



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

Sue Lisio, *Chairman*
Andrew J. Sheehan,
Town Administrator

Robert Plamondon, *Vice-Chairman*

Colin McNabb, *Clerk*
Office (978) 597-1701
Fax (978) 597-1719

MEMORANDUM

TO: Board of Selectmen
Finance Committee

FROM: Andrew J. Sheehan, Town Administrator

DATE: December 17, 2013

RE: **FY 2015 BUDGET MESSAGE**

The Finance team and I have met and developed revenue and expenditure estimates for the FY2015 budget which runs from July 1, 2014 to June 30, 2015. The current schedule anticipates budget instructions being distributed to departments next week and departments returning their budgets on January 27, 2014. Budget hearings with departments can be scheduled after budgets are received.

Like most years, the outlook for FY15 has substantial uncertainty. The picture is not rosy and care must be taken to ensure we continue to live within our means. As has been noted in prior years, Town departments have largely been living with level funded budgets for several years. This is an unsustainable practice as costs continue to rise and departments, though level-funded, fall further behind due to normal inflationary pressures. Unfortunately, with few exceptions we have little choice but to continue on this path in FY15.

Budgeting requires that we make certain assumptions with respect to revenues and expenditures. This is an inexact science, but conservative and reasonable assumptions minimize surprises. Several of the assumptions that we must make can fluctuate 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 are regional school assessments. Smaller but still significant hard to predict cost centers include employee health insurance and retirement assessment.

Revenues

The property tax levy is the largest portion of revenue. The levy is proposed to increase by the statutory 2 ½ percent. The levy consists of last year's levy, the allowed 2 ½% increase, and new growth. In FY15 the levy will be \$14,305,094 in FY15. Local receipts, which include things such

as license fees, permit fees, and excise taxes, are estimated at \$1,321,505. Local receipts still trail their ten-year average and have not reached pre-recession levels. We are continuing our conservative approach with local receipts in FY15. The meals tax has been in effect for two years and receipts are ahead of estimates. The meals excise is projected at \$80,000.

We are assuming local aid will be level funded at FY14 amounts. Our largest source of local aid is Unrestricted General Government Aid (UGGA). UGGA topped out at \$1,454,476 in FY08. In FY15 we are assuming UGGA at \$1,137,900. This is equal to what we received in FY14. We will not know the true local aid number for several more months, but State revenues have been robust and there is little to indicate a reduction in UGGA. The Governor typically uses the MMA Annual Meeting to announce his budget. That meeting takes place on January 24, 2014 and I will be in attendance to hear his comments. Other local aid accounts, including State Owned Land, Quinn Bill, Public Libraries, Veterans' Benefits, and Elderly and Veterans Exemptions, remain uncertain. In FY14, these other accounts totaled \$285,671 and we are projecting level funding in FY15. If all of these assumptions hold true, total local aid will be \$1,423,571.

Expenditures

Expenditures are the other piece of the budget puzzle. The following are some expenditure highlights:

- Education is our largest budget item at 54% of the General Fund budget. The assessments from the North Middlesex Regional School District (NMRSD) and Nashoba Valley Technical High School (NVTHS) will not be confirmed until February or March. Preliminary discussions with NMRSD suggest a budget around \$8,782,523, an increase of \$202,098 (2.4%) over FY14. Five (5) new Townsend students will enroll in NVTHS next year. This should positively impact our assessment. We must remember that school budgets are heavily dependent on State mandates. Decisions made at the State level will almost certainly alter our projections.
- Last year we saw a 36% increase in our Middlesex County Retirement assessment. This was needed for them to fully fund their obligations by 2040 and bring average annual growth assumptions in line with market performance for the years prior to last year. Our assessment for FY15 is \$673,724, a 4.4% increase. Recent years have seen strong performance in investment markets and we hope this will bode well for our assessments in future years.
- Employee health insurance is another significant cost center. We continue to work with our insurance pool, the Massachusetts Interlocal Insurance Association (MIIA), and our benefits advisors, Cook & Co., to redesign our employee health insurance programs to reduce costs. We expect rates to increase 7-10% in FY15 and will budget accordingly.
- The Town's curbside trash collection program is a large cost center and one over which we have some control. Changes which could provide savings may be available in future years, but we expect to level fund in FY15.
- Personnel costs are a large piece of our budget. I am not proposing any reductions to current employees for FY15. There may be opportunities to reduce costs as positions become vacant and we will continue to explore options while maintaining services. The Board of Selectmen made a commitment to employees with the compensation and classification plan. The preliminary spending plan factors in a 2 ½% step increase for non-union personnel. Union contracts are mostly settled and most bargaining units are looking at 2% increases.

Funding of other post-employment benefits (OPEB) is a huge nationwide problem. Cities and towns are scrambling to fund their OPEB liabilities. Among area communities the lowest OPEB liability is \$5.5M and the largest is \$168M. Townsend does not provide retiree health insurance and therefore does not have an OPEB liability that it needs to fund. We are fortunate to be in this position. However, we are carefully watching the Legislature as a bill currently under consideration could dramatically alter this landscape.

The current bottom line total budget is projected to be \$18,388,608 (including the Water Enterprise), 2.33% above FY14. This number is certain to change as we are at the beginning of the budget cycle. As various revenue and expenditure numbers become clearer the budget will evolve and take shape.

I look forward to working with the Board of Selectmen, Finance Committee, elected and appointed boards and officials, department heads, employees, and residents to gather input and ideas to address the challenges facing Townsend.



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

Sue Lisio, *Chairman*
Andrew J. Sheehan,
Town Administrator

Robert Plamondon, *Vice-Chairman*

Colin McNabb, Clerk
Office (978) 597-1701
Fax (978) 597-1719

FY15 BUDGET
&
MAY 6, 2014 ANNUAL TOWN MEETING
TIMELINE

12/19/13	Town Administrator's budget message to Board of Selectmen
12/27/13	Town Administrator's budget instructions to departments
1/27/14	Budgets due to Town Administrator
3/1/14	Annual Town Meeting warrant articles due
4/8/14	BOS signs ATM warrant
4/28/14	Town Election
4/22/14	Deadline for Constable to post ATM warrant
5/6/14	Annual Town Meeting
6/30/14	FY14 ends
7/1/14	FY15 starts