

## 2000 ANNUAL TOWN MEETING WARRANT

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### **89th REPORT OF THE FINANCE COMMITTEE (MARCH 2000)**

Each year, the Finance Committee is required by law to prepare a budget that balances expenditures with projected revenues. The Board of Selectmen is responsible for, and votes, the projected available revenue. This year, as has been true for the past four years, the projected revenues are sufficient to fund all prior year level funded operating budgets. In addition, as will be further discussed below, the Finance Committee is recommending funding for a portion of the requests for level service and additional service. Throughout the hearings, the Finance Committee faced difficult choices regarding how to allocate the available revenue between the competing operating and capital needs of the Town.

The Finance Committee devoted substantial attention in its deliberations to the funding of capital projects and the level of debt assumed by the Town. At last November's Special Town Meeting, the Finance Committee made a special presentation on the Town's current debt picture, and projections for the debt burden in the next five fiscal years. Each of these issues will be further discussed below.

### **REVENUE**

As of this writing, the total projected revenue available for appropriation to fund FY01 operating budgets is \$62,779,262. This amount represents an increase of \$2,776,065, or 4.6%, over total revenue available for appropriation in FY00. Of the total additional revenue available for appropriation, \$500,000 is projected new growth, and \$950,550 in state aid (Chapter 70, additional assistance, and Lottery distributions). The total revenue available for appropriation also includes approximately \$100,000 of FY00 additional Education Reform monies that came into the General Fund after the November 1999 Special Town Meeting.

In addition to this revenue, there are also certain monies which resulted from unexpended reserves, monies which we project to be non-recurring and which should not be used to fund department operating budgets or debt service. Instead, the Finance Committee recommends that these monies be used for cash capital and other one-time expenses. These monies include the Board of Assessor's release of \$500,000 overlay reserves. In addition, the Finance Committee presently believes that a substantial amount of the FY00 Reserve Fund could be used to fund cash capital and other one-time expenses. The reasons for our considered use of the FY00 Reserve Funds monies are primarily three-fold: (1) there are fewer Reserve Fund transfers anticipated through the end of the fiscal year; (2) Y2K did not have a financial impact; and (3) at the November 1999 Special Town Meeting, \$225,000 was voted into the Reserve Fund rather than the Stabilization Fund. There is also approximately \$125,000 from prior capital appropriations funded through debt that were unexpended and are available for re-allocation.

### **FY01 OPERATING BUDGET OVERVIEW**

As it has in past years, the Finance Committee requested that all department heads, committees and boards submit a level funded budget request, and to separately identify items and amounts necessary to provide level service, and to list prioritized funds for additional department requests. A level funded budget is the prior year's appropriation by Town Meeting, and any additional contractual salary increases and mandates imposed by federal or state law or regulation.

This year, the level funded budget requests presented to the Finance Committee amounted to \$49,885,825. The projected revenues of \$62,779,262 cover the town-wide expenses of \$11,962,433 and the level funded budgets, with \$931,004 remaining for allocation. By comparison, for FY00, after adjustments for town-wide expenses and all level funded budgets, there was \$1,914,621 to be allocated to operating budgets and capital – FY01 has almost \$1 million less than FY00.

The Finance Committee is particularly concerned about the increase, and future potential increases, in town-wide expenses since it lessens funds available for department operating budgets. By way of example, for FY01, the projected town-wide expenses have increased \$1,291,458 over FY00, or approximately 12%. From FY99 to FY00, the increase was \$502,811, or approximately 5%. Among other expenses, the Finance Committee is concerned with the assessment received from the Minuteman Vocational Technical School, and in particular the process by which it is calculated. As of this writing, the FY01 assessment increased by approximately \$150,000 from FY00. This amount represented \$97,760 over and above what had been anticipated for FY01. Moreover, with the change in the "choice" student program, if the Minuteman School is unable to otherwise maintain its current enrollment and concurrently does not "downsize" its operation, the Finance Committee is concerned about the burden of future assessments, and their impact on revenue available for appropriation to town departments. On a separate note, the town's contractual obligation to pay unfunded pension liabilities and other expenses of Glover Hospital is no longer being fully absorbed by the Glover Enterprise Fund. For FY01, the related town-wide expenses rose \$255,524 while the Enterprise Fund was still able to absorb \$230,197 of the total cost of \$485,721. The Enterprise Fund will be fully depleted in FY02 when the cost to the town is estimated to be \$492,376, or an additional impact of \$236,852. Another cost carried in townwide expenses is debt service. As of this writing, the repayment of maturing bonds and interest expense will rise over \$450,000 in FY01, an increase of 25% over FY00.

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During our budget deliberations, we divided the \$931,004 available for appropriation between: (1) department operating budgets, level service and additional funding requests; (2) the financial warrant articles; and (3) capital purchases to be made with cash. As of this writing, the Finance Committee is not recommending additional debt service on amounts in FY01. The following are some, but not all, of the level service and additional service items which the Finance Committee recommends funding with the unallocated revenue:

1. 4.5 teachers at the High School and Middle School;
2. 2.5 Special Education teachers;
3. two computer-related positions to support technology use within the schools;
4. additional part-time (20 hrs.) inspectors for the Building Department;
5. new ergonomic furniture for the Board of Health, Youth Commission and Board of Assessors;
6. additional funds for ground resurfacing by the Park & Recreation, particularly for playgrounds;
7. 10 new computers for Town Hall offices, and one for the Executive Secretary of the Finance Committee;
8. 11 new Macintosh computers, and 2 servers, for school department administration;
9. replacement of a 1984 pickup truck used by the Municipal Building Maintenance Board;
10. additional office supplies and an increased copier maintenance contract for the Council on Aging;
11. general increases in departments for postage and legal notices, including an increase in costs incurred for Town Meeting printings and mailings;
12. additional monies for the Library to purchase books and other materials; and
13. monies for the repair of fields, fences and buildings.

### DEBT SERVICE AND CAPITAL

Included in the warrant is a breakdown of the town's debt service into four categories: (1) hospital debt; (2) levy supported debt; (3) fee funded (transfer station and water/sewer enterprise funds); and (4) override debt. Since 1991, the Finance Committee has applied the following guidelines to form its recommendations to Town Meeting:

1. Debt service on levy funded debt projects should be kept within a fixed percentage of the tax levy (originally 2%, raised to 3% in FY99);
2. Total debt service should not exceed 10% of the total revenue; and
3. When possible, the Town should fund some projects each year with cash, not debt, especially those of a shorter life span or involving maintenance/repair.

With the recent inclusion of the water treatment plant, pumping stations and landfill debt, as well as the currently estimated \$140 million in projects presented by the Comprehensive Facilities Study Committee, we believe that the Town should continue to adhere closely to the above guidelines. Moreover, in view of the potential increased operating costs and expanded services associated with the various Facilities Study projects, and the known, and unknown, future expenses of the town, we strongly believe that the Operating Budgets of the town, both present and future, must be protected from the ever-increasing adverse effects of increasing debt service obligations.

In brief, the more funds committed to debt service, the less money there is to fund other requests such as increased costs to existing programs, additional personnel, new programs, and minor capital programs. There must also be due consideration given to the deferred and future projects within the Capital Plan, which numbered over 60 as of last Fall, as well as potential new capital requests to be funded within the levy such as roadwork, (e.g. the intersection near the Eliot School), additional fire trucks, vehicles for the Department of Public Works. In addition, there are several "master plans" currently in development, such as the stormwater master plan(s), which purportedly will identify more projects, some of which may be "mandated," and both individually and collectively will have a significant cost. Further, once the town commits to new debt within the operating budget, it must be paid even if there is a downturn in the economy or a large unexpected "new" expense. In either circumstance, our options would be to slash existing budgets or have an operational override vote. Therefore, careful scrutiny and careful planning must be undertaken before incurring new debt, and jeopardizing the current level of services.

### CLOSING THOUGHTS

The Town faces uncertainty on several significant financial issues as it enters FY01. For example, every collective bargaining agreement in the Town expires at the end of FY00, and the renegotiation of these agreements will have an impact on the FY01 budget. As past Chairpersons have stated to Town Meeting, unless the Town can keep the rate of increased expenses well within the rate of revenue increases, deficits are the inevitable product of Proposition 2 ½. For FY01, this concern is particularly acute. As explained above, while the revenue increased by 4.6% from FY00 to FY01, the townwide expenses increased approximately 12%. By comparison, from FY99 to FY00, the revenue increase was 5.7%, and the increase in town-wide expenses was 4.9%

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Looking forward, the Finance Committee is also concerned with various developments that will likely impact future operating budgets of the Town, including:

1. cost overruns of the “Big Dig” that may lessen state funds available to the Town;
2. the state’s reductions in local road (Chapter 90) money, at a time when our roads are facing repair and maintenance work;
3. potential revisions to School Building Assistance reimbursement and changes in Education Reform formula, which controls the amount of money a community receives from the state;
4. the impact of future increased energy costs on the town’s operating budgets, and the resulting elimination of those funds for other departments;
5. anticipated increased operating budgets in the event the projects proposed by the Comprehensive Facilities Study are supported; and
6. enterprise funds generally, and in particular the tax levy support of the RTS enterprise fund and the amount, and uses, of the RTS retained earnings.

In conclusion, the Finance Committee thanks the Board of Selectmen, the Town Administrator and Finance Director, and all Department Heads, town officials and employees, and committee liaisons with whom we have worked this past year. As the Chairman, I also want to thank each of the Finance Committee members, who have volunteered and dedicated their time to analyze the budgets and the various capital requests presented to the Finance Committee. Throughout the year, their hard work, support, and at times humor, were much appreciated. In addition, I would like to acknowledge the invaluable contribution and support from our Executive Secretary, Gerry Sullivan, now in his 14<sup>th</sup> year of service to the Finance Committee and the Town.

Paul T. Milligan, Chairman  
Michael Crawford, Vice Chairman  
Paul G. Smith, Past Chairman  
Ford H. Peckham  
Susan R. Herman

Michele M. McQuillen  
Ronald W. Ruth  
James D. Masterman  
Edward C. Nickles  
Executive Secretary, Gerard G. Sullivan