

# Town of Millbury

## FY11 Town Manager's Budget Message

Millbury's financial health continues to be a challenge. This is true in communities throughout this State and the United States as well. This year's deficit was much smaller than FY10's, but the effect is tougher. Last year's appropriations were very lean as cuts to state aid and lower receipts presented a strong challenge. The Town's management team analyzed every aspect of government and reduced expenditures while maximizing revenues thus reducing the overall impact. Still Millbury has a long way to go.

This year revenue is the biggest cause of the deficit. In the Governor's proposed FY11 budget, State Aid is level-funded. Our Legislative representatives are warning, however, there may be as much as a cut of 5% in Chapter 70. This would create an even more significant hardship. Millbury has historically used a large amount of "free cash" to "lower the tax rate" which has caused us to rely on an unstable revenue source to balance the budget. This is not a sustainable practice over the long haul and this year's deficit is a classic illustration of this.

State law requires that we pass a balanced budget and through the budget process, which culminates with a vote at town meeting, we will do so. Our free cash is more than a million dollars lower than FY10 resulting in a budget deficit of approx. (\$663k). In addition, new growth is at the lowest point in years and local receipts while they are expected to increase slightly are still relatively flat. We've had to re-analyze town operations and make necessary reductions in proposed budgets to close the gap.

Last year we were able to work with the employees and make changes to our health care choices which resulted in permanent savings of more than \$200,000. We continue to work with the employees to make other changes that could will help create budgets that are sustainable.

Overall, the FY11 budget is the leanest we have seen in many years. The general fund budget will be a reduction from that authorized for FY10. As was the case last year we will have to make reductions in many personnel line items. Some positions may have to be eliminated.

## Overall

- **Toughest fiscal situation in years continues**
- **State Aid is level-funded**
- **Economy effecting new growth**
  - lowest level in years
- **Free cash is down more than \$1 mil**

Millbury's tough financial situation is continuing.

State aid as proposed in House 1 the governors budget is level-funded from a year ago. Our legislatures are warning that it may be cut even further. They warn Chapter 70 (school aid) maybe cut as much as 5%.

The economy is affecting new growth. It is at the lowest level in years. Building permits are down, although we had a nice bump in this area due to the May hail storm, but I don't believe we can count on the weather to get us through this crisis.

Free cash for the year is down more than a million dollars and next year my be worse. I believe the days of \$1.5-2 mil free cash is over.



## Overall

- **Total budget of \$34,244,492 and general fund is \$33,037,360**
  - Budget is in balance
  - Decrease from FY10
- **No pay raises for all employees**
- **Includes a reduction in force of 2.1 F.T.E. positions**
- **Currently No Proposition 2 ½ Override has been proposed**

The total budget is a decrease from last year and the General fund is down as well. I will discuss the assumptions used in the next slide later in this presentation.

During this process, my staff and I took into account three major issues:

- the size of the deficit
- the overall operation and providing the town with best services possible
- and the people - our employees who work very hard to serve our citizens

The budget includes another reduction-in-force. This is the hardest cost of this budget as it affects our people and reduces customer service.

There are no pay raises in this budget.

Currently there is no proposed prop 2 ½ override nor do I expect one be approved.

# Assumptions

- **Projected deficit of \$662,919**
  - Based on a proposed 60/40-school/town split
    - Schools will reduce \$397k from their expenditures
    - Town has reduced expenditures by \$265k
- **State aid figures will be level-funded**
- **Local receipts continue to hit projections**
- **Town meeting adopts local option meals tax**

Some of the Assumptions that were used to formulate this plan:

1. The projected deficit is \$662,919. This reflects the School Committee's budget and the initial town department budget requests.
  1. additionally a proposed split of the deficit of 60/40 as it is in the current fiscal year
  2. School Committee will need to reduce their budget by \$397k
  3. The town side has been reduced by \$265k

In the governor's budget state aid is level-funded, however, there is some concern that this number may be cut by 3%. This would necessitate further cuts.

Local receipts will need to continue to meet expectations and town meeting will need to approve the local option meals tax which will bring in an estimated \$50k.



## Revenue

■ <b>Maximum tax levy is</b>	<b>\$19.1 mil</b>
▪ <b>New Growth Estimate</b>	<b>\$40,000</b>
■ <b>Local Estimated Receipts</b>	<b>\$4,550,000</b>
▪ <b>Includes rooms and meals tax</b>	
■ <b>State Aid level-funded</b>	<b>\$8,744,950</b>
■ <b>Free Cash</b>	<b>\$525,826</b>
▪ <b>vs. previous year \$ 1,588,550</b>	

First I would like to address the revenue side of the equation. The town has basically five sources of revenue:

1. Tax Levy ~ \$19.1
2. Local estimated receipts of \$4.55 mil
3. State Aid of \$8.745 mil
4. Free cash of \$0.525 mil
5. Borrowing

Tax levy amounts may only be increase by 2.5% plus new Growth. New Growth is down from last year's due to the economic climate. Currently the Asst. Assessor's estimate is \$40k for this year and even that may be high.

Local estimated receipts for FY10 are running slightly ahead of budget. We expect this trend to continue in FY11 and the FD and I agree that next year's estimate should be higher than FY10.

The governors budget number for state aid shows a level-funded amount. Again, our legislators believe it will be less.

Finally, Free cash is a million dollars less as well.

The combination of these factors has put us in the situation we now face.

## Expenses

- **General Government Increases from \$1,495,716 to \$1,515,523**
  - an increase of \$19,807 or 1.25%
  - due mainly to new computer servers
- **Public Safety decreases from \$2,957,540 to \$2,832,184**
  - a decrease of \$125,356 or 4.2%

Now I will address overall expenses. General Government increases by 1.25% from the current fiscal year and a 4.2% reduction from the proposed department budgets. Included in these reductions are:

- no wage increases
- reduction-.7 FTE in FD office
- reduction of .45 FTE (16 hrs.) in the Town Clerk's office
- 33% increase in computer operations for new servers
- and increase software costs due to expiring licenses

Public safety decreases by 4.2% from the current fiscal year and a 5.2% reduction from the proposed department budgets. Included in these reductions are:

- elimination of one police cruiser
- significant reduction in overtime in PD
- reduction in Capital outlay in FD
- 1.0 FTE reduction in building inspector's office



## Expenses (con't)

- **Public Education Decreases from \$18,043,444 to \$17,793,805**
  - \$249,639, or 1.38% decrease for Millbury Public Schools
  
- **Public Works Decreased from \$1,563,941 to \$1,556,177**
  - a decrease of \$7,764 or 0.5%

Public Ed budget is only preliminary. Millbury School budget shows an increase of .69%. As I stated earlier this budget needs to be decreased by \$397k based on the proposed 60/40 split. I have included a placeholder for that reduction as this is my recommended school budget. We also don't have a final BV Tech budget which is to be voted tonight. I believe that budget will be up \$14k based on my conversation with the BV superintendant.

Public Works has decreased by \$9k or .5% Included is \$125 for the third year of a five year \$125k equipment lease payment. This was a separate article in FY09, but will be included in the O&M budget going forward. Additionally the following is included:

- includes funding for overtime not included in current year's budget
- gas and diesel decrease of \$20k due to lower costs

The manager's office is also studying privatizing the transfer station to see if there might be savings there as well.

## Expenses (con't)

### ■ **Public Health & Human Services decreased from \$387,043 to \$381,113**

- a decrease of \$5,930 or 1.53%

### ■ **Culture and Recreation Decreases from \$408,998 to \$408,296**

- a decrease of \$692 or .17%

Public Health decreases by 1.5%. This includes the following:

- No staff changes or wage increases
- Level funding of BOH and COA
- Veteran's services slightly decrease of \$6K due to leveling of client load

Culture and recreation decreases by .2% We were granted a waiver for the amount spent on the library to continue to receive state aid. Further cuts will result in decertification of the library. This is not an option we should consider.

- Library level funded
- No wage increases



## Expenses (con't)

- **Debt Service Decreased from**  
**\$2, 699,411 to \$2,562,788**
  - a decrease of 136,623 or 5.33%
  
- **Employee Benefits Increased from**  
**\$ 5,445,282 to \$5,662,474**
  - an increase of \$217,192 or 3.82%

Debt service has decreased by 5.33% due mostly to sewer debt not paid through the enterprise account.

Employee benefits are up 3.82%

- The biggest increase again is health insurance
- Last year, with the concurrence of our employee unions, we went to a single carrier which will save approx. \$250k. Our overall increase from our carrier BCBS is up only 5%
- Retirement is up due mainly to losses suffered by the system

## Expenses (con't)

- **General Insurances level funded at \$325,000**
- **Sewer Enterprise increases from \$1,195,638 to \$1,207,132**
  - an increase of \$11,494 or .95%
- **Amount to be raised includes approx. \$157k in special articles**

General insurance is level funded

Sewer is up by 1% mainly due to a sharp increase in Upper Blackstone fees which is partially offset with a decrease in loan fees

Included in the special articles are;

- \$52k for a state mandated revaluation of real and personal property
- \$15k for the senior work off program
- \$90k for Medicaid reimbursement to the schools



# QUESTIONS

The financial picture remains bleak. We continue to reduce staff positions. This will have an impact on the way we do business. Additionally, no pay raises are included for any staff. This is the second straight year non-union staff will see no pay raises. Several of us will forgo raises despite contracts that call for them. In addition, all union contracts expire at the end of June and negotiations will begin soon.

Since I became Town Manager I have been stated the over reliance on free cash to fund the operations budget would eventually hurt us and that is surely true this year. I hope we can learn our lesson and begin using this revenue source for one-time expenditures such as the revaluation and for capital projects.

There are still things beyond our control that could add to these problems and we will address them as they arise.

Finally, I would like to take this opportunity to thank the department heads and their staffs. Without these dedicated employees we couldn't provide the services required by the citizens of Millbury.

I would be glad to answer any questions.