

## **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. Fiscal Year 2016 will be the fifth year, each department head and support staff's performance in meeting their stated goals and objectives is evaluated. Those that exceed overall are eligible for additional merit awards based on their 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.

The second section discusses the priorities identified by the department head, edited and approved by the Town Administrator 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 16 Town Administrator and Finance Director recommended projects and funding. The CIP is not only contains departmental requests for FY 16, but for FY 16-FY 20 as well. This is the Town's five-year rolling capital plan and contains supplemental information about each project.

## MEMORANDUM

TO: Board of Selectmen  
Advisory Committee  
Capital Planning Committee  
School Committee  
Finance Director/Town Accountant

RE: Budget Message

DA: January 2, 2015

Cc: Superintendent of Schools, 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 2016 budget.

This is the sixth operating budget during my tenure. The Town's financial position became even stronger in FY 15: we increased reserves, maintained our AA+ bond rating and made significant improvements in our infrastructure and town services. We are now borrowing money at nominal interest rates and are on the eve of a residential building boon that the Town has not witnessed for many years. We have strong planning in place for both short and long-term financial needs.

Each year there is a challenge to recommend not only a balanced budget but a plan of service for the Town that must acknowledge that all requests and competing needs cannot be met to the degree necessary or desired by individual departments or groups. That is inherent in any budget process and this year is no different. We also no longer plan for the next year on an incremental basis, but for multiple years recognizing that some years will not provide as much revenue as others and we need to have adequate reserves. As noted here last year, fixed costs around Employee Benefits is becoming more problematic. As state, federal and county governments wrestle with the impacts of health insurance and pensions, more regulations and requirements are passed that leave communities with little wiggle room. This is especially true for Other Post-Employment Benefits (OPEB) liability. Each year municipalities are becoming more and more accountable for planning for this cost. The Town just created its OPEB Trust Fund in 2011 and while our financial polices require a 2% contribution of the annual retirement assessment, this will not be considered adequate and under the federally mandated GASB 67 and 68 our balance

sheet will now need to show how we are faring in making our annual contribution for this growing deficit. The Town's most recent actuarial report for its unfunded liability for OPEB, increased by approximately \$10,000,000, bringing it to \$65,117,566. As a result, a stronger commitment is needed here and a \$200,000 increase in addition to the 2% required by our financial policies is recommended in the FY 16 budget.

The attached chart (OPEB Comparative Data) shows our comparative contributions with like communities to date. Indeed, this one area could be the difference between maintaining our bond rating and increasing it to the highest level, AAA. The interest rate incurred for borrowing funds for capital expenditures is directly impacted by the Town's credit rating. This is critically important as the Town moves forward with implementing the Public Facilities Master Plan.

When determining overall budget and staffing needs as well as normal departmental expenses, increasing fixed costs such as FICA, pension and health insurance will prevent dollar allocations in non-employee line items. That is why it becomes critical to provide fair but affordable contract settlements for employees, specifically allowing growth within the limits of our annual 2.5% revenue increases.

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. Our goal is 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 15 Recap**

The state of the Town's finances remains healthy and the outlook for Fiscal Year 16, while not as robust, is favorable. In Fiscal Year 2016 however we will begin to see erosion in some of the financial gains we have made. This is because several line items are up considerably over FY 15 amounts. The minimum wage law will change twice in the next 18 months and with it comes a budgetary increase to fund salary increases in lifeguards and seasonal laborers among others. While gas prices have decreased over prior months, the Town's reimbursement rate for employee mileage, which was artificially low for years, has been adjusted by contract to reflect fair amounts.

Local receipts are on target and 2014 Free Cash was certified at \$2,701,923. \$420,120.00 of this was carryover from FY 14. Of this \$870,307.00 was allocated at the November 13th special town meeting. The majority of our Free Cash is primarily generated by departmental turn backs on the town side. This "surplus" becomes available for other uses at the end of the fiscal year and is referred to as "Free Cash." We always maintain a reserve of Free Cash of about \$500,000 for unanticipated expenditures such as cuts in local aid or weather events (see attached chart). In

accordance with our financial policies, the Town exclusively uses Free Cash for non-recurring items such as our capital program or for reserves (Stabilization, future debt).

Building and development continue to rise and our new growth remains on the upswing which has been reflected in the revenue projections for FY 16. Our revenue and expenditure forecasting tool continues to be expanded and provides accurate assumptions about what will occur in the coming year.

Our Wi-Fi in the Harbor project became fully operational in the fall and provides not only increased public safety communications but is an amenity provided free of charge to our residents and visitors there.

We continued to make significant inroads in the area of Foreshore Protection with a combination of grants, borrowing, taxation and Free Cash. A detailed chart of the Town's weighty financial and staff commitment since 2010 is included in this transmittal letter.

Numerous changes in staff have occurred again this year with a new Board of Health Director, DPW Superintendent, Town Engineer, Fire Chief, Assistant to the Board of Selectmen, two lieutenants, three firefighters, three police officers and several support staff. The new positions of Coastal Resource Officer (funded 30% by FEMA), Local Building Inspector and Property Maintenance Worker were also filled. These additions have already made a huge impact on how we are able to respond to building and development as well as our Hazard Mitigation and CRS programs. The positions of Manager of Social Services and Substance Abuse (FACTS) Coordinator (funded by a five-year federal grant) have been a tremendous benefit to our residents in terms of direct services and we have two outstanding individuals serving in these capacities that have accomplished quite a bit during their short tenure. The School Resource Officer position has also worked exceedingly well in its first year.

We will shortly welcome a new Harbormaster, Deputy Fire Chief and COA Volunteer Coordinator. Notably, the Town lacks a Human Resources Department. Most duties are decentralized among the Town Administrator's Office, Treasurer/Collector's Office and Accounting. The Department of Revenue Management Study conducted in 2013 strongly recommended the creation of an Assistant Town Administrator position to assist the Town Administrator with the growing demands of managing the Town, particularly in the area of personnel. As over 2/3's of our budget is salary this seems logical. Most residents do not realize that the operations of Scituate, especially for its size, are far more expansive than other communities as a result of coastal events and the services we provide around coastal issues in addition to having five enterprise funds and expanding our Clean Energy endeavors such as the solar array and wind turbine.

### **General Overview of Fiscal Year 2016 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 November 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 16,

the Town's pension assessment is projected to increase 8% (\$305,638). Along these same lines, our health insurance costs are estimated to be increasing for the first time in three years by 3%. These increases can severely impact budgets over time and leave little remaining for new initiatives or discretionary services and programs.

**Economic Development.** Phase II of the three-part study by the Metropolitan Area Planning Commission has just been completed. Under the auspices of the Economic Development Commission, the report makes recommendations for expanding the Town's business base. One of the recommendations includes the Town's adoption of Massachusetts General Laws Chapter 40R which will amend zoning to expand business development opportunities. The FY 15 EDC budget contained substantial funds for a variety of initiatives for branding and marketing the Town and for the creation of signage throughout the Town to better direct the public. An allocation was also made to the Economic Development Stabilization Fund created in 2013 and an additional \$10,000 is recommended for FY 16 which is funded from a 25% allocation of the Meals Tax, also adopted in 2013.

**Personnel.** In order to address the personnel needs outlined under the Fiscal Year 2015 Recap above, the position of Human Resources Specialist has been proposed for the Accounting Department. This part-time position will coordinate employee recruitment and advertising, screening and initial interviews for departmental staff in addition to assisting with collective bargaining issues, employee training and safety as well as insuring compliance with changes in state and federal employment laws.

Implementing the recommendations contained in the Fire Management and Staffing Analysis will also be a focus and the new Fire Chief, new Deputy Fire Chief and new Captain will be tasked with this. As of this writing the fire union contract remains unsettled after almost two years and is in mediation/arbitration. Funds have been set aside for the third year once this contract settles (in TA budget). Regrettably, bargaining for a successor contract will likely begin shortly after this four year contract is finally settled.

The Town's goals of increasing safety and enforcement along the waterfront will make important strides with the creation of a police marine unit in May of 2015. The new Harbormaster will possess training from an intermittent police academy and report to the Chief of Police from May to September. In addition, the police marine unit will be staffed by a current police officer and seasonal police officer during boating season. Increased enforcement at New Inlet, Scituate Harbor and along our beaches has been a long-time goal. We also anticipate significant increases in shark activity that we must be adequately prepared for.

**Building.** Much time has and will be devoted to building. We anticipate over 600 new units to be reviewed and permitted by Planning, Conservation and Building.

The approval of the library project and its attendant construction will figure prominently in our work the next two years. The library will be relocating to the Scituate Harbor Community Building and other programs and services will need to be located elsewhere. The Town has requested a waiver of the required library budget (10% maximum allowed) because of the reduced service during construction (FY 15 only).

The two proposed building projects, Public Safety and Middle School, will be determined in January 2015. If approved, the bonding and bidding of these projects will be priority one to maximize interest rates. This will be a major focus for the next three years and will be a big consumer in terms of time demands. It is recognized that if these projects come to fruition, along with the library, the Town's operation and maintenance costs for these buildings will also increase. Staff is working on these projected costs along with preparing a detailed five-year budget that illustrates where our cost increases will be so that we can be prepared.

**Enterprise Funds.** The town-wide water project continues into FY 16 and on the whole the first phase with three separate contracts worked very well and residents and businesses were cooperative and patient. With increased development we are looking closely at our sewer treatment demands and the advent of the next phase of the Sewer Master Plan. After several years of grant-funded projects and capital improvements, the Waterways Budget Retained Earnings are less than they have been in several years. It is recommended that the Waterways Commission, along with the new Harbormaster, review fees and expenditures for this operation early in 2015. Finally, because of favorable performance and in recognition of increased costs to taxpayers for facilities and infrastructure, the FY 16 TA budget recommends a \$10 reduction in the transfer station sticker fee.

**Capital.** The FY 16 budget allocates \$513,776.00 to the Capital Stabilization Fund created in 2012. This Fund continues to work well in earmarking of some funds for future high cost capital needs. Each year we are able to whittle away a little bit more on our rolling capital plan. However, because of pending public facilities projects, the FY 16 capital plan has been moderated to reflect the increase in our debt portfolio. Highlights include continued funding of school technology initiatives, security cameras in the harbor and turnout gear for firefighters. For a detailed overview of the FY 16 recommended Capital Plan please refer to the [www.scituatema.gov](http://www.scituatema.gov) on the Town Administrator's webpage.

## **FY 2016 Highlights**

The FY 2016 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 7.8% increase in assessment for South Shore Regional School (student enrollment has increased in the prior year and we have also been advised to increase the school's stabilization fund for future capital needs)
- Allocates required funding for five union contracts (fire remains in arbitration as of 12/14) and non-union staff.
- Allocates and additional \$200,000 of Free Cash toward Town's OPEB liability
- Provides \$400,000 in funding for foreshore protection (\$200,000 Free Cash, \$200,000 General Fund). Please see supplemental discussion of Town's Foreshore Protection efforts at end of this Budget Message.
- Recommends one new .86 staff position.

- Allocates \$10,000 to Economic Development Stabilization Fund
- Allocates funds in Waterways for new Police Marine Unit
- \$513,776.00 allocated to Capital Stabilization Fund for future debt service: \$100,000 General Fund, \$163,776.00 from meals tax and \$250,000.00 of Free Cash.
- Funds hardware to bring Wi-Fi to Senior Center
- Allocates \$10,000.00 of beach revolving revenue to create a foot wash at Egypt Beach.

### Revenues

- The Town will use all of its levy capacity as allowed by Proposition 2½
- 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
- \$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% -4% of net operating revenue each year to capital from taxation
- \$429,962.00 of Free Cash has been reserved as a safety net for any variations to the financial forecast for FY 16 and/or unexpected costs for the remainder of FY 15 (i.e. changes in local aid, fire overtime storm mitigation).
- A Sewer Stabilization Fund has been proposed to address future capital needs as well as reserve sewer betterments paid in advance.

### **Summary**

We are preparing a budget seven months in advance, so numbers can change and outside forces beyond our control can have huge impacts. A new Governor and cabinet will likely also set different priorities and some financial changes in revenue sharing will likely occur. That is why our financial tools serve as important guideposts in this process and are vital to our planning. The challenge for us continues to be meeting our physical plant and infrastructure needs while as the same time maintaining the high level of service and programs our residents have come to expect. This has been further complicated this year by crafting an operating and capital budget that does not know the outcome of the Public Facilities Master Plan. Some retooling will undoubtedly be necessary once this is known. The FY 16 recommended budget contemplates these challenges, provides resources in a fair and equitable manner to address many of them, and is balanced.

My sincere thanks to all town department heads and boards who thoughtfully consider their annual goals but were required to submit level-funded budget requests this year despite many noteworthy initiatives. My appreciation is also extended to the Board of Selectmen, Advisory and Capital Planning Committees who unselfishly volunteer their time over the next several months to insure Scituate remains the kind of community we all love being a part of.

Finally, thanks to my Assistant, Sheila Manning, who compiles both this budget and the capital plan on time each year, and to Finance Director Nancy Holt, whose organizational assistance and counsel during this year's process has made it the least taxing in many years.

Respectfully Submitted,

Patricia A. Vinchesi  
Town Administrator



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