



TOWN OF IPSWICH
Town Manager
25 Green Street
Ipswich, MA 01938

Memorandum

To: BOARD OF SELECTMEN & FINANCE COMMITTEE
From: Robert T. Markel, Town Manager
Date: May 30, 2008
Re: Fiscal 2009 Budget Message

I respectfully submit the proposed Fiscal 2009 operating budget for 45 municipal departments, boards and committees. In addition to the standard line item budget, this document includes 1) The Town Meeting calendar and budget review schedule; 2) The Town Manager's budget message; 3) the Selectmen's Goals for FY 2009; 4) Revenue estimates from all local and intergovernmental sources for the FY'09 Operating Budget; 5) A Summary Budget; 6) the FY'08 *pro forma* tax rate recap; 7) A list of Capital requests for FY'09; 8) The Twenty-Year Fleet Replacement Schedule; 9) the Debt Schedule for Town departments, the School Department and the Utilities Directorate; 10) A Long Range Financial Trend Analysis; and 11) the FY 2009 Operating Budget for all Town departments.

Revenue Highlights: There is every indication that total new revenue to support increases in fixed costs, contracts for municipal employees and capital needs will increase by 2.2% in Fiscal 2009. Revenues from property taxes continue to be healthy despite an expected decline in new growth for the third straight year. New growth revenues, which were \$724,999 in Fiscal 2006, are projected to decline to \$323,050 in Fiscal 2009.

Fiscal '09 will likely see another year of minimal increases in state aid in the general government category and a modest increase in Chapter 70 school aid. The Governor's budget recommendation for general government aid provides an increase of \$29,414 on a base of \$2,458,622 (.01%) for a total of \$2,488,036. Lottery aid, which is the largest category for general government, will be level funded but only if the legislature approves the Governor's casino gambling initiative; otherwise, lottery aid for Ipswich will be reduced by \$162,310 under the Governor's plan.

School aid including Chapter 70 is increased by \$185,004 (5.7%) on a base of \$3,191,409 for a total of \$3,376,413 in Governor Patrick's budget. In accordance with an Ipswich budget convention, all new Chapter 70 funds are earmarked exclusively for the public schools.

The Town has always used free cash to underwrite the operating budget. In Fiscal 2006, at the Annual Town Meeting, the Town allocated \$548,000 out of a total of \$1,148,214 in free cash to support Town and School operating budgets. In FY'08 only \$364,693 in free cash

reserves was certified, and after transfers of free cash at the Special Town Meeting in October 2007, there is only \$200,000 available for the FY'09 operating budget.

The Motor Vehicle Excise Tax is a major source of operating revenue. In FY'08, the revenue budget projects \$1.8 million from the M.V. tax. However, the automobile market has changed. As the economy declines and fuel prices rise towards \$4 per gallon, fewer large and expensive S.U.V.s are being purchased which affects the M.V. tax total. In FY'09, the Town is expected to collect only \$1,650,000 from the auto tax.

Also, the Treasurer/Collector is taking steps to ensure that those who register to vote in Ipswich will register their car and pay the excise tax. Those who register to vote declare that the community where they register is their primary domicile. The Treasurer/Collector is denying a beach sticker to any registered voter who does not register their car in their self declared primary domicile.

Expenditure Highlights: Municipal department heads requested a total of \$14,176,618 in spending authority for Fiscal 2009. Department requests were reduced by \$403,581 for the proposed FY'09 operating budget which totals \$13,773,037. Among the reductions are elimination of funding for the school resource officer and cuts in the sanitation contract, road treatment, overtime in the Police and Fire departments and nearly all new spending initiatives.

If the Finance Committee issues a 2% guideline for increased spending, the proposed budget will be \$89,716 out of balance. On March 3, the Selectmen agreed to several proposals that both save general fund monies and increase fee revenues to bring the budget into balance and permit a limited accommodation for small capital purchases and possible creation of an Operations Manager in the Department of Public Works.

Otherwise, the Fiscal 2009 operating budget follows a familiar pattern: Municipal operating departments are severely constrained in order to fund fixed costs that are increasing at a far higher rate than revenue growth. The following fixed cost items will require \$408,011 in new spending in FY 2009:

- 1) Health Insurance: The total cost of health insurance, not including employee contributions, for Town departments, Schools and Utilities in FY 2009 is estimated at \$2,548,784, an increase of \$281,637 over FY 2008. The rate increase for HMO Blue, the largest component of our medical insurance program, will be 4.5%. However, there was an increase of 23 new enrollees in the program bringing the total insured to 428 and increasing total health insurance premiums for Town, Schools and Utilities by 12.4%.
- 2) Retirement: Pension costs for the three entities of Town government will rise by \$126,374 or 8.1% from \$ 1,553,633 to \$1,680,007 in FY 2009. The portion of the total represented by Town departments will increase from \$827,930 to \$866,548.

The Selectmen and Town Manager are pressing the Essex Regional Retirement Board to move local retirement funds into the better performing state system (PRIT). Over the past five years, investment earnings by the PRIT averaged 16.4%

annually while ERRB earnings averaged 12.4% over the same period. Ultimately, the lower return on investment will mean that it will take longer to get to a fully funded retirement program in Ipswich and Essex County communities.

One bright spot in the Town budget is the cost of municipal waste collection. The budget for solid waste collection peaked at \$919,546 in Fiscal 2007. With increased emphasis on recycling, where the Town pays a flat fee for disposal regardless of tonnage instead of the “tipping fee” of \$97.03 per ton for trash sent to the incinerator in Saugus, the budget for solid waste in Fiscal 2009 is down to \$805,170.

FY 2009 will be the final year for three year contracts with the seven municipal collective bargaining units. All contracts provide for 3% increases in wages for the bargaining units, and the Town Manager has budgeted 3% increases for management level and non-bargaining employees. These increases are incorporated into the budget document. None of the upgrades proposed by department heads for management or clerical staff are funded.

Several departments have requested additional staffing for FY 2009. Given current revenue projections, the only request for additional staffing being considered is an Operations Manager for the Department of Public Works.

All new initiatives have been removed from the budget document and placed on a separate list contingent on available new revenues. This “add back” list includes funding for some items on the capital list and a section listing savings and additional revenues from increases in fees.

In sum, Fiscal 2009 promises to be the leanest year for Town and School departments in many years. The Selectmen have established a series of goals focused on enhanced services for Ipswich citizens. Although some of the Selectmen’s citizen services initiatives will require additional funding, most can be achieved within existing budgets. Our overarching goal is to improve the quality of municipal services despite the stressful financial environment.