

# Office of Town Manager

Town of Burrillville, Rhode Island

## Memorandum

**To:** Town Council

**Cc:** Louise Phaneuf, Town Clerk  
Budget Board  
John Mainville, Finance Director  
Dr. Frank Pallotta, Superintendent of Schools  
Timothy F. Kane, Esq., Town Solicitor

**From:** Michael C. Wood, Town Manager *Mike*

**Date:** May 7, 2012

**Re:** FY2013 Budget

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### Total Budget Summary

The recommended budget for next year [FY2013] as presented totals \$45,059,326. This is \$221,378 (.49%) higher (gross) than the current fiscal year. The expenditure side breakdown is as follows:

	FY2012	FY2013	Difference
School	\$28,333,604	\$28,733,604	\$400,000
Municipal	\$8,987,893	\$9,072,251	\$84,358
JMS Library	\$535,000	\$574,963	\$39,963
Debt	\$3,732,884	\$3,601,508	(\$131,376)
CIP	\$2,518,567	\$2,347,000	(\$171,567)
Overlay	\$730,000	\$730,000	-0-
Total	\$44,837,948	\$45,059,326	\$221,378

### 4.00% Levy Cap

This budget exceeds the State's 4.00% levy cap, assuming the State grants an exclusion for the TransCanada (Ocean State Power) tax revenue. However the amount in excess of the cap is revenue neutral for the balance of property owners because it represents the reclassification of the OSP PILOT money to the TransCanada tax levy.

## **General Summary**

The Town is projected to lose significant amounts of net revenue again this year (\$1.48 million in total). We need more information from the State in order to make more accurate (or final) revenue projections.

The capital budget is now incorporated into the total budget and tax levy.

The additional tax revenue that will be derived by placing TransCanada's (Ocean State Power) total valuation on the tax roll is factored into the overall budget to pay for capital expenses. This is the second and final phase of shifting Ocean State Power (OSP) values to the tax roll.

Using OSP revenue in this manner again requires an exemption from the State tax cap. We are still waiting for that determination but I've presented this budget assuming we will receive approval from the State as we requested. The final budget can be adjusted by the Council if the State does something unexpected.

Stand-alone budgets such as Spring Lake Beach, Burrillville Extended Care and Burrillville Sewer are not factored into the line item budget but will be incorporated into the final budget resolution.

## **Municipal Budget**

The municipal operating budget I am recommending is \$9,647,214, a \$124,321 (1.31%) increase over the current year.

## **School Budget**

The School budget I am recommending is \$28,733,604, a \$400,000 (1.41%) increase. However, this budget represents a \$428,305 increase over the current maintenance of effort requirement, subject to final State Aid numbers.

## **Debt Service**

The total annual debt service obligation has decreased \$131,376 (3.52%).

## **Major Capital Expenditures (CIP)**

The overall capital budget proposed is \$171,567 lower than the current fiscal year.

A portion of the Capital Budget as adopted by the Council in March has been reduced by \$153,000 to balance the operating budget recommendations.

## Revenue

This budget projects a net reduction of non-property tax revenue at a loss of \$1,481,823 (6.00%). A major component of this projection is the termination of the OSP PILOT (\$1,016,865).

Other revenue streams affected are the elimination of Distressed Community, reduced School Housing Aid, the loss of Federal Stimulus money used by the State to subsidize School Operating aid, and revenue streams identified herein and in the line item revenue budget.

### **Motor Vehicle Revenue**

It looks like the minimal supplement (\$500 exemption per motor vehicle) we receive from the State for the motor vehicle phase out program will be maintained. However, if that is eliminated, we will lose another \$214,709 from projected state aid revenue.

### **Distressed Community Aid**

Distressed community aid has been completely phased-out. The Town has lost \$243,753 in State Aid revenue for next fiscal year.

### **Local Receipts**

Total local receipts are projected to be approximately \$52,000 lower than last year's budget. This is a continuing downward pattern that should be near its bottom - hopefully this will turn around in the coming years.

### **State Education Funding Formula (School Operating Aid)**

Total school aid has decreased by \$28,305. Included in this net revenue loss is the State's use of Federal stimulus money (\$598,764) to supplement State aid.

**It is important to put on the record that the past use of Federal revenue by the State was a short term revenue source and the State does not have resources to match the stimulus amounts in the next and future years.**

### **Projected School Construction Aid**

School Construction Aid is projected to be approximately \$150,000 lower than last year's budget. This is primarily the result of the Town's *declining* debt service obligations for our eligible projects.

As noted in prior years, the State unilaterally decided to spread our projected Levy Rink construction reimbursement over a ten (10) year period rather than pay it out in one lump sum payment. This year's reimbursement is projected to be \$183,278 slightly less than last year.

Looking to future budgets, the reimbursement rate from the State for the matching School

construction grant (aid) program could impact these budgets. The School construction aid program reimburses a portion (percentage) of the total dollars spent for School construction projects. Projects that qualified were the Callahan School and Levy Rink renovation projects. If Burrillville's reimbursement rate drops when these reimbursements become payable in future years, the actual State construction reimbursement (dollars) will drop proportionally. Under normal circumstances, this reimbursement rate can change year to year.

### **Sewer Commission Revenue**

The Town receives revenue from the Sewer Department for betterment assessments and accordingly we have budgeted \$45,000 as betterment revenue. This is unchanged from last year's budget. The Sewer Commission reimburses the Town for general obligation bonds issued on their behalf in December 2006 (approximately \$220,000).

### **Municipal and School Services**

Municipal services and changes in *our* spending priorities and levels cannot be realistically compared to the School's. Simple comparisons on a generic basis are a gross oversimplification and are not relevant given the different legal/administrative responsibilities, type of services rendered, missions, objectives and who is served.

## **FY2013 Tax and Levy Impacts**

This year's projected State aid total will be impacted by legislative decisions that usually occur at the end of the State's budget process. We are anticipating that the Legislature will continue to modify the State aid categories. It is strongly recommended that we wait until this information becomes available before making final budget adjustments.

**As presented herein, the property tax rate is projected to be \$16.58. The recommended levy as presented is \$28,396,672, an increase of \$1,703,201, which includes \$860,832 of tax related to the addition of the remaining OSP/TransCanada values to the tax base. Motor vehicle exemptions are recommended to remain at \$1,500.**

**Note: The State is still reviewing our budget and our request to exceed the cap limit. The final budget will be modified based on their final input/determination.**

## **Municipal Line Item Summaries**

Factors incorporated into this budget and having an impact on municipal government operations are identified below. Note: These are summaries or highlights, and is not a full listing of changes recommended. A detailed line item budget is available for those who may wish to review all the budget recommendations.

1. **Employee benefits** are basically level funded this year. The overall cost of health insurance benefits has decreased by \$170,180 net. Retirement costs have increased by approximately

\$160,991 due to revised assumption changes made by the State.

2. **Town Clerk/Board of Canvasser's Budget.** The recommended increase is \$40,964 which primarily relates to costs associated with the upcoming elections (Primary and General) as well as microfilming.
3. **The rubbish and recycling collection** costs are level funded pending implementation of the new single stream programming.
4. **Police Department.** The budget recommendation is \$8,148 (0.39%) higher than last fiscal year due primarily to the net cost of living wage increases.

Two (2) veteran police officers have announced their retirement from the department. We have two (2) recruits scheduled for the next police academy.

This maintains our staffing compliment at 20 officers plus the Chief. The arbitration award last year allows the Town to lower overall staffing to 18, but it did not change the 3 man minimum staffing per shift.

Additional staffing will have to wait until January 2013, as the next recruit academy does not start until then.

5. **Public Works.** The recommended increase is \$14,126 (1.13%) due primarily to the cost of living wage increases.
  - See supplemental comments re: merging services and municipal staffing.
6. **Special Appropriations.** This budget is the third year in a multi-year phase out for the larger appropriations. Appropriations for the following service agencies that **are included in this proposed budget to be funded from the levy:**

Name	Amount
Historical Society	\$2,250
Downtown Pascoag Neighborhood Assoc.	\$1,800
Industrial Foundation	\$4,000
Keegan Dinnegan Post	\$500
Memorial Services	\$1,200
Veteran Rep	\$1,200

7. **Parks and Recreation Department**

Extended Care Program This program is maintained as a revolving side fund with independent revenue sources. I am recommending a funding level of \$475,000.

Spring Lake Beach Program This program is maintained as a revolving side fund with independent revenue sources. I am recommending a funding level of \$137,000.

- See supplemental comments regarding the merging of services and municipal staffing.

8. **The Library Budgets** are recommended as follows:

Jessie Smith	\$574,963	\$39,963 (7.47% increase)
Pascoag	\$53,500	-0- (level funded)

In order to maintain State Library aid, the Town must appropriate an amount equal to \$588,500 between both libraries. This budget includes a \$39,963 increase in the Jesse Smith budget. We anticipate receiving \$125,987 from the Governor's proposed budget in State Library aid in 2013. Future State Aid (revenue) may be compromised if we fail to maintain these budget levels.

9. **Wages, Non-Union Supervisors**

For the first time in five (5) years, a COLA is recommended in this budget for non-union employees. I am recommending \$2,500 per eligible employee totaling \$27,500.

10. **Town Council**

The Town Council wage budget has increased by \$3,930, which represents the final year of transition to the new wage/benefit plan. The plan change eliminates the remaining Town paid health benefits (\$15,780).

## **Burrillville Schools**

The School Committee's initial budget request was \$1,293,554 higher than last year's approved budget.

Dr. Pallotta advises me that the School Committee will be voting on May 8<sup>th</sup>, to reduce the original request, which will be \$832,402 higher than last year.

The amount recommended by the Town Manager is \$28,733,604, or \$400,000 higher than what the Council appropriated last year.

**School Employee (Union) Contracts**

The Teacher's and non-certified Union and School Committee are under contract through July/August, 2014 and June 2015 respectively.

### **School Audited Fund Balance**

The School's audit for FY2011 reported an unassigned fund balance of \$666,682 for use by the School Committee. This amount has not been appropriated nor incorporated as a source to support the FY2013 School Budget. The School Committee must vote to ask the Council to appropriate these funds prior to expenditure or commitment to spend these monies.

The Town must be very careful not to appropriate funds that will create a potential structural deficit in future years.

### **Town Council/Administration Limitations**

The State laws (effectively) allow the Schools to prioritize their own spending without any meaningful oversight or accountability by the Town Council. Because of these and other laws and/or regulations, the Town Council's job becomes more difficult. Many of the financial issues and problems that have to be addressed locally have been actually created by combinations of the Federal government, the State Legislature, the governor's office, School committees and labor's influence on many of the laws governing Rhode Island and the financial affairs of local governments.

### **Levy Rink**

This program is maintained as a revolving side fund with independent revenue sources. \$438,000 has been recommended.

## **Debt Service**

### **Debt Service**

The total debt obligation [principal and interest] was \$33,779,454 (\$27,518,000 principal) as of June 30, 2011. All existing voter approved debt service is fully integrated into this budget with the exception of \$500,000 for previously approved Open Space bond authority that remains open.

## **Supplemental Comments**

### **Merging Services**

This budget incorporates merging the maintenance/construction functions of Public works, Recreation and Schools, including limited Levy Rink functions under one general umbrella. Only School building maintenance (i.e.: custodians) is not fully included.

The other important change to note is a reorganization of the Town's Recreation programs which, if approved, will now fall under the Department of Public Works.

There are savings and, we believe, efficiencies associated with both initiatives that will be detailed in a separate report to the Council. The budget related impact is incorporated into this budget which is subject to review and the Council's final approval.

Should the Council not agree with the proposals, I can easily provide a revised set of numbers to accommodate your wishes.

### **Municipal Staffing**

Municipal operating department staffing is maintained at last year's levels.

The budget eliminates the full time position of Recreation Director and assigns those duties to the department of Public Works. A new position of Special Event/Program Coordinator is proposed.

Burrillville Extended Care will no longer report directly to the Recreation Director.

Spring Lake supports a seasonal beach manager and this service will be stand alone with the exception of the maintenance/construction related services.

### **Collective Bargaining**

The Council 94 Union contract expires on June 30, 2014.

Police - The recent interest arbitration decision with the Police Union is now fully incorporated into this budget. The existing contract will expire June 30, 2012. There are still manning requirements in the existing police contract but those have been relaxed by the arbitration decision. There is now more staffing related flexibility should the Council wish to exercise that flexibility, but if additional staff reductions are considered, overtime will need to be higher to compensate.

### **Tax Credit Program**

The tax credit program for seniors, veterans and disabled persons has assisted these groups by relieving approximately \$598,648, collectively (2.12%) from their real estate tax obligations.

### **Assessed Values & Tax Rate**

The Town will be conducting a State mandated town-wide revaluation this year. It is anticipated that this will have a material impact on total and individual property values due to the changing housing market.

### **Tax Cap (Levy) Law**

This year the State's tax cap law is fully implemented. In my opinion, there are serious flaws and potential inequities in this law.



The law requires a reduction in the levy increase by a quarter percent each year until a maximum annual cap of four (4) percent is reached. This year and going forward, the maximum levy increase is set at 4.00%.

Notwithstanding that the goals of the law are very worthwhile, until the problematic laws that promote (my opinion) an unfriendly local taxpayer climate are changed, the new tax cap law will be very difficult to implement without major conflict and/or economic impacts at the local level.

If future School budget increases are not properly managed and State aid, particularly education aid, is not predictable/reliable in future years, then balancing budgets without causing significant program reductions and/or local tax increases will be very difficult. The new education aid formula will continue to impact Burrillville's School revenues and local property taxes as it is (basically) statistically driven.

### **Legislative Relief**

Repealing longstanding State laws that prevent a city or town from controlling/managing local property taxes must be undertaken by the Governor and State Legislators.

### **Restricted Budget Fund**

This is the third year that certain items are recommended to be funded out of a separate Town restricted budget fund.

One of my strategies to balancing this budget with the least impact on personnel and our ability to provide acceptable services is to consider establishing separate funds, outside the main budget to use in certain situations.

As in the past, amounts related to unemployment, legal, energy contingencies, recreation programs being phased out and certain special appropriations. The total recommendation at this time is \$204,400, which includes:

Energy/fuel contingency (gasoline and heating fuel) - \$20,000 including the Jesse M. Smith Library, anticipating large swings in related costs.

Fuel and Heating Line Items - The amounts incorporated into the budget are best estimates. The history of usage and related costs are hard to pinpoint as pricing continues to fluctuate.

Note: We do maintain a general fund contingency account for energy related increases in the operating budget.

Recreation programs funding for recreation programs (which are being phased out) from surplus accounts (\$12,800).

My recommendation to the Council is to separate the special appropriations listed below from the operating budget **and consider each on its own merits**. It will require six (6) votes if the Unassigned Fund Balance is the source.

Name	Amount
Northwest Nursing	\$17,100
RSVP	\$1,000
Samaritans	\$500
Senior Services	\$3,000
Note: These special appropriations are not incorporated in my budget recommendation.	

### **Retirement Costs**

Retirement costs associated with regular and police employees have risen due to changes in the actuarial assumptions. While there has been much negative publicity about government retirement systems, the communities with critical pension problems either have private pension plans and/or have failed to make their annually required contribution. Burrillville is in the MERS System. Its non-certified plan has been overfunded every year for the past 17 plus years (average yearly funding 124.9%). The Police Plan (which has less participants which makes it more sensitive to the Plans assumptions) has always been around 100% fully funded. Sometimes overfunded, sometimes underfunded but always gravitating to 100% (average annual funding 100.4% over 17 plus years).

## **Conclusions**

Rhode Island is still in trouble economically.

Whether it's adding or eliminating staff, modifying existing programs, making decisions affecting wages or benefits, or decisions involving future financial commitments, those decisions must be made considering the short and long term impacts of those decisions.

The Town Council should not be put in an untenable position of supporting unrealistic budget positions and be expected to simply pass the cost on to the taxpayers. Local officials, employee unions and our legislators (Federal and State) must keep this in mind when considering short and long term legislation, programs or collective bargaining agreements.

The Ocean State Power Tax Treaty (PILOT) terminated this year. Capital projects, economic development and redevelopment projects are important and need continuing attention. The tax cap law makes this task (or goal) much more difficult because new revenue realized from economic development and growth programs (residential and commercial) cannot be used to pay for the associated costs, dollar for dollar, and still allow the city or town to maintain core municipal and school services.

## **Budget Review Process**

The Town Council will now turn their attention to the budget. Currently there are two (2) public hearings scheduled by the Town Council. Those dates are as follows:

- 1) Municipal Budget -May 24, 2012 - 7:00 p.m. Town Council Chambers
- 2) School Budget -May 31, 2012 - 7:00 p.m. Town Council Chambers

The budget is scheduled to be voted on by the Town Council on or before June 13, 2012. Note: Charter deadline date is June 15<sup>th</sup>.

Please check with the Town Clerk's office prior to any of these dates in the event of a change in any of the meeting or public hearing details.