



## MEMORANDUM

TO: Board of Selectmen  
Advisory Committee

RE: Budget Message

DA: January 3, 2014

Cc: Nancy Holt, Finance Director/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 Fiscal Year 2015 budget.

This is the fifth operating budget during my tenure. It's hard to believe but we have managed through yet another year of unprecedented weather events. However, the economic challenges of FY 11-13 have improved and the FY 14 budget reflected an overall increase of approximately 4.2%. While not as robust, the FY 15 budget maintains positive forward motion and our overall finances are in excellent shape with strong planning in place for both short and long-term financial needs. The recommended budget contained herein is a reflection of taking myriad wants and determining which ones to focus upon over the next 12 months or in some cases, several years. Fixed costs remaining a growing concern almost exclusively in the area of employee benefits. It is not just base salary, but "total" compensation (health and life insurance, pension, OPEB, contract roll-ups) that needs to be considered when determining overall budget and staffing needs.

As the Town's chief fiscal, administrative and personnel officer, it is my direct responsibility to weigh all of these needs and recommend to the Board of Selectmen, Advisory Committee and Capital Planning Committee what is needed most not only during the 12 months of the fiscal

year but for several years out and allocate resources in those areas accordingly. Incumbent in these recommendations are our goals to always move forward while remaining effective in our service delivery, cost conscious of taxpayer dollars, and safeguard reserves for unforeseen occurrences. The Town's operating and capital budgets are the culmination of months of work by town staff and the result is the most important document produced by your town government. It is our past, our present and what we need or hope for in the future.

## **Fiscal Year 14 Recap**

As of this writing, the fiscal health of the Town remains in good stead. In a departure from the past several years, we expect that local aid will remain level-funded. FY 14 showed a small increase of about \$151,000. Local receipts were also up over projection, particularly in “new growth,” and this has been factored into the FY 15 forecast. Many receipts are “one-time” so we track the source of the funds closely in order not to be caught short later in the fiscal year after the budget has already been established.

The revenue and expenditure forecasting analysis has been expanded this year to include new revenue sources such as the meals tax, solar array and wind turbine. Our 11 years of history help us make fairly accurate assumptions about what will occur in the coming year. The Town of Scituate reached a milestone earlier this year when the commissioning of our 15-acre solar area at the capped landfill on the Driftway resulted in our community becoming the first municipality in Massachusetts to be 100% fueled by clean energy. We maintained our AA+ bond rating, made strong progress on our Public Facilities Master Plan. Free Cash was certified at \$2,813,553. Of this however, \$406,794 was a carryover from FY 13. Similar to other local receipts that may be one-time revenues, Free Cash also has a substantial component of monies received that may not reoccur in a future fiscal year. However, a strong Free Cash balance has allowed us to make several capital acquisitions in recent years and our Financial Polices require that these funds not be used for operating budget purposes. The FY 15 budget allocates \$100,000 to the Capital Stabilization Fund created in 2012 and this Fund has worked well in earmarking of some funds for future high cost capital needs. We had four severe storms in the past year and each storm provides us with important information about what we need, or can do, to respond better the next time. The FY 15 budget reflects some of these needs including a new generator at Scituate High School, improvements to radio communications between police and fire, and emergency generators at our water wells. Along these same lines, staff worked diligently to report to FEMA all the infrastructure damage that occurred, and we will receive funds from that agency to make several of these repairs during FY 15.

Numerous changes in staff have occurred this year with a new Finance Director/Town Accountant, Chief of Police, Council on Aging Director, Youth Services Librarian, Co-Recreation Director, Assistant Substance Abuse Coordinator, Outreach Coordinator, Director of Facilities, and Manager of Social Services as well as several support staff. Over the next few months we will welcome a new DPW Superintendent, Board of Health Director, COA Volunteer Coordinator, and Assistant to the Board of Selectmen along with other recommended staffing additions.

Our new Manager of Social Services for the Council on Aging and Substance Abuse Coordinator (funded by a five-year federal grant) will greatly expand Town services and resources in two important areas: assistance to our growing elder population and dealing with substance abuse issues in our youth and the community as a whole.

## **General Overview of Fiscal Year 2015 Budget**

Section 1 of the Budget Book details the current revenue and expense assumptions compiled by the financial team. The Financial Forecast Committee met in December and established the allocation of revenues between the Town and School for budget preparation and recommendations. As mentioned above, fixed costs are the major budget drivers. For FY 15, the Town's pension assessment is projected to increase 7%. While much less than the 26% originally projected for FY 15, the annual cost is well above our 2.5% levy increase and will continue to be at about 8% per annum for the foreseeable future. Along these same lines, the Town's most recent actuarial report for its unfunded liability for other post-employment benefits (OPEB), increased by approximately \$10,000,000, bringing it to \$65,117,566. A large portion of this increase was as a result of the previous audit in 2011 undercounting 100 lives in.

In FY 12 and FY 13 we had substantial surpluses in the health insurance accounts as a result of bargaining changes in health care plan design. These savings will not be in evidence in FY 14 or FY 15 as we are now able to accurately project this line item for budgetary purposes and the available revenues programmed elsewhere.

As of this writing, the Economic Development Commission (EDC) has received a draft report from the Metropolitan Area Planning Commission (MAPC) on our current business conditions. This is part one of a three-part study, costing \$23,000, \$5,000 and \$11,000 respectively, and funds have been provided to complete this process in FY 15 and implement recommendations. EDC also requested funds for contracting with an individual or firm for branding and marketing the Town and for the creation of signage throughout the Town to better direct the public. All of these requests were recommended for funding as well as an allocation to the newly created Economic Development Stabilization Fund. Some of the funding for this line item will come from new Meals Tax revenue. At its meeting of December 3, 2013, the Financial Forecast Committee determined that 25% of this new revenue source would be allocated for economic development purposes (\$54,952 of \$218,368 projection). The remaining \$163,416 has been programmed into the Capital Stabilization Fund for reduction of future debt service.

The approval of the library project and its attendant construction will figure prominently in our work the next two years. The library will need to close and relocate to other space. This will reduce services and library hours. The Town will seek a waiver of the required library budget (10% maximum allowed) because of the reduced service during construction. Additional budgetary adjustments will be required at the fall 2014 special town meeting. The library budget for FY 15 reflects a reduced amount; however, a large portion of the budget has been reserved and put into Library Capital Outlay, as it is strongly believed the amounts set aside for moving and rental of space while the library is being constructed is not in sufficient amounts provided by the library grant. More important, the Town is responsible for a significant amount of additional dollars for furnishings and computers with the new library. These obligations are included in the library budget.

In cooperation with the School Department, the Police Department will sunset the D.A.R.E Program the next school year and a School Resource Officer will be appointed. The Officer will

be jointly funded by the school and town as further evidence of the increasing collaboration between our departments.

For this year's budget, all departments were required to benchmark their departmental operations with eight other selected communities. This was last done in FY 11 and allows town officials to measure how our staffing and budgeting compares with comparable communities. The information is extremely valuable in help make determinations about our level of service and relative cost. The information is included in this document. In the past five years, the Town has added only two positions (IT Director and Facilities Director), yet increased substantially the scope and reach of its operations and town services. As a result, the FY 15 budget recommends much needed staff to address critical town priorities:

Local Inspector, Building Department (\$56,503)- General Fund

The improvement in the economy has led to an increase in building. Two permitted 40B projects, approved years ago, initiated construction in recent months. Stockbridge Woods and Walden Woods combined contain about 116 units. The Town also anticipates that the Goulston property will be developed encompassing as many as 97 homes. Finally, the MBTA is selling five acres of its Greenbush parking lot in early 2014 and we expect this will be developed for retail or housing over the next two years. All of these projects require multiple inspections and a full-time local inspector position is recommended. The benchmarking data supports this even without the multiple projects described above. In addition, because of stringent licensing requirements required of all new Building Inspectors that can take years to acquire, it is prudent to make this addition for succession planning.

Water Department Light Operator (\$41,906) Water Enterprise Fund

The approval of \$22 million in water projects will be a major undertaking for the Water Department for the next three to four years. Project management and oversight, as well as staff in the field will tax the current resources of the Department. While two positions were requested for FY 15, just one is being recommended at this time until the scope of work better established.

Carpenter/Handyman – Facilities Department (\$37,688) - General Fund

This is the third year of the Town and School Department's collaborative venture on creating a Joint Facilities Department. In FY 13 the position of Facilities Director was established and funded by the Town. In FY 14 the position of Assistant Director of Facilities was established and funded by the school department. For FY 15 funding is recommended for a jack- of- all-trades employee to trouble shoot problems and respond to day- to- day issues. During the past year the Facilities Director has been overwhelmed with work requests in addition to substantial time devoted to storm mitigation, ESCO and repairs to the Scituate Harbor Community Building. During the next two years he will be directly involved in the library construction project, serve as a member of the School Building Committee, and will coordinate with the Public Building Commission relative to the public safety complex and Gates transition. The Scituate Harbor Community Building will also be open for private functions beginning in January of 2014 and we will be in the third year of the \$5.9 million ESCO projects. Both the schools and town departments have identified the need to have a "go-to" person to address problems and this position is supported by the School Superintendent as well.

### Coastal Resources Officer (\$56,603 with \$12,453 grant offset)

Finally, and perhaps most important, is the establishment of a Coastal Resources Officer position. During the past five years we have experienced more adverse weather and impacts to our infrastructure that most can recall in recent memory. The Town of Scituate is committed to being at the forefront of planning and responding to the impacts the ocean and its environs cause to property. During the past two years alone we have worked on a grant to look at the effects of sea level rise, continued to participate in FEMA's Hazard Mitigation grant program (elevating structures), filed two highly technical and complex appeals for the proposed new FEMA flood maps, submitted over \$8,000,000 in detailed request for storm mitigation funds from FEMA, and continue the important, but labor intensive program for our Community Rating System (CRS). This is more than a full-time job for one person, and has been accomplished solely through the dedication and commitment of staff from Building, Conservation and Planning. With the increase in building, the ongoing issues with FEMA, and potential Biggert-Waters Act implications, this work is increasing not abating. The work requires one individual to devote their time and attention not only to these issues, but to other areas the Town has an interest such as working on our beach nourishment plans and foreshore protection administration. The proposed position also addresses a goal identified by the Board of Selectmen back in 2012.

Twenty two (22%) of this position will be funded directly by FEMA for administering the flood mitigation program. We expect as many as 17 applications for elevation this year. We have also contacted the Town of Marshfield about a potential cost sharing arrangement.

Even with the addition of these positions, the total staff compliment is not out of line, and in some cases below, the benchmarking data obtained from area and comparable communities. And unlike many other towns, our staff operates under specific goals with measurable objectives and receives annual merit-based performance evaluations based on achievement of these goals. These positions will follow these same provisions and their impact/success can be directly quantified as a result.

### **FY 2015 Highlights**

The FY 2015 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 1% increase in assessment for South Shore Regional School (student enrollment down significantly over prior years)
- Allocates required funding for five union contracts (two settled, two pending, one in arbitration as of 12/13) and non-union staff. This constitutes major town budget increase.
- Increases funding for foreshore protection by \$200,000 (\$300,000 Free Cash, \$200,000 General Fund)
- Recommends critical new staff positions (2.75 General Fund, one Enterprise Fund).
- Allocates \$13,500 to newly created Economic Development Stabilization Fund
- Provides for \$70,000 in funds for mandated triennial revaluation of property
- Funds extra town meeting and election for school/town building projects

- Reduction in library budget as a result of building closure and operations relocation

### Revenues

- Local Aid projections have been level-funded
- New growth has been increased to reflect recent history
- Meals Tax revenue has been allocated to promote economic development (25%) and Capital Stabilization Fund to reduce future debt service for facilities (75%)
- The Town will use all of its levy capacity as allowed by Proposition 2½
- \$100,000 of taxation has been allocated to the Capital Stabilization Fund in accordance with the intent of the Town's financial policy which endeavors to appropriate 2% of net operating revenue each year to capital from taxation
- \$525,877 of Free Cash has been reserved as a safety net for any variations to the financial forecast for FY 15 and/or unexpected costs for the remainder of FY 14 (i.e. changes in local aid, fire overtime storm mitigation).

The challenge for us the past two years has been to balance the Public Facilities Master Plan with the ongoing needs of the Town both operationally and financially. The FY 15 recommended budget addresses these challenges and is balanced.

### **Fixed Cost Increases**

#### Veterans Services

For the fifth consecutive year, the Veterans Services Department needs an increase in its appropriation to address needs in this important area. We have now gone from a total of \$32,302 in FY 10 to \$218,802 in FY 15. We currently have 17 eligible claimants. Although 75% of support benefits are reimbursable from the Commonwealth, those reimbursements are more than 18 months in arrears at this time.

While important staff additions represent the major recommended priorities for FY 15, numerous worthy requests were not funded. Some examples:

- Additional clerical staff in Building Department
- Additional staff in Water and Highway Departments
- \$5,000 for a FEMA impact study for Economic Development Commission
- Allocations to Conservation Driftway and Acquisition Funds: these requests were not approved because such opportunities for funding are available through the Community Preservation Committee.

#### Personnel and Collective Bargaining Agreements

All but one of the Town's five union contracts expired June 30, 2013. The Town has executed contracts with DPW through FY 16 and police through 2017. As of this writing, the professional and staff unions are expected to have contracts in place by February, both through 2017. Funding of these agreements has been included in the FY 15 Personal Services line item as well as for non-union staff. Long-term contracts provide stability and predictability for the Town's budget. The recommended budget also has an allowance for other anticipated unit settlements.

As of this date, management has again been unable to reach a contract settlement with the fire union and that contract is currently in mediation with an initial date already set to go before the Joint Labor Management Committee in early 2014. The fire management and staffing analysis funded in the FY 14 budget is now in progress that report is anticipated in late winter. Already the largest town budget, funding levels are not sustainable and the benchmarking data is particularly compelling. Our primary goal is to staff the second ambulance full-time, but contractual obligations, injuries, number of incidences, and paramedic staffing levels create an ongoing challenge in this regard.

### **Enterprise Funds**

*Sewer and Water.* The Board of Selectmen will be focusing on sewer needs and the next expansion area during 2014. Wherever possible, sewer work will be timed with water pipe replacements. Water rate increased will be voted by the Board once the engineering and cost itemization are completed in February.

*Widow's Walk.* Despite a significant downturn in round in the golf industry, Widow's Walk continues to hold its own. The maintenance contract was recently rebid and the cost of the new contract may impact finances. This will be known in January and the budget changed accordingly.

### **Capital Improvement Plan (CIP)**

The fourth year of our rolling CIP continues to improve and expand so we can address our infrastructure, building, and equipment needs. This year's plan uses a combination of debt service with pay-as-you go funds such as Free Cash, taxation, and interest from Stabilization. Substantial and detailed information is provided in the CIP and it should be referred to for more specifics.

### **Summary**

For the second year, the budget has been prepared with a new Town Accountant. This presented a unique challenge along with four new department heads that have never prepared goals or a budget under our process. My thanks to Nancy Holt, our new Finance Director/Town Accountant, who participated in all 24 budget meetings with staff and managed to get all the figures for both the capital plan and operating budget inputted and complete.

As noted here each year, because we are preparing a budget seven months in advance, numbers can change and outside forces beyond our control can put things into a tailspin. The tools employed to recommend a balanced budget (Revenue and Expense Assumptions, Financial Forecast Committee, expenditure histories, staff management) serve as guideposts in this process and are vital to our planning. Even given these challenges, the FY 2015 provides for continuing services, expanded services and makes strong inroads relative to long-standing issues.

I would like to extend my sincere thanks to all town department heads and boards who thoughtfully consider their annual goals and submit budget requests that they truly believe is best for the Town. I thank them for their patience and commitment to producing a quality product along with the Board of Selectmen who provide guidance and priorities through its annual goal



setting process. This document is the product of town staff that develops goals and identifies their ongoing challenges as well as initiatives that help us prosper.

My thanks also to IT Director Bill Sheehan, and particularly to my Assistant, Sheila Manning, who compiles both this budget and the ever-growing capital plan each year without complaint and on time. The Town is indeed fortunate to have such dedicated and talented individuals.

In closing, and for the fifth year, I note that 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.

Respectfully Submitted,

Patricia A. Vinchesi  
Town Administrator



## **How to Use this Budget Book**

The total town budget is divided into three sections. The first section of this binder contains the Town Administrator's Budget Message and gives an overview of the Town's organization and current staff levels. It also contains information on the Town's budget process and includes detailed graphs and charts outlining its financial position and contains the Town's Revenue and Expense Assumptions.

The second section contains individual departmental budgets. These requests include goals and objectives identified by the department head to be worked toward during the coming fiscal year. Since FY 12, each department heads and support staff's performance in meeting their stated goals and objectives is evaluated and those that exceed in this area are eligible for additional merit awards based on his/her performance evaluation.

The departmental budgets are further broken down into various sections that give staff the opportunity to discuss major budget components, risks and challenges and departmental accomplishments during the past year. Along with the budgetary line items, narrative detail is included as to what specific line items are used for, and revenue, other than from taxation, is itemized. In FY 15, benchmarking was also conducted by each department to see how the Town of Scituate compares with its peer communities.

Most important, the second section discusses the priorities identified by the department head for operations, staffing, programs, services and activities. Personnel Updates and summary sheets for departmental requests are included with each budget. Specific line item detail for departmental budgets is available upon request and will be available during that department's budget review.

The third and final section of the town budget contained in a separate binder is the Town's Capital Improvement Plan (CIP) which contains the FY 15 Town Administrator recommended projects and funding. The CIP is not only contains departmental requests for FY 15, but for FY 16-FY 19 as well. This is the Town's five-year rolling capital plan and contains supplemental information about each project.

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