



3.1

Office of the  
**BOARD OF SELECTMEN**  
272 Main Street  
Townsend, Massachusetts 01469

Robert Plamondon, *Chairman*

Sue Lisio, *Vice-Chairman*

Nicholas Thalheimer, *Clerk*

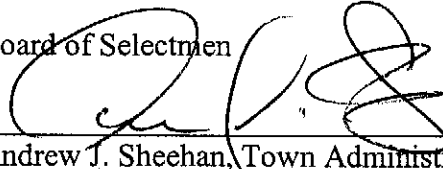
Andrew J. Sheehan,  
*Town Administrator*

Office (978) 597-1701  
Fax (978) 597-1719

## MEMORANDUM

DATE: December 20, 2010

TO: Board of Selectmen

FROM:   
Andrew J. Sheehan, *Town Administrator*

RE: **FY 2013 BUDGET MESSAGE**

---

The Finance team and I have begun the process of developing the FY2013 budget which runs from July 1, 2012 to June 30, 2013. The current schedule anticipates distribution of budget forms to departments in the next couple of weeks and returned in mid- to late- January. Budget hearings can be scheduled after budgets are received.

The outlook for FY13 is full of uncertainties. This continues a trend with which we have become all too familiar. On a positive note, we are assuming that local aid will be level funded. However, many costs are projected to rise. Town departments have been living with level funded budgets for several years; this practice is unsustainable over time as costs continue to rise even in periods of low inflation. Assuming level funded expenses, our projection shows a modest budget deficit in FY13.

Budgeting requires that we make certain assumptions with respect to revenues and expenses. This is always an uncertain science, but conservative and reasonable assumptions tend to minimize surprises. Several of the assumptions that we must make can fluctuate wildly from year to year. On the revenue side the most unpredictable is State aid to cities and towns (local aid). On the expense side the largest is regional school assessments. Smaller but still significant hard to predict expenses include health insurance and retirement assessment.

### Revenues

The Town has seen reductions in local aid in recent years. Our largest source of local aid is Unrestricted General Government Aid (UGGA). UGGA topped out at \$1,454,476 in FY08. In FY13 we are assuming UGGA at \$1,111,624. This is equal to what we received in FY12, including the October supplemental and equal to what we received in FY11. We make this assumption on the basis of information from the Massachusetts Taxpayers Foundation and comments from Beacon Hill. We will not know the true local aid number for several more months. The Governor typically uses the Massachusetts Municipal Association (MMA) Annual Meeting to announce budget

highlights. That meeting takes place on January 20, 2012, and local officials anxiously await his comments. Other local aid accounts, including State Owned Land, Quinn Bill, Public Libraries, Veterans' Benefits, and Elderly and Veterans Exemptions, remain uncertain. In FY12, these other accounts totaled \$265,785; we are projecting level funding in FY13. If these assumptions hold true, total local aid will be \$1,377,409.

The property tax and local receipts make up the remainder of our revenues. The tax levy will be \$13,215,675 in FY13. Local receipts, which include things such as license fees, permit fees, and excise taxes, are estimated at a little over 1 million dollars. The meals excise which was adopted at the November Town Meeting is estimated to bring in approximately \$70,000.

### **Expenses**

Education is the largest budget item in Townsend, accounting for \$8,873,619 or 56% of the General Fund budget. Unfortunately, the Town's assessments from the North Middlesex Regional School District and Nashoba Valley Technical High School will not be known until March 2012. Furthermore, State aid to school districts is also unknown at this time. Obviously, cuts to the chapter 70 school assistance account will impact the operating budget.

Wages and benefits are the next largest piece of the budget puzzle. Together they account for 31.4% of our spending. A step or level adjustment consistent with the classification plan has been factored into the projection for FY13. In addition, the Middlesex County retirement assessment is projected to increase by \$25,000 consistent with FY12. Health insurance has been rising at double digit rates for several years and that trend will continue in FY13. MIIA projects an increase of 9% in FY13, or about \$73,000.

As is the case every year, there are significant non-discretionary costs. These include items such property and casualty insurance and debt service. These account for approximately 5.4% of the budget. As the name implies, these costs cannot be easily cut or contained. We realized some significant savings in this area in the past year with the refinancing of some debt and by bidding out our property and casualty insurance. Bidding our insurance will save us about \$26,000 in FY13. Further savings were found in the area of solid waste collection. The newly negotiated trash contract should allow us to reduce our curbside trash budget in FY13.

### **Recommendations**

To date the Town has been able to find enough savings to manage year by year. However, more significant measures are necessary to achieve substantial savings and operational efficiencies that will set us up for a prosperous future. The Department of Revenue financial management review contains a series of recommendations which should be fully evaluated. Some other ideas that merit consideration include: reducing the hours of operation at Town Hall; regionalizing or privatizing services; consolidated collections; and consolidated public works. Every option should be evaluated in full and no option should be rejected out of hand.

I look forward to working with the Board of Selectmen, other elected and appointed boards and officials, employees, and residents to provide input and ideas to address the challenges facing Townsend.

## FY12 Budget categories

Wages *	3,973,792	
Benefits **	<u>1,307,484</u>	
	5,281,276	31.4%
Schools	8,858,628	52.7%
Debt service	702,396	
Property/liability ins	<u>207,805</u>	
	910,201	5.4%
Solid waste	676,060	4.0%
Other expenses	1,082,110	6.4%
<b>Total budget</b>	<b>16,808,275</b>	<b>100.0%</b>

\* Includes longevity, stipends, overtime, clothing allowances, certifications

\*\* Includes health , life and unemployment insurance, retirement and Medicare assessments

## **Report Recommendations**

---

We encourage the selectmen and others, when formulating overall strategies for improving the town's financial management, to consider the observations, analyses and recommendations contained in this report. These following items are recommendations only and can be implemented, at the town's option, provided there is sufficient cooperation among the various boards, committees and officials.

### **Improve Budgeting, Financial Coordination and Government Structure**

1. Complete the Required Charter Review
2. Give the Town Administrator Appointing Authority
3. Appoint the Collector and Formally Combine with Treasurer
4. Improve Coordination of Financial Functions
5. Provide for Succession Planning
6. Request a Management Letter with an Independent Audits
7. Move Water Department Billing to Collector's Office
8. Clarify the Reporting Responsibility of the Administrative Assistant

### **Implement New Policies and Procedures**

9. Conduct Employee Performance Reviews
10. Investigate Costs and Benefits of a Lockbox Service
11. Record Deputy Collector Payment on Vendor Warrant
12. Apply Partial Payments to Interest First
13. Establish a Drop-Box at Town Hall
14. Require All Grants and Contracts
15. Require Evidence of Departmental Reconciliations
16. Issue Sales Questionnaires

### **Make Better Use of Technology in Government**

17. Explore Financial Software Options
18. Promote On-line Property Tax Data
19. Expand the Use of GIS