

Town of Scituate



MEMORANDUM

TO: Board of Selectmen
Advisory Committee

RE: Budget Message

DA: December 30, 2011

Cc: Mary Gallagher, Town Accountant
Department Heads and Staff

In accordance with Sections 4-2 (f) (h), 6-2, and 6-3 of the Town of Scituate Town Charter, I hereby submit the FY 2013 budget.

This is the third operating budget of my tenure. While the challenges of the economy still impact our daily lives, the Town's support in passing a general operating override this past May has allowed Scituate to weather these challenges. The \$2,200,000 in funds (\$1,500,000 school; \$700,000 town), has resulted in an FY 13 recommended budget that continues many programs and activities of the past, but also contains a number of new initiatives designed to either streamline operations for more efficient management and cost savings, or move forward specific town goals in the overall management and administration of the Town. A tremendous amount of work goes into this budget document, which is much more than just dollars; it continues the road map of defined goals and outcomes to keep us moving forward as a community and institutionalizing a stable financial foundation from which to manage.

Fiscal Year 12 Recap

Before addressing FY 2013, a few comments about the FY 12 budget.

The Town forecast a reduction in local aid and that local receipts would remain level. Local receipts were up more than projected. This was a result of increased collection of motor vehicle excise, municipal lien certificates, and from some one-time events such as the bond premium the Town received for its bond issuance in April 2011. The Town closed out FY 11 with \$1,528,822 in certified free cash. This is commendable given that the Town had negative free cash of \$192,000 in FY 08. This increased amount is a direct result of tighter budgeting and operational changes that resulted in greater efficiencies. In turn, these funds allowed the Town to remit to the Stabilization Fund \$168,000 in storm damages as a result of the December 2010 storm, as well as an additional \$300,000 in funds to guard against emergency or unforeseen events. The current

remaining amounts of free cash are, in part, a reserve to offset any unanticipated budgetary needs before June 30, 2012 and to buffer any unexpected changes in the financial forecast for FY 13. However, first and foremost, Free Cash is to be used to fund the Town's FY 13 capital improvement program.

General Overview of Fiscal Year 2013 Budget

The Town's forecast for FY 13 anticipates a small decrease in local aid. This is because there is some concern that the loss of federal stimulus dollars will impact overall aid. The Town will not receive more definitive information about local aid until February.

As noted, overall local receipts were up in FY 11 and the projection is that this trend will continue, but not to an appreciable degree. Notably, new growth was more than projected and this revenue source has been increased for FY 13.

Overall, revenues to projection resulted in a \$1,554,310 surplus for FY 11. The FY 13 revenue and expense assumptions have tried to capture positive movement in our overall finances while at the same time remain prudent and realistic in actual receipts. Section 1 of the Budget Book details the current revenue and expense assumptions compiled by the financial team and now provides an excellent source history of past revenues and expenses while also noting new financial areas such as wind turbine and solar revenue as well as federal compliance issues such as funding Other Post Employment Benefit (OPEB) amounts. Alternative sources of potential revenue, such as the meals tax, continue to be examined each year by the Board of Selectmen.

Fixed cost increases still eat up new revenue. Most notably, the Town's pension assessment, which went down \$14,000 from FY 11 to FY 12, went up \$341,164, a 10.99% increase over FY 12. This seesawing of annual assessments needs to be addressed by the Plymouth Country Retirement Board and its member communities as its impact to the budget dominates the major change to the expense side of the ledger for FY 13. While the Legislature has approved a comprehensive pension reform law, the financial impact for long-term savings resulting from these changes will not be realized for several years as they affect new employees, not existing ones. Consequently, retirement costs for these individuals will continue to increase for the foreseeable future. As to health insurance, FY 13 costs are uncertain (see below) and the line item has been level-funded for FY 13. The Town did have a surplus in the account for FY 11 and \$85,000 of this shared expense was transferred to the Workers' Compensation Self-Insured Trust Fund to build this fund reserve.

In January, the Town will begin discussing with employees and retirees changes to the health insurance plan designs currently offered. This is as a result of the Legislature passing a new section of Massachusetts General Law Chapter 32B that governs the provision of health care benefits for employees and retirees. While this may provide additional relief to the expense side of the budget, any realized savings will most likely not be known until the fall of 2012. The Town has posted information about this legislation on its website. Unfortunately, any savings here will be used to mitigate the aforementioned increase in the Town's retirement assessment.

FY 2013 Highlights

The FY 2013 recommended budget incorporates the following criteria:

Expenditures

- No Free Cash has been used as an offset for the operating budget.
- No use of the Stabilization Fund has been used as an offset
- Assumes 17% increase in assessment for South Shore Regional School (five new students)
- Assumes level-funding for FY 13 health insurance
- 10.99% increase in Retirement Assessment
- No FY 12 appropriation has been recommended for the expired fire union contract on the town side. Steps and contractual increases account for \$130,000.

Revenues

- Local Aid has been decreased by \$78,512.
- Increase in new growth of \$45,000 and Local Receipt of \$115,000
- The Town will use all of its levy capacity as allowed by Proposition 2½ plus an additional \$2.2 million as a result of the May 2011 operating budget override approval
- \$500,000 of Free Cash has been reserved after capital to mitigate any variations to the financial forecast for FY 13 and/or unexpected costs for the remainder of FY 12 (i.e. snow deficit).
- The wind turbine is expected to be operational in the late spring, and at the same time construction of the solar array at the landfill will begin. This revenue has not been used in any way to balance the FY 13 budget as it is too early to determine with any reliability and officials are strongly cautioned not to use this as an FY 13 offset.

Overall, unrestricted departmental submissions resulted in *requested* FY 13 budgets of \$15,252,177, a **\$694,695** increase over FY 2012.

In making determinations about recommended budgets, the Town Administrator considered the needs of each department, any cumulative effect of prior year reductions in line items, the identified goals to work on in FY 13, and the overall performance and ability of the departmental manager. In short, demonstrable management ability factored into recommending additional resources for new initiatives or programs. As part of the overall management plan for the Town, there are certain goals that the Town Administrator directs the department to pursue and these initiatives need to be supported with resources allocated in the budget as well.

As in the past, multi-year prior expenditure histories were reviewed to determine historical costs. Nevertheless, this resulted in a recommended budget that represents reductions to departmental requests of **\$283,415**. While a number of new departmental budget requests were funded, many were not. These included increasing nursing hours in the Board of Health, adding an additional heavy equipment operator in the Highway Department and expanding personnel in the library.

Significant Budget Items of Note

These items are discussed in further detail in the budget section line item

Override

Town voters approved a \$2.2 million operating override in May 2011. This override allocated \$1.5 million to the school department for such items as staff positions and technology and curriculum improvements, and \$700,000 for identified town-side needs detailed as follows:

- *Town Building Needs and Safety Improvements.*
Funds for security measures for safeguarding of funds and personnel, upgrades and retrofits in Town Hall and town-wide equipment replacement
\$100,000 Town Hall basement retrofit/storage
- \$50,000, Fire Overtime.
- \$100,000, Two Police Officers
- \$60,000, Support Staff and Training
- \$400,000 Road and Seawalls

All of the above items have been funded in the FY 13 budget to remain true to voters' wishes.

Buildings and Facilities: Capital and Maintenance Needs

CPC funding this year allowed the Town to engage a firm to conduct a feasibility study for Gates School. It is anticipated that a preliminary report will be available for town meeting members relative to future uses of this facility. The study is to look at the future of Gates as a building both structurally and functionally as well as appropriate future use potential as a middle school or community center. As of late there has been much discussion about Gates School. In FY 11, the Town Administrator's recommended budget included \$200,000 for a study of Gates. This funding had to be cut by the Board because of budget constraints. In FY 11, funds were again tight and funding was requested through CPC because of the historical nature of the main portion of Gates. Despite recent reports, the school has been very much "on the table" with town officials and has not been neglected in the context of all town and school needs. However, Gates cannot be considered in a vacuum; the Town has overwhelming needs in its public facilities that include the Senior Center, police and fire buildings, Town Hall and library. These challenges, and a recommended plan to begin to address them, are detailed in the narrative section of the Capital Improvement Plan. In addition, regular building maintenance and economies of scale can be improved as well. However, the Town lacks the personnel to manage in this area and the lack of devoted staff for these needs has in part contributed to our present dilemma. The FY 13 budget funds a Facilities Manager position. This is the number one priority on the town-side for FY 13.

The Town has made great strides in being a leader in energy efficiency with our Green Communities status, ESCO project, Solarize Mass and solar and turbine projects. These initiatives come in addition to the void that existed previously relative to adequate maintenance and oversight of our buildings. Further, the FY 13 capital plan also includes recommended funding for building needs and someone is needed to oversee and facilitate this work as well.

The initiatives and projects we have, and will put in place, along with routine building operations, will languish and suffer in the absence of a dedicated individual to address them and if not addressed we will need to scale back on our current efforts.

Last, the Pier 44 Building Options and Feasibility Study Committee will be recommending potential uses for this site. Since September, the building has been open for public use and has met with widespread approval. But again, this is another building among the more than five dozen facilities and structures we now manage.

Veterans Services

Expanded provision of benefits, extensions of international conflicts and trying economic conditions for veterans have once again resulted in a significant increase (\$30,000) in Veterans Benefits appropriations over FY 12 funding which doubled (\$25,000) over FY 11. This trend is not expected to decrease. Our claims-eligible veterans have increased. In November, the Board of Selectmen executed an Inter-Municipal Agreement with the Town of Hingham to create a Veterans District. This will insure a much improved level of service for our eligible veterans. While 75% of support benefits are reimbursable from the Commonwealth, costs must be funded upfront and reimbursements are lag almost 18 months behind. Even these budgetary increases may not be sufficient for FY 13, and we may have an additional shortfall.

Technology

In April 2011, the Town hired its first information technology director, Bill Sheehan. In a remarkably short period of time, Mr. Sheehan has identified and fixed a number internal weaknesses and vulnerabilities in our systems while at the same time saving considerable expense by streamlining vendors, services and agreements. The Board of Selectmen has identified continued progress in technology as one of its key FY 13 goals. As a result, the FY 13 technology budget reflects this directive and tackles a number of items including, but not limited to:

- Online access in Assessors Office for parcel information
- Secure virtual private networks (VPN's) for all off-site town departments
- Replacement of outdated computers in the library and town departments

New Programs and Services

The recommended budget allocates new funds for the following:

- Funding for flu vaccines in the Board of Health
- Two summer seasonal help positions in Highway and Public Grounds
- Facilities Manager position
- Funds for increased law enforcement at New Inlet (the "Spit")
- Additional funding for maintenance and repair for Town historic buildings
- Funds for care of new islands and medians
- \$5,000 for Economic Development Commission to investigate expansion of tax base

- Increase in funding for tax title filings

Personnel and Collective Bargaining Agreements

The Town still has one unsettled union contract in the fire department. This contract expired in June 2009. The issue is before the Joint Labor Management Committee and will not be decided until spring of 2012 at best. No appropriation has been made in this budget for any settlement and any attendant costs will need to be absorbed by the Fire Department in other ways.

The Laborers' contract (DPW employees) expires on June 30, 2012 and hopefully this contract will be settled early in FY 13, if not before. All other town-side contracts extend through FY13 with 2% wage increases for all units. The six school department contracts expire on June 30, 2012. Long-term contracts provide stability and predictability for the Town's budget.

In January, interviews will be conducted to fill up to four police officer positions and several permanent intermittent positions. This represents a major step in increasing the complement of the force, which has been understaffed for many years despite increases in incidents and call volume, and is another budget priority.

Enterprise Funds

The Town continues its aggressive program of improving and/or expanding water and sewer infrastructure. With the Town's bond issuance last May, debt service in these funds significantly increased. The Town Administrator's financial policy guidelines for Enterprise Fund Retained Earnings require a balance of between \$300,000 and \$500,000. This threshold becomes a bit more challenging with debt service and although funding has been recommended, it is less than in prior fiscal years.

Sewer Enterprise. The Board voted to increase sewer rates for FY 12. FY 13 rates have not as yet been determined.

Water Enterprise. The Board of Selectmen has committed to a 5% annual increase in water rates to address needs in that department. Most of this annual increase now goes to debt service from prior authorized projects.

Widow's Walk. The economic downturn has affected the golf industry as well. All retained earnings for the course were expended by June 30, 2011. The Board of Selectmen has voted an increase in golf fees for FY 13 based on projected revenue shortfalls. However, with the variability of weather and patronage, it is not known if the will result in the course being in the black by year's end.

Capital Improvement Plan (CIP)

The second year of the CIP continues the momentum established in the roll-out of the plan last year. It contains Town Administrator's recommended projects based on a formalized and objectively-based rating system and an attendant finance structure to fund them. The plan uses a

combination of debt service with pay-as-you go funds such as Free Cash, interest from Stabilization and retired debt surplus. In order for the CIP to be successful, and as noted in this space last year, FY 13 General Fund revenue has been allocated for capital and this is included in the revenue and expense assumptions. Additional information is provided in the CIP and it should be referenced for more specifics.

Summary

As this budget is prepared seven months in advance of the fiscal year, the numbers are subject to change and we are making assumptions during a snapshot in time. However, our Revenue and Expense Assumptions (included in this document) as well as the more formally reviewed Financial Forecasting Committee projections, provides a rational basis for revenue and expenses outlined in this budget. *It is strongly recommended that the deadlines in the Town Charter be changed to better accommodate the budget cycle closer to that of other communities so that we may capture changes (e.g. local aid and voted health insurance rates) before our April town meeting, instead of after.*

As I try to emphasize each year, this budget document is not simply about dollars, it is about programs, services, activities and people. This defines the overall character of our community and distinguishes us from our neighbors.

Finally, just as FY 13 begins, I will be completing my third year of service in Scituate. I have come to greatly value the work our department heads and support staffs do despite the regular addition of new duties and responsibilities. I also continue to be gratified by the continued support of the Board of Selectmen and the tremendous amount of time each member devotes to his duties as an elected representative of the Town.

In closing, my thanks are extended to those individuals that assist in producing this document: Mary Sancinito, Mary Gallagher and Sheila Manning.

Respectfully Submitted,



Patricia A. Vinchesi
Town Administrator
