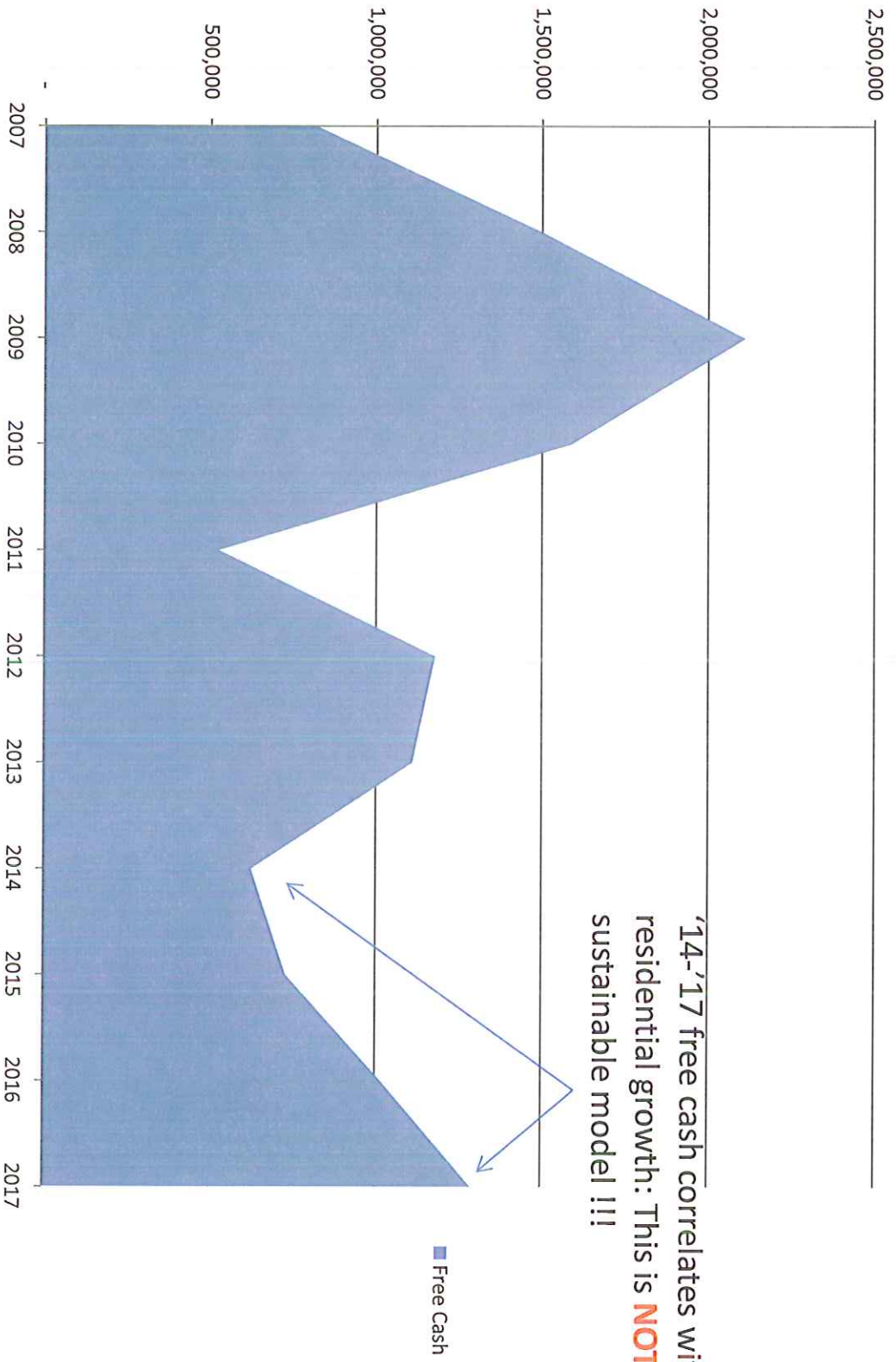
**But you have to operationalize these
receivables into appropriations...**

That will require a policy change...

IF we realize the growth that is potentially here on paper, we will need to collect fees that reflect the cost of the service.

- ~ Then we have to SPEND those collectables on paying for those services...
- ~ This means appropriating the free-cash collected to pay for the services.
- ~ This IS NOT a long term solution!!!
- ~ This is a STOP GAP fix to allow the Town to assess what happens based upon projections. We can reassess our needs and discuss possible solutions **IF and When** we see the paper-development become bricks and mortar.
- ~ This includes discussions regarding possible overrides to address whatever we see become the reality.

Free Cash



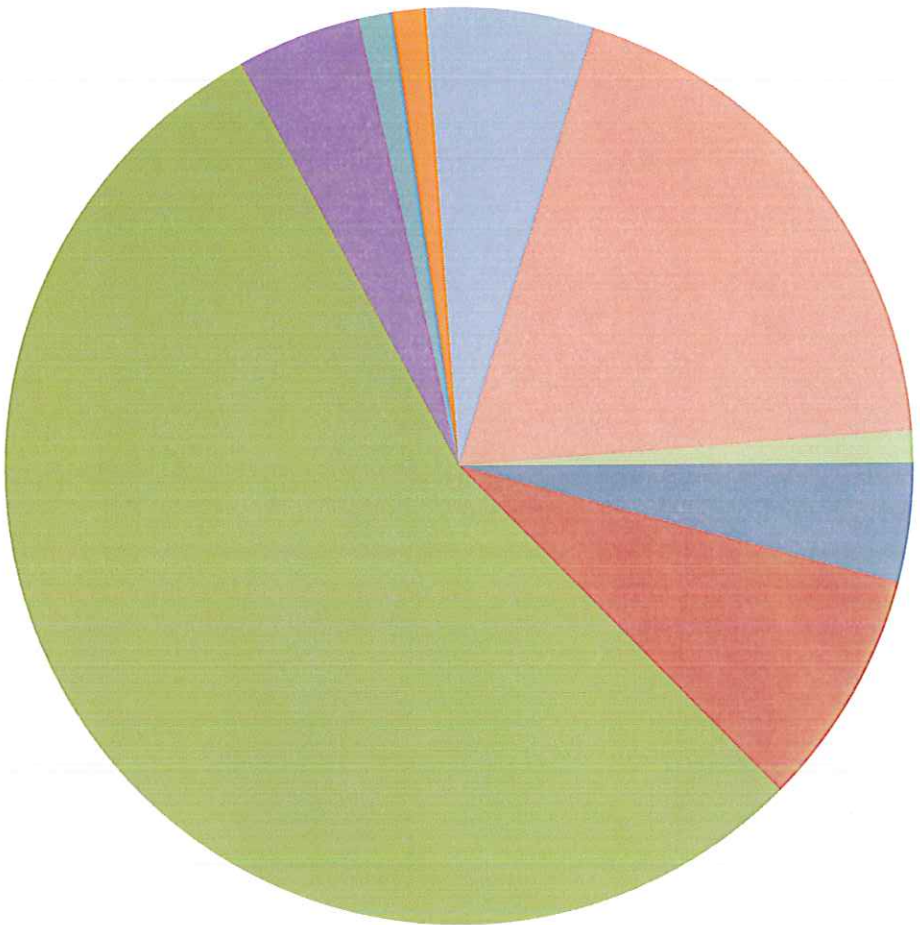
'14-'17 free cash correlates with residential growth: This is **NOT** a sustainable model !!

■ Free Cash

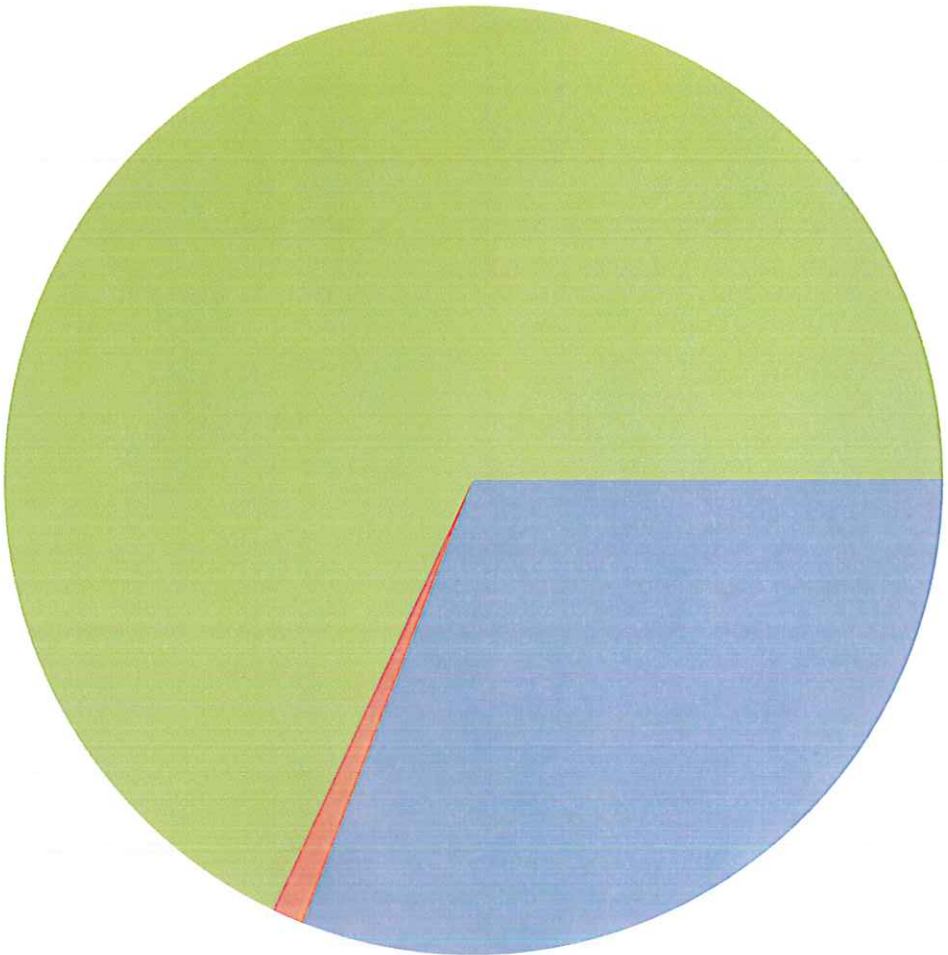
We have a Balanced Budget



Millbury has a 3.80% combined GF / EF FY2018 growth



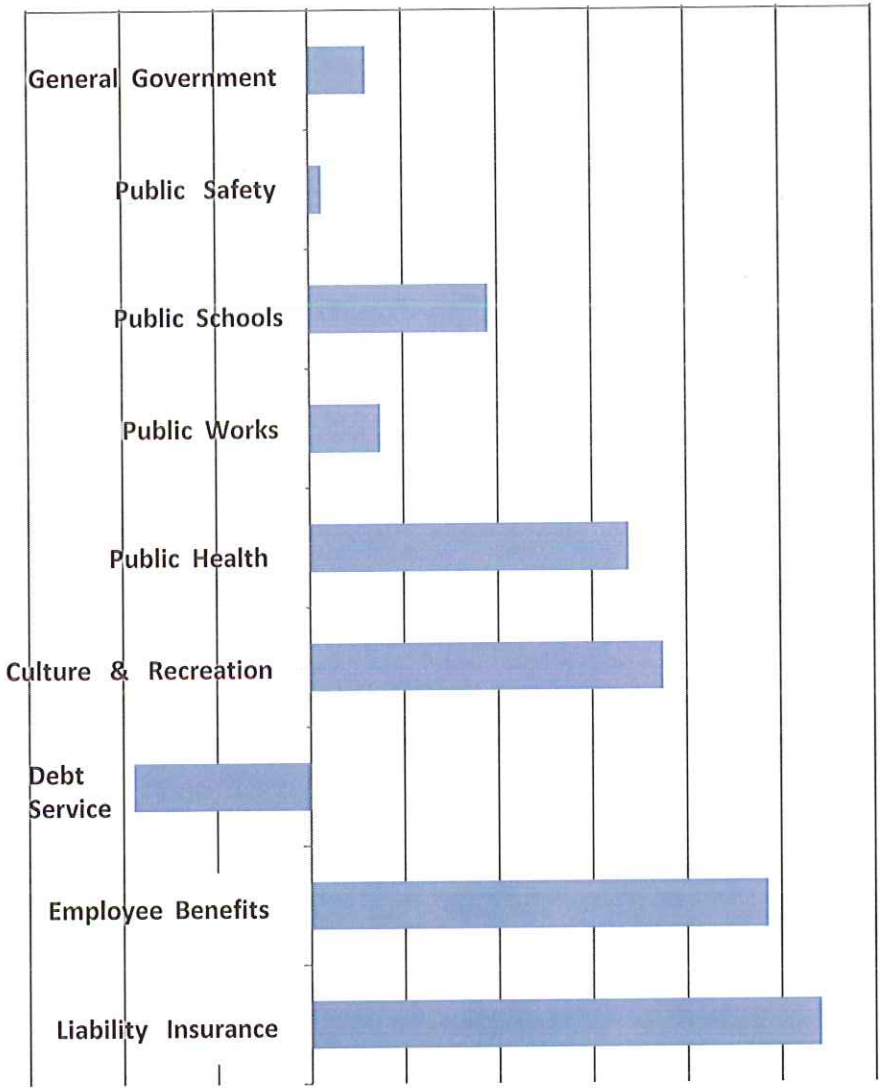
■ 1.7M General Gvt	4.2%
■ 3.4M Public Safety	8.4%
■ 22.1M Schools	54.6%
■ 1.8M DPW	4.5%
■ 481K Public Health	1.2%
■ 492K Culture & Recreation	1.2%
■ 2.4M Debt Service	5.9%
■ 7.7M Employee Benefits	19.0%
■ 460K General Insurance	1.1%



General Gvt, DPW, Public Safety, Public Health, Debt Service, Culture, Recreation	30.9%
General Insurance	1.1%
Schools	68%

Actual Percentages of Town Revenues by Budget Lines

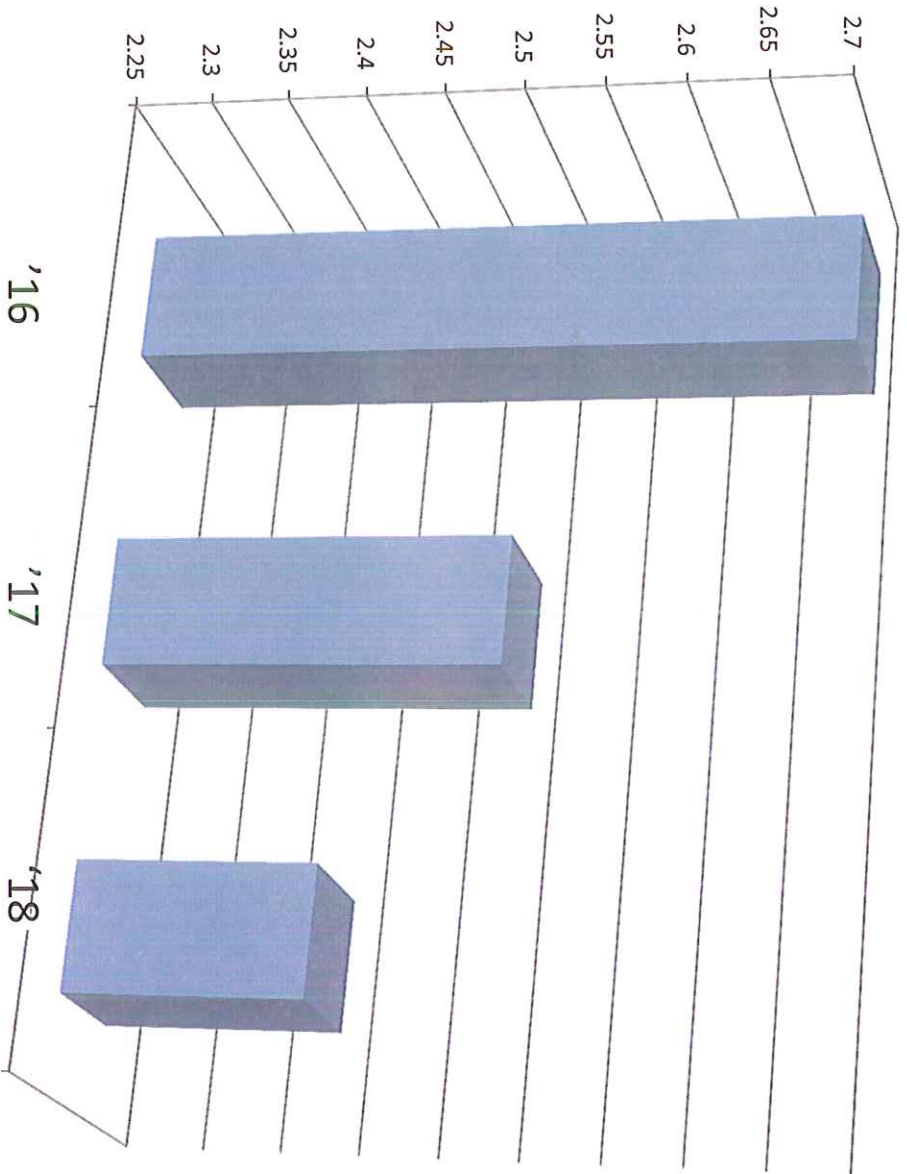
12% increase
 10% increase
 8% increase
 6% increase
 4% increase
 2% increase
 Level Funded
 2% decrease
 4% decrease
 6% decrease



Spending Trends FY16- FY18

Town's Debt Position

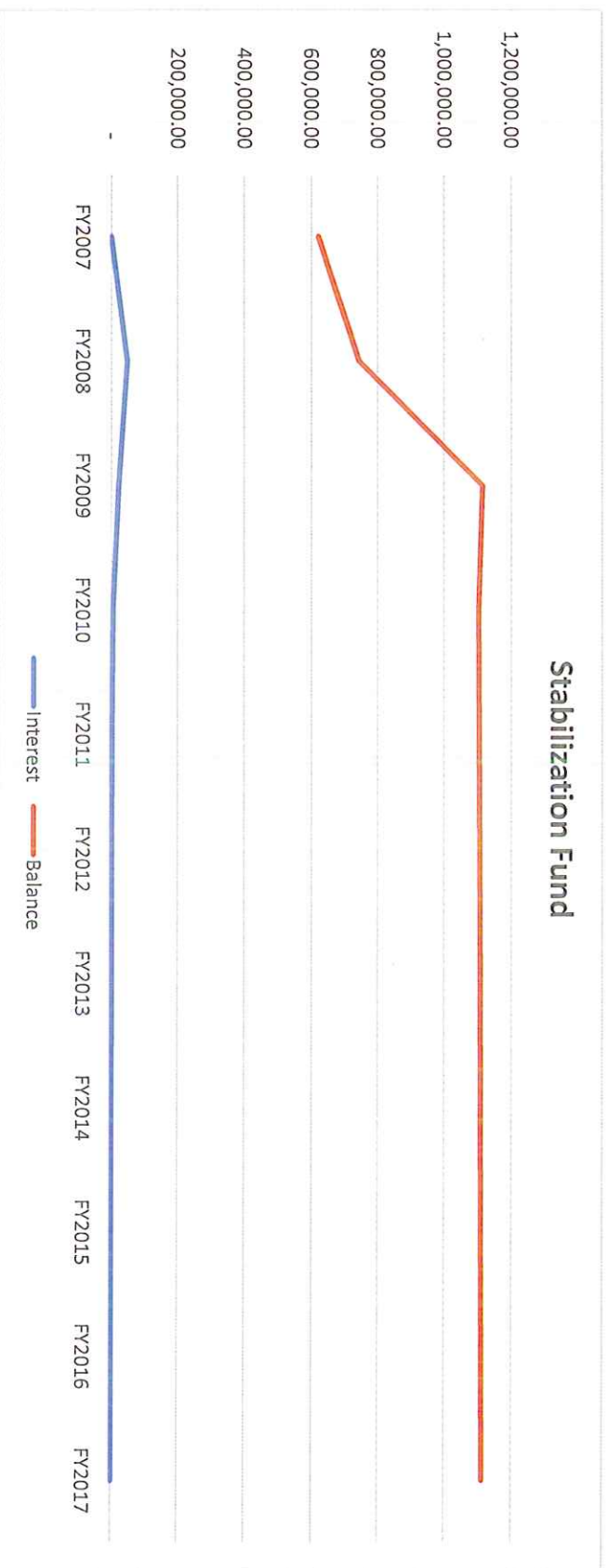
3.8%



Other Town Budgets

- Winter Conditions
- Town Counsel
- Enterprise Funds
- Stabilization

Current Stabilization Balance and Interest on Stabilization Balance



- No deposit into Stabilization for 10 years
- Bonding Agents want 5%
 - We are going to go out to bond soon
 - We need a plan to get to 5 %
- We also need a plan to fund OPEB
 - We can operationalize the interest to fund OPEB

Capital Improvement Plan

Roads	\$260,000
School Dept Windle Field House Bathroom Renovation	30,000
School Dept Tractor	52,900
Police Dept Weapons – Rifles (7) / Tasers (8)	25,000
Police Dept Lobby Improvements	25,000
Building Dept Software	29,000
Overhead Door Replacement DPW	25,000
Overhead Door Replacement Transfer Station	20,000
East Millbury Park Parking lot improvement	20,000
Washington Street park Improvements	10,000
Master Plan	50,000
Fire Chief Vehicle	43,350
Fire Dept Repair to Headquarters	63,000
Painting of outside of the COA	14,000
King’s System Record Retention Project	20,000
Town Clerk Codification of Bylaws	4,800
Medicaid Article	106,511
Senior Work-Off	20,000
Stabilization	200,000
	\$1,026,953

Questions:

Mr. Chairman, members of the Board of Selectman, Superintendent Myers, School Board Members and citizens of Millbury, pursuant to Article 6-4 of the Millbury Home Rule Charter, it is my honor to present to you my inaugural Town Manager's annual budget message and financial plan for the Fiscal Year 2018.

In presenting you my budget, first I will outline some key areas to which I wish the Board to direct their attention. Then I will transition to a Power Point presentation displaying charts and graphs of the key points, and then I will conclude with a summation and questions.

I want to first thank the efforts of all of the Department Heads for their help in this process. I came into this process greener than an unripe apple and with absolutely no institutional knowledge. In all fairness, this year's budget could only be completed because of the yeoman's work of our Finance Director, Ms. Katie McKenna. There is no doubt that without her dedicated and expert efforts, this budget would not have been completed on time. I publicly thank her for her assistance.

In looking at the overall health of our Town, fiscally, the Town is in fairly decent shape. I tip my cap to the past administration who was very mindful of the bottom line and whose fiscal policies kept the Town solvent during very troubling economic times. This is a reflection of **PAST efforts**. These efforts panned-out to be efficient in keeping the budget balanced and the departments operating. However, I fear that

they, despite being efficient, were not effective. In particular, this approach was far too myopic and did not see the forest for the trees.

In focusing on the day to day, the Town has not effectively planned for the future. There are tell-tale signs that our current course could be perilous. The problem that one can face is that even the most ardent fiscal restraint cannot prevent outside forces from affecting the Town's bottom line.

With that reality, we must remain mindful of the forces that we can't control But we can forecast. In so doing, we must plan for possible eventualities based on the markers and cues that we see. Only then can the Town place itself in a position to withstand outside, market-pressures.

One example of an outside influence that affects our bottom line is the expanding costs of healthcare. Just like everyone else, we have seen a dramatic increase in healthcare costs. We are looking at the potential of a 17% increase in this line.... Which is one of our largest single budget items. We are working with the advisory committees to investigate plan changes and other options to reduce this cost, and we are hopeful that we can cut this increase to 8-10%. Although this is still high, it is far better than 17%.

There are others outside forces in addition to market influences on healthcare that we must also discuss. And, as you will see in this report, I'm afraid that the Town in many cases is tragically ill prepared.

Most daunting is the rate, and even more so, HOW, the Town has been growing without any Master Plan. Currently there are over 100 houses being built / completed and an additional 229 approved by the Planning Board. With the homes already built and/or in the process of being built, plus the additional "on-paper-development", that's approximately 350 units that could come online in 3 years. This is a very rapid rate of RESIDENTIAL growth and it needs to be accounted for.

The reality is that the Town is ill equipped to support 350 new housing starts. The effects of this magnitude of residential growth, and the sheer volume of applications and inspections therein, puts an unsustainable burden on internal operations. This analysis is merely the day-to-day operations of getting the houses built. Once they are occupied the impact to schools, police, DPW and other departments would likewise be overburdening.

Think about what 100 houses / apartments which are actually being built right now translates to. How many students is that going to be? Where will we put them all? Who is going to teach them? How does that affect the budget?

Even with all of the tax revenue generated from 100 new housing units, the costs to operationalize the services to these houses will most definitely be a net loss. In other words, it will cost us far more to have that expansion than we will collect in taxes. Again, that is the guaranteed amount of growth that we WILL have. We face an additional 229 houses that COULD come on-line thereafter.

The School Committee and the Superintendent have asked for more than a 4% increase in last year's budget. *This is an accurate reflection of their current needs* and most certainly an eye on the impending influx of new students to which 100 new homes translates. Moreover, they are effectively planning for their building needs by applying for MSBA funding to expand or construct a new school for their lower grades. As we are all aware by now, they were awarded the MSBA bid to construct a new or expand the existing Raymond E. Shaw School and the process for a feasibility study in this regard is underway.

I commend the Superintendent and the School Committee for not turning a blind eye on the present or the future. *But the reality is that the Town simply cannot afford their request of a 4.2% increase in last year's budget.* An increase to the school budget of that magnitude, within our levy limit, would in all practical effect bankrupt the governmental side of the equation. I have instead budgeted a more sustainable 3.34% increase.

We all know how everybody came out of the Recession bloodied and bruised. This is true in the private sector and governmental sector as well. However, as the Town emerged from the Recession, especially within the general government, the departments have not kept pace with the unbelievable expansion of new residential growth. One example of these effects is that most recently the Town did not have the staff to get sewer and other billing out on time. I literally had to borrow employees from one department to cover in other departments just so we could bill. I agree that the schools too have to address the growth. And, I realize that class sizes are in some cases bursting at the seams. But, in comparison, the governmental operations are unable to function at current staffing levels. The hard truth of the matter is that if the Town doesn't bill, the Town doesn't collect. It's simple math.... If we don't collect, we go bankrupt.

The general government employment rolls are down 17% since the Recession. We simply cannot do the **CURRENT WORK** with the staffing that we have. With the new residential growth occurring, we are having trouble simply getting the bills out.

This is all nebulous and obscure. But let me show you the particulars.

Slides

Slide 1) General Fund

Other than '09-'11 when the Town had level and downward funds during the recession, the Town has seen a fairly moderate and consistent upward tick in general funds. This is a testament to commendable conservative fiscal policies.

Slide 2) General Fund Through the Recession and Recovery

In '09, the effects of the Recession hit.... You can see in the slide that the Town took a dip during '10 and '11 and then it recovers nicely at a very responsible rate over 2012-2018.

Slide 3) State Aid

This slide shows us state aid from 2009-2018. These are the Governor's budget numbers. It is fairly plausible that these numbers could go up with final numbers. But we won't have those figures for a few months. As you can see in the slide, the Town, just like every other Town, took a huge hit in State aid over the Recession, but we have been the beneficiary of moderate increases over time since. As you can also see, we still haven't gotten back to pre-Recession contributions. In fact, this year we will get \$414,101 less than in FY09. This puts considerable pressure on the Town's ability to provide the level of services routinely requested by the citizens of Millbury.

Slide 4) Proposition 2 ½

This slide shows us a graph of our Prop 2 ½ . As it should be, Prop 2 ½ is slow and steady and predictable. It has moderate bumps along the way to show debt exclusions, etc. But basically it is a very steady predictable 2.5% line.

Slide 5) Total New Growth

Here is where we begin to see some alarming warning signs.

- What is Growth?
- Where did we grow?
 - Was it commercial?
 - Was it personal property?
 - Or was it RESIDENTIAL?

Slide 6) Commercial and Industrial Growth '03-17

The Town had a blip in Commercial / Industrial with the Mall in 05-06. Since then it has been flat or descending. However as you will see in the next slide, Residential growth it is exploding.

Slide 7) Residential Growth '04-18

This slide displays the volatility of the residential market and its effects in Millbury over a 14 year period.

If you study this chart, you will see the trend upwards from '04-07 and then you can see a huge seismic shift downward, with a minor correction in '07-'08, continuing through the Recession, until 2011.

Be careful to observe what you might see as a “trend” over short periods of times where there really are none. Instead these short-lived spikes and quick drops are “market corrections”: Such as what you see in '07-08. In that case, there was no “recovery trend,” instead it was a minor, short lived, market correction.

These minor upward and downward bumps or spikes could be accounted for in various scenarios including foreclosure sales coming back on the tax rolls or market hawks taking advantage of historically low prices and opportunities. But due to their rapid changes and short longevity, they do not show a steady “TREND,” instead they show a market volatility and the market correcting itself.

You can see these instances of a volatile market correcting itself in 04-05, 05-06 and 07-08. These are quick up and down spikes and troughs over short bursts: They are often hard to predict and are evidenced by frequent adjustments and/or market corrections.

If you study the chart, ***you can find*** 2 TRENDS. The first is an overall downward trend from '07 leading into the Recession all the way through the Recession and thereafter until the bottom of 2011. The second begins in 2011 where we see an overall upward trend for 7 years, including minor corrections in 2012 and 13.

However, what is MOST alarming, is that there has been a constant growth with no market correction for 4 years on top of the overall 7 year growth.

Why is this alarming? It's because it is almost 100% residential and we are not planning or preparing for this expansion. There's no escaping the reality..... it will catch up to us. Moreover, as an added threat, if the Town does not plan for it, the market and the developers will dictate to the Town how it will occur NOT how the Town may want it.

Slide 8 Residential Growth Over Time '07-18

In this slide you can see that the Town has undergone 1.8% growth in 4 years ('14-'18) with nothing but upward growth and no market correction. There was a brief market correction in 2011- 2012, but the Town saw a steady 1.8% growth thereafter. 1.8% may seem manageable, but it isn't when you factor in that ***this growth is 100% residential.*** Keep in mind that each new home is a net loss in revenues. It costs the Town more in servicing these homes than we will collect in

taxes. Thus, this is NOT a sustainable model. Administrative and school staffing levels simply cannot keep up with that pace.

To address this, the schools are adding teacher positions in this year's budget. And, likewise, I have refilled past lost positions for collecting/billing functions in the DPW and Collector's Office to similarly counter the results of this growth. This is a reasonable and conservative plan to contend with the growth to which we are facing.

(TRANSITION – PAUSE)

As your Town Manager, I am charged with managing this Town's budget. I am likewise charged with placing the Town in the most favorable position possible to weather forecasted storms and come out even stronger on the other side. That is why I have agreed to refill these previously lost positions. But, it is not the only manner in which I am addressing the need to keep up with the growth. I likewise have significant cost-cutting initiatives that I will be presenting to the Board in the very near future. In particular, I am reorganizing our organizational structure and I will be also presenting the Board with policy choices to evaluate how we do our business. These combined efforts will not only streamline our processes, they will take advantage of economies of scale and free up otherwise burdened departments to operate more efficiently, more economically and more effectively.

These policy choices, if adopted, will be a deviation from how we do things currently and they will come with new challenges, obstacles and opportunities. But likewise, I believe they will streamline operations, share in economies of scale and allow scarce resources to be utilized in more appropriate and beneficial ways.

These are all strategic planning initiatives that will be incorporated into upcoming Master Plan discussions. However, I don't claim to have all of the answers. But that is not to say that someone out there doesn't have an idea that I may have overlooked.

Innovation often comes from unexpected sources. To harness these opportunities, I like to invite unorthodox stakeholders to participate in the solution. This process allows stakeholders to have ownership in the solution and often provides opportunities that otherwise are missed.

To this end, I will be effectuating cost cutting and revenue generating think-tank committees comprised of specialists and citizens to help guide the Town with further potential innovative solutions that might get overlooked otherwise.

(TRANSITION – PAUSE)

So, what else do we do? We must address our current needs and also plan for the future? But, How do we do it?

Slide 9) "The Plan"

"we have two roads to navigate"

Our rate of growth coupled with the past lost positions creates both immediate and future needs. This is why I have denied the School's request for a 4.2% increase over last year's budget and instead budgeted for a more sustainable 3.4%. With this more sustainable increase, I will be able to allow the schools to add to their staffing, which is undeniably imperative for current and future needs. But it will likewise allow me to also staff the Town Hall with 2 lost part time clerks and also fund cross training of the administrative staff so that we may work leanly yet still maintain adequate coverage.

Lastly this additional funding allocated for this FY 18 cross training will continue on the rolls in FY 19 to fund a part-time administrative position for the future HR Director. And, even though the HR Director is a shared position with the School Department, at this time my plans are to fund the admin position in FY 19 in my budget. This position serves two functions: 1) I will be able to address the administrative needs of the HR Director and 2) additionally, through my org chart changes, I can consolidate some administrative functions into one position and lessen the workload-burden of all of the remaining administrative assistants.

These are administrative changes that are effective, efficient, economic and sustainable: 4 core tenets of Public Administration. I keep mentioning some of these tenets such as sustainability, economies of scale, effectiveness, etc. These are not just **monikers**. They are tried

and true cornerstone principles of professional public administration. We are a \$42M business. And, as your chief administrative officer, it is my duty to maintain these principles with each of my directives. That is how I am approaching these choices.

And that is my direction as outline Millbury's position in the next slides:

As I mentioned we have two roads to navigate.....

They are (TRANSITION – PAUSE – ENTER NEXT SLIDE)

Slide 9 "Today and Tomorrow"

(TRANSITION – PAUSE – ENTER NEXT SLIDE)

Slide 10) TODAY

"Today" I can address the rising pressures of the real estate boom by increasing funds concurrent with the workload associated with the corresponding pressure. By raising the fees associated with the workload, basically the fees pay for the work as the work is being done... sort-of... and I will address that little distinction in my next slide.

But as for this slide, you must keep in mind that moneys raised through these fees are one-time funds. They cannot sustain us. And, "sustainability" is a core tenet of public administration. So we cannot

simply cast I blind eye on this. Instead, we must acknowledge it and address the issue causing the need and likewise the solution to address the issue ... AKA, the bottom line.

As I have addressed, residential growth is the burden in the distance that we must be wary. We have a potential for 229 additional housing starts in a very short order. If these additional housing starts come to fruition, we must be ready to adapt. That amount of residential growth in a short period of time might tip the scales. We need to be ready to accommodate those pressures if we see them occur. And, that may call for a readjustment of the levy limit.

We must face the reality that if that growth occurs ... especially as rapidly as it has been..... then the levy will not support that amount of growth over such a short period of time. If the trends continue at this current pace, at some point in time, we will have to reevaluate our levy limit.

First, let's not jump to conclusions. Let's take a conservative and mindful approach to the possibilities and wait and see if these 229 houses come on line and if so, when. Thus, my plan is a conservative and cautious one, yet is conspicuous and mindful of what could develop.

The plan calls to

- 1) Deal with today as it is happening with prudent fiscal policies
- 2) keep an eye on the signs
- 3) be ready to adjust if necessary.

Slides 11- 12) TOMORROW

Once you collect the fees of today which are associated with the service and the administration of the service, you need to put that cash into action. You need to operationalize the money. Just collecting the money will not aid the operations. They actually need the money operationalized to be able to spend it on what it was collected for.

Doing this will take a policy change.

THIS IS NOT a permanent solution, nor is it sustainable. It is merely a means to address a current need to pay for the services being done while the Town sits back and observes what is taking place. Although it is possible, and even perhaps likely... it should be noted that there is no guarantee that these approved subdivisions WILL be built and then sold. So, we should not take a permanent approach to what might pan-out as merely 3 or 4 year a blip on the chart. Only until the situation appears too daunting to address year to year with revenues associated with the charges, ought we address a permanent solution.

Therefore, the most prudent, and conservative course of action is to position ourselves in a place to address the influx of work as it occurs, but take no permanent policy action until we have a clearer outlook of what actually happens.

Slide 13) Free cash

As I mentioned, operationalizing the free cash by appropriating it to fund the services from where it was collected is how we address today:

I will be proposing a new fee schedule for building and inspectional permits. As I just mentioned, these fees will not be a sustainable solution, but it will give us a bump in one time free-cash that correlates to the costs associated with building and inspecting these houses. It's a solution to address the immediate needs associated with the immediate workloads. But that only works if we deviate from our policy regarding free-cash and TEMPORARILY, ON A CASE BY CASE ANALYSIS utilize the monies earned through the building permits and applications to pay for the administration of these permits and applications WHEN NEEDED.

Thus we cannot have an absolute prohibition on utilizing free-cash, but yet we should alternatively have a cautious use of free cash when

needed. This is a case-by case, “look-see” approach of what is happening around us. A year or two’s free cash usage may give the Town enough quantitative data to analyze how the effects of growth have actually affected the Town.

As you look at this slide regarding Free-cash, I want you to notice that our free-cash is trending upwardly higher, but is still considerably below historical levels. I believe that with a new fee schedule coupled with the current rate of our growth, we will see a dramatic bump in free-cash for next year.

Moreover, I want you to notice that free-cash is rising at a similar rate as our residential growth. This is a reflection of collecting one time application fees, etc. By raising the schedule, we will keep ahead of this curve. It costs us money to inspect. We should not be running a net loss in so doing. Nor should the tax payers be supplementing the costs associated with paying for these administrative services.

But building fees are not our only schedules that need to be reevaluated. I am also looking at the fee schedule for the BOH trash and septic hauling. It appears that we are similarly not collecting the amount of fees that accurately reflect the amount of administration associated with these services either.

Currently we are charging fleet rates. Alternatively we are investigating having a per truck fee. Upper Blackstone and the Wheelabrator are assisting us in collecting the quantitative analysis on this. I anticipate that this will be a far more accurate manner in assessing the costs associated with administrating these services.

Now that I've given the Board all of this doom and gloom like the Ghost of Christmas Future, remember, we can affect our future by what we do today. Scrooge was able to alter his Christmas future by modifying his behavior in his Christmas present. In other words, Millbury's current situation is a combination of good past fiscal policies. However, it is also a reflection of a slower than adequate reaction to the market. So, let's be flexible and prepared to adjust our position based on market indicators.

I must reiterate... our house IS IN ORDER; but be mindful..... there's a potential storm raging in the distance. I've described why and how we ought to hunker down to prepare for the storm.... Now let's take a look at where we stand today.

Here's A Snapshot of the Town's Current Positon:

Slide 14) Balanced Budget

We have a 100% balanced budget within our levy limit, with no need for an override and no reduction in services. There is an overall increase of 3.8% over last year's budget which addresses our current demands

and prepares us for future needs by replacing previously reduced employee positions in both the governmental and school sides. What it does not do is address public safety hires, which are likewise well behind acceptable roles. Just like the general government, public safety is likewise down numerous positions since the Recession. This has created a need to often fill shifts with overtime. This is definitely not a sustainable model nor is it economic or efficient. This is something that we will have to address in future budget discussions.

Slide 15) Pie Chart of the Town's Total Budget

The Pie Chart shows the breakdown of the budget. It shows a 54% portion of the pie going to the schools and a 39.5% (when you adjust for debt service) going to the rest of the Town. But this is not completely accurate.

Slide 16) Transparency of How the Town Budgets its Funds

Another cornerstone of Public Administration is “transparency:

I’m not here to state what is the will of the Town Meeting, I am simply laying it out as a fact. THIS is what your budget looks like. This slide portrays how you have decided to fund your departments and your

obligations. As you can see, Millbury has decided to prioritize the schools. This is not uncommon in any town.. However, they have funded the schools at nearly a 70% rate which is much higher than most Towns.

This slide takes into account that the schools comprise the largest portion of employees (70%) and thus they likewise have the largest portion of the category “employee benefits”.

Therefore.....

Toggle back to prior slide

70% of the 7.7M or roughly 5.4M is attributed to the schools.

Toggle forward to next slide

So, if you're being completely transparent, the school's share of the budget is more accurately 27.5M or 68% of the total Town budget: not 54%. Now, that is not to say that this is fair or unfair, right or wrong, or what we should or should not do. Instead this is simply an accurate,

transparent representation on what this Town has decided to do with its resources.

Now I will move on to what has occurred in this budget cycle:

During this cycle the increases in the individual budgets break down as follows:

Slide 17) Spending Trends

Rate of Growth:

General Government:	1.24% increase of 4.2% of the budget
Public Safety:	0.28% increase of 8.4% of the budget
Schools (not Blackstone Tech):	3.34% increase of 54.6% of the budget
Public Works:	1.52% increase of 4.5% of the budget
Public Health:	6.78% increase of 1.2% of the budget (↑ funding for boarding up houses)
Culture and Recreation:	7.5% of 1.2% of the budget (adding ¾ child librarian)

Slide 18) Town’s Debt position

The Town continues to pay off its long term and short term debt. We have a reduction of approximately \$95,000 or 3.78% over FY 17.

The trend breaks down as follows:

- FY 16 (\$2.7M)
- FY 17 (\$2.5M)
- FY 18 (\$2.4M)

Slide 19) Other Town Budgets:

A) Winter Conditions:

The winter been a blessing compared to two years ago's record setting cold and snow. This has had a significant effect on the Snow and Ice line items. The deficit for this purpose is continued to trend downward due to another mild winter so far, but of course this could change as we have not yet reached spring. At the time of this report, we have budgeted for a deficit of \$ 125,000 and we have at a negative \$93,000. Thus, if the weather cooperates, we will be within our anticipated shortage. The Board is probably wondering why we plan for a deficit. That is because this is one particular line that the state allows us to run into the red. We budget based on the initial state aid numbers in the Governor's budget. His numbers are usually very conservative. As a general rule we can reasonably expect those numbers to be higher when we see House 1. The difference in these two budget often accounts for any excess deficit for which we haven't budgeted. So, at the time of this report, things look good.

B) Town Counsel Reductions

I am in the process of interviewing firms whom I will present to the Board at the March 28th meeting as an alternative to our current Town Counsel. This is a plan to dramatically change the way in which we do business and also as a cost cutting opportunity. Last year we budgeted \$219,000. I am reducing this to \$150,000 which I believe will be sufficient to cover our legal advice, opinions and representation. If there is something that is extraordinary or completely unanticipated I will adjust accordingly. But I in no way believe that \$219,000 seems to be a likely figure necessary to accommodate our legal needs in this Town of 14,000 residents and 500+/- employees, elected officials, commissioners, volunteers, etc.

C) Enterprise Fund

Salaries:	\$265,896
Expenses	343,189
UBWPAD Assessment	951,878
Sewer Expansion Debt Service	50,000
Capital Outlay	265,000
Total:	\$1,875,963

-0.59% reduction FY 17

Slide 20) Capital Improvement Program

We currently have \$1,027,190 in free cash and 19 Warrant Articles totaling \$1,026,953 which break down as follows:

Roads	\$260,000
School Dept Windle Field House Bathroom Renovation	30,000
School Dept Tractor	52,900
Police Dept Weapons – Rifles (7) / Tasers (8)	25,000
Police Dept Lobby Improvements	25,000
Building Dept Software	29,000
Overhead Door Replacement DPW	25,000
Overhead Door Replacement Transfer Station	20,000
East Millbury Park Parking lot improvement	20,000
Washington Street park Improvements	10,000
Master Plan	50,000
Fire Chief Vehicle	43,350
Fire Dept Repair to Headquarters	63,000
Painting of outside of the COA	14,000
King’s System Record Retention Project	20,000
Town Clerk Codification of Bylaws	4,800
Medicaid Article	106,511
Senior Work-Off	20,000
Stabilization	200,000
	\$1,026,953

Slide 21) Summation / Questions

The Town has a balanced budget with a 3.8% increase over last year's budget. It stays within our levy limit and spends \$700,000 on capital projects and \$200,000 into stabilization.

Past fiscal policies have proven efficient and economical, but it is uncertain if they are effective as the warning signs of serious gaps in departmental operations is evidenced in the fact that the Town couldn't get its bills out on time and the backlog of filings in other departments is accumulating.

Moreover, extensive and rapid residential growth and stagnant commercial growth threatens to create such a burden on services that our levy capacity may not be able to maintain services at their current levels.

Therefore, a reevaluation of current policies, a reorganization of operations, and economies of scale may be necessary to address pressing needs and future demands.

At each stage of my interview process I reiterated that simply evaluating the books could never be enough to determine what course of action the Town should take.

Budgeting requires steady and consistent policy evaluation over long periods of time, quantitative forecasting, and determining the REASONS behind the numbers.

I obviously had very little opportunity to do any of those things having been here only a few days before having to dive right into the budget. Instead I had to rely on the experts on hand who hadn't been tasked with these duties in the past. Thus we had people approaching the task with similar deficiencies. At best we had limited institutional knowledge.

Therefore, our Finance Director and I utilized best practice assumptions and did the best we could with what we had. On top of our assumptions regarding the reasons behind the numbers, we had to work with limited figures from the state and uncertain adjustments to one of our biggest lines – Town Medical Insurance. Therefore, it is quite possible that our assumptions may be off. So, in approaching this budget, we made sure to act ultra-conservatively. So, when Town Meeting comes we may be presented with better state aid numbers and perhaps larger savings in our insurance line.

If at that time we are made aware of a better position, I plan on utilizing any additional revenues found to backfill some of my reductions in departmental requests. This is especially true in the School Budget.

Currently I have increased the school's budget at 3.4% . This is a reduction of less than 1% off of their request. (.8%) Moreover, having the largest budget item grow at 3.4% while the remainder of the budget grows at a far smaller rate will widen the percentage gap of the division of very scarce resources. This is the historical model to which I have inherited and it is one that has taken many, many budgetary cycles to create. I have no institutional knowledge on how this was debated or why it is how it is, but I do know that this model is absolutely not sustainable for the adequate operation of Town government. Future budgetary cycles will have to adjust for this inequality of scale. Again, I am not here to make a policy decision on the direction of the Town, that is for the Board of Selectmen and the Town Meeting. However, it is my job to advise that this model is not one that will work going forward. We must take a differing approach moving forward... Case in point... it costs money to fix our roads. Ch. 90 funds plus \$260,000 is a drop in the bucket. We, as a Town, and you as a Board of Selectmen, have policy choices to make. How will we move forward? But, those are discussions for moving the future, we likewise must be mindful of the realities of today.

As I've outlined, we have a guarantee of 100 homes being put into the system and the potential of another 229. The schools are going to have

to find a way to deal with the effects of these new homes that are guaranteed to be online this year. Therefore, if I have the additional revenues that I expect that I will have once the books close, I will put them back into their line to account for the certain bump in enrolment that I anticipate 100 homes will bring.

However, we cannot ignore the rest of the Town either. The General Government and Public Safety are already strained beyond reasonable capacities. We cannot leave them in the lurch. Thus, next year, and in future year's budgets, we will have to further address these concerns and give them larger portions of the increases, if any.

Lastly, I am not unaware of the conditions of our roads and I have policy and program changes that I will be proposing to the Board in the upcoming days to address these needs. I believe that with a new approach in procedures, materials and policies, we can utilize the funding available to bring our roads up to acceptable standards in a far more rapid rate than the program currently being used. Moreover, I believe that our most deteriorated roadways can be addressed this year and it is my intention to have all of our roadways acceptable within 5 years.

These have been my analyses of the state of our Town, my plans Today's issues, and my plan on how we should move forward to prepare for tomorrow's needs. I thank the Board for your time and I welcome any questions that you may have for me or Ms. McKenna.