



TOWN OF SUDBURY
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Article 4 - FY11 Budget (Finance Committee Chairman, Chuck Woodard)

Good evening. My name is Chuck Woodard and I am the Chairman of the Sudbury Finance Committee.

First of all, I would like to announce that based upon recent positive information regarding the likely level of state aid we are: Reducing the assumed amount of state aid reductions expected for next year by \$511,000, and Reducing the proposed override by the same amount as well as the \$42,000 surplus shown in the warrant, to a new override request of \$1,199,725. Revised budget proposals reflecting this change are included in the handout you received this evening.

In order to publish the Warrant on time for issuance to the taxpayers the budget has to be finalized by the second week in February. At that time our assumption of a 7.5% reduction in State aid was considered reasonable but optimistic. Based upon a recently released, detailed budget proposal from the Senate Ways and Means Committee for next year, together with advice from our Representative Tom Conroy who sits on the House Ways and Means Committee, we have concluded that a 5% projected reduction that takes into account the one time nature of the Federal stimulus dollars last year can now be reasonably expected.

We waited until the proverbial last minute to make revisions to ensure that we had the most up to date information. The new figures were developed last Thursday evening and voted on by the Selectmen and the Finance Committee tonight prior to the start of Town Meeting.

Since the FinCom's paradigm for this year's override budget request was previously communicated to be the sum of the amount necessary to make up for lost revenue from FY10, including reduced state aid, a stabilization fund contribution, and the amount needed to fund a 2.75% increase in the appropriated operating budget, a projected improvement in state aid would necessarily mean a lower override. Bottom line: the lesser reduction in expected state aid results in a lower proposed tax increase dollar for dollar.

And now I would like to proceed with my main remarks. The budget decision is critically important to the quality of our schools and town services so it is equally important that your decision be made with the full facts available.

The Finance Committee is responsible for reviewing the town and school budgets and making recommendations on spending requests to Town Meeting. While we do not have the authority to dictate to any of the cost centers how they spend their money, the act of recommending or not gives us some influence on your behalf over the direction and amount of town spending. Who are we? We are residents, we are taxpayers, and we are volunteers. We are comprised of five seniors over the age of 60 and four members with children in the Sudbury schools. We have a blend of the experienced as well as the "fresh look at things" as three members have only been on the committee for two years or less.

Revenue Losses

- Reduction in Town and SPS State aid: \$ 128,692
- Reduction in local receipts and abatement surplus: \$ 717,146
- Reduction in State aid and free cash at LSRHS: \$ 551,952
- Total revenue loss: \$1,397,790

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The budget is particularly tight this year because our non property tax sources of revenue have declined in this weak but slowly recovering economy.

State aid to the Town and Sudbury Public Schools is now projected to be 5% below FY10 levels, down \$129 thousand.

Local receipts including excise taxes together with the abatement surplus are expected to be down \$717 thousand.

And, Lincoln-Sudbury is likewise projected to see a 5% reduction in State aid and a reduction in free cash available to offset Sudbury's contribution to the school, both totaling \$552 thousand.

The resulting total revenue loss to Sudbury is projected to be \$1.4 million.

Non-Override Tax Impact

- Increase on average existing home assessment :
\$235
- Increase on average existing home assessment :
2.24%
- Total tax increase: \$1,919,607
- Total tax increase: 2.93%
(includes taxes on new growth and commercial)

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The Finance Committee is required by law to recommend a non-override budget. For FY11, we are recommending a Non-override Budget of \$77.5 million, which will mean a tax increase of 2.24% or \$235 for the average existing home assessment (\$242 including the incremental CPA surcharge) and a total increase in taxes of \$1.9 million including new growth and commercial property taxes, which is 2.93% over FY10.

Non-Override Tax Increase Uses

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Because of the loss of non-property tax revenues, three quarters of the taxes collected under a non-override budget will be used to replace the loss of those revenues with the balance available to cover a 1.12% increase in town and school operating costs. 1.12% is not enough to cover increases in the cost of employee health insurance, agreed upon pay raises in collective bargaining agreements, increases in transportation costs, etc. So a non-override budget will require layoffs of school and town personnel.

Override Tax Impact

- Increase on average existing home assessment :
\$426
- Increase on average existing home assessment :
4.06%
- Total tax increase: \$ 3,119,332
- Total tax increase: 4.76%
(includes taxes on new growth and commercial)

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Our labor unions agreed to meaningful concessions in pay and benefits in the 2009 contracts, but those are not enough to live within a 1.12% budget. After two years of very tight budgets and a headcount (FTE) reduction of 46 we are also recommending an override budget that will provide the additional money to fund a 2.75% increase in the operating budgets net of direct offsets so that layoffs can be minimized.

The Override Budget amounts to \$78.8 million, which will mean a tax increase of 4.06% or \$426 for the average existing home assessment (\$439 including the incremental CPA surcharge) and a total increase in taxes of \$3.1 million including new growth and commercial property taxes, which is 4.76% over FY10.

Override Tax Increase Uses

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\$1.4 million of the override tax increase will be used to replace the loss of revenues as with the Non-override Budget.

\$58,500 will be used to fund a contribution to the Town and Lincoln-Sudbury stabilization funds.

Sudbury operates with one of the lowest levels of cash reserves of AAA rated communities in Massachusetts, generally 2-3% of the operating budget as compared to the Board of Selectman's target of 5% and the 5-10% recommended by our auditors.

And \$1.7 million will be used to fund a 2.75% increase in the operating budgets net of direct offsets. This compares to increases in the appropriated budgets of less than 2% in each of the last two years, and would result in a three year compounded annual growth rate in budgeted appropriations of 1.83%.

Why are real estate taxes so high? Sudbury has one of the highest levels of households with school age children in the State, so we have a much higher demand for education services relative to other communities. We have more kids to educate for a community our size so the amount that each household must pay for the cost of schools is higher.

That said, if you measure our spending on the schools on a per student basis, and if you measure our spending on Town services on a per household basis, you find that our costs are in line with, and often lower than, similar MetroWest communities.

K-8 System Expenditures per Student

LINCOLN	\$20,195
CONCORD	\$16,342
CARLISLE	\$14,619
BOXBOROUGH (K-6)	\$12,927
SOUTHBOROUGH	\$12,639
NORTHBOROUGH	\$11,567
SUDBURY	\$11,248
ACTON (K-6)	\$11,011

Source: Mass DOE FY 09 data

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This slide shows K through 8 system costs per student compared to other K-8 and K-6 school systems. We are one of the lowest cost schools.

High School Expenditures per Student

CONCORD CARLISLE	\$18,328
DOVER SHERBORN	\$15,787
LINCOLN SUDBURY	\$15,775
NORTHBOROUGH SOUTHBOROUGH	\$13,396
ACTON BOXBOROUGH	\$12,733

Source: Mass DOE FY 09 data

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Here are high school costs per student compared to other metrowest regional high schools. We are at the median.

General Fund Expenditures Per Household (excl Debt & Schools)

Source: Mass DOR FY 09 data

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Here are town operating costs, excluding the schools, per household. We are again one of the lowest cost towns.

Override Considerations

- Costs are in line with or lower than similar MetroWest communities.
- Three year rate of growth in appropriated budget including the override: 1.83% per annum.
- Without an override there will be additional layoffs which will mean cuts in service.
- Employees delivered meaningful concessions in the 2009 contract settlements, which will average \$1.9 million per year through FY12.

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So let me summarize why we are recommending an override budget.

First- Our costs are in line with or lower than similar MetroWest communities.

Second- The increase in the appropriated budget in each of the last two years has been under 2%. With a 2.75% increase in FY11 the three year compounded annual growth rate in the appropriated budget will still only be 1.83%.

Third- Labor is over 77% of the budget so reducing headcount is the primary means to balance a tight budget because most of our employees are covered by collective bargaining agreements. Since these collective bargaining agreements require layoffs be done based on seniority, the most junior and lesser paid employees would have to be let go first thereby requiring even greater headcount reductions to meet a specified budget reduction dollar amount.

Of the other 23% of costs at the schools, only 5-7% is really discretionary because the remaining costs include such items as special education, transportation, and utilities.

The result: a headcount (FTE) reduction of 46 over the last two years across both school systems and the town. We are recommending against balancing next year's budget with more layoffs.

Lastly- and very importantly- our employees have made significant concessions and have stepped forward to share

the burden of these tight budgets. Total projected cost reductions from the new labor contracts over the three fiscal years ending in 2012 amount to \$5.7 million, or an average of \$1.9 million per year, when compared to the budgets that would have resulted from the spending growth limit set by the FinCom before the recession began.

Controlling Budget Growth

- Publicize key budget data and cost drivers
- Implement spending growth limit
- Insist on the same growth limit for each cost center

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As you consider the override recommendation I think it is reasonable to ask what we are doing to push back on the growth in the budget.

First: We are publicizing key budget information, particularly the employee compensation component which is 70-80% of the total, so that there is more public awareness of these costs and hopefully more public pressure to slow down its growth. Some of the detailed operating information that the Finance Committee reviews has been included in this year's warrant so that taxpayers may see some of what we see.

Second: We initiated a maximum spending growth limit as a guideline for budget growth. The Finance Committee has publicly stated that we would vote against any budget that exceeded that limit. The objective was to move the onus for determining the rate of growth in spending from the taxpayer in an up or down Town Meeting vote to cost center management and the labor unions. At a minimum, any new labor contracts would have to fit within the announced spending growth limit, and hopefully come in below that threshold.

Consequently, some of the burden of determining the level of layoffs would be shifted from the taxpayer to management and the labor unions.

As it has turned out, the economy has had a greater impact on the budget than any spending growth limit of our making. Nevertheless, this concept is important and needs to remain if we are to avoid the possibility of a return to the higher percentage growth budgets of 3-4 years ago.

Third: We have insisted that each cost center get the same percentage budget increase. Absent major changes in circumstances, such as a significant change in student population, all cost center budgets should be growing at roughly the same rate. This is logical given that all three are labor intensive services with 70-80% of their costs in salaries and benefits.

Limiting each cost center to the same percentage increase: Discourages overly generous labor contracts because any cost center with a larger contract settlement will have less money to spend on new hires (or a reduction in layoffs), technology, classroom materials, etc. Encourages each cost center to find ways to operate more efficiently by moving the budget away from a "cost plus" approach.

Avoids the otherwise unfortunate result that one cost center might receive a bigger piece of the pie, over time, without any change in their relative contribution to town services.



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To conclude, the key override question for Sudbury taxpayers is whether you are willing to make up for the loss of non property tax revenues and provide the additional money needed to maintain services at roughly their current level.

The Finance Committee is recommending a Non-override Budget of \$77,537,218, and an Override Budget of \$78,782,086.

Thank you.