

TOWN OF UXBRIDGE
TOWN MANAGER
Town Hall Room 102
21 South Main Street
Uxbridge, MA 01569-1851
508-278-8600 Fax 508-278-8605
town.manager@uxbridge-ma.gov

Jill R. Myers
Town Manager

MEMORANDUM

TO: Honorable Chairman and Members of the Finance Committee
Honorable Board of Selectmen
Citizens of the Town of Uxbridge

FROM: Jill R. Myers, Town Manager

DATE: February 29, 2008

SUBJECT: **Budget Message 2/29/08: Town Manager Recommendation on FY2009 Operating Budget – July 1, 2008 through June 30, 2009**

I respectfully present you with a current summary of the Town Manager recommended FY2009 Town Operating Budget, which is submitted in accordance with Massachusetts General Laws and the Uxbridge Town Charter for consideration at the Spring Annual Town Meeting (SATM) under Article 5, Town Budget. Attached you will find the following exhibits: The Governor's proposed FY2009 local aid - "Cherry Sheets" (Exhibit 1); FY2009 Revenue Projections (Exhibit 2); FY 2009 Operating Budget Spreadsheet, presented as Article 5 of the SATM (Exhibit 3); FY2009 Enterprise Funds and Cable Access Budgets, presented as Articles 7-10 of the SATM (Exhibit 4); Debt Schedule (Exhibit 5); Illustration of Town Budget by Cost Center (Exhibit 6); Capital Plan (Exhibit 7); February 14, 2008 memo explaining the adjustment to the 1996 School Project reimbursement changes (Exhibit 8); Budget Memorandums dated August 14, 2007, August 31, 2007 (Exhibit 9); Excerpt for Town, Charter Article 6 (Exhibit 10).

The difficulties faced in crafting a balanced FY 2008 budget, resulted in an operational override being placed on the ballot for the 2007 Special Election after it was determined that the FY 2008 operating budget had a structural deficit of \$1,412,910.00. The override question failed by the margin of 1,177 (for) to 1,723 (against). At a 4 p.m. joint meeting immediately preceding the June 13th continuation of the SATM, the Board of Selectmen, Finance Committee, and School Committee, endorsed balancing the FY 2008 budget via municipal reductions and the use of a total of \$1,316,500.00 in Stabilization funds.¹ As compared to FY 2007, municipal operations were reduced by \$197,186.00 (-3.48%). The Uxbridge Public Schools budget was increased by \$916,632.00 (5.35%). The non-discretionary/fixed cost budgets (comprised of debt, the regional school and retirement assessments, health and property/casualty insurance and school transportation) rose by \$916,922.00 (8.92%).

¹ Correction 3/7/08: The Board of Selectmen voted 3-2 (Chairman Woods and Selectman Stack opposed) to offer this motion at the Continued Town Meeting; the Finance Committee provided an unfavorable recommendation.

The defeat of the FY 2008 operational override, as well as ongoing consultation with the Board of Selectmen and Finance Committee, convinced staff that the budget process would have to be changed for FY 2009. Previously, departments requested a “needs-based” budgets that would create a budget deficit on the outset, and the FinComm hearings would provide for public comments. The budget would eventually be refined and eventually balanced through revenue updates, uses of one-time sources of funding, and reductions in departmental requests. The Board of Selectmen and the Finance Committee endorsed a change in policy from needs-based budgeting to revenue-based budgeting in early summer 2007.

FY2009 budget discussions commenced shortly after the continued SATM in June 2007. Early projections of potential revenues and possible budget reductions, dated 8/14/2007 & 8/31/2007, respectively (Exhibit 9), which grew non-discretionary (formerly titled “fixed”) costs at actual projection and level funded all department budgets, forecast a potential deficit of \$1,204,534. Staff consulted with the Board of Selectmen and the Finance Committee on several occasions over the summer, which prompted the convening of four “Budget Summits” lead by the Finance Committee Chairman, when those two groups and staff joined with the School Committee to discuss the Town’s financial situation projected out five years. The Final Report and accompanying documents are available on the Town’s website - www.uxbridge-ma.gov.

The Summits focused on a number of very relevant topics, and policy issues. There was continued interest in the utilization of a forecasting model that would allow for budget planning over a span of years, which was first developed by staff for the FY 2008 budget. A significant amount of discussion was centered on the practice of data comparison and benchmarking, which could be useful in determining how the Town is allocating resources as compared to similar communities, as well as examining opportunities for regionalism. The Town’s capital improvement plan, effectively on hold since FY 2003, was also discussed. Finally, the Summits examined the funding issues of the FY 2009 budget, and suggestions on how best to resolve them.

The Summits produced thought provoking, cordial exchanges of information and opinion. While the Summits were less effective in determining a distinct plan of action regarding the annual budget and the capital plan, they were of great value in working to flush out a financial management strategy less reliant on one-time revenue or transfers from Stabilization.

FY09 Budget submittal forms were issued to all departments on November 16, 2007. The initial forecast of revenue was \$35,004,041.00, an increase of \$281,033.00 over FY 2008 revenue. Each department was assigned a funding directive/figure (which was level or reduced) to work from in crafting its budget. The departments were required to submit a budget based on that figure, paying all “overhead” costs first, and then allocating the balance of leftover funds to staff and services as they deemed appropriate in order to maintain department functions. The departments were also allowed to craft “supplemental” budget requests, on the premise funding could be accessed should additional revenue sources or budget decreases be identified as we worked through the process.

The School Committee was also provided a budget figure of \$17,625,504.00, a reduction of \$409,465.00 from the FY 2008 budget of \$18,034,969.00. During the FY2008 deliberations, members of the School Committee suggested that I give them a number. This figure was determined by a thorough examination of the municipal budget, making as many reductions as possible in order to lessen the impact to the schools while maintaining municipal operations at a reduced level. The budget reduction given the School Committee represented the remaining deficit after all other municipal cuts

were made. All department reductions were somewhat tempered by an anticipated transfer of \$419,867.00 in Stabilization funds (part of the weaning process) that was noted at the Budget Summits.

There have been subsequent meetings with Chairmen from the Board of Selectmen, School Committee, School Superintendent and Business Manager as recently as February 25th, as well as meetings with Department Heads. On January 30st, the Capital Committee presented to me their recommendations and plan, for which I considered and provided to the BOS and FinComm with my comments. Throughout the process, the BOS was consulted on the proposed budget and balanced budget strategy, and we worked to implement their priorities.

As with the FY 2008 budget, I have continued to work to solicit input from community leaders and Department Heads to seek ways to optimize revenue and reduce the rate of growth to expenditures. This is very much a watershed year, where the Town faces potential expenditures in excess of its combined levy capacity and Stabilization fund balance². As will be explained in this document, the FY2009 municipal budget has been reduced to a point where it will not be able to sustain further reductions beyond what is proposed for FY 2009 without department closures or the abdication of departmental missions. Non-discretionary costs (especially health insurance) continue to rise at a rate that is not sustainable. The cost of education, through various mandates, and needs-based budget submissions on behalf of the Uxbridge Public Schools, presents a major challenge to all of us.

As demonstrated in the following economic forecast, the Town is at a crucial time in its development and strategic planning. We are at the cusp of updating and implementing innovative programs to clean up bylaws and procedures and take us to the next step in the master planning process. However, discouraging news regarding the state of the housing market and the State and Federal economy is reported daily. State revenue continues to lag behind projection. The Town is facing budget requests that exceed its revenue and savings combined. All signs point to FY 2009 and FY 2010 as two of the most difficult years that our community will face in some time financially, just at the time when we are working on recovery efforts from the Bernat Mill fire, and commencing a period of economic planning and modeling with financial benefits out a few years. Timing is everything!

UXBRIDGE ECONOMIC FORECAST:

The Building Department records from the past 5 years show relatively consistent (level) permit activity with the exception of the permits associated with BJ's warehouse. Residential starts (new dwelling units) typically run 50-60 per year, which includes single family and multi-family dwellings.

The significant residential project continues to be Ledgemere Estates; a project dating back to the 1980's which continues to suggest significant multi-family residential construction for several years to come. Summerfield, our multi-family age-restricted project currently under construction, also indicates continued construction activity for at least another couple of years. A "40B" project approved early in 2007 has been completely silent in recent months.

² As of 2/29/08, the balance in Stabilization is \$1,397,850.00. Proposed transfers and warrant articles for 5/13/08 as of this writing consist of: \$90,647 (Article 4), \$515,448 (Article 5), \$120,000 (Article 11) and \$50,000 (Article 13). These articles were passed and funded through Stabilization, its balance would be \$621,755. This balance could be further reduced if additional transfers (e.g., current year transfers, enhanced departmental funding, other warrant articles, etc.) are voted. (Footnote updated/corrected 3.7.08).

Most subdivisions have had their lots released for some time. There are currently about 20 (single family residential) house lots in 4 subdivisions that have not yet been released from restrictions. There is one new project under review, a 65 unit multi family development in North Uxbridge (off Rogerson Crossing).

Regionally, there has been a near-stoppage of residential development. Even “40B” affordable housing and age-restricted developments have suspended their permitting activity and seen sales slow to a crawl. (The Summerfield project is reportedly enjoying sales activity that is uncharacteristically strong, according to surrounding towns.) Other than the BJ’s warehouse, which contributes fairly limited revenue to the tax structure, the town has experienced little significant growth in a number of years.

But that is changing. Development is a time-consuming process, generally requiring 3-5 years of diligent effort to identify a project and site, develop a business plan, establish financing, pursue permitting and initiate construction. Once construction takes hold, it is another 1-2 years before the benefits are reflected on out local tax rolls. In the past few years, the Town has begun to see projects coming to the table that, although not yet realized, will significantly affect our economic basis:

- The redevelopment of Waucantuck Mill is imminent. The developer has received all local development permits, and is expected to seek a demolition permit as soon as the final State sign-offs are received. I anticipate that demolition and much site work (including environmental cleanup and Stabilization) will be conducted in calendar year 2008. This will not impact the tax rolls significantly until about a year after construction values are recorded (presumably, the FY11 budget year may see some contribution from this site redevelopment).
- The Town’s “Priority Development Site” (43D) positively impacts the municipal budget in several ways. First, it will be through completion of the sale of the property. Secondly, any development application would indicate future development opportunities (and revenue sources). Local permitting could be completed in 4-6 months (after submittal). Because this site will fall under the provisions of “expedited permitting,” a well-prepared permit package will also put the applicant in a position to complete state permitting within that 6-month timeframe. Again, while construction is not anticipated in calendar year 2008, it is possible that construction could be significant in FY09, which would result in realizing tax valuations for the FY11 budget year.
- In November 2007, Town Meeting rezoned land on the southwest side of 146/16, resulting in an area nearly 200 acres in size that could accommodate commercial and light-industrial development. While no application has yet been filed, staff is meeting regularly with the owners and potential developer of the site. Again, the timing is challenging to know. At this time, I anticipate potential development submittals and reviews in calendar years 2008-09, so construction activity could benefit the tax roll for the FY11 or FY12 budget years.
- I was recently informed that there is a possibility that we will receive the purchase price for our interest in the Douglas Street 146/16 land before the end of FY2008 (June 30) , according to the buyer. If it does happen, of which there is no guarantee, it must flow to free cash, and would become available for appropriation or transfer to Stabilization once Free Cash is certified, anticipated in October 2008. Such funds have not been part of the FY2009 forecast and not available for the SATM, as we will not have the funds in hand when voting on the

budget. Assuming we do receive the funds, if they come after July 1, they will be considered a FY09 receipt, and not be available until Fall of FY 2010 when free cash is certified. Regardless of when or if the funds are paid, like all one-time revenue, it is best spent on one-time or capital expenses as opposed to be used as an operating budget revenue source via transfer.

- The owner of the Stanley Woolen Mill has indicated he is working to design a “Phase I” development plan. This would theoretically be reviewed by local and State permitting agencies in 2008 and perhaps significant construction/redevelopment activity would commence in 2009-10. Once again, our tax rolls would begin to realize the value improvements in fiscal 2011-12.
- In November 2006, the Bernat Mill received Town Meeting approval of a zoning bylaw to allow multi-use redevelopment of the project. While Phase I designs were under development at the time of the July 2007 fire, the owner is now pursuing a different redevelopment approach. Some redevelopment on this site is anticipated in calendar year 2008 (which, if accomplished, would provide some value-add for FY 10). Significant redevelopment activity is anticipated for design review in 08-09, and would theoretically impact the assessments for the FY 2011 and later budget cycles.
- Lastly, there is an indication that there will be a proposal to amend our zoning bylaw so that power plants would be permissible in Town. The DG Clean Power project that has been informally presented to the Selectmen would reportedly be contributing revenue through a PILOT agreement (*payment in lieu of taxes*). Until the bylaw is amended, and a PILOT agreement is negotiated with the BOS, revenues and their timing are speculative.

As with any development project, there are dozens of steps that could become hurdles. But clearly there is positive change actively “in the pipeline” and also on the horizon.

REVENUE SUMMARY: (Exhibits 1& 2)

The FY2009 budget assumes that the Town will receive a -3.52% or \$405,264.00 less in State (local) aid than it did for FY2008, based upon the Governor’s budget submission on January 25, 2008. However, when payments from the School Building Authority are deducted, local aid for general municipal and school purposes increases by \$478,114.00 or 4.91%. From FY2002 to FY2008, State aid has declined on a percentage basis from 40% of the total budget revenues in FY2003 to a projected 31% of the budget in FY2009 (we have been told by State officials that FY09 State aid preliminary cherry sheets amounts will not change as the “House” versions evolve). As a result, we have seen a trend that the Town through this period has continually funded the budget through *one-time* revenue sources, i.e. transfers from Stabilization funds and “free cash”. The increase we are projecting this year is of great assistance, but it will take several years on increasing State aid to undo the damaging affects that reduced State aid had on local budgets. Additionally, overlay surplus, considered to be a one-time revenue source, has been used to balance the budget in all years from FY2004 through FY2009.

Tax Levy: Projected \$18,321,198.00 (Increase: \$1,251,412.00)

- The property tax levy of \$17,502,016.00 is increased by the statutory limits as set by Proposition 2½ by \$437,550.00.

- FY2009 new growth, previously set at \$500,175.00, was recently revised downward by the Assessor to \$381,632.00, a drop of \$118,543.00. This new amount is a reduction of \$19,505.00 (-4.86%), from the FY 2008 certified new growth of \$401,137.00.
- Debt exclusions representing the 1996 school renovation project, the Route 16/146 water/sewer project, and the projected school debt exclusion are almost doubling in rising by \$431,171.00 (197.02%). The total debt exclusion amount rose due to reduced State aid for the now-audited 1996 school projects (See Exhibit 8), a change of \$371,563.00, the addition of the second piece of land for the high school project. It was tempered somewhat by the elimination of FY 2004 water debt exclusion. There is a small exclusion for the Blackstone Valley Vocational Technical School debt as the assessment of \$99,194.00 is tempered by \$98,081.00, the remaining balance in the BVT school project fund, a fund established two years ago when the town's portion of the excluded BVT remodeling project was refinanced. The full BVT debt assessment will be included in the exclusions from FY 2010 forward as the proceeds from the fund will be exhausted this year.

State Aid: Projected \$11,119,862.00 (Net decrease \$405,264.00)

- State aid is decreased by 3.52% or \$405,264.00 for FY2009. As explained previously though, this reduction is not what it seems. \$511,815.00 in State-supported debt for the 1986 school renovations projects came off the debt schedule this year. Therefore, the aid dropped, but so did the debt service budget. Secondly, as referenced above, the State grant for the audited 1996 projects was reduced by \$371,563.00, which was moved from state aid to the debt exclusion (See Exhibit 8). State aid net of assessments, not related to school building reimbursement shows an increase of 4.91% or \$478,114.00. Chapter 70 increased by \$268,613.00. School Choice Out is reduced by \$188,073.00 from FY 2008. State charges/offsets/assessments drop by a total of \$227,034.00 from FY 2008, which was certainly welcome news. Assessments count as a negative receipt against the community on the whole per Massachusetts General Laws.

Local Revenues: Projected \$2,879,193.00 (Decrease \$996,274.00)

- Local revenues (receipts) are forecasted at \$2,879,193.00, a decrease of \$996,274.00 from FY 2008, but this is mainly an accounting change recommended by our auditors. Previously, inter-fund transfers were reported as miscellaneous recurring receipts on our revenue sheet and on the recap. Our auditors recommend that we report those transfers on a new line of the revenue sheet under the "Transfers" category, and reduce the amount listed in the miscellaneous recurring receipts line. They will be reported on the B-2 of the Recap instead of on "Page 3" of the same document. Had they remained in the local receipts category, the total projected for local receipts would have been \$4,169,382.00, an increase of \$293,915.00, or 7.5%. This increase is largely offset by projected increases to the debt schedule for new water and sewer enterprise projects. There also has been some additional personnel and rental charges to the enterprise and special revenue funds.

Local Assessments: Projected \$ -260,000.00 (Increase of \$47,238.30)

- Overlay reserve for abatements and exceptions for FY2009 is budgeted at \$160,000.00, a small increase of \$15,120.00 from FY 2008, mainly because we expect to see an increase in abatement applications for FY 2009, due to falling home values. Ideally, I would prefer to have more overlay reserve set aside for FY 2009, but budget constraints prevent it.
- The snow and ice over-expenditure account is set at \$100,000.00. We were fortunate that the FY 2007 winter was fairly dry, allowing us to come in under budget by \$42,118.00 for the FY2008 Recap. We will be likely over budget for the FY 2009 Recap, which will likely require augmentation by Stabilization depending on where we fall within the levy limit.

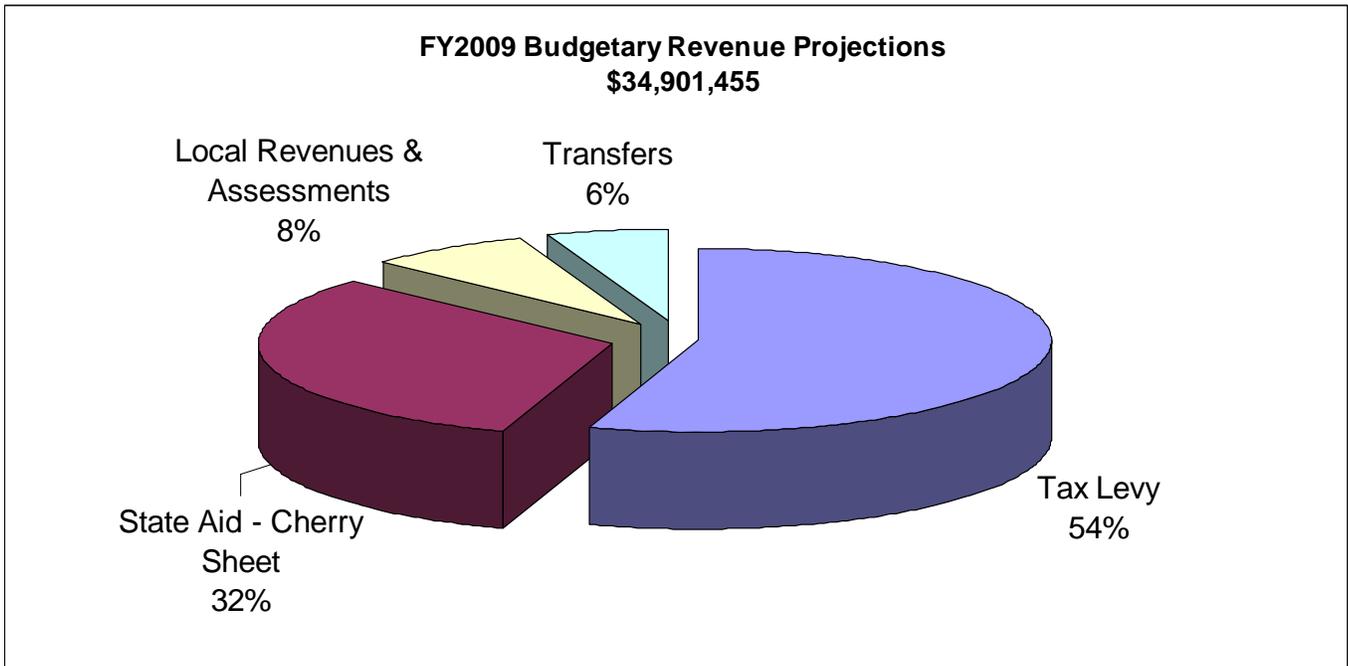
Transfers: Projected \$1,965,637.00 (Increase of \$375,811.00)

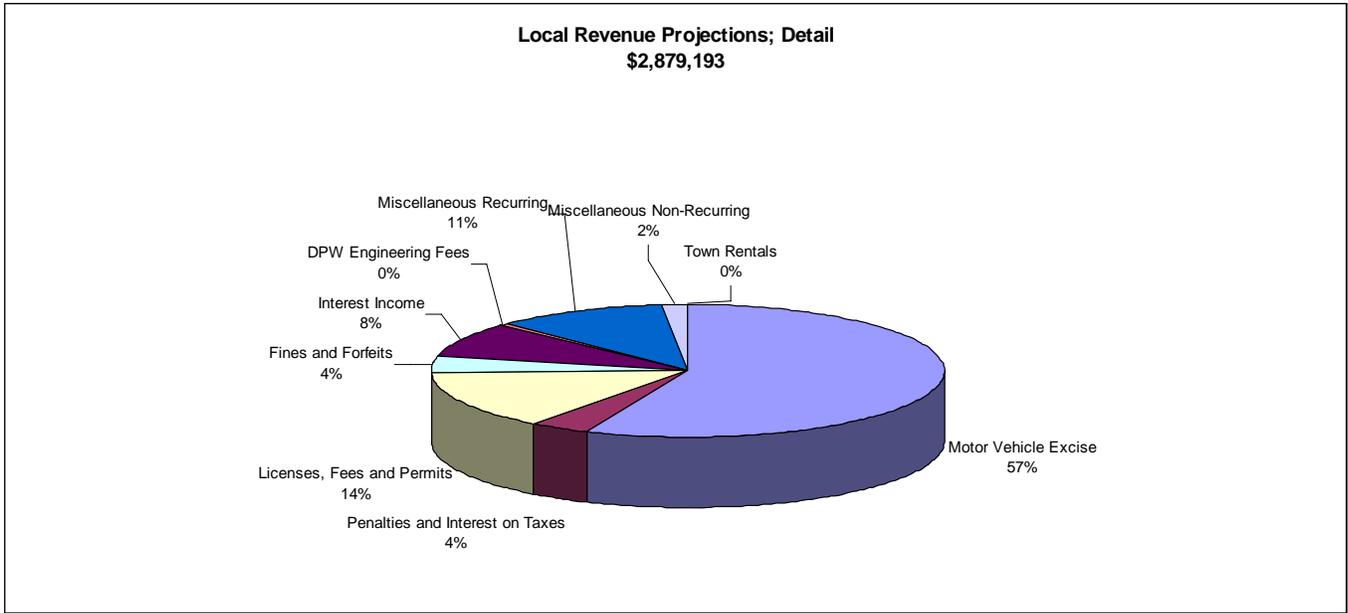
- Transfers to supplement the FY2009 budget from Excess Overlay are funded at \$150,000.00. The Town has used this resource to balance the budget on an annual basis since FY2004 when it is more ideally suited for capital expenditures. If this trend continues, excess overlay will cease to be a revenue source within the next three years.
- The FY2009 budget is also funded by transfer of \$10,000.00 from the Wetlands Protection Fund, which pays a portion of the conservation administrator’s salary. The fund supported a \$20,000 transfer in FY 2008.
- Finally, the current version of the Town Manager’s recommended budget includes Stabilization Fund transfers of \$120,000.00 for the Good Shepherd School rent (School Committee sponsored warrant article) and \$515,448.00 for the general fund operating budget, for a total of \$635,448.00. This is an increase over our initial budget forecast transfer of \$419,867.00 by \$95,581.00 which will be further explained.

Net Total Revenue Increase: Projected \$178,447.00 or .51%

Net Total revenue increases from the forecast of \$34,723,008.00 in FY2008 to \$34,901,455.00 in FY2009.

A pie chart, breaking out the percentage of revenues by type (Tax Levy, State Aid, Local revenue, less assessments, and Transfers is shown below:





EXPENSE SUMMARY: (Exhibits 3 & 4)

The original budget, as distributed to all departments, was based on initial revenue calculations of \$35,004,041.00. In preparation for the FY2009 budget, all Town operations were examined in order to identify potential savings, reductions, and greater efficiencies. The department submittals were put forth in advance of the Governor’s budget, and therefore reflected forecasted state aid. The municipal departments met their targeted budget requirements, and requested a total of \$694,931.00 in supplemental budget items.

The School Committee concluded budget deliberations on 2/12/08, and voted a single budget amount of \$18,544,516.00, an increase of \$509,547.00 over the FY 2008 Town Meeting voted budget of \$18,034,969.00. Unlike the other departments, they did not vote a budget appropriation recommendation with a supplemental budget request (over the balanced budget department figure provided). As a result, the FY 2009 *department* submittals column on the attached revenue sheet and expense sheets show overall expenses of \$35,923,053, a budget deficit of \$919,012.00. The School Department’s current request is \$757,411 in excess of what we are contemplating as a recommendation. At this time, it is challenging for me to make a positive recommendation on the effect of the School Committee requested appropriation on the total Town operating budget, considering our lack of available revenues, and that each of the departments participated in the balance budget directive.

TOWN MANAGER FY2009 DEPARTMENT BUDGET RECOMMENDATIONS

At this time, the FY2009 budget that will be presented at Town Meeting on May 13, 2008 anticipates a balanced budget of \$34,901,455.

We expect to continue refining the budget in the next two months as updated budget figures are received regarding health insurance, property casualty insurance, and the Worcester retirement assessment. We will also continue to refine budgets with the department heads and the School

Department in attempts to identify additional potential savings, along with receiving comments at the FinComm public hearings.

The Town is facing significant potential fiscal challenges in the future, including:

- Consistent increases in non-discretionary costs, with level increases in new revenue beyond one time receipts.
- The anticipated Debt Exclusion vote to fund a new high school, potentially as early as FY2010.
- The implementation of a capital improvement plan, currently in excess of \$24 million through FY2012.

The decisions made regarding the FY2009 budget will have a significant impact on budgets for FY2010 and FY2011. It appears that we may be poised to see significant economic growth in FY 2011 and FY 2012, but have two lean budget years in advance of that possibility. This is important to acknowledge and a long term strategy must be approved or we will follow the heels of other communities who perpetuate structural deficits, or have forecasted too aggressively for revenues that did not come in.

The final version of the FY2009 operating budget, starting with the base budget raised at the Spring Annual Town Meeting, and updated with all financial activity from the June 13th, November 20th, and current reserve fund transfers, stands at \$34,719,508. FY2009 budget discussions began in July, 2007. General government departments were issued FY2009 budget planning sheets in November, 2007, with assigned budget figures for level or reduced funding and any deviation notations were provided to note needs to maintain level services or mandates. The initial budget requests, submitted by all departments (municipal and school), amounted to \$35,923,053, a 3.46% increase over FY2008 (current year). The municipal departments also submitted supplemental requests in excess of their assigned budgets of \$694,931. If all requests were funded, the budget would stand at \$36,617,984.00 and be out of balance by \$1,716,529.00.

The Town Manager recommended budget has increased the omnibus budget by \$181,947.00, a 0.52% increase over FY 2008. Please note that this increase is for the general fund budget, including schools, but excluding enterprise and revolving funds. There are non-budget warrant articles (some as placeholders with the warrant closing on 3/13/08) requiring an additional appropriation of \$621,715 as of this writing. What has continued from FY 2008 that has made planning so challenging is the fact that certain non-discretionary cost line items are increasing at a far greater rate than our revenue streams. Non-discretionary costs include utilities, certain educational assessments, health and property insurances, and retirement funding. These increases, coupled with our desire to maintain funds in our Stabilization account, have put the Town in a precarious financial position.

The current recommendation does not reflect a level service budget. For general government, pavement management programs have been eliminated, staffing levels have seen decreases, and vacant positions have not been funded. There are no small capital expenditures left within the budget.

Please be advised that the FY2009 Town Manager requested budget does not fund three out of the four municipal government union contracts still pending (Police, Fire, SEIU (Admin. Assts/Dispatchers/Custodians)). They will be presented in a separate warrant article as in the past with funding proposed from Stabilization if agreement is reached by Town Meeting. General salary

increases at 2% for most non-union Department Heads were not included in the Department budget request: they were added in the Town Manager requested budget line.

Listed below are the expenditure activities of note:

General Government:

- The FY2009 General Government Budget (which represents all operating departments with exception of the School Department, School Transportation, the Regional School, and Unclassified accounts) has been reduced by \$189,835.00 to \$5,292,458 or -3.46% compared to last year. These budgets are being reduced due to funding constraints despite projected utility and labor cost increases.
- In FY2007, most Town Department Heads and non-contractual employees received salary increases, based on the compensation study (Classification and Compensation of Management Employees by Stone Consulting) funding approved at Town Meeting, with the report finalized in October 2005, relating to baseline salary adjustments to a determined market value. For FY2009, salary cost of living increases of 2% are allocated, with the exception of two positions; one that was not fully implemented (funded) in FY2008 per the guidelines of the compensation plan as it was a new hire, and another because the duties of the position are anticipated to expand greatly FY 2009.
- Municipal salaries show an overall decrease of \$124,705 from FY 2008, a percentage decrease of 3.25%. 3 full time municipal positions are eliminated in the FY 2009 Budget. 4 part time positions are eliminated.
- The following municipal positions are affected by the current FY 2009 Town Manager budget recommendation³:
 - One DPW Management position is eliminated - The impending retirement of DPW Superintendent Bombara will provide a promotional opportunity for the Assistant Superintendent.
 - One full time Parks/DPW position will be eliminated - Although those budgets appear to be level funded, there is a position being lost. The Taft Trust fund offsets parks duties of a DPW position. Such funds are noted as local receipt revenue per the suggestion of our Auditors. This change in bookkeeping gave the DPW budget what appears to be an increase in earlier versions of the FY 2009 budget. This now leaves two ¾ time personnel to maintain an estimated 22 acres of parks and ball fields.
 - One vacant full time Library position will not be filled - The Library is currently still operating without a Director, but recruitment efforts have begun by the Trustees and Acting Director is serving from current staff. There is currently a vacancy in another full-time position that will not be filled. Leaving this position unfilled will increase the workload among existing staff.
 - The Building Inspector will be reduced to part time – This position was made full time in FY 2007. The economic slowdown has somewhat modified that need, but the

³ The budget narratives that are reproduced in the Budget Book were originally submitted with Department Head budget requests, and include historical staffing levels with their FY09 *Department Head* staffing requests. These requests have been refined in the Town Manager budget recommendations in some cases.

reduction of hours will have a negative effect on customer service and preventative inspections.

- The part time Conservation Administrator position will be further reduced – This position, currently budgeted for 30 hours per week will be reduce to 19 hours per week, impacting customer service and administrative support for/to the Conservation Commission.
 - Four (4) part time positions will be eliminated – Two positions in the Town Manager’s Office, one position in the Assessors Office and one seasonal part time in the Town Clerk’s Office are eliminated in the budget, further affecting office coverage and staff support for various Town Hall administrative functions.
 - Police Overtime and vacation fill in is significantly reduced – Public safety was considered priority in crafting the FY 2009 municipal budget, with priority in FY2009 on maintaining dispatchers. No positions have been eliminated, but refinements will occur possibly with scheduling and enterprise fund offsets. However, overtime and vacation fill in has been reduced which may become problematic in the case of emergencies/disasters.
 - Part time hours at the Senior Center are reduced – The van will no longer be operating on Fridays, and the part time hours for the Administrative Assistant have also been reduced to pre-FY07 levels.
 - One full time position is added in Accounting – This position, subject to the Public Hearing reorganization process will create a professional purchasing agent/auditor in the Town Accountant’s Office. It will also centralize the accountant payable process within Accounting – reducing staff time in each department. All departments, including the School Department will process approved electronic purchase orders to Accounting. The Accounting Office will approve the P.O. and pay the bill from the department’s appropriation when it comes in, which will allow for greater internal controls and improving the auditing functions. It is expected that this position will be funded by existing funds in cooperation with the School Department.
- **If the budget is enacted in its current format, the municipal budget will see a decrease of \$379,048.59 over the past two fiscal years, a decrease of 6.69% from FY 2007.**

Uxbridge Public Schools:

- The School Department Budget (excluding the lease for Good Shepherd, School Transportation, and the Blackstone Valley Vocational Technical School assessment) is recommended to decrease by \$247,864.00 to \$17,787,105.00 or -1.37% compared to last year. The FY2009 budget put forth by the School Committee was for \$18,544,516, an increase of \$509,547 or 2.82% over FY 2008. The Town Manager’s recommended budget of \$17,787,105.00 is calculated by adding the increase of Chapter 70 moneys (Governor’s budget vs. Projected), totaling \$161,601.00 to the original budget figure assigned in the projection of \$17,625,604.
- **Passage of the budget is in its current form will give the school a net increase of \$668,768.00 over the past two fiscal years or 3.90% from FY 2007**

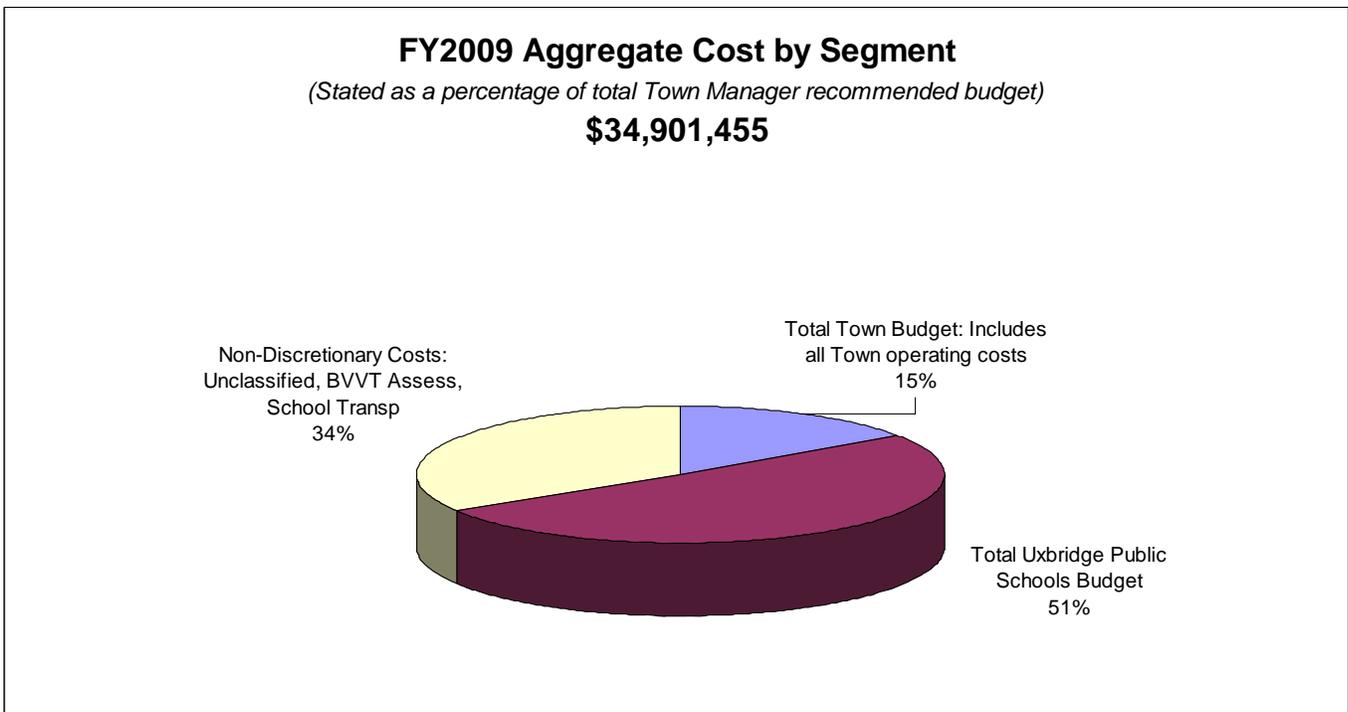
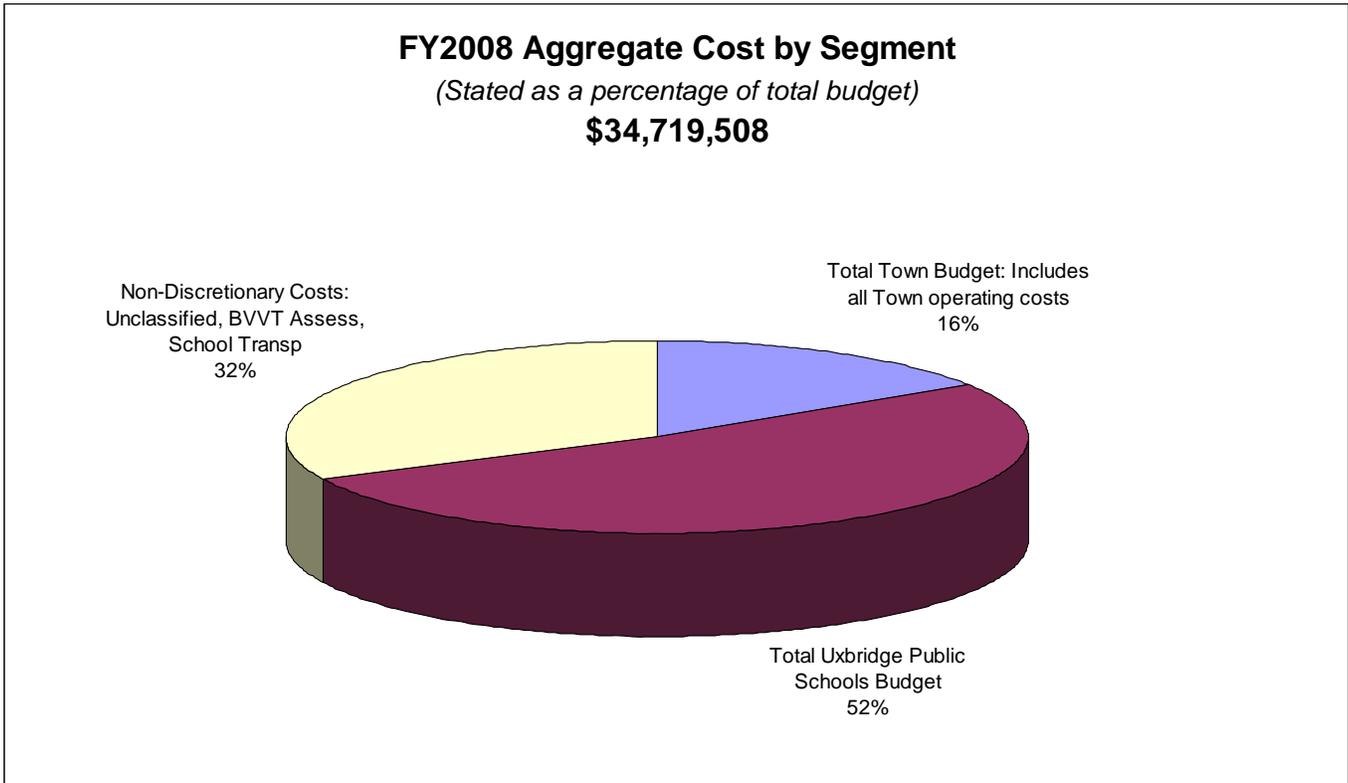
Unclassified and Non-Discretionary Costs:

- The total non-discretionary budgets, which include the full unclassified category on the budget sheets, plus School Transportation and the BVT Assessment, are projected to increase by \$619,646.00 or 5.53%. They are comprised of the unclassified, regional school assessment, and school transportation budgets. They are grouped together in this presentation because they do not, on the whole, represent budget lines that are subject to budget reductions, or are amounts

determined by third parties. The unclassified lines fund debt, town and school health and property insurance, and workers compensation. The regional school assessment is based on an affirmative vote of seven of thirteen participating communities. While the Town should give careful review of the assessment, the vote of the majority of towns will prevail. The school bus transportation line item is strictly contractual. The regional school assessment and school bus transportation line items remain in the educational portion of the budget so that the true cost of education can be displayed (less some of the benefit costs), but they belong within fixed costs for the purpose of this budget message.

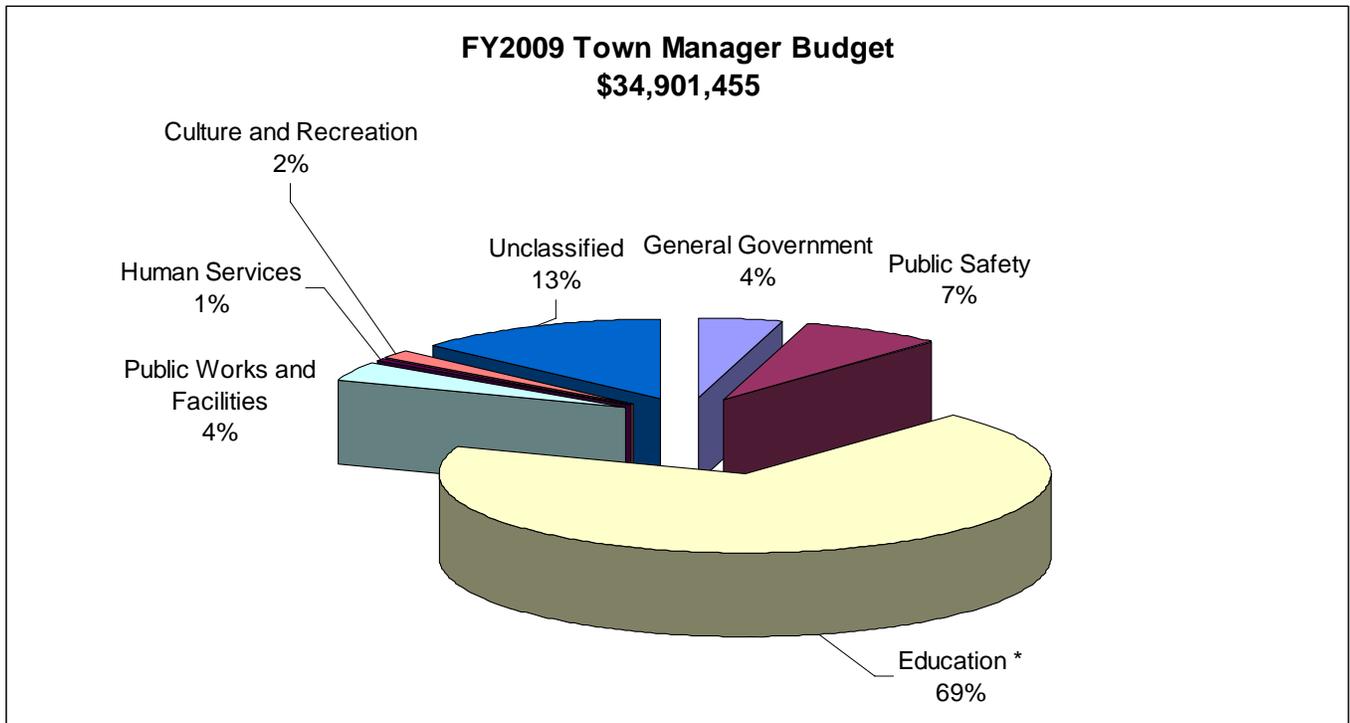
- Debt service is projected to drop by \$228,833.00 or 8.19%. The borrowing for the new water tank, the lime silo, Taft School roof, the DPW sidewalk tractor and the school land, are slated to be completed by April 15th. The FY 2009 enterprise funds pay \$587,898.00 of the general fund debt; debt exclusions offset an additional \$874,452.00, leaving \$1,102,266.00 in general fund debt service. Exhibit 5 lists all current Town Debt, and is required by bylaw to be part of the Town Manager's budget message. Please be advised that it does not include anticipated debt costs, which are funded within the Town Manager's budget.
- The Worcester Retirement assessment will increase from \$905,848.88 to \$971,290.00, an increase of \$65,441.12 or 7.22% as required by PERAC, the State agency that regulates the municipal employee retirement funding schedule. This figure is not final, as we are expecting an additional assessment for an employee who was on military leave in during the last two fiscal years. We had to use the reserve fund to pay for a similar leave this fiscal year.
- The health insurance budget, which serves both town and school employees, is currently projected to rise from \$3,745,834.00 to \$4,449,714.00, an increase of \$703,880.00 or 18.79% over current budget. Our actual rates are slated to increase by 14.50% but we have found the current year's insurance budget to be under funded due to increased enrollments. We are currently soliciting quotations and negotiating with all providers, and examining self-funding (versus premium based). On going discussions are occurring with the Insurance Advisory Committee (IAC) - looking at a plan offerings, comprehensive cost savings plan, including review of co-pays, which are currently at \$5 for regular office visits. Any changes will have to be implemented through the collective bargaining process, so the final result is not depicted at this time. The Town contribution is 80% for active employees and retirees, with employees/retirees paying 20% of the annual premium.
- The retiree sick leave buy back line is being decreased by \$30,000.00.
- The worker's compensation and property and casualty lines are currently at the FY 2008 budgeted rates but may be increased when the insurance quotes for next year are issued by the carrier in April. Unfortunately, the loss of school equipment in the Bernat Mill Fire may result in significantly higher premiums for FY 2009.
- The School/Town Building Maintenance account, which was funded by a \$200,000.00 override in FY2005, is fully funded as a separate line item. I am pleased to report that staff is meeting monthly and has approved, implemented, and paid for a number of worthy building projects, including Town Hall boilers, the floor replacement the Town Hall/Fire Department and Children's library area and director's Office renovations. There is currently under \$100,000.00 pending earmarking for appropriation. Documentation is available.
- The operational assessment for the Blackstone Valley Vocational Regional School District has been proposed to increase from \$1,696,696.00 to \$1,775,855.00, an increase of \$79,159, or 4.66% over FY 2008. Budget hearings will begin the week of March 3, 2008.
- **Non-discretionary costs are projected to increase to \$11,821,892 for FY 2009, an increase of \$1,540,045.00 or 14.97% between FY 2007 and FY 2009.**

The two pie charts below show the change of the three segments-- General Government, Uxbridge Schools and non-discretionary costs-- from Actual FY 2008 to proposed FY 2009.



The actual costs of *each department*, including health insurance and retirement costs are listed in Exhibit 1. The actual cost of government *by function* (general government, public safety,

education public works, human services, & unclassified) are shown below. A spreadsheet showing the details of this chart is also attached (See Exhibit 6). Currently it is a preliminary representation of the costs of services and should be used for illustration purposes only. We intend to use the “Cost Center” budget method more expansively in FY 2010.



CAPITAL IMPROVEMENT (Exhibit 7)

The FY2009 General Fund budget has a no funds allocated for capital spending. It is important to note that the Capital Committee has received requests from departments totaling \$24,164,035.00. There are also small capital requests (items under \$50,000.00) and Enterprise Fund requests totaling \$1,231,000.00 through FY2014. Sum total of all current requests through FY 2014 is \$25,395,035. The committee voted, in a separate report filed on January 30, 2008, (please visit the Town’s website – www.uxbridge-ma.gov) to recommend \$1,475,000.00 in capital spending for FY2009.

Included in their recommendation:

- \$105,000.00 for bridge & culvert analysis
- \$1,000,000.00 for a replacement of Fire Station #2
- \$310,000.00 for a new salt shed
- \$60,000.00 for a new van for the Council on Aging

The Capital Committee recommends that these projects be funded via capital exclusion, which upon approval at a special or annual election, allows the funds be raised upon the tax levy for a single year. The Committee estimates that this funding mechanism will cost \$294.00 in FY 2009 on the average home.

I am not prepared to give a recommendation at this time, but not because the projects selected by the Capital Committee are unworthy. Roads and bridges were an extensive topic of conversation during the budget summits, and I am especially interested in funding the bridge and culvert analysis to see if

we can obtain grant funding for bridge restoration projects in the future. I believe that we have to work through the FY 2009 operating budget process before we act on the Capital Committee's request.

COST CONTAINMENT: FY2009 BUDGET

For review, the initial FY2009 Department budget requests, submitted by all departments (municipal and school), amounted to \$35,923,053.00, a 3.46% increase over FY2008. The Town Manager recommended budget has trimmed the omnibus budget increase to \$178,447.00, a .51% increase over FY 2008 for essentially a declining service or "cost containment" budget. Examples of cost containment areas are listed below. Many departments will present details at the Finance Committee budget hearings:

DEPARTMENT	PROPOSED BUDGET	IMPACT
Selectmen/Manager	Current - \$226,622.00 Recommended - \$199,271.00 Change: (\$27,351.00)	Loss of 2 part time staff; reduced office coverage, potential recording clerk problems
Town Accountant	Current - \$134,074.00 Recommended - \$144,616.00 Change: \$10,542.00	Allows for savings through procurement and centralized bill payment
Town Audit	Current: \$34,600.00 Recommended: \$39,100.00 Change: \$4,500.00	New GASB 45 audit required in FY 2009
Assessors	Current: \$145,845.00 Recommended: \$123,862.00 Change: -\$21,983.00	Loss of 1 part time staff, expenses reduced; decreased office efficiency; potential issues with reval/tax rate setting
Treasurer/Collector	Current: \$253,581.00 Recommended: \$253,034.00 Change: \$547.00	Budget reduced despite postal increases
Town Counsel	Current: \$100,00.00 Recommended: \$90,000.00 Change: -\$10,000.00	Decrease in retainer
Computer	Current: \$48,500.00 Recommended: \$40,000.00 Change: -8,500.00	Reduced Expenses; equipment replacement program stalled
Town Clerk/Elections	Current: \$127,047.00 Recommended: \$121,726.00 Decrease: \$5,321.00	Loss of 1 part time staff, expenses reduced; potential customer service issues
Conservation	Current: \$43,758.00 Recommended: \$28,636.00 Change -15,122.00	Conservation Administrator hours reduced from 30 to 19
Planning & Economic Development	Current: \$95,985.00 Recommended: \$98,752.00 Change: \$2,767.00	Salary adjustment due to managerial oversight of health/inspection/conservation departments
Police	Current: \$1,551,844.00 Recommended: \$1,507,664.00 Change: -\$44,180.00	Loss of overtime/fill in hours, potential coverage issues expenses reduced. Cruiser replacement not funded

Fire	Current: \$524,087.00 Recommended: \$514,357.00 Change: -\$9,730.00	Expenses reduced for repairs on aging equipment
Building Department	Current: \$82,661.00 Recommended: \$59,351.00 Change: -\$23,310.00	Building Inspector reduced to part time; affecting timely inspections; customer service
Tree Warden	Current: \$2,350.00 Recommended: \$500.00 Change: -\$1,850.00	Expenses virtually eliminated; no budget for tree removal
School Department	Current: \$18,034,969.00 Recommended: \$17,787,105.00 Change: -\$247,864.00	To Be Determined
Bus Transportation	Current: \$1,282,418.00 Recommended: \$1,307,417.00 Change: \$24,999.00	Contractual increase: Contract up for renewal in FY 2010
Regional School	Current: \$1,696,696.00 Recommended: \$1,775,855.00 Change: \$79,159.00	Change in assessment
DPW Engineering	Current: \$31,433.00 Recommended: \$0.00 Change: -\$31,433.00	Elimination of department due to retirement; Asst Superintendent position eliminated
DPW Administration	Current: \$184,310.00 Recommended: \$172,490.00 Change: -\$11,820.00	Loss of managerial staff position: see above
Highway Department	Current - \$598,010.00 Recommended- \$598,010.00	Loss of ¼ position affecting wintertime operations. Only appears to be no change because of changes on revenue sheet
Highway – Road Maintenance	Unfunded Note: The Road Maintenance program was eliminated due to funding issues two years ago	Approximately \$600,000.00 to \$700,000.00 per year is needed each year to maintain our highway infrastructure. Chapter 90 funds represent 46% of the need. The Town's share is 54% or \$350,000.00. In past years, the account funded preventative maintenance projects not covered under Chapter 90. The elimination or lack of funding to this account will be detrimental to the condition of our infrastructure over both the short and long-term.
Highway Equipment Replacement	Unfunded	With the equipment replacement program not being funded, the Town faces greater expense in the long-term, repairing obsolete equipment that should be replaced.
Street Lighting	Current: \$46,800.00 Recommended: \$53,00.00 Change: \$6,200.00	Increased utility costs

Landfill	Current: \$15,200.00 Recommended: \$16,900.00 Change: \$1,700.00	Increased mandated testing costs.
Board of Health	Current: \$79,291.00 Recommended: \$74,986.00 Change: \$-4,305.00	Expenses under funded
Council on Aging	Current: \$105,431.00 Recommended: \$100,860.00 Change: \$4,571.00	Reduction in janitorial and part time hours; Friday bus service
Veteran's	Current: \$68,700.00 Recommended: \$75,700.00 Change: \$7,000.00	Increased veteran needs; budget perennially under funded
Library	Current: \$317,936.00 Recommended: \$300,594.00 Change: \$-17,342.00	Loss of one full time library technician position. Remaining dept level-funded from FY 2008
Parks	Current: \$136,798.00 Recommended: \$136,798.00	Loss of one $\frac{3}{4}$ time position, affecting Spring through Fall operations; showing as revenue neutral due to bookkeeping change. Department had 4 staff two years ago, now at 2.
Unclassified	Current: \$8,223,131.88 Recommended - \$8,738,620.00 Change: \$515,488.12	Increases to health insurance/retirement explained previously

FY 2009 BUDGET STRATEGY

Upon careful and deliberate consideration of all options, and as of the date of this writing (2/29/08), I offer the following budget recommendations:

1. **THAT A BALANCED FY2009 BUDGET BE PRESENTED AT THE SPRING ANNUAL TOWN MEETING:** I therefore request that the Finance Committee recommend a favorable vote to support a FY2009 operating budget of \$34,901,455.00 (Subject to adjustment) as summed on the revenue sheet and the budget worksheet. Included in this request is a recommendation of \$17,787,105.00 as a budget for the Uxbridge Public Schools.
2. **THAT NO EXTRAORDINARY TRANSFERS OF STABILIZATION BE RECOMMENDED AT THE SPRING ANNUAL TOWN MEETING:** The difference between the School Committee's budget recommendation of \$18,544,516, and my recommendation of \$17,787,105.00 is of great concern to me. My budget recommendation should not be viewed as judgment of the needs of the School Department. The budget request by the School Committee shows an overall increase of \$509,547.00, or 2.8%. This request would be considered quite reasonable in ordinary time. Unfortunately, this is not that time. Economic conditions are difficult both locally and nationally. We were unsuccessful in securing a much-needed operational override last year. The need has not changed; the structural deficit still exists. But the message that we have been receiving throughout the process thus far is that we should stay the course and present a balanced budget.

I am concerned that we will need some amount of Stabilization to fund the potential deficit in the FY 2008 insurance appropriation, and that we will need to transfer a sum of money to fund the special revenue funds that are currently in deficit. There are currently not enough funds in Stabilization to fund the budget and to the School Committee's request, let alone these current year issues.

The difference between the School Committee's request and my recommendation is \$757,411.00. The transfer from Stabilization to balance the FY 2009 budget is currently \$515,488, an increase of \$95,581.00 over forecast (due to our health insurance increase). Good Shepherd (Article 11), funds an additional \$120,000 from Stabilization.

The table below offers a snapshot of potential Stabilization fund transfers, with the resulting affect on the funds balance:

Potential Effect of Transfers from Stabilization - For Illustrative Purposes Only

Stabilization Fund Balance as of 01/31/2008*				\$ 1,397,850.00
ART.	TITLE	AMOUNT	OTHER SOURCES	BALANCE
	Spring Town Meeting 05/2008			
3	Transfers	\$ 120,000.00		\$ 1,277,850.00
4	Collective Barginning Agreements**	\$ 90,647.00	\$ 7,209.00	\$ 1,187,203.00
5	Main Article	\$ 419,867.00		\$ 767,336.00
	Additional Transfer (Increase from Projection)	\$ 95,581.00		\$ 671,755.00
	School Department (SC Budget request)	\$ 757,411.00		\$ (85,656.00)
11	Good Shepherd Rent	\$ 120,000.00		\$ (205,656.00)
12	Taft Playground Resurfacing (S/T Bldg Mt)	\$ -	\$ 50,000.00	\$ (205,656.00)
13	COA Van	\$ 50,000.00		\$ (255,656.00)
A	Joint Recycling	\$ 3,500.00		\$ (259,156.00)
	School Study	\$ 40,000.00		\$ (299,156.00)
	Special Revenue Fund Deficits	\$ 200,000.00		\$ (499,156.00)
	TOTALS	\$ 1,897,006.00	\$ 57,209.00	

*Balance fluctuates with valuation of portfolio and is updated monthly

**Potential only; negotiations still ongoing

The depletion of Stabilization would also negatively affect the Town's bond rating, which would drive up the cost of future borrowings.

The complete depletion of the Stabilization Fund would also violate the Finance Committee's Stabilization Policy, which recommends keeping a minimum of 1 million dollars annually in Stabilization.

- 3. CONSIDER SEEKING A PROPOSITION 2 ½ OPERATIONAL OVERRIDE FOR SCHOOL EXPENSES:** If the School Committee is unable to operate within the Town Manger's budget recommendation, I respectfully suggest that the Committee consider further reducing the budget, or request a Proposition 2 ½ override ballot for whatever sums the Committee deems necessary to fund the FY 2009 School Budget, and not present a transfer from Stabilization.

CONCLUSION

As we move forward with FY2009 budget deliberations, it will become quite clear that we have constructed a budget which offers reduced services.

There will be many options to discuss in coming months. Further cuts will erode services to the points that several municipal departments will face closure. The Town does have limited funding in Stabilization, but we use it at our own peril. Supporting a budget (or future budget) with one-time revenues such as the Route 16/146 property, or moving funds from Stabilization is a very risky approach. Stabilization and one-time receipts are better used to support capital purchases or one-time purchases.

We received extraordinary support from our state delegation and the Governor's office in the wake of the Bernat Mill Fire, but we have been told in no uncertain terms that we cannot expect to receive further assistance on the state level.

The FY2009 budget makes clear the Town's need to develop a sound strategy to encourage further economic development and retain existing businesses. If local government costs continue to outpace revenue at the rate that we are seeing in the FY2009 budget, we will face the prospect of operational overrides or the destruction of Town and Educational services as experienced by many communities. The Commonwealth does not seem to have the resources to adequately support Town services in future years. It will apparently be up to us to chart our own destiny.

It will not be easy to fund the balanced budget for FY2009, as the recommended reductions put both the municipal and educational functions in peril. Many will not find these reductions to be realistic or acceptable. Unfortunately, fiscal reality requires us to acknowledge that we have little choice at this point. Will we more properly fund education by closing down one or more departments? Will there be an affect on School Choice Out? Will we lose efficiencies by so short staffing departments that they are unable to provide the timely services demanded by their constituents or required by Sate or Federal law? Will we continue to neglect our infrastructure or close down our parks and fields? Unfortunately, at present, we have exhausted virtually significant revenue sources while operating within the existing revenue and expense framework. There are but two options: either must pass an override, or reduce the operating budget. Currently, I am recommending the latter.

Last, but not least, I want to acknowledge and express sincere appreciation to Town and School staff and the various Boards and Committees for their time and cooperation during this difficult budget process. We continue to provide dedicated and exceptional service in a climate where much growth has occurred, in concert with increased citizenry expectations, and challenged by State and Federal mandates. With only a few more weeks before Town Meeting, I believe that productive conversations may continue and a strategy is not out of reach.

Thank you in advance for your thoughtful consideration.

cc: Town Departments

Attachments