

Budget Review Task Force Report

Sudbury Finance Committee

December 2009

Over the past several years, the Town's fiscal situation has been severely constrained by increases in the cost of wages and benefits which have risen much faster than the rate of inflation. In addition, with one of the highest levels of school age children per household in the State we have, as a result, a much higher demand for education services relative to other communities. On a comparative basis, Sudbury spends the 6th highest per capita amount on education and has the 4th highest level of education spending, as a percentage of its budget, in the entire State. That said, our spending on schools and services as measured on a per student basis is in line with, or lower than, our peers.

However, our cost structure is constrained by the fact that our revenue structure is heavily dependent on property taxes as only 7% of Sudbury's total revenues come from commercial property taxes whereas residential taxes represent 70%. As a result, residents bear the brunt of any increases. In the eight years from 2000 through 2008, Sudbury's average residential tax bill increased 6.3% per annum. The Finance Committee is concerned that the rate of growth in residential property taxes is not sustainable and, as a result, the rate of growth in costs and maintenance of the current level of services are also not sustainable.

As wages and benefits represent nearly 80% of our Town's operating expense budget and are growing at rates far above 3-3.5%, it is arithmetically impossible to keep expenses within the limit of Proposition 2 ½ given our current cost structure. As a result, the Town is likely to face difficult decisions for the foreseeable future in balancing the level of services it would like to provide to residents against budget overrides that may be necessary to support those services. It is this dilemma that is often referred to as our structural deficit.

In the short-term, it is unlikely that our non-residential tax revenues will see any meaningful increases given the current economic climate and the expected continued decreases in local aid from the State. As a result, the Finance Committee believes the Town will increasingly be confronted with three alternatives:

- 1) additional, and perhaps substantial, overrides needed to fund our ongoing level of services given current organizations and cost structures;
- 2) reductions to staff, and therefore services, within our current organizations and cost structures in order to fit within the constraints of Proposition 2 ½ and avoid overrides;
or
- 3) changes to our current organizations and cost structures that enable our Town to deliver substantially (but perhaps not completely) the same level of services at a lower overall cost.

The Finance Committee believes that achieving the latter of these three alternatives is imperative if we are to avoid either of the former alternatives. We supported the Board of Selectmen as they established the Budget Review Task Force in 2007 to examine the Town's structural deficit. This task force examined both revenues and expenses and produced recommendations that may have the potential to improve the Town's long term financial position. A copy of their final report is available via a link on the Town's home page. Below we have highlighted four of their recommendations that we suggest should continue to be evaluated carefully to determine if changes in these areas could improve the Town's fiscal position.

- Pursue a more efficient economic model which will support long-term excellence in schools and town services by considering regionalization, collaboration and consolidation to reduce costs by utilizing shared resources where appropriate.
- Reduce our healthcare expenses either by joining the Massachusetts Group Insurance Commission (the "GIC") or implementing a plan which has a sustainable cost structure equal to, or better than, the GIC.
- Enhance Sudbury's commercial district with a wastewater treatment plan and zoning/planning which would result in tasteful development to complement the character of Sudbury and increase our commercial tax base.
- Invest in renewable energy sources which will provide long-term revenue and cost-reduction opportunities for Sudbury.

We encourage the Selectmen and School Committees to continue their efforts to reduce our structural costs. They have already begun the process of implementing several initiatives including reductions in the rate of growth in wages, reductions in the cost of employee health insurance, enhancing cooperation among school administrations, achieving clean energy benefits through the new Green Ribbon Energy and Sustainability Committee, and sharing staff with neighboring communities. Indeed, we are already reaping the benefits of many of these initiatives, as evidenced by the more than \$2.2 million of projected savings expected over the next three fiscal years resulting from the new health insurance plan design agreed to by the Sudbury Public School Committee and its various collective bargaining units.

Moreover, we continue to support the Selectmen's on-going efforts to sustain and grow our commercial sector by identifying and securing suitable parcels of land that can be used to develop a wastewater treatment plant to serve the Route 20 area. Over the long-term, diversifying our tax base and securing revenue opportunities beyond the traditional residential property tax is critical.

Residents who wish to learn more about the efforts of the municipal government and school administrations in this area can review the tracking reports for expense reduction and revenue generation, which are also on the Town's web site.