

**Fiscal Year 2010
Preliminary Budget Memorandum
Town of Easton
David A Colton
Town Administrator**

February 9, 2009

There is little to be gained by recounting all of the various economic pressures being faced in these times. Suffice to say that the current recession has created economic conditions the likes of which have not been experienced since the Great Depression of the 1930's. These pressures are being felt by all sectors of the economy from banking, to manufacturing, construction and government. The Town of Easton is not immune and this budget must reflect this sobering reality.

Fortunately, leaders in the Town of Easton advocated and successfully passed a proposition 2 ½ override in 2006. They promised that the override would allow the Town to balance its budget without reducing services for the next three fiscal years. Even with the just announced \$265,587 mid-year cut to state aid in fiscal year 2009; that promise has been kept with room to spare. Had the recession not interceded, reserves that have accumulated since the override would have carried us through fiscal 2011 or two years beyond expectations. The current reserve of approximately \$4M should help us to avoid catastrophic budget cuts in fiscal year 2010 if used judiciously.

The first building block of any budget is revenue. The Town receives revenue from a variety of sources such as taxes, fees, and local aid. Property tax growth is limited to 2 ½ percent over the prior year, plus any new growth in taxable real estate. New real estate growth, as a result of the recession, has dwindled considerably. Many fees (such as building permits) and some taxes (such as excise tax) are influenced by economic activity and as such are expected to fall in the coming year. Local aid to the Town of Easton has been reduced in the Governor's budget proposal by \$518,357. It should be noted that the Governor's budget includes assumptions for new revenues from meals and room tax increases amounting to \$259,362 and \$50,311 respectively. Should these not materialize, the reduction would increase by \$309,673 to \$828,030. The preliminary budget figures contained herein reflect a local aid reduction of \$518,357. Therefore, total general fund revenue to the Town is projected to be \$59,820,972.

The expense side of the budget, if service levels are to be maintained, will continue to grow. Constraining that growth to match projected revenues is a challenge because certain expenses are not fully in the control of the Town. Health insurance, pensions, energy, and liability insurance, for example, are costs that continue to grow beyond our means each year. Wages are set through a process of collective bargaining that affords Town management little control over the outcome, particularly with public safety unions who are eligible for binding arbitration. The result is often that operational departments

must reduce services even when their budgets increase if that increase doesn't keep pace with the cost of labor, energy and insurance.

The challenges are real and the bar has been set very high. As you know, we have already taken many steps. First, the Superintendent and I imposed spending controls on all departments last fall. This effort has given us the ability to cover the mid-year local aid cut of \$265,587 without asking Town Meeting to dip into reserves. In addition, town employees were asked to conserve energy wherever possible. Their efforts reduced electricity usage by 10,000 kilo watt hours in 2008. Mike Deltano has been charged with eliminating duplicate printers, fax machines and other small office equipment throughout town offices. Soon, I will tighten controls on office supplies by authorizing a single department head to approve or deny requested purchases.

To meet the fiscal 2010 challenges, department heads were asked to submit budgets at no more than 3% over fiscal year 2009. They have met that challenge by submitting budget requests in the aggregate which are only 0.88% above 2009. To achieve this there have been cuts in all departments, most notably are the elimination of the position of deputy police chief, two crossing guards, an equipment operator in public works, and a half-time senior outreach coordinator. The department heads have also reduced expense accounts. To maintain operations at these reduced levels we will need the controls on expenditure listed above and the four day work week. Since the School Committee has not completed its budget process with the Superintendent, this preliminary budget carries a 3% increase in school spending. The result is a preliminary budget deficit of \$2,038,181. To reduce this gap I am proposing the following steps:

1. Town government reorganization

The proposed reorganization is contained in the budget proposal and reduces the expected deficit by \$182,939. Guiding the reorganization is the principle that the town must remain an intact organization that is capable of delivering an acceptable level of service. By focusing on upper and middle management consolidation, it maintains staff in place at the point of service delivery. In addition, we want to make cuts in areas of government where demand for service has fallen. In times as these it is not prudent to eliminate services to seniors and children, nor is it best to cut police and fire as public safety is often in greater demand in a recession.

However, applications for permits of any type related to building and real estate development have fallen off dramatically in recent months. For example, building permits are down 25% and single family housing starts are down 62% in the first quarter of fiscal 09 as compared with 08. Soil evaluations and percolation tests are down 51% and septic system installations are down 33% in the same period. Also the Town has recently purchased a new financial software package that promises greater efficiency. Therefore, it makes sense to focus the cuts in permitting, information technology and administrative agencies.

The key elements of the plan are as follows:

- ⇒ Eliminate the Director of Planning and Community Development and other changes in the planning office. Net savings \$55,127.
- ⇒ Eliminate the Systems Designer in the Data Processing Department as of September when new software package is fully operational. Annual savings \$52,032. Net savings in FY 10 \$28,371.
- ⇒ Merge the Health and Inspectional Services Departments thereby eliminating one department head and making other changes. Net savings \$88,487.
- ⇒ Eliminate the Assistant Town Clerk and Assistant Treasurer/Collector while making other changes in both departments. Net savings \$10,954.

More details are attached in a separate document. These changes will make the Town Government more lean and should have little impact on service delivery.

2. Six-Month Wage Freeze

- ⇒ By letter dated today, I have asked each Town union to accept a six month wage freeze. The freeze would delay the implementation of negotiated cost of living adjustments and step increases scheduled for July 1, 2009 until January 1, 2010. This freeze is NOT accounted for in the enclosed budget although it does contain an identical freeze for the Town Administrator and all non-union employees and would save *at least* \$160k. Minimum net deficit reduction \$160,167.

3. Health Insurance Plan Changes

- ⇒ The Southeastern Massachusetts Health Group is contemplating the adoption of the New England Value Plan from Blue Cross to replace our current Blue Cross product. This plan will enable us to freeze our HMO premiums at current levels and keep the PPO premium increase to 5%. Continuing with the current plan we face increases in the HMO and PPO of 9.5 and 12.5 percent respectively. Avoiding these increases will save the Town approximately \$357,000 and the employees \$144,000 or an average of \$300 per subscriber. This change must be negotiated with our labor unions and I have, also by letter dated today, notified the unions of our intent to change plans. Net deficit reduction approximately \$357,000.

4. Health Insurance Contribution Rate Adjustment

- ⇒ Without regard to the plan changes I have proposed to the labor unions that we revise the contribution rate for our health insurance plans. Currently the Town pays 75% of the HMO premiums and 70% of the PPO premium. My proposal is to pay 75% of the HMO premium without regard to the plan chosen. Net deficit reduction approximately \$195,000.

5. Increase use of stabilization funds

- ⇒ In fiscal year 2009 the Town used a total of \$863,590 from free cash and stabilization to balance the budget. In Fiscal year 2010 I am proposing that we use a total of \$1,500,000. Given the current reserve level and assuming a very small contribution to reserves in each of the next three fiscal years we

should last through FY 2012 before depleting our reserves. With a little luck the economy will improve enough by then to allow a rebuilding of reserves. Net deficit reduction \$636,410.

6. Adopt the 1% local option meals tax if enacted by the legislature

⇒ Governor Patrick has proposed a 1% local option meals tax which is expected to raise approximately \$320,000 in the Town of Easton.

These steps totaling \$1,851,516 will reduce, but not eliminate, the deficit. If efforts at the State and Federal level to increase revenues to cities and towns are not successful or concessions can not be made with the municipal unions, then further cuts will be needed. These cuts will be drastic and deep affecting public education and public safety in ways that would be potentially harmful to the people of Town of Easton.