

Finance Committee Meeting

March 2, 2011 7:30 PM
Veterans Memorial Building, Room 229
900 Main Street
Millis, MA 02054

In Attendance:

Chris Smith, Chairman
Craig Schultze, Vice Chairman
John Burns
Peter Jurmain
Rick Manburg
Rich Molloy
Jim Smith
Susan Vecchi
Charles Aspinwall, Town Administrator
Charles Vecchi, Board of Selectmen
Brenda Hamelin, Animal Control
Bob Finnegan, Assessors

Chris Smith called the meeting to order at 7:30 PM

Budget Review: Animal Control:

Brenda Hamelin:

The FY12 budget is level funded:

Salaries: \$53,720.00
Expenses: \$11,400.00
Total budget: \$65,120.00

The overall budget is split based on the number of calls: 45% paid by Millis and 55% paid by Medway. The new truck gets much better gas mileage, averaging 15 gallons per week. The full time Animal Control Officer, a salaried position, works Monday thru Friday 8:00 AM until 4:00 PM and responds to calls after scheduled hours without compensation. Weekends are covered by the Deputies. The only FY12 budget request is to restore the afternoon/evening coverage.

Cost: \$5,080.00 (254.00 nights per year at \$20.00/night)
\$1,000.00 (An Average of 50 calls per year at \$20.00/call)
\$6,080.00 (Split with Medway)

The on-call person would be available to handle calls as needed after 4:00 PM until 8:00 AM giving the full time Animal Control Officer "down time" away from the job. A \$40.00 fee is charged to pickup an animal. The officer is required to go to homes with a bat complaint, it is state mandated.

Budget Review: Assessors:

The FY12 budget

Salaries: \$110,677.00
Expenses: \$ 8,530.00
Total budget: \$119,207.00

The department completed the DOR Triennial Recertification and successfully completed the revaluation of properties within a 5% margin of actual price/value. Abatements have tripled in the last year due to the revaluation. The allocated amount of \$100,000.00 annually for abatements should be sufficient.

Budget Review: Historical - Postponed:

Strategic Budgeting Committee's Report:

Chris Smith:

The report was presented to the Board of Selectmen on Monday, February 28, 2011 and the School Committee on Tuesday, March 1, 2011.

(A) Background: The committee was formed in November 2010. Its members consist of representatives from the Board of Selectmen, School Committee and Finance Committee as well as the Town Administrator and School Superintendent. The specific purpose of the committee is to put together a five year strategic budget plan. The organization of the committee was prompted by the structural deficit the Town has faced the last two years. The committee was advised to expect a 10% reduction in local aid and Chapter 70 funds and a 12% increase in health insurance. Although the Town's revenues were growing these assumptions along with our anticipated expenses in FY12 produced a structural deficit in the range of \$1,500,000.00 to \$2,000,000.00. After Governor Patrick's budget was released the picture looked a little brighter. Mr. Aspinwall arranged a meeting with Representative Linsky, Representative Winslow and a staff member from Senator Ross' office. Representative Linsky advised using the Governor's numbers as a floor for FY12 budgeting.

(B) How Millis Budgets:

Revenues consist of Tax Levy, State Aid, Local Receipts and Other Available Funds.

Expenses consist of State/County Charges, Abatements and Other/Offsets

Recurring Fixed Costs consist of Leases, Audit, Revaluation and Medicaid Billing

Capital Items consists of Equipment, Buildings and Other Needs.

The Revenues less the Expenses, Recurring Fixed Cost and Capital Items leaves the Funds Available for the Town's Operating Budget.

(C) Millis' FY12 Estimated Budget with level service:

Revenues:	Tax Levy:	\$15,658,876.00
	State Aid:	\$ 5,442,472.00
	Local Receipts:	\$ 1,518,613.00
	Other:	<u>\$ 288,197.00</u>
	Total:	<u>\$22,908,158.00</u>

Expenses:	State/CountyCharges:	\$	329,439.00
	Abatements:	\$	100,000.00
	Other:	\$	372,889.00
	<u>Total:</u>	\$	<u>802,328.00</u>

Recurring Fixed Costs:	Leases	\$	137,000.00
	Audit:	\$	34,000.00
	Revaluation:	\$	15,000.00
	Medicaid Billing:	\$	2,100.00
	<u>Total:</u>	\$	<u>188,100.00</u>

Capital Items:	Equipment:	\$	101,000.00
	Buildings:	\$	50,000.00
	Other:	\$	65,000.00
	<u>Total:</u>	\$	<u>216,000.00*</u>

Total FY12 Operational Budget Assumption:	\$22,677,051.00
Structural Budget Deficit:	\$ 759,321.00

*Capital Items funded with Free Cash Reserves do not impact the budget deficit. Free Cash is one-time money. Capital Items are a one-time expense. The FY12 projection for Free Cash is \$427,000.00.

(D) Strategic Planning Options:

(1) Recurring Fixed Cost and Capital Needs:

Current Fixed Costs:	School Bus Leases:	\$	77,000.00
	School Computer Leases	\$	60,000.00
	Yearly Audit:	\$	34,000.00
	Yearly Revaluation of Property	\$	15,000.00
	Medicaid Reimbursement	\$	2,100.00
	<u>Total:</u>	\$	<u>188,100.00</u>

These items are operational in nature and are currently funded through tax collection; an option would be to place them in current operational budgets. But the risk there is that over time, these funds will be used for other purposes in the operational budgets.

In addition to the above items, the committee recommends consideration of the following to be placed in this fund:

DPW Road Repair \$100,000.00

A critical need exists to regularly repair the roads.

Municipal Vehicle Replacement \$ 30,000.00

This item is aimed at the police cruiser replacement rotation but could be used for other Town vehicles.

Municipal Building Maintenance \$ 25,000.00

Routine and scheduled maintenance on buildings – would not be used for emergency repairs.

School Curriculum \$ 50,000.00

Updating the school's text books.

School Building Maintenance \$ 25,000.00

Routine and scheduled maintenance on schools.

School Vehicle Replacement \$ 30,000.00

This item is aimed at special needs vehicle replacement but could be used for other school vehicles.

10 Year Revaluation of Property \$ 15,000.00

The Town is required to conduct a revaluation every 10 years. Approximate cost is \$150,000.00.

These additional items would set aside funds on an annual basis year after year saving money in the long run on repairs, vehicle replacements etc. Typically they are funded through Free Cash. In total \$275,000.00 would be added to the tax levy.

(2) Senior Citizen Tax Relief: The best guess estimate of cost is currently \$50,000.00 per year in addition to current abatement allocations. These solutions for seniors will only work if an operational over ride is passed at Town Meeting.

(B) Funding Models: The models presented include level service operational budgets for the School and Municipal Departments. Cost increases represent step increases, lane changes (schools only) and projected cost of living increases. No additions to staff were factored in the models. Based on numerous factors, including the current economic environment and levels of uncertainty, future revenues and anticipated costs may vary from our assumptions and could either positively or negatively affect the numbers. The average single family home in Millis is valued at \$330,000.00. In 2010 the average home valued at \$365,600.00 and in 2009 \$379,589.00. Since 2009 the average single family home value decreased thirteen percent which directly impacts tax rates. The tax on an average single family home is \$5,085.00 per year.

(C) Revenue and Expense Assumptions:

Revenue:	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
Tax Levy/New Growth:	+3%	+3%	+3%	+3%	+3%
Chapter 70*:	+5%	+5%	+5%	+7.5%	+7.5%
*Please note any change in the percentage from the State would have a great impact on the numbers.					
Unrestricted Local Aid:	+2.5%	+2.5%	+2.5%	+2.5%	+2.5%
Restricted Local Aid:	0%	0%	0%	0%	0%
Local Receipts:	+1.5%	+1.5%	+1.5%	+1.5%	+1.5%
Other Available Funds:	+1.5%	+1.5%	+1.5%	+1.5%	+1.5%

Expenses:	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
State and County Charges:	-2.5%	-2.5%	-2.5%	-2.5%	-2.5%
Abatements:	0%	0%	0%	0%	0%
Other/Offsets:	0%	0%	0%	0%	0%

Operating Budgets:	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
General Government:	+3%	+3%	+3%	+3%	+3%
Public Safety:	+3%	+3%	+3%	+3%	+3%
DPW:	+3%	+3%	+3%	+3%	+3%
Health and Human Services:	+3%	+3%	+3%	+3%	+3%
Culture and Recreation:	+3%	+3%	+3%	+3%	+3%
Education:	+5%	+5%	+5%	+5%	+5%

Shared Budgets:	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
Benefits:*	+8.0%	+8.0%	+8.0%	+8.0%	+8.0%
General Insurance:	+5%	+5%	+5%	+5%	+5%
Debt:	0%	0%	0%	0%	0%

*Please note this includes one of the largest expenses – Health Insurance

(D) Funding Model #1 – Addressing only the current structural deficit:

Structural Deficit:	\$759,321.00
Over Ride Amount:	\$759,321.00
Increase per \$1,000.00 of Valuation:	\$.76 per thousand
Cost to Average Taxpayer:	\$ 252.00 per year

This is the least expensive model and does not address cuts made in previous years. It's simply buying time but is a viable option. The structural deficit will return in FY13 and another over ride will most likely be needed in FY15 with sizable cuts in FY14.

(E) Funding Model #2 – Addressing the structural deficit over five years:

Structural Deficit:	\$ 759,321.00
Over Ride Amount:	\$1,179,902.00
Increase per \$1,000.00 of Valuation:	\$ 1.19 per thousand
Cost to Average Taxpayer:	\$ 391.00 per year

This model will eliminate the budget deficit through FY16. No cuts to services are anticipated in this model. This model requires collecting additional revenue up front to bank for three years; the banked money will be used in FY14 when the deficit returns. It also requires discipline to not use the banked funds in emergency situations the Town may face. A two thirds majority vote at Town Meeting would be required to use the funds for other costs.

(F) Funding Model #3 – Addressing the current structural deficit and strategic option:

Structural Deficit:	\$ 759,321.00
Recurring Fixed Costs and Capital	\$ 325,000.00
Over Ride Amount:	\$1,084,321.00
Increase per \$1,000.00 of Valuation:	\$ 1.09 per thousand
Cost to Average Taxpayer:	\$ 359.00 per year

This model will eliminate the FY12 budget deficit and solve our recurring cost problem and allow us to budget for known futures expenses. It also provides a contingency plan in the event local Aid is cut by House and Senate budgets. The structural deficit would return in FY13 and another over ride would be necessary in FY15.

(G) Funding Model #4 – Addressing the structural deficit and strategic option for five years:

Structural Deficit:	\$ 759,321.00
Recurring Fixed Costs and Capital	\$ 325,000.00
Over Ride Amount:	\$1,501,669.00
Increase per \$1,000.00 of Valuation:	\$ 1.51 per thousand
Cost to Average Taxpayer:	\$ 498.00 per year

This model addresses most of our problems through FY16. It is very expensive and there are some considerable upfront collections of tax revenue. The structural deficit will return in FY15 but the banked funds will take us through FY16. Another over ride would be necessary in FY17 if revenues do not increase.

(H) Average Tax Bill Comparison of Local Communities:

A study of the surrounding towns including: Milford, Franklin, Mendon, Upton, Walpole, Medway, Norfolk, Holliston and Medfield revealed Millis ranks 4th lowest of the 10 communities for both 2009 and 2010. Approval of any one of the models would change the ranking in FY 12 as follows:

Model #1	5 th of the ten
Model #2, 3 & 4	6 th of the ten

(I) Other Considerations (not figured into models):

(1) Large Capital Projects:

The library project has begun – the cost to the tax payer will start in FY13 and is not factored into the models.

Presently there are no planned debt exclusions for the next five years.

There are possibilities for large capital projects in the short term:

*The school department is conducting a space needs study

*The school department has completed a Statement of Intent with the MSBA to get put into the pipeline.

*Police Station/Fire Station replacement

Potential redesign of Village Street

(2) Other Large Potential Expenses:

The Fire Department purchasing a Quint Ladder Truck to replace Engine 1 and Ladder 1 with a cost of approximately \$800,000.00 to \$1,000,000.00.

The DPW equipment replacement is typically very expensive and usually becomes a top priority.

(3) Additional Staff:

The School Department had needs for additional staff, some may be mandated.

The Library, Building Department and Board of Health have requested additional staff hours.

Our models do not replace the funds for the firefighter position.

Police Department has needs for an additional officer.

DPW has needs for additional staff.

(4) Regionalization:

The Board of Health is looking for grants to study regionalization and there are other opportunities to regionalize in some areas.

(J) Next Steps:

(1) Decision Points:

Will the Board of Selectmen place an over ride question on the May ballot?

What will the amount of the over ride be?

Should the Board consider adding staff in the final over ride amount?

Provide guidance on warrant item process for this year

(2) Timeline:

Ballots must be submitted to the Town Clerk by the end of March. The Board of Selectmen will meet on March 14, 2011 and the School Committee will be in attendance.

An over ride discussion will take place.

The Board of Selectmen and Committees need public comment on this before Town Meeting. The Strategic Budget Committee will meet March 7, 2011 at the Veterans Memorial Building at 7:30 PM in room 229. As always it is an open meeting.

Discussion:

The Recurring Stabilization Fund will be the same as the current Stabilization Fund requiring a two thirds majority vote at Town Meeting to use the funds. Chapter 90 money is used for road repairs, there is no cost included in the operating budget for road repair. Funds have been allocated for resolution of union contract settlements. It would be hard to manage if the over ride was collected over several years. A simple vote would be needed to create separate funds for the Recurring Stabilization Fund items. The current deficit is a situation of circumstance, Millis relies a lot on Local Aid and there is not a lot of commercial/industrial tax collection. Taxes collected in Millis go back into the Town. The Town has been underfunding for road repairs and school curriculum. Staffing is very tight, a lot of the staff is overworked and understaffed. The Board of Selectmen determines if additional staff is warranted. The impact of a "no" vote on an over ride would be presented by the School Committee and the Town Administrator. The goal of the Strategic Budget Committee was to come up with a five year plan. The current deficit with no over ride would result in approximately \$500,000.00 in cuts for the schools and \$250,000.00 on the municipal side. Most revenue enhancement opportunities were rejected by the Town at Town Meeting specifically the cell tower revenue. Most likely potential cuts will be discussed at the March 13, 2011 Board of Selectmen meeting.

Upcoming Meeting Schedule

March 9, 2011 7:30 PM

Veterans Memorial Building, Room 229

March 16, 2011 7:30 PM

Veterans Memorial Building, Room 229

March 23, 2011 7:30 PM

Veterans Memorial Building, Room 229

March 30, 2011 7:30 PM

Veterans Memorial Building, Room 229

May 9, 2011 7:30 PM – Town Meeting

Millis High School Auditorium

Minutes Approval:

Rick Manburg made a motion to accept the February 16, 2011 meeting minutes as written, Peter Jurmain seconded. Vote: 5/0 motion carries.

Review Budget Presentation Schedule:

Chris Smith:

The following departments are scheduled to present their FY12 budgets on March 9, 2011:

John Wypyszinski Veterans
Jenn Cederberg: Selectmen, Town Buildings, General Insurance
Peter Koufopoulos: Board of Appeal
Lisa Hardin: Elections, Registrars and Town Clerk

The following departments are scheduled to present their FY12 budgets on March 16, 2011:

Jim McKay: DPW: Water, Sewer, Transfer Station, Highway and Street Lighting

The following department is scheduled to present their FY12 budget on March 23, 2011:

Nancy Gustafson: Millis Schools

Adjourn:

Susan Vecchi made a motion to adjourn the meeting at 9:00pm; Jim Smith seconded, Vote 7/0.

Respectfully submitted,
Deirdre Gilmore