

TOWN OF SOUTHBOROUGH



OFFICE OF THE TOWN ADMINISTRATOR

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TO: Board of Selectmen
FROM: Mark J. Purple, Town Administrator
DATE: February 20, 2014
SUBJECT: Fiscal Year 2015 Operating and Capital Budget

In accordance with the requirements of Massachusetts General Laws and the Southborough Bylaws, I am pleased to present Southborough's proposed Fiscal Year 2015 Operating and Capital Budgets for your consideration. This is the second budget that I am presenting to you since I was appointed Town Administrator in 2012.

The Fiscal Year 2014 budget that was passed last April at Town Meeting is what I would consider a "maintenance" budget. There were no new programs or personnel added, only contractual increases and minor increases in the cost of doing business. Outside and one-time funding sources, while reduced in scope, were still used to fund the operating budget. Since that time, the Board has established town-wide goals to set the direction for the Town. The Finance Director has recommended sound financial policies to guide our decisions on such things as borrowing, reserves, and OPEB, which the Board unanimously adopted. And the Town has seen some turnover in key management positions, including Town Planner, Police Chief, and Facilities Director. Fortunately for us, Southborough is an attractive community and we have been able to secure well-qualified and experienced municipal managers to fill these and other positions. The Fiscal Year 2015 budget is structured to build on some of the things we have learned in the past year, and to implement some of the changes that we have identified to improve our services to residents, increase our efficiencies, and provide a secure future for the Town of Southborough. The following is a snapshot of the Fiscal Year 2015 budget:

Aggregate Budget – The aggregate operational budget is proposed at \$46,931,766 an increase of 3.99%. This amount is inclusive of the \$1.4 Million water budget. Town operational budgets (less water) are requested at +4.02%, education is +4.09%, general debt service is -3.87%, and benefits is requested at a remarkable -.23%. The total operational budget less the new capital department (discussed in the capital section) is requested at +2.75%.

Revenues – Major revenues for FY15 are up a combined 2.1% from FY14 equating to approximately \$153,000 (free cash, local revenue, and state aid). Although state aid continues to have meager increases, there are signs that local revenues are strengthening. New growth and additional tax levy account for another additional \$1.4 million of tax levy capacity.

Use of outside funds – The funding for the operating and capital budget includes \$1,345,561 in Free Cash. In the past, this amount would be put into the revenue stream as undesignated funds for the

operating and capital budgets. This year, the capital budget, exclusive of scheduled vehicle replacements contained in the operating budget, is \$825,000, or 61% of the available Free Cash. The remaining 39% is available for operating budget expenses, which is less than the recommended 75% in the recently adopted financial policy.

There are also increases in budgets such as Conservation Commission, Youth and Family Services, and Council on Aging. These increases are not due to an increase in services, but instead a shift from the funds being provided partially by outside sources to being funded fully within the General Fund. Accounts maintained by "Friends" groups and fee accounts have long supported these budgets, and can no longer sustain the level of funding that is being asked of them. In order to reflect the true cost of these departments, the full funding for these budgets is now contained within the General Fund.

Health insurance savings – Last year, as a result of a partnership with the unions and the SAP employees, the Town made some significant modifications to its health insurance plans which will result in savings to the Town and the employees. The new "Navigator-style" plan is similar to the State GIC plan, with reduced premium costs and higher co-pays and deductibles. The Town will realize a savings in FY15 of \$266,099 versus our FY14 costs. Of this amount, the Town will set aside \$118,563 in a Health Reimbursement Account (HRA) to assist employees in acclimating to the higher co-pays for services. We are working with the Insurance Advisory Committee to determine guidelines for the HRA. The employees will also see a reduction of approximately \$90,000 in their share of health insurance premiums.

Personnel – All Town collective bargaining agreements are settled thru 6/30/16. The Personnel Board has recommended SAP (non-union) rates for FY15 that amount to a 3% increase. This represents a new proposed amount not reflected in current budgets of approximately \$7,700 (the budgets currently reflect a 2.5% increase for all SAP personnel).

Public safety – Public safety initiatives include the addition of two firefighters to current staff and the addition of one patrol officer to the Police Department. The Fire Department additions will satisfy four groups of five firefighters, versus the 2 groups of 4 and 2 groups of 5 currently being maintained. This is in accordance with the safety study done several years ago, and will allow a "2 in and 2 out" safety policy at incidents. The Police Department would add one officer to the midnight to 8AM shift. Two officers are assigned to this shift each night, however every shift an officer does not work for any reason another officer must be called in to replace the patrolman. The Department has had almost no growth in size in the past 20 years (2006 one officer was added) despite increased call volume.

Privatization of cemetery maintenance – Another initiative is to keep the DPW at a virtual level budget for FY15 by privatizing the Cemetery maintenance. Cemetery administrative operations, records retention, burials and grounds maintenance planning will still be the responsibility of the DPW, however most grounds maintenance would be contracted out under this plan. Current staff retirements allow an opportunity to pursue this with a possibility of no layoffs. The savings of this plan would be approximately \$60,000 - not including future OPEB costs or benefit savings.

Capital budget – Attached is a list of items the Capital Committee is recommending. Capital items that are on a regular replacement schedule are included inside of the budget; those that are more irregular or of a unique nature are included in a separate capital article. Please note that this is a shift in budget policy as to how recurring capital needs are budgeted, and in the longer term this should provide more certainty and stability in the capital budget process. All of the requested items are based on a 10-year capital plan which

is updated annually. Additionally, the school capital needs will be added to this shortly. The plan will receive a fresh look with new department heads in place to better reflect conditions of buildings and larger items such as roof replacements.

OPEB – Other Post-Employment Benefits (OPEB) has been discussed at length in several venues this past year. OPEB takes into account the cost of those benefits -mainly health insurance- that we provide to Town employees after they retire. Based on our most recent actuarial study done in 2013, the Town's unfunded liability in this area is \$28,835,000. Last year, Town Meeting established an OPEB trust fund, and seeded it with \$50,000. This is well short of the \$4,132,203 "annual required contribution" (a level of funding that, if paid on an ongoing basis, is projected to cover normal cost and unfunded liabilities over a 30 year period), but was done strictly as a placeholder as more permanent funding methods were researched. This year, the \$147,534 in savings from health insurance premiums is earmarked for the OPEB trust fund as well as \$125,000 from overlay reserve, bringing the two-year total to \$322,534. We are still seeking a consistent and reliable funding source for the trust account without decimating any budgets or services.

Infrastructure – As one of the Selectmen's established goals, we have included \$15,000 in the Capital Budget to begin tasks such as a needs assessment and site selection for a new public safety facility. Future funding will include engineering and design, construction, and possibly the acquisition of land.

Economic Development – This past year, the Selectmen established an Economic Development Committee (EDC). For FY15, we have included a new department #182 for EDC and requested funding it at \$15,000. These funds will help the EDC with business outreach, attending various meetings and trainings, mailings/publications, and trying to find ways to build and maintain our commercial tax base in Southborough.

Planning – While there is not an increase in the administrative staff hours, there are funds budgeted for interns, specialized contract services, and potentially some additional hours for existing staff based on projects and other departmental needs. With the additional responsibilities of EDC and OSP, the department is much more than simply planning, and additional and varied needs require a unique approach to staffing needs. This is a one year infusion of additional funds to address the several significant projects presented to the new Planner.

Schools – The K-8 budget reflects a 3.8% increase over FY14, and the budget for Algonquin Regional is 4.99% higher than in FY14. The budgets are still being finalized by the School Committees as of this writing. They may include some additional staffing in non-teaching positions, however the detailed discussion of these budgets are yet to take place, and funding for the Regional may change pending further aid information and School Committee action.

Other Budgets – During the budget meetings, it was found that most of the other departments have minor requests in changes of funding, and after a steady period of maintenance budgets there were not many areas to reduce without eliminating other services. The Town will continue to investigate possible areas of re-organization with better service delivery in the next several years. We will also re-evaluate our information technology services to insure we are using these opportunities to the best of our ability.

I would like to thank Finance Director Brian Ballantine and the rest of the financial staff for their assistance in creating this budget. Something of this magnitude takes many hands and a lot of creativity, and I sincerely appreciate their efforts. I also want to recognize Maureen Colleary in the Selectmen's

Office, who helps to prepare the budget books and facilitates the distribution of the information to the Advisory Board and other committees. And finally, I would like to thank the department heads, for being able to “think outside of the box” when it comes to providing services, and for being able to put the needs of the community as a whole ahead of their own at times. Their dedication and effort to this Town should not go unnoticed. It is truly a team effort, and I am proud to say that we have one of the best teams in the Commonwealth working for the Town of Southborough. I look forward to the discussions and debates on the budget as we move forward to Town Meeting in April.