

Mr. Chairman, members of the Board of Selectman, fellow citizens. It is my privilege to present the Town Manager's annual budget message and financial plan for Fiscal Year 2016 in accordance with Article 6-4 of the Millbury Home Rule Charter. As always the financial plan I am about to present is currently balanced based on proposed and estimated revenues and expenditures. I will discuss all expenditures and revenues, communicate the main features of the budget plan, point out major difference from the Fiscal year 2015 financial plan, and go over the Town's debt position. Information on State Aid has been held up as we have a new Governor causing a delay in the filing of the Governor's budget. There are several revenue and expenditure amounts that are still developing and estimates may change during the months ahead. I believe final numbers will allow some positive movement in these estimates.

We've done yeoman's work over the last seven plus years to be able to maintain our service levels despite lower revenue levels. The budget plan allows us to look toward future generations without cutting back on core values and services. Through strong leadership in both the Town and School district we have managed to use our limited resources more effectively. We are looking at many different approaches to change how we do business as well. (slide-economy)

We have leveraged economies of scale that provides better service for lower costs. For instance, through the efforts of your town financial team and cooperation from our employees we have managed to mitigate the increase in health insurance costs. Additionally, we have several net metering agreements in place that lower our electric bills. We also signed an electricity supply contract of 7.79 per kwh which has two more years to run.

The past few years have been difficult for the Town of Millbury however, I believe we may be turning the corner. Increases in some revenue sources have been steady, the exception being State Aid. New growth has shown a consistent trend. Increased costs and reduced state aid have taken its toll. The economy continues to sputter, however, state revenues are expected to increase by almost three per cent. Gov. Baker's budget funds our combined state aid at a net increase of only 1.30% which is not reflected in this plan. This is still unacceptable.

(slide-aid chart)

In fact, as this chart shows, state aid is almost \$709k less than in FY09. This puts considerable pressure on the Town's ability to provide the level of services routinely requested by the citizens of Millbury. The percentage of the overall budget covered by state aid continues to fall. In FY09 state aid amounted to 29% of the total budget. In the FY16 proposal it is down to just over 23%. This puts great pressure local taxes. I call on the legislature to right this wrong.

Both your municipal and school financial teams have spent many hours analyzing revenues and expenditures to come up with a spending plan that we believe is sustainable. I am very proud of the great efforts by our employees to do more with less and their professionalism, dedication and commitment to the service of the Town's citizens. They have continued to maintain service levels despite decreases in resources. In addition, we continue to look at new ways to provide these services and these efforts are producing results. Regionalization and our senior work off program provide valuable assistance to department heads to help fill the gaps.

The record setting winter has had a tough effect on Snow and Ice line items. Increases in general insurance costs and retirement are putting pressure on the expense side of the budget. Worker's compensation insurance has skyrocketed, yet even here we see a positive trend.

(slide-general)

As I said, Millbury's financial position is improving. So far, we have weathered the storm due to the realistic decisions made by Town Meeting, the Board of Selectmen and School Committee together with the efficient day-to-day management of Town and School operations. However, higher costs and lower state aid will continue to have a dampening effect.

While building permits are steadily improving and there has been some improvement in the economy, growth is still slow. The financial team has worked diligently to take steps to mitigate these negative impacts. Things such as health insurance, retirement, state aid, and new growth we have limited control over, although we have had some successes. For instance, changes were made to our health plan and we continue to seek competitive bids which keep our health insurer's pencil sharp. We are looking at ways to reduce our retirement burden. We plan to start a discussion on retiree health costs and recently the SJC ruled municipalities can make changes without bargaining in this area. We continue to look at regional opportunities also.

Free cash is higher due to one-time additions but is still trending considerably below historical levels. I believe this will continue. Our free cash policy requires eliminating its use to fund the operations and maintenance budget. We will not be able to meet that goal this year but we have reduced the amount of free cash allocated to this purpose. Gov. Baker has released additional Chapter 90 funds for road repairs and we hope this level of commitment will continue. Also we plan to

use \$125,000 of free cash as a supplement to Chapter 90 amounts and the remaining free cash to provide for capital items and one-time expenses.

State law requires that we pass a balanced budget and we will continue to work diligently to do so throughout the budget process. As the economy continues to be a drag on revenues, we must continue to analyze town operations and make necessary adjustments.

State aid as proposed in the governor's budget is slightly higher than last year. However, he is predicting an increase of 3% in state budget, yet our general state aid and Chapter 70 is up only 1.3%. This is not an acceptable amount as the governor has decided to fund other priorities which add pressure on the budget of the Town and Cities. I am hopeful the legislature we provide additional funds. We will continue to monitor this situation as changes to state aid figures can have a big effect on the final spending plan presented to Town Meeting Voters.

Most of the increase in this year's budget is due to increasing personnel, insurance, special education, school transportation and retirement costs. Worker's Comp insurance while it seems to be moderating is still significantly higher. Retirement costs are going up rapidly as well. In addition, we are providing employees with a modest cost of living increase and we are adding a school resource officer to the Police Department. We have additional students going to Blackstone Valley Tech, however one less student will be attending Norfolk Agricultural which helps to mitigate the increase in vocational education.

The initial proposal by our health insurance carrier was for 6% rate increase. This was negotiated down to 4.5%. This is still higher than we

would like but we also had some saving due to a higher than expected utilization of Fallon's lower cost direct care option. Retirement costs continue to rise as the system makes up for the shortfall caused by market losses in previous years. We are evaluating ways to help mitigate this problem.

(Slide-overall)

The Fiscal Year 2016 proposed operational and maintenance budget is \$39,359,308. The General fund budget is \$37,766,544 which is an increase of \$781,990 or 2.11%. Currently there is no proposed prop 2 ½ override. We need to keep our options open though. It was necessary to cut more than \$475k from initial department budgets to present a balanced plan.

(Slide-gen fund chart)

This chart shows a continued upward trend for the general fund. We have seen an average increase of 2.76% over the last five fiscal years.

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

- sustainability
- increase personnel costs
- department personnel needs
- limited state revenues
- the overall municipal operation and providing the town with best services possible

There are slight staff changes anticipated on both the municipal and schools sides including funding the school resource officer. On the next

slide I will discuss the assumptions used to develop the Fiscal Year 2015 budget.

(slide-financial)

When we develop revenue and spending projections, there are many moving parts. We made some assumptions to help formulate our plan including:

1. The budget reflects Millbury's priorities in a time of economic uncertainty and hopefully the economy will continue to improve.
2. The budget as presented is balanced. It reflects the School Committee's budget and the town department budget requests. There are two key assumptions here:
 - a. There are no further changes in projected revenues
 - b. Snow and Ice doesn't get much worse.
3. In the governor's budget state aid is up. With Millbury receiving more than \$62k in new aid and with offsetting charges down \$46k. If the final state aid numbers go up we will restore some of the cuts in order to keep a balanced budget.
4. Local receipts are very similar to last year with only a small increase. Excise taxes are showing some strength as the economy is improving and Wheelabrator revenue is increasing as well. Receipts for FY15 are currently meeting expectations and must continue to do so. We believe this is trending positively.

(slide-revenue)

Next I would like to address the revenues used to develop our budget plan. If we continue to keep the same service level or increase it we need to increase revenue to pay for it. Since costs such as insurance, retirement, wages and special education continue to rise; our revenues must also rise to cover these new costs.

As I have previously stated the town has basically five sources of revenue. The first is the property tax levy. The tax levy is constrained by prop 2 ½ and we expect an increase of approximately \$700k which includes an estimate of \$180,000 in new growth.

The second source is Local estimated receipts of \$5.311 million which is slightly higher than last year. This is due mainly to an increase in Wheelabrator fees and higher excise taxes. FY15 local receipts are on target to hit or slightly exceed targets.

The third source is State Aid. In the Governor's budget he has raised Chapter 70 and Unrestricted Gen Gov't Aid. Millbury increase is relatively small. We believe that the legislature won't dramatically change this funding from the Governor's level. If state aid comes in higher we would have to revisit this plan. State aid for Fiscal Year 2016 is proposed to be \$8,757,439 an increase of \$62k.

The fourth source of revenue is free cash. Free cash continues to meet projections which are lower than historical levels. Going forward free cash would settle into a range of between \$600-

\$800k per year unless there are one-time changes such as revenue from this year's tax auction. Last year's free cash was more than \$731k. Free cash this year is slightly more than a million due to closing out of some articles. We continue to strive to reduce the amount of free cash used in the operating budget with the goal of eliminating this use entirely. We have again reduced that amount in this budget. Going forward free cash would be used for only Capital and one-time expenses. This is in accordance with the Board of Selectmen's free cash policy.

The fifth and final source which is not reflected in the chart is borrowing. We anticipate borrowing to cover some capital articles for the Fire/Police Department. This is necessary due to the limited free cash.

(slide-gen fund breakdown)

Now I will address the overall expenses for the next year. The next slide shows a breakdown of the general fund expenses. The biggest piece of the pie is the Millbury School district budget which together with school health insurance amount to more than 62% of the total. This is why we use a 60-40 revenue split. On the municipal side public safety is the biggest slice at 9%.

There are ten categories that comprise our budget total. These are general government, Public Safety, Education, Public Works, Public Health and Human Services, Culture and Recreation, Debt Service, Employee benefits, General Insurances and the sewer enterprise fund. I want to mention that on the previous slide I broke up the education and benefits segments to better illustrate where things are spent.

(slide-expenses)

General government which includes financial operations, town clerk, Town Manager/Board of Selectmen and planning type operations will decrease \$2,864 or 0.19%. Most of the change is due to personnel changes resulting in lower salaries. There is an increase of five hours per week in the planning and development area.

Public Safety increases by \$99,529 or 3.12%. Included in this are wage adjustments and the school resource officer. The fire hydrant budget is down slightly due to a one-time price adjustment from Aquarion.

(slide-expenses education)

Public Education numbers are only preliminary. The Millbury School Committee's budget as voted at the public hearing is an increase of 4.99%. This is mainly due to increased personnel, special ed, and transportation costs, a school resource officer and additional required positions. I have reduced this request by \$285K to help balance the overall budget. This would lower the increase to 3.54%.

We also don't have a final BV Tech budget but I based my estimate on my conversation with the BV superintendent. Their budget request is up 16k. However, the overall vocational budget is down 6k due one less student attending an out of district agricultural vocation school at a savings of \$23,000. We are required to pay this as BV does

not offer the program. Therefore, my proposed education budget is up 3.36%.

Public Works increasing by \$8,828 or 0.51%. This includes funding state mandated landfill testing which has previously been a separate article. Gas and diesel is decreased by \$10k due to lower fuel prices. Additionally a .5 FTE clerk position was added to reduce overtime. Some individual budgets went up due to cost of living increases although we are about to begin negotiations for a new contract.

(slide-health)

Public Health & Human Services which includes BOH, COA and veteran's services increases by \$7,067 or 1.7%. This is due mainly to restoration of previously cut part time clerk in the COA.

Culture and recreation which includes the Library, Parks commission, Waters Mansion and Historical commission increases by 1% due mainly to cost of living raises. We were granted a waiver for the library again this year to qualify for state grant money. The waiver is necessary due to the amount of increase in library spending was insufficient. to continue to receive state grant aid. In the future we going to address this issue.

(slide-debt)

Debt service decreases by \$14,265 or -0.52%. New borrowing is offset by retiring debt resulting in the slight decrease from last year. Our bond rating increases have helped keep our cost in this area low.

Employee Benefits are down slightly. The increases in retirement and Worker's Compensation were offset by decreases in health insurance costs. Health insurance costs are lower than they would have been had we not taken aggressive steps to curtail health costs. Fallon's original 6% increase was negotiated down to 4.5% and despite that increase our health insurance costs will go down. This is mainly due lower costs associated with Fallon Health Direct Care plan which is 10% lower cost than the Select Care plan. In addition, we have had some turnover in employee's resulting in some lower enrollment in health insurance. We are looking at many different approaches to change how we do business as well. We are also seeing a trend of higher costs in worker's compensation insurance up more than 22% due to higher claims.

(slide-general)

General insurance is up \$11,550 or 3%. We have had some big claims and this is causing the rates to start going up. We are aggressively pursuing options with our agent.

Sewer Enterprise Fund budget is up by \$129,595 or 8.86%. There are primarily two main reasons a 6.9% increase in our Upper Blackstone Assessment and increases in capital outlay to fund to repairs.

(slide-warrant)

This year free cash is up but we have many more projects to fund than money to fund them Included in the special articles are:

- \$125k for road projects as required by the free cash policy an increase of \$25k
- \$20k for the senior work off program
- \$93k for Medicaid reimbursement to the schools
- \$125k to supplement town hall HVAC grant
- 303k to fund DPW fueling station repairs.

These articles total \$667,686 and the remaining free cash of \$350,000 will help fund the operations and maintenance budget.

(slide-summary)

To summarize, the financial plan I have proposed includes spending of \$39,359,308 for operations and maintenance an increase of 2.37% which includes a general fund budget of \$37,766,934 an increase of 2.11% and sewer enterprise fund budget of \$1,592,374. Revenues are trending up slightly with local receipts up and an increase in the tax levy allowed under prop 2 ½. State aid was level funded as the governor's budget came out yesterday and is not reflected here. We will follow these numbers as they develop and will make adjustments as additional funds are available.

This is my eighth budget as your Town Manager and each one has had its unique challenges. Our goal is to supply the services the citizens of Millbury require and deserve. When the economy started crashing it forced us to take a long hard look at how we operate and we have made changes fit the financial reality. It is impossible to meet every request and sometimes it may take a while to fill that pot hole or there might be a line at the Town Clerk's office and to pay taxes or higher class sizes but we have to live within our available means. Our employees continue to provide the quality services the citizens of Millbury demand despite not always having enough resources. The financial plan presented here was built in a frugal manner yet, there are still some assumptions that may change. We expect to get some additional state aid but not enough to restore all budgetary requests. Hopefully this will allow us to reduce some budget cuts that will have a negative effect on the delivery of services.

In my tenure as Town Manager, our financial operations have improved dramatically. Our financial team together with the cooperation of the School department management team has put forward spending plans that continue to provide the services the people of Millbury want and expect. Our financial operations are second to none. This year the municipal team faced a massive turnover in personnel, but because of their professionalism and dedication, we were able to continue operations without skipping a beat. We continue to have clean audits, award winning financial statements and reports and upgraded bond ratings.

While I am proud of these accomplishments, we are not going to stand still. We will continue to analyze operations to see if we can do it less expensively or efficiently.

Sometimes this requires the help of our unionized workforce and they have how been extremely helpful. Many of the budgetary problems are not completely within our control, but we have aggressively worked to better our financial picture to reduce the impact of these issues. Our financial management planning committee is in the process of creating financial estimates for the mid and long term which should help set priorities for budgeting and planning for the future.

I also want to address some issues making the rounds. First of all, Wheelabrator and the mall do in fact provide a lot more revenue to the town than they use services. Between these two organizations they provide approximately 10% of our total general fund revenue and we would be up the creek without them. Wheelabrator provides more than \$2.2 million alone.

Secondly, we don't respond to rumors on Facebook, the chronicle or received anonymously. Just because something is printed in the chronicle or is on Facebook does not mean the author has all the facts or is correct. Please contact us and we will give you the facts as we know them. Also don't assume the town knows about every issue. If you have a problem let us know so we can address it.

Putting together a strong financial plan takes the efforts of a great team. I am truly thankful to lead a great one. I wish to thank my department heads and their staffs for their professional efforts and service to our citizens. I especially would like to thank our talented financial team which has seen a lot of turnover since last year. The team is led our Finance Director, Katie LaVallee, our assistant assessor Jean Moroski, our Treasurer/Collector Denise Marlborough and our Asst. Accountant Sherri Brousseau and their staffs. Additionally, I would like to thank Superintendent Greg Myers and his team at the school department for their cooperation and professionalism.

In closing, I would remiss in my duties if I didn't thank and express my sincere gratitude to my Assistant Tish, who keeps me from going crazy during this process and without her support this presentation would not be possible. I want to thank the employees for their cooperation and the Board of Selectmen for their input and counsel. I also want to express my thanks the School Committee and Finance Committee for their help and cooperation. While we must remain flexible as the process proceeds I look forward to continuing working with each of you. Thank you all for attending and I now would be glad to answer any questions.