



Town of Sturbridge

Leon A. Gaumond Jr., Town Administrator

TOWN ADMINISTRATOR'S BUDGET MESSAGE FY2018

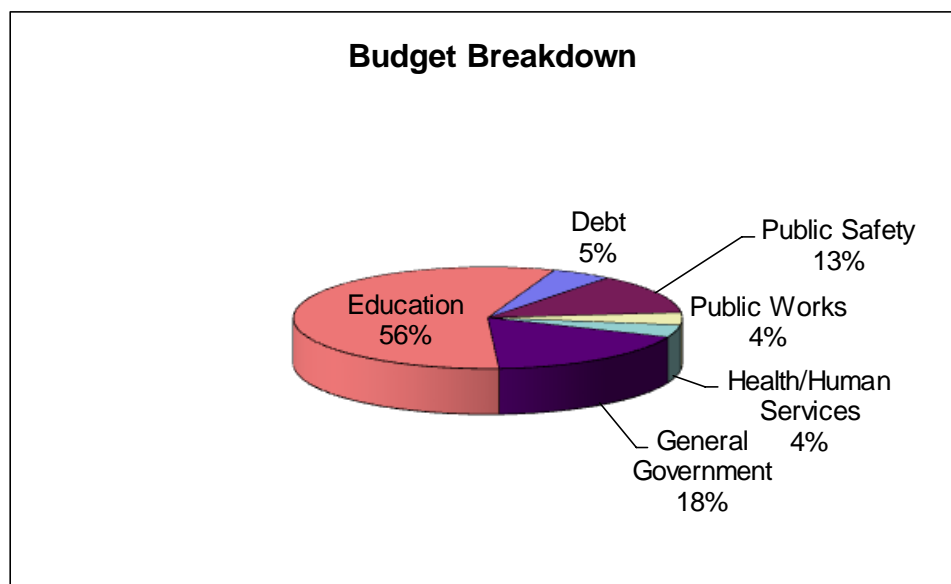
Introduction

In accordance with the requirements of the Massachusetts General Laws and the Town of Sturbridge Charter, I am proud to submit Sturbridge's proposed Fiscal Year 2018 Operating and Capital Budgets. I have chosen this format for the FY18 Budget Message to provide the citizens and Town officials with a document that effectively communicates the important fiscal issues facing the Town.

The proposed budget before you is balanced to the extent that the expenditures do not exceed available fund projections. I commend the Town Department Managers, Finance Committee and the Board of Selectmen for their conservative approach to recent budgets. The proposed budget totals \$31,575,248, an increase of \$1,285,440 or 4.2%. (3.4% General Government, 3.5% Burgess, 7.3% Tantasqua)

The proposed FY2018 budget follows:

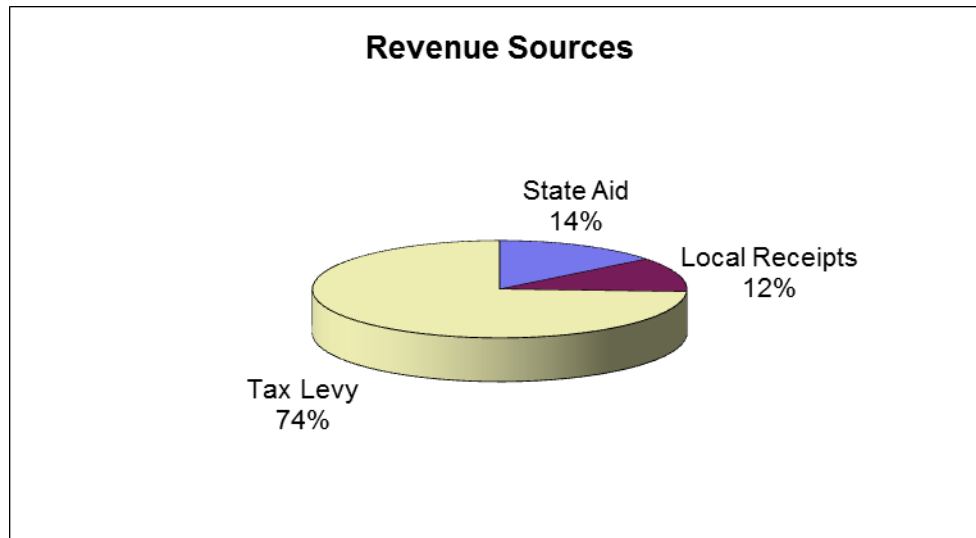
General Government	\$ 5,633,962
Public Safety	\$ 4,022,011
Public Works	\$ 1,245,503
Health/Human Services	\$ 1,241,133
Debt	\$ 1,599,699
Education	<u>\$17,832,940</u>
Total Proposed FY17 Budget:	\$31,575,248



REVENUES

Property tax revenues reflect 74% of the revenue stream. State Aid represents 14% and local receipts represent 12%. The State Aid revenue projections will be refined as additional information is obtained from the Commonwealth.

Estimated FY18 Revenues



Financial Outlook

We are pleased to say that the Town's bond rating was reaffirmed by Standard and Poor's at AA+ last year. This is due principally to our conservative financial management policies and practices, as well as to a strong management team, consistent ability to maintain balanced budgets and strong debt position. This rating will allow the Town to borrow money at lower interest rates.

By all aspects of measurement, this is turning out to be a most difficult year for the Town financially. While the growth in revenues locally is consistent with the provisions of Prop. 2 ½ we are seeing limited revenue growth for the Commonwealth and rising fixed costs which I plan to mention shortly. However thinking about local aid from the state I recently heard a great explanation about the current state fiscal condition by the Chairman of the House Ways & Means Committee who said *"For the coming fiscal year, modest tax growth, rising fixed costs and uncertainty at the federal level all make balancing a fiscally responsible budget for the needs of the Commonwealth a challenging task"* (House Ways and Means Committee Chairman Rep. Brian Dempsey). Sadly, many state local aid categories remain at FY17 levels at a time when many of the Town's fixed costs are ballooning.

Among the local budgets seeing stress in this year's operating budget are:

- Health Insurance: The preliminary renewal for our health insurance for next year is nearly 10% higher than FY17. There are several factors however our claims experience and the rising prescription costs nationwide are contributing to this increase.

- Pension costs: Similarly, the Town is seeing a 10% increase in our pension costs for FY18.
- Education costs: Probably the largest stressor on our operating budget this year is in the category of education. Of the roughly \$905,162 we have in new revenues over last year, \$827,986 is going to fund required increases at Burgess & Tantasqua. This represents 92% of our newly available funds!

What is clear is that these three categories mentioned above are responsible for nearly all of our new monies available for expenditure this upcoming year.

Unlike previous years, this year's operating budget is expected to be much leaner in order to remain sustainable moving forward. As a result, a number of departments seeking expansion of services or staff hours will be disappointed and some departments, like the Department of Public Works, will see a reduction manpower for FY18.

Budget Principles

Strong budget policies help the Town determine not only what we want, but equally important, what we can afford. As conditions change, the Town must continue to be proactive in adjusting the budget or risk compromising our long-term fiscal health. The Town has developed several budgetary and financial principles to guide the Administration, the Finance Committee, the Town Department's and the citizens in crafting and adopting a budget that continues to preserve the financial strength of the Town. The policies currently adopted by the Town Administration are found within the Town's Comprehensive Fiscal Management Policies. While these policies are a good start, I am committed to review them periodically to find ways to improve upon these policies and strengthen our community. Taken as a whole, the Town's financial management policies represent the general philosophy upon which financial decisions are made and include provisions for long-term financial planning, as well as guidelines for the use of Free Cash and Stabilization Fund reserves.

Budget Process

Like most municipal budgets, this budget has been developed upon projected assumptions of available revenue, thereby accepting the limits of the Town's financial resources. The budget is based upon an established ceiling of revenue derived from local property taxes in accordance with Proposition 2 ½. Added to these revenues are State Aid, Miscellaneous Revenues such as fees, permits, and interest earned, and available funds such as Free Cash and Special Revenues Funds. The one exception to this process is exempt projects whereby voters determine that a particular project is worthy of an increase in taxation. Sturbridge's examples of this include Burgess Elementary School and the Town Hall Renovation Project.

While the projection of available revenues creates a budget ceiling for the Town, an expenditure floor is created by calculating certain fixed or semi-fixed costs such as debt payments, employee benefits, various assessments, and dedication of state education aid. These costs subtracted from projected revenues leaves remaining funds that are available for discretionary spending such as education, public safety, infrastructure maintenance, municipal administration, and community services. It should be noted that school spending must meet the state calculated minimum level of spending as set forth by statute. For more detailed information about this, please refer to www.doe.mass.edu/finance/chapter70/.

This year, I have instructed every department to prepare a level service budget. The Finance Director and I received most of the budgets back from the Department Managers in December and began to prepare a draft budget in January - February. Each Department was also given an opportunity to make a claim for additional funding that a Department Manager believed was warranted.

Capital Budget

There have been numerous capital purchases over the past few fiscal years that have come from various sources. The final report of the Capital Planning Committee will be detailed in the Budget Book.

Budget Appropriations and Accounting

The Town of Sturbridge operates under state statutes and Town Charter as amended to establish the Selectmen-Town Administrator form of government. The legislative body of Sturbridge is an Open Town Meeting. Town Meeting has the sole authority to appropriate funds for the operating budget and capital projects except for specific instances where statutes or regulations do not require appropriation. Any amendments to appropriations require Town Meeting vote at either an Annual or Special Town Meeting.

Looking Forward

Certainly many Town Departments and residents may look at this budget year as a difficult one but the level of funding which is being presented is a fair budget which still solves several long standing inequities in our operations. For example, we have included pay steps for Department Managers who previously had no mechanism for moving up in the pay scales similar to that of other municipal employees. I also included longevity payments which benefits long-serving municipal employees in the manner which union employees benefit. While this budget does address some organizational improvements, it does not address all of the issues which I had hoped to address this year.

Over the next several weeks I intend to work with our Finance Director, Board of Selectmen and Finance Committee to look for ways to reduce some lines in our budget (health insurance for example) or to hopefully identify new revenues (additional state aid for example) to help meet more of the pressing needs of the Town.

Some of the important needs of the Town not being funded in this year's operating budget are as follows:

- Building Department expansion of hours: The Department has made a passionate and compelling request for additional hours for their department – both the Department Head as well as the Administrative Assistant position. The amount of work for a community like Sturbridge, with our large number of restaurants and hotels, is too much for our part-time department.
- DPW loss of staffing: The Department of Public Works has a vacancy for an equipment operator which I have had to remove from next year's operating budget.
- Fire Department improvements: Clearly this has been a challenging year for the Fire Department. Over the past nine months we have had three different Fire Chiefs! However this difficult situation has led us to identify several shortcomings in our operations which I hope to be able to fund moving forward. Certainly the lack of a viable Deputy Chief/Captain position proved to be a structural weakness in the Department. In addition, the need for better organized training opportunities and resources was identified. In addition, the Department has struggled with less than full-time hours for the administrative position within the department.
- Ambulance Billing Clerk expansion of hours: It has become clear that the number of hours for the position is insufficient and should be increased. A request was made to increase the hours from 22.5 to 27.5 hours per week.
- Codification of our bylaws: The Planning Department has made a compelling case for a system to assist in the codification/organization of our Zoning Bylaws. While it is an important effort, the resources are not there to support such a request this year. I may be bringing this forward shortly and possibly include the General Bylaws of the Town as well.

- Board of Health reorganization: The Board of Health has also gone through significant transition over the last year. They need additional resources in which to expand their current staffing levels after their attempt to restructure their organization failed last year.
- Conservation Department expansion of services: The Conservation Department has made numerous one-time requests in an effort to address several longstanding issues on conservation land purchased with Community Preservation Funds. These requests will be presented to the CPC in the coming months for future funding. Money has been allocated to remove some buildings on Town-owned property which are in disrepair and pose a significant liability risk to the community.
- Senior Center: The Elder Services Department had been seeking additional hours for the Outreach Coordinator which could not be met with this operating budget.
- Police Department: The Sturbridge Police Department annually identifies staffing needs for the Department as the Department matures. We are unable to meet these needs this year.
- Landfill operations: The Town had to reduce the operating budget of the Town's landfill in non-critical areas. Over the past few years the Department has not expended all of its budgeted amount and returned money to the Town's free cash account.
- Pay increases for recreation summer help: The Recreation Department sought an increase in the hourly rate for some staff for the Summer Recreation Program.
- Modernization of the dog license software: The Town Clerk has requested funds to upgrade the Town's dog license systems but more specifics are needed.
- Tools for the Trails Committee: The Trails Committee sought funds for hand tools for volunteers to build and maintain trails within the Town.

In addition to the above needs, there are a number of things facing the Town that need the particular attention of the Town Officials and the citizens. Most importantly, we need to ensure that our municipal buildings are well maintained and functioning properly.

Conclusion

In summary, the FY18 Budget as proposed is balanced as written. It also provides for the continued financial stability of the Town and attempts to maintain essential services in spite of uncertain revenues. I would like to thank all the participants in the budget process here in Sturbridge for their work so far; beginning with the Department Managers and Boards & Committees for their thoughtful submissions and to the Board of Selectmen and Finance Committee for their advice and counsel. Finally, I would like to thank Sturbridge's Finance Director, Barbara Barry, for her efforts in preparing the final draft budget. I am proud of the team we have in Sturbridge and happy to be part of the team.

Respectfully submitted,

TOWN OF STURBRIDGE

LEON A. GAUMOND JR.

Town Administrator