



TOWN OF SUDBURY

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**To: Board of Selectmen
Finance Committee**

**From: Maureen G. Valente, Town Manager
Senior Management Team – Chief Fadgen, Chief MacLean, DPW
Director Place, Planning Director Kablack, Finance Director
Petersen, Assistant Town Manager/Personnel Director Walker**

**Subject: The C.A.R.E. Program: Cost Avoidance and Revenue Enhancement
Efforts by the Town Government**

Attached is a report that the Senior Management Team and I have developed to inform the Board of Selectmen, the Finance Committee, and the community at large about the many steps Town staff have taken to enhance revenues, and to avoid costs that otherwise divert resources away from core services. When you add up these efforts, they result in significant dollar savings. Section One looks at Cost Avoidance and Reduction efforts. Section Two addresses Revenue Enhancement efforts.

The last section of the report contains ideas that have not been studied by staff as yet, but we believe hold promise for becoming part of our C.A.R.E. program. We are including them so that the Board of Selectmen and Finance Committee can begin thinking about them philosophically, before staff puts in time and effort toward exploring these ideas further. We welcome suggestions from Selectmen, Finance Committee members, Town staff and residents of Sudbury community on other ideas for cost avoidance and revenue enhancement you may have that we can add to this list. ¹

Please note that I have not listed the number one way we have worked to reduce costs, and that is by maintaining our AAA credit rating.

Principles of the C.A.R.E. Program

1. There are no “sacred cows”. Town staff will consider all alternatives to current business practices if they seem likely to reduce costs, or enhance revenues, without sacrificing any of the values articulated by the Board of Selectmen.

¹ Note the items in the C.A.R.E. program relate to efforts that are primarily management in nature, and are NOT items that are more properly within the realm of policy decision-making of the Board of Selectmen.

2. Town staff is viewed as key tools needed for the achievement of quality, revenue enhancement and cost containment efforts.
3. Town staff will rely on proven “best practices” for management operations and decisions. We are committed to continuously striving to improve the quality and efficiency of municipal services.
4. A return on investment mentality will be used in our decision making. We will examine both the short and long term costs and implications of implementing any changes.
5. The job of C.A.R.E. is never done. All programs and decisions will be re-visited periodically to look for opportunities.
6. Tools such as benchmarking and performance measurement will be used to assist in assessing effectiveness and efficiency.

**The Sudbury C.A.R.E. PROGRAM:
Cost Avoidance and Revenue Enhancement**

I. Cost Avoidance Efforts

Effort #1: Debt Refinancing

The Town has refinanced outstanding debt twice in the past 24 months to take advantage of lower interest rates. We conducted an advance refunding of \$4,350,000 in June 2005 and an advance refunding of \$13,400,000 in January 2005 to take advantage of lower interest rates.

- a. Estimated savings over the life of these bonds: \$787,000

Effort #2: Purchase of Street Lights

The Town purchased street lights from NSTAR and bid out their maintenance. We achieved cost reductions by ending maintenance payments to NSTAR and instead competitively contracting out the maintenance. An additional advantage of this effort is better maintenance and repair of street lights than NSTAR had provided

- a. Estimated annual savings: \$29,000
- b. Estimated savings over five years: \$145,000.

Effort # 3: Streamlined Tax Payment Processing

After the Town reduced the staffing in the Tax Collectors' office by ½ positions, we put in place or enhanced our use of technology or other approaches to enable us to continue processing payments without increased delays. We have added an on-line payment option, enhanced the use of a lockbox outsourcing service and we provide automated files to mortgage services so they can post payments to our system. We have also added a tax drop box outside the building and begun a listserve option so that taxpayers can sign up to know when bills are mailed and due. All this makes it possible to provide the same high level of service even with a staff reduction.

- a. Estimated annual savings from reducing by ½ position: \$14,000
- b. Estimated savings over five years: \$70,000

Effort # 4: Energy Management Program

Per the direction of the Board of Selectmen, Town staff has spent considerable time investigating and implementing various energy management steps. A description of these efforts is found in Appendix 4 of the FY07 Town of Sudbury Annual Budget and Financing Plan, entitled ***Energy Management Program***.

- a. Estimated annual savings from purchasing of energy supplies: \$125,000 for calendar 2005, \$225,000 for calendar 2006
- b. Estimated savings over five years: Uncertain, depends on future energy costs

Effort # 5: Vehicle/Fleet Management Program

The Town has not purchased any new automobiles except for police and fire departments, in several years. Instead, we began a program of retaining and "passing down" detective cars and fire command SUVs to other departments after 4 – 5 years use. Departments

which are assigned one of these used vehicles include: Engineering (2 vehicles), Building Inspector (2 vehicles), Assessors Office (1 vehicle), Technology Administrator (1 vehicle), Building Maintenance (2 Vehicles), and Dog Officer (1 vehicle).

- a. Annual cost to the Town for one of these vehicles is estimated at \$2,080: \$500 for insurance + \$1080 for gasoline+ 500 for parts/repair.
- b. Annual cost for reimbursing employee for using personally owned vehicle could exceed \$3,200 per employee (Assume use 240 days/year, 30 miles per day, mileage reimbursement rate of \$.445 per mile)
- c. Estimated annual savings for retaining and using 9 vehicles rather than reimbursing for personal vehicles: \$10,000
- d. Estimated savings over five years: \$50,000

Effort # 6: Regional Purchasing Programs

The Town has entered into three different regional purchasing efforts in the past two years. Regional approaches to bidding and purchasing has many advantages. It reduces administrative costs because only one bid is developed and overseen. Preparing bid specifications, advertising, answering questions of potential bidders, etc. is very time consuming. The savings quoted below do not include those staff costs which are avoided, only the direct costs, but the time savings are important to consider as well. Also, bidders are often more aggressive in reducing their proposed price in the hopes of landing larger book of business.

- a. Ambulance Billing – Fire Chiefs in the area worked together to develop an overall bid for billing for ambulance services. The rate for ambulance billing went from 6.5% to 4%, saving about \$7,500 annually, or \$37,500 over five years.
- b. Office Supplies – The Town Managers in this area group bid office supplies and received a discount over catalog price of 80%.
- c. Police vehicles – Police Chiefs in this area worked together to develop overall bids for police vehicles. Average price per vehicle went from \$24,000 to \$22,478, a savings of \$1,588 per vehicle or \$7,710 annually. Five year savings estimate: \$38,050.

Effort # 7: Self insuring for unemployment compensation

The Town annually re-evaluates the savings possible from self insuring for unemployment compensation.

- a. Current amount Town budgets is \$39,000
- b. Alternative is to pay annual premium of 1% of annual payroll, which for calendar year 2005, gross payroll total for SPS plus Town was \$28,575,304 so 1% is approximately \$285,753.
- c. Estimated annual savings: \$285,753
- d. Estimated savings over 5 years: \$1,428,000

Effort # 8: Contracting out cleaning services

- a. Town has contracted out cleaning services for town buildings
- b. Estimated annual savings: \$14,000
- c. Estimated savings over 5 years: \$70,000

Effort # 9: Switching to bi-weekly payroll for all employees

- a. State law does not allow any less frequent payment, such as monthly
- b. Reduces administrative and banking costs for not running weekly payrolls
- c. Estimated annual savings: \$15,000
- d. Estimated savings over 5 years: \$75,000

Effort # 10: Join the MIIA Rewards Program for Worker's Compensation, Property and Liability Insurance

The Town belongs to a collaborative formed by the Massachusetts Municipal Association, known as the Massachusetts Interlocal Insurance Association. We achieve better coverage at a lower price through participation in MIIA, and we receive financial rewards for taking actions that result in lower claims.

- a. Estimated annual savings: approximately \$8,800 in credits
- b. Estimated savings over 5 years: \$44,000

Effort # 11: Leasing Town owned office building

The Town owns the Loring Parsonage, which is no longer needed as a Town office building. The Town has leased this building to the Sudbury Foundation on a short term basis, and under the lease the Foundation pays all the utilities. The Selectmen and Town Manager will be working with others to determine the long term uses for the Parsonage, with a goal to have its annual operating costs NOT be carried on the tax levy unless it is being used for a town office building again.

- a. Estimated annual savings: \$18,162
- b. Estimated savings over 5 years: unknown as current lease arrangement is only for two years.

Effort #12: DPW Reorganization

The Town has reorganized and streamlined DPW operations and personnel, pursuant to the Town Manager Act. This reorganization allows the Town to have two fewer high level supervisory positions, and we have instead added two equipment operators. These positions would have needed to be added to cope with the growing work load. This has also contributed to higher productivity in the face in growing demands for services from residents. Quantifiable savings are as follows:

- a. Estimated annual savings of funding two equipment operators out of eliminated supervisory positions: \$40,000 (difference between supervisory salary and equipment operator salary)

II. Revenue Enhancement Efforts

Effort #1: Annually evaluate fees charged by Town of Sudbury

Town staff annually evaluates the amount and nature of the fees that are charged for services that directly benefit individual users rather than the public at large. Where the intent of the fee is to cover 100% of the cost of the service, it is necessary to make periodic adjustments in the amount of the fee as Town costs rise. The Town has increased several fees, including fees in the Town Clerk's office, ambulance transport fees and advance life support reimbursement fees, among others.

For FY06, the Selectmen voted to establish a new burning permit fee. For this new fee alone:

- a. Estimated annual revenue generated: \$10,000
- b. Estimated revenue over 5 year period: \$50,000
- c. Fee will be set up as revolving fund to cover costs of building an on-line system for obtaining the burning permit, and communicating with permit holders on safe use of the permit (e.g. daily conditions).

Effort #2: Use Town owned assets to generate income

There are two major efforts here: leases from cell towers and selling of gravel from the Town's gravel pit.

- a. Cell tower leases:
 - a. Town leases town owned land for cell towers.
 - b. Estimated annual revenue generated: \$120,000
 - c. Estimated revenue over 5 year period: \$600,000
- b. Gravel sales.
 - a. Town works with buyers of gravel (borrow) to supply as needed
 - b. Revenue generated to General Fund annually: \$100,000
 - c. Revenue generated to General Fund over 5 year period: \$500,000

Effort #3: Town is looking to sell non-developable land to interested parties

There are a number of small parcels of land in Town which are too wet or nonconforming to be developed and owners have stopped paying taxes on. The Town can take these parcels for nonpayment of taxes, and then sell them to interested parties. Negotiations are in progress with Federal government, with abutters and any others who might be interested in purchasing these from the Town if we do the work to take title to them. The process is cumbersome, time consuming and expensive to foreclose or do a land of low value taking but if we know of a buyer, it can be worthwhile.

- a. Potential revenue: unknown at this point, but could be \$50,000 to \$100,000 in one time revenue from sales

Effort #4: Accelerating collection of Tax Title cases

The Tax Collector's office has been giving concentrated efforts into resolving older tax delinquencies by finding missing owners, using a Town bylaw which denies permits to tax scofflaws, putting mortgage companies on notice, and other staff intensive efforts. These are the more "stubborn" cases such as where there are heirs to property to be

tracked down, a developer who is not paying on multiple properties, or other circumstances that require extraordinary staff time to resolve. For comparison purposes, in FY04 \$120,000 in tax title was collected.

- a. Estimated revenue: Collected \$395,000 tax title in FY05, and \$415,000 thus far in FY06.
- b. Estimated revenue over 5 years: unknown at this point once backlog is cleared up
- c. NOTE: Extra revenue gets generated in this process because there are penalties and interest charged on the tax title accounts, and these collected dollars become investable balances, leading to increased investment income as well.

Effort #5: Cash Management and Investment Income

The Treasurer is working on reducing the cost of banking services and enhancing the investment return earned by investing town funds. Actions she has taken thus far:

- a. Reduced number of banks the Town is using, by 5.
- b. Also significantly reduced number of bank accounts by removing duplicate/inactive accounts.
- c. Reduced number of investment firms by 2.
- d. Estimated annual increase in revenue due to these efforts is difficult to quantify because market conditions also affect investment earnings. However, investment income in FY05 was up from FY04 by more than \$100,000.

Effort #6: Grants and Gifts.

Town staff develops and submits grant applications to numerous entities for support of Town priorities. Often our efforts are rejected because Sudbury appears to be too wealthy to meet granting agencies criteria. Nevertheless, we continue to put in the staff time to develop those we believe might consider our request. Here is a summary of recent grants awarded to Town Departments.

- a. Total Fire Department grants awarded in FY05 and FY06 to date: \$86,904
- b. Total Police Department grants awarded in FY05 and FY06 to date: \$35,296
- c. Total Council on Aging grants awarded in FY05 and FY06 to date: \$54,191
- d. Total to other Town departments in FY05 and FY06 to date: \$171,000

C.A.R.E. IDEAS FOR FUTURE CONSIDERATION

Proposed Effort #1: Examine Payment in Lieu of Taxes to Town.

- a. Town currently receives PILOT payments from the Federal government, state government and one non-profit in Sudbury.
- b. Staff will work to see if other non-profits in Sudbury could be encouraged to make a public safety PILOT payment to the Town in recognition of the public safety services received but not paid for by the non-profit entity.
- c. Estimated revenue possible: unknown at this time

Proposed Effort #2: Begin an Emergency Response Cost Recovery Program

- a. Town public safety departments respond to a number of vehicle accidents annually
- b. Staff is examining if any of the costs expended for these efforts can be recovered from the insurance companies of the owner's of the vehicles
- c. Selectmen will examine if this is an approach they believe is in the Town's best interest
- d. Estimated revenue possible: unknown at this time

Proposed Effort #3: Examine potential collaboration with Sudbury Public Schools for shared facilities maintenance.

Proposed Effort #4: Examine potential benefits of building and maintaining a multipurpose municipal wireless broadband network that would provide coverage for the entire community.

Proposed Effort #5: Examine potential benefits of building and maintaining a Town of Sudbury municipal light plant.

Proposed Effort #6: Examine possibility for converting more Town services to "e-services", and automating as many routine and repetitive procedures as possible.

Proposed Effort # 7: Develop a list of laws that cost the Town additional funds but offer no value added for our citizens, and ask State legislators to change the laws

Proposed Effort #8: Examine options for regionalization or collaboration in new areas

Proposed Effort #9: Examining feasibility of paying Town and School employees a cash incentive NOT to take Town health insurance if they have such insurance available elsewhere

Proposed Effort # 10: Have Town staff open a passport office and take in revenue for processing passports

Proposed Effort # 11: Examine capability for and advantages of running two ambulances instead of one.

C.A.R.E. ESTIMATES SUMMARY

I. Cost Avoidance Estimates

Debt Refinancing	\$ 787,000.00	life of bond estimate
Street Light Purchase	\$ 145,000.00	5 year estimate
Streamlined tax processing	\$ 70,000.00	5 year estimate
Energy Management	\$ 350,000.00	FY05 and FY06 estimate
Fleet Management	\$ 34,380.00	5 year estimate
Regional Purchasing	\$ 75,550.00	5 year estimate
Self insurance for unemployment	\$ 1,428,000.00	5 year estimate
Contracting out cleaning services	\$ 70,000.00	5 year estimate
Bi-weekly payroll	\$ 75,000.00	5 year estimate
MIIA Rewards program	\$ 44,000.00	5 year estimate
Leasing town building	\$ 18,162.00	2006 savings
DPW Reorganization	\$ 40,000.00	5 year savings
Total	\$ 3,137,092.00	

II. Revenue Enhancements

New Burning Fee	\$ 50,000.00	5 year estimate
Cell tower leases	\$ 600,000.00	5 year estimate
Gravel sales	\$ 500,000.00	5 year estimates
Land sales	\$ 50,000.00	One time revenue
Grants and Gifts	\$ 347,391.00	FY05 and FY06
Total	\$ 1,547,391.00	