

Mr. Chairman, members of the Board of Selectman, fellow citizens it is my honor to present to you the Town Manager's annual budget message and financial plan for Fiscal Year 2017 in accordance with Article 6-4 of the Millbury Home Rule Charter. This is the ninth and last budget blueprint I will prepare. Throughout this time we have faced many financial difficulties. Yet, despite those difficulties all the budgets I have proposed including this one were balanced and we have maintained the key services the citizens of Millbury require.

Included in this plan are all proposed expenditures and revenues, descriptions of important features of the budget, it indicates major variations from the current year financial plan, and summarizes the Town's debt position. Several revenue and expenditure amounts listed herein are still developing and estimates may change during the months ahead. I believe final revenue and expenses may allow for some positive changes to this plan. We've worked hard over the last eight plus years to be able to maintain our service levels despite lower than anticipated revenue levels. The budget plan allows us to look toward future generations without cutting back on core values and services. In fact, we are proposing to fund a new Human Resources Director position which will allow the municipal departments and school district to consolidate our HR functions under one roof, thereby improving efficiency and reducing our legal exposure. Through strong leadership in both the Town and School district we have managed to use our limited resources more effectively. We are continuing to look at different approaches to change how we do business as well.

(slide-economy)

We have leveraged economies of scale that provide better services for lower costs. For instance, through the efforts of your town financial team and cooperation from our employees we have managed over the years to moderate the increases in health insurance costs. Additionally, we have several net metering agreements in place that lower our electric bills. We have also put green initiatives in place that are beginning to bear fruit.

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.

(slide- state aid chart)

Increased costs and reduced state aid have taken their toll though. The economy continues to sputter along at a slow but steady rate; however, state revenues are expected to increase by almost 4.3%. Gov. Baker's budget funds our combined net state aid at an increase of only 1.10% which is reflected in this plan. This is still unacceptable. The state legislature and the Governor need to step to the plate and make cities and towns a higher priority.

This chart shows state aid for the fiscal years 2006-2017. As you can see we will receive less state aid than ten years ago in FY07. In fact, this year we will get \$582k 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 FY17 proposal it is down

to just over 22%. This puts great pressure local taxes. I call on the legislature and the governor 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. On the municipal side we have had several retirements by long term employees but other employees have been promoted and new people are in place and we will continue to maintain services levels. We 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. Green energy initiatives and technology are helping us to be more productive.

The winter been a blessing compared to last year's record setting cold and snow. This has had a significant effect on Snow and Ice line items. The deficit for this purpose included here is significantly less than last year. Increases in general insurance costs and retirement are putting pressure on the expense side of the budget. Worker's compensation insurance has leveled off and here we see a positive trend.

(slide-general)

Millbury's financial position is improving and appears to be stabilizing, but we are still not where we need to be. We have been able to weather the storm due to the qualitative and realistic decisions made by Town Meeting, the Board of Selectmen and School Committee. In addition the competent day-to-day management of Town and School operations have been resourceful and efficient. However, higher costs and lower state aid will continue to be a drag on operations.

Building permits are steadily improving and there has been some improvement in the economy, however, economic growth is still slow. The financial team has worked tirelessly to determine actions that might mitigate these undesirable impacts. We have received two bond rating upgrades (a town's credit rating if you will) which allowed us to refinance some of our debt which will save more than \$600k over the life of the bonds. Things such as health insurance, retirement, state aid, and new growth we have limited control over, although we have had some successes. For instance, we have made changes 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. In the future a discussion on retiree health costs should take place. 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 are making great progress toward that goal this year. We have reduced it from \$345k to \$150k this year. Gov. Baker has proposed funding of Chapter 90 funds for road repairs at \$200 mil and this will bring in around \$325k and we hope for a higher funding level going forward. Also, we plan to use \$260,000 of free cash as a supplement to Chapter 90 amounts and the remaining free cash to provide for capital items and one-time expenses.

A balanced budget is required by state law and we will continue to work diligently to ensure we maintain one 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.

The Governor in his budget has proposed a slightly higher level of state aid than last year. However, revenues are increasing by 4.3% in state

budget, yet our net state aid which includes Chapter 70 is up only \$93,250 or 1.1%. This is not an acceptable amount as the governor and the legislature have decided to fund other priorities. This decision will put pressure on the budgets of the Towns and Cities and makes it difficult to maintain services. I am hopeful the legislature will provide additional funds. And 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.

As was the case last year, most of the increase in this year's budget is due to increasing personnel, insurance, school transportation and retirement costs. Worker's Comp insurance is moderating but is still significantly higher than in year's past. Retirement costs are continuing to increase rapidly as well. In addition, we are providing employees with a modest cost of living increase and we are adding a human resources director to be shared by the school district and the municipal side. This has been a priority of the superintendent and the town manager with the support of the School committee and Board of Selectmen. We have fewer students going to Blackstone Valley Tech resulting in lower Voke tech costs.

The initial proposal by our health insurance carrier was for 7.4% rate increase. This was negotiated down to 5.5%. This is still higher than we would like but the cost of prescription drugs are skyrocketing with inflation in this area at more than 15%.

Retirement costs which are up 8% 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 2017 proposed operational and maintenance budget is \$40,906,608. The General fund budget is \$39,019,564 which is an increase of \$1,159,155 or 3.06%. At this time we are not proposing any prop 2 ½ overrides. We should keep our options open though. It was necessary to cut more than \$300k 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 2.85% over the last six fiscal years.

During the budgeting 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 human resources director and continued funding of the School Resource Officer. On the next slide I will discuss the assumptions used to develop the Fiscal Year 2017 budget.

(slide-financial)

As you maybe aware, when we develop revenue and spending projections, there are many moving parts. We have to make some assumptions to help formulate our plan including:

1. The budget as presented is balanced. It reflects the School Committee's budget and the manager's proposed municipal budget request. There are two key assumptions here:
 - a. There are no further changes in projected revenues
 - b. Snow and Ice continues to be mild at a pace way ahead of this time last year.
2. The budget reflects Millbury's priorities in a time of economic uncertainty and hopefully the economy will continue to improve.
3. In the governor's budget state aid is up. With Millbury receiving more than \$117k in new aid but with offsetting charges up more than \$24k. 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 up with most of the increase in excise taxes which are continuing to show some strength as the economy is improving. Wheelabrator revenue is increasing as well. Receipts for FY16 are meeting expectations and must continue to do so. We believe this is a positive trend.

(slide-revenue)

Next, I would like to address the revenues side of this budget plan. In order to maintain or increase our service level we would have to increase revenue to pay for it. Since costs such as health insurance, retirement, wages and general insurances continue to rise; our revenues must also rise to cover these new costs.

As I have stated in previous budget messages 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 to raise \$22.5 mil an increase of approximately \$738k which includes an estimate of \$300,000 in new growth. This represents about 56% of general fund revenues.

The second source is Local estimated receipts of \$5.416 million which is 2% higher than last year. This is due mainly to an increase in Wheelabrator fees and higher excise taxes. FY16 local receipts are on target to hit or slightly exceed targets. As an addition, in this area there are transfers from reserves and the enterprise fund.

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. I 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 2017 is proposed to be \$8,884,592 an increase of \$117k or 1.34%. This represents approximately 22% of revenues.

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 plus any one-time changes such as revenue from last year's tax auction. Last year's free cash was more than \$1.01 mil. Free cash this year is slightly more than \$1.3 mil due to mainly to funds raised during the auction of tax foreclosed property. We continue to reduce the amount of free cash used in the operating budget with the goal of eliminating its use entirely in

the FY18 budget. We have again reduced that amount by almost \$200k, leaving only \$150k 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 capital costs for Ramshorn dam.

(slide-gen fund breakdown)

Now I will move on the overall expenses for the next fiscal year. This slide shows a breakdown of the general fund expenses. 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 I broke up the education and benefits segments on this slide to better illustrate where things are spent.

The biggest piece of the pie is the Millbury School district budget which together with school health insurance amount to more than 63% 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%. Town and School health insurance represents approximately 13% of the total.

(slide-expenses)

General government which includes financial operations, town clerk, Town Manager/Board of Selectmen and planning/inspection type operations will increase \$177,074 or 11.66%. Most of the change is due to personnel changes. The energy manager grant ended so we are funding the entire amount and splitting with Sutton. A new HR director is funded and the planning board will begin receiving a stipend. The town clerk has a new 15 hour general clerk position. Also, we will replace one of the town computer servers. Town Counsel budget is increased by \$20k also.

Public Safety increases by \$102,958 or 3.13%. Included in this are wage adjustments and continued funding of the school resource officer.

(slide-expenses education)

Public Education numbers are preliminary due to the fact BVT hasn't voted their budget. The Millbury School Committee's budget as voted is an increase of 3.34%. This is mainly due to increased personnel, technology, and transportation costs plus a human resources director and additional required positions. I funded the school district at their requested level.

We don't have a final BV Tech budget but I based my estimate on information from the BV superintendent. Their budget request is down \$85k due to eight less students attending there next year. This also includes one student attending an out of district agricultural vocation school at an

estimated cost of \$27,000. We are required to pay this as BV does not offer the program. Therefore, my proposed education budget is up a combined 2.80%.

Public Works is increasing by \$44,701 or 2.58%. This primarily includes funding cost-of-living increases. Gas and diesel is decreased by \$10k due lower fuel prices.

(slide-health)

Public Health & Human Services which includes BOH, COA and Veteran's Services increases by \$27,265 or 6.44%. This is due mainly to increased caseloads in Veteran's Services.

Culture and recreation which includes the Library, Parks commission, Waters Mansion and Historical commission increases by \$36,670 or 8.7% due mainly to cost of living raises and the addition of a children's librarian starting in January. 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. This should qualify us without the waiver next year.

(slide-debt)

Debt service decreases by \$223,094 or -8.17%. Borrowing is down for two reasons. The first is the payoff of the rescue truck. This also reduces the tax levy as this was excluded

debt so it is a wash. Additionally, this year we are beginning to see the fruits of our bond rating upgrade and our refinancing as some of the savings is reflected here.

Employee Benefits are up. The biggest increases are in retirement and health insurance costs. Health insurance costs are higher due to Fallon's 5.5% increase and additional positions due to new hires. Fallon's original 7.4% increase was negotiated down to 5.5%. In addition, we have had some turnover in employee's resulting in some higher enrollment in health insurance.

We are continuing to look at different approaches to change how we do business as well. We are also trying to achieve stability in carriers for our employees as changing is a hardship on some employees. Retirement costs are up 8%. The one good note here is we are seeing the trend of higher costs in worker's compensation beginning to stabilize.

(slide-general)

General insurance is up \$13,000 or 3.23%. We have had some big claims and this is causing the rates to continue going up. We are aggressively pursuing options with our agent.

Sewer Enterprise Fund budget is up by \$289,670 or 18.13%. There are primarily two main reasons a 5.5% increase in our Upper Blackstone Assessment and increases in capital outlay to fund repairs and additional monies for the Rt 146 project.

(slide-warrant)

This year free cash is up but so are the number of projects needing funding. Included in the special articles are:

- \$260k for road projects as required by the free cash policy an increase of \$135k
- \$20k for the senior work off program
- \$97k for Medicaid reimbursement to the schools
- \$50k for an ADA upgrade for the Millbury Band Stand
- 197k to do property revaluations required by the DOR
- \$20k to replace overhead doors at transfer station
- \$190k to replace the boilers at Elmwood St. school
- \$75k to replace the bleacher at MHS.
- \$60k to purchase land for cemetery use
- \$50k to partially fund the master plan
- \$20 for a used bucket truck for the FD
- \$24k for new voting booths
- \$20k to replace overhead doors at DPW building
- \$33k to pave where the old farmhouse was
- \$20k for parking lot improvements at E. Millbury park

These articles total \$1,136,982 and additional free cash of \$150,000 will help fund the operations and maintenance budget.

(slide-summary)

To summarize, the financial plan I have proposed includes spending of \$40,906,608 for operations and maintenance an increase of 3.67% which includes a general fund budget of \$39,019,564 an increase of 3.06% and sewer enterprise fund budget of \$1,887,044. Revenues are trending up slightly with local receipts up and an increase in the tax levy allowed under prop 2 ½. State aid was up by a net 1.1%. We will follow these numbers as they develop and will make adjustments if additional funds are available.

This is my ninth and last budget as your Town Manager and each one has had its unique challenges. My goal is to supply the services the citizens of Millbury need and warrant. When the economy started crashing it forced us to take a long hard look at how we operate and we have made changes to fit the situation we faced. While we don't have the resources to meet every demand and sometimes it may take a while to complete a project or fix your street, or there might be a line at the Treasurer/Collector's office to pay taxes or higher class sizes we are required to stay within our available means. Millbury's employees strive to provide quality services to the citizens of Millbury despite not always having enough resources. This financial plan presented here and those before it were built in a prudent manner yet, there are still some assumptions that may change. We may get some additional state aid but not enough to restore all budgetary requests. Hopefully this will allow us to reduce some budget cuts which will allow us to provide even better service.

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 continue to put forward spending plans that deliver the services the people of Millbury want and expect. I believe our financial operations are second to none. During my tenure we have seen a large turnover of personnel but despite this we manage to continue to improve our overall operations. We continue to have clean audits, award winning financial statements and reports, balanced budgets, and upgraded bond ratings.

These are great accomplishments and I am proud of them but, we cannot and have not stood still. We continually analyze our method of operation to see if we can do it cheaper or more efficiently. This requires the help of our unionized workforce and non-union personnel and they have been extremely helpful. While we have not always been dealt the best of hands 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 capital planning for the future. They currently are seeking public input on these priorities.

Putting together a strong financial plan takes the efforts of a great team. I am truly blessed 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 is led by 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, it has been my pleasure to serve the Town of Millbury and I believe I will leave the town in better shape than I found it. In my opinion that is the mark of success for a town manager. To be successful it takes dedicated and loyal people who can keep you on task when you are going crazy. My Executive Assistant, Tish is such a person. Without her support I could not succeed; thanks for all your help and support, Tish. As always I want to thank the employees for their dedication and professionalism and the Board of Selectmen for their input and counsel. I would also like to express my thanks to the School Committee and Finance Committee for their help and cooperation. Thank you all for attending and I look forward to continuing working with each of you. Now I would be glad to answer any questions.