

TOWN OF CANTON FISCAL YEAR 2010-2011 BUDGET FIRST SELECTMAN BUDGET MESSAGE

March 8, 2010

Dear Board of Finance:

In accordance with Section 9.03 (C) (1) of the Town of Canton Charter I am honored on behalf of the Board of Selectmen to submit the Board of Selectmen's proposed annual budget for fiscal year 2010 – 2011. The annual budget, unanimously approved by the Board, in the amount of \$9,039,238 represents a flat level of expenditures over last year's budget. (The 2010-2011 budget increases the Selectmen's expenditures \$1,427 over the last year's budget of \$9,037,811) The Board of Selectmen in adopting this budget on the heels of a budget last year which was a 3% decrease over the 2008-2009 budget recognizes the extreme economic conditions facing our community and taxpayers.

It should be noted that if adopted, this budget will represent an average annual increase in the Board of Selectmen's expenditures over the last three year of 0.8%. This is contrasted with an average annual increase of 6.0% for the eleven years between 1997 and 2008. Two comments are noteworthy regarding this budget. First, this budget has been extremely difficult to develop and there should be no expectations that it will be possible to continue this trend of zero increases in expenditures in future years without a significant reduction in services. The increase in costs for utilities, health care, pension contributions and other fixed expenditures which we all face as individuals will require an increase in expenditures in the fiscal year 2011-2012 budget to maintain the present level of Town services.

Secondly, this budget has been achieved by reductions in selected services which the Board believes are prudent and will not cause such services to drop to unacceptable levels. Many worthy expansions of service such as a Teen Librarian position, and a part-time records clerk in the Police Department have not been funded. In addition, \$100,000 in funding for road maintenance added to the past two budgets has been removed and funding for open space land acquisition has not been provided for a second year in a row.

Just like many families, local government has had to find ways to do more with less. For example, the proposed budget calls for increasing the hours dedicated to social services, a critical position considering the amount of residents falling on hard times. This will be accomplished by eliminating the outsourcing of social services through the Town of Avon and instead assigning the duties to an existing town employee. The expanded position of Senior/Social Services Coordinator will be able to utilize sixteen (16) hours per week towards social services for approximately the same or less money than it took to purchase 7.5 hours through the Town of Avon. Regionalism is important, and Canton has a number of service sharing agreements with surrounding towns that work very well, but the arrangement's must be reviewed periodically and will only be successful if they are a benefit to all sides.

The budget also requests funding for a road maintenance study. This study will create an inventory of current road conditions, recommended treatment for each road, a schedule for road improvements and funding estimates. The result of the study will create a data base that town officials could utilize to make informed decisions on which roads need to be chip sealed, over-laid or reconstructed. Nothing is more frustrating than to have the town chip seal a road only to find it in disrepair the very next year.

Furthermore, this budget recommends that the pension and health insurance funds be fully funded as recommended by the Town's actuaries. The increase in these two line items alone was \$176,602. The proposed budget also continues to set aside funds to partially off-set the cost of employee severance fund which began in last year's budget.

The operating budgets submitted by Department Heads represented a 6% increase over last year's budget. When requests for capital improvements were considered the total operating and capital requests from Department Heads was in excess of a 19% increase.

The proposed annual budget is detailed below:

| | Fiscal Year 2009-2010 | Fiscal Year 2010-2011 | % Change | \$ Change |
|-------------------------------|-----------------------|-----------------------|------------|--------------|
| Board of Selectmen Operations | 8,502,611 | 8,634,238 | .9 | 131,627 |
| Capital Improvements | 535,200 | 405,000 | (24.4) | (130,200) |
| TOTAL | 9,037,811 | 9,039,238 | (0) | 1,427 |

ASSUMPTIONS

The Fiscal Year 2010-2011 proposed annual budget encompasses a number of basic fixed expenditures affecting operations. The assumptions upon which these expenditures are based are detailed below:

| FACTOR | Assumption | Total Amount |
|--|---------------------------|--------------|
| Pension Contribution – Defined Benefit Plan (General Fund portion=556,009) | 100% as recommended | 574,527 |
| Defined Contribution Plan (General Fund portion=188,089) | 12/09 estimate | 200,189 |
| Vehicle Fuel – Regular | 2.4724 per gallon | |
| Vehicle Fuel – Diesel | 2.31 per gallon | |
| Heating Fuel – #2 Oil | 2.26 per gallon | |
| Heating Fuel – Natural Gas | 1.0144CCF | |
| Electricity – Light & Power | trend plus small increase | |
| Water | trend plus 9% increase | |
| Mileage Reimbursement | .50 | |
| Workers Compensation Insurance (General Fund portion = 117,474) | | 125,647 |
| Property & Casualty Insurance (General Fund portion = 107,486) | | 129,847 |
| Employee Health Benefits – Medical (General Fund portion = 626,356) | 100% of recommendation | 677,279 |

INITIATIVES AND NOTABLE BUDGET ADJUSTMENTS

Creation of the Senior/Social Services Coordinator Position: Currently the town employs a Senior Services Coordinator at 19 hours a week to oversee the Senior Center operations. The town also has a contract with the Town of Avon where Avon provides an average of 7.5 hours a week of services from Avon's Social Services Department. The cost of the agreement with Avon is \$27,271. The proposed budget eliminates the contract with Avon and uses the funds to create a full time position entitled Senior/Social Services Coordinator. The amount of hours dedicated to social services would increase and the added cost in salary of making the position full time would be \$17,965. The position salary is set at \$42,500. As part of the proposal the Administrative Assistant's hours would be reduced from 19 hours a week to 15 hours. The change would have the following benefits: 1) provide services locally; 2) Provide continuity between social services and seniors who are the frequent users of social services; 3) Create a full time position which usually provides more stability in the position; 4) Provides increased hours for Social Services during a time period when Canton residents are in need; and 4) The change will result in increased hours at approximately the same expenditures or less depending on benefits of the full time employee.

Building Official: As a result of the economic downturn there are fewer new home starts and a general reduction in building activity. Prior to his recent retirement, the Building Official recommended that the position be reduced to part time. Instead of trying to hire a part time building official the Town contracted with Simsbury for Building Inspection services. Recently the Board of Selectmen approved an agreement with Simsbury to share services. The current indication is that Simsbury will not be renewing the agreement for the next fiscal year.

Deputy Fire Marshal: Currently the Deputy Fire Marshal works approximately 5 hours per week performing inspections and filling in for the full time Fire Marshal/Emergency Management Director. Due to the decrease in building activity, the Deputy Fire Marshal position has gone from the approximate 5 hours per week to an on call basis, thereby reducing the line item from \$5,000 to \$2,000 per year.

Part-Time Program Supervisor: The Park & Recreation Director requested that the Program Supervisor position be increased to full time. The increased hours would allow the Park & Recreation department to increase programs for Canton residents. In particular, the Director is interested in increasing after school programs. Although due to budget constraints the position cannot be made full time, the hours have been increased from 25 hours a week to 29 hours a week. Although minimal, this should allow for some increased programming. If program revenues increase, the Board of Selectmen should consider adding additional hours to this position. The additional hours are being funded through the Park & Recreation special revenue fund.

Non-Union Full Time Wage Increases: The budget includes funding for wage increases up to 3%. In the current budget year the Board of Selectmen stated that there would be no cost of living increases and that wages would be increased based on merit only.

Non-Union Part Time Wage Increases: Funding is contained within the operating budget to provide 3% general wage increases to non-union part time staff.

Transfer Station: The Transfer Station operates at a deficit. A history of the operational deficit is outlined below:

| | Fiscal Year 2004-2005 | Fiscal Year 2005-2006 | Fiscal Year 2006-2007 | Fiscal Year 2007-2008 | Fiscal Year 2008-2009 | Fiscal Year 2009-2010 ¹ | Fiscal Year 2010-2011 ² |
|----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------------------|---------------------------------------|
| Expenses | 494,167 | 468,945 | 452,862 | 563,853 | 464,883 | 295,357 | 274,347 |
| Permit Fee & Token Revenue | 174,598 | 153,558 | 147,988 | 150,000 | 165,000 | 165,000 | 250,000 |
| CRRA Hauling Offset | 23,156 | 26,174 | 25,282 | 25,000 | 25,000 | 19,000 | 17,500 |
| Operating Deficit | 296,414 | 289,465 | 279,592 | 388,853 | 274,883 | 111,357 | 6,847 |

Following discussion at the recent Annual Town Meeting, the Board of Selectmen created a Temporary Solid Waste Transfer Station Study Committee for the purpose of investigating and recommending to the Board changes in the operations and fee structure of the Solid Waste Transfer Station to promote increased recycling and to establish an equitable fee structure for usage of the station by residents which would make the station operations revenue neutral.

In order to reach a revenue neutral status it would be necessary to increase the general permit sticker cost and /or establish a "pay as you throw" program. If the increase revenue was raised only through an increase in the "sticker" fee, the new rate would be \$150 per year. Once the Committee has made its recommendation, the Board of Selectmen will implement fee changes prior to January 2011.

Road Maintenance Program: As discussed above, this study will create an inventory of town road conditions, recommended treatment for each road along with a schedule for road improvements and funding estimates. The result of the study would create a data base that town officials could utilize to make informed decisions on which roads need to be chip sealed, over-laid or reconstructed. A total of \$30,000 has been recommended in the Capital Improvement Plan to fund this study. One of the downsides to the current fiscal reality is that the \$100,000, which has been added to the budget in the last couple of years to increase road maintenance, was removed this year. One reason was due to fiscal restraint, but the other reason is so the study could be performed prior to spending substantial additional funding on road maintenance. There is \$220,000 budgeted for road resurfacing which is the amount previously budgeted prior to the addition of the \$100,000. It is anticipated that the \$100,000 for road resurfacing would be reinstituted next fiscal year after the study is complete.

¹ Fiscal Year 2009-2010 data represents estimates based on actual data through December 2009.

² Fiscal Year 2010-2011 data represents projections based anticipated fees.

Employee Leave Liability: When an employee leaves employment with the Town there is frequently a significant payout required for unused vacation and sick time. For some employees this can be more than 150 days of accrued time. Since this liability had previously been unfunded, the separation of an employee would result in a budget deficit. The proposed budget calls for continued funding of the Employee Leave Liability Fund at approximately the same rate it was the year before. It is important to note that it is anticipated that the amount budgeted will only partially offset the cost of employee severance. For example, last year there was \$70,623 funded and the estimated severance payment for this fiscal year will be in excess of \$270,000.

Capital Improvement Plan: The Capital Improvement Plan represents a financial plan that identifies capital needs, establishes priorities and identifies potential funding sources. Comprehensive in scope, it includes projects that are funded through the Town's operating budget, bonds, state and federal grants and other sources. The Plan does not, however, include the capital needs of the school system.

In an effort to assist in this important planning process the capital projects have received priority rankings. The highest priorities are given to those projects which meet a legal requirement, those for which we have a contractual agreement, and those that would repair and/or maintain existing facilities. Maintenance projects are critical to the preservation of the community's capital base. Improvement projects are those that enhance the Town's ability to provide services while enhancement projects are those that expand the capital base.

The capital projects proposed for funding in Fiscal Year 2010-2011 are listed below. Descriptions of each project can be found in the Long Range Capital Improvement Plan section of the Preliminary Budget document.

| | FY 10-11 | Source |
|-----------------------------------|-----------|--------------|
| FACILITIES | | |
| Town Hall Improvements | 21,000 | LoCIP |
| Doors & Windows Replacement | 100,000 | Grant - ARRA |
| Exterior Gutter Replacement | 13,000 | LoCIP |
| Library Roof Replacement | 30,000 | Operating |
| Community Center Improvements | 20,000 | LoCIP |
| PUBLIC WORKS | | |
| Road Maintenance Program | 30,000 | Operating |
| Farmington River Trail – Phase II | 2,200,000 | Grant - ARRA |
| Town Wide Sidewalk Replacement | 10,000 | LoCIP |

| | FY 10-11 | Source |
|--|----------|----------------|
| PUBLIC SAFETY | | |
| Replace 5" Hose | 20,000 | Operating |
| Air Pack Replacement | 194,000 | Grant |
| EMS – New Ambulance | 32,000 | Operating |
| Fire/EMS – New Apparatus | 115,000 | Operating |
| LAND USE | | |
| Plan of Conservation and Development | 25,000 | Operating |
| WATER POLLUTION CONTROL FACILITY | | |
| SCADA Pump Station | 75,000 | WPCA Cap. Fund |
| Roof – Administration and Digester Building | 30,000 | WPCA Cap. Fund |
| MAJOR EQUIPMENT / VEHICLE REPLACEMENT | | |
| John Deere Loader Replacement | 145,000 | Operating |
| Police Vehicles | 38,000 | Operating |
| New Ambulance | 32,000 | Operating |
| New Fire Apparatus | 115,000 | Operating |

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of special revenue sources that are legally restricted to expenditures for specific purposes. In most cases, these funds do not directly affect the mill rate. Changes of note in each of the three funds operated by the Town of Canton are listed below:

The **Parks and Recreation Special Revenue Fund** accounts for all the fees collected for recreation programs and the expenditures needed to operate the program. The revenue projected from programs has been adjusted based upon historical trend. The fund is projected to operate at a surplus this year, partially because certain expenses were removed from the fund last year.

The **Water Pollution Control Fund** accounts for all the user fees collected and expenditures needed to operate the Town's Water Pollution Control Facility.

The **Emergency Medical Services Fund** accounts for all user fees collected and expenditures needed to operate the Town's emergency medical services program (ambulance). Over the past several years, the Town has operated this fund at a deficit. It is anticipated that the fund will operate at a deficit in the next fiscal year.

GENERAL FUND REVENUES AND TAXES

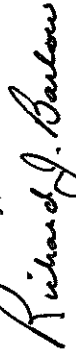
The total revenue necessary to finance the Fiscal Year 2010-2011 budget comes from a variety of sources including taxes, state grants and local fees. The Governor's proposed budget presented to the State Legislature would result in approximately a \$24,000 reduction in total Town funding. January's tax payments should give an indication of whether the collection rate needs to be decreased. The grand list of October 1, 2009 grew .24%.

As a result of the current economic downturn it is anticipated that some revenues will decrease. For example, the projected revenue for interest income on the investment of town funds has decreased from \$160,000 in 2009-2010 to \$40,000 for next year's budget. Other revenues such as Town Clerk fees and Building fees are projected to remain relatively flat.

CONCLUSION

These are difficult times. This budget addresses the impacts created by the current state of the economy. Trying to meet the rising costs of government, whether it is healthcare costs or pension liabilities, in an environment of decreasing revenues, will not be easy. In closing, the Board would like to acknowledge the efforts of our Chief Administrative Officer, Robert Skinner; Chief Finance Officer, Amy O'Toole; Executive Assistant, Michelle Schroder and the Department Heads who have made it possible to offer adequate municipal services at a significantly reduced cost. I look forward to working with the Board of Finance to adopt a budget proposal that meets the many challenges facing the Town and its residents.

Yours truly,



Richard J. Barlow
First Selectman