

Finance Committee Report

To the Voters of Sterling:

Your Finance Committee respectfully submits its report, the Departments' requests and our town budget recommendations for the Fiscal Year 2009, beginning July 1, 2008 and ending June 30, 2009.

Summary

Many communities in our commonwealth are facing fiscal crisis. They are faced with either drastically cutting services or passing proposition 2 ½ overrides. Fortunately, Sterling does not **currently** face such a crisis. However, the national, state, and local economies are facing a downturn of uncertain depth and length.

Economic downturns negatively impact federal, state, and local tax revenues. The impact of decreasing revenues tends to have a mainly delayed trickle down affect on municipal finances. The impact on municipal finances tends to lag the impact on federal and state revenues by one to two fiscal years. Therefore, **municipal finances in general are likely to worsen in the near future. The town of Sterling will not be immune as conditions worsen.**

At the same time, **the town is facing increasing costs:** health costs and energy costs have increased at a faster rate than our revenue growth. The cost to keep our roads safe in the winter has grown dramatically with steep increases in salt and fuel costs.

Further, **the complexity of running a municipal government has increased over time.** This year the finance committee is recommending funding for a part-time human resources professional. This will allow the town to more readily comply with federal and state work place rules and regulations. These rules and regulations have become more complex over time. Also, the finance committee recognizes the need to deliver a higher level of service to our employees to enhance overall job satisfaction.

The finance committee has also worked with the Building Needs and Utilization Committee and is recommending funding up to \$50,000 for contracted services in FY09, with an eye toward creating a Facilities Manager position in the future. We believe this will allow us to more effectively manage the costs of maintaining our building infrastructure over the long term. However, it does entail increasing our overall cost structure. We believe we will recover these costs by more effectively coordinating the care of our buildings and by avoiding large one-time costs due to neglect.

Recommendations

This year we are able to recommend a balanced budget to the voters of Sterling. This is because our revenue has grown by approximately \$795,840 or 5.05 %. It is very unlikely revenue will continue to grow at this pace: new growth (new construction) has slowed and the general economic downturn is likely to negative impact revenues we receive from the state.

The budget we are recommending represents an increase on the Town side of \$359,874 or 3.87 %. The final recommended budget on the town side is \$9,658,722 as compared to \$9,298,848 in FY08. Originally, municipal budgets were submitted totaling \$9,726,222 and were reduced, by the finance committee, by \$67,500.

The total WRSD budget request at this writing is \$73,203,960, an increase of \$4,080,719 or 5.9%. Under most circumstances, such requests are unsustainable without either dramatically reducing town services or a proposition 2 ½ override.

Because of the increase in Chapter 70, the WRSD request to Sterling is increasing by \$422,128 from \$8,778,361 in FY08 to \$9,200,489 in FY09. This is an increase of 4.8% while the overall School budget would increase by 5.9%.

Although Chapter 70 school aid is expected to increase significantly for FY09, this increase is extraordinary and extremely unlikely to be sustainable; in fact the future of Chapter 70 aid is always uncertain.

Therefore, the finance committee is recommending an increase in the overall WRSD budget of 4%, in line with the growth of our town budget and within our revenue growth. This would represent an increase of \$2,764,930 over FY08. The finance committee feels this is both prudent and sustainable. The total WRSD Assessment to Sterling would then increase by \$187,918 from \$8,778,361 in FY08 to \$8,966,279 in FY09.

Each year your finance committee recommends you place excess tax revenues over expenditures (termed Free Cash) into the Stabilization Fund and Capital Fund, this allows us to build important “savings accounts” for your town. Free Cash certified for FY07 was \$728,253 . This level allows us an operating margin of error and the opportunity to fortify our stabilization and capital funds.

The Finance Committee is recommending moving \$270,061 of free cash to Stabilization and \$416,792 to Capital. We also recommend transferring \$171,000 to Capital from Sale of Land revenue. At the same time articles recommended for FY09 represent expenditures of \$454,689 (plus \$89,000 at the STM for FY08) from Capital and FY09 expenditures of \$38,000 (plus \$337,754 in the STM for FY08) from Stabilization.

The Finance Committee recommends you pass the Town budget as presented in the various Articles of the Regular Town Meeting. The finance committee does not recommend passage of the WRSD budget request of the school committee.

Final Thoughts

Sterling’ overall financial picture is good. This is the result of sound financial management over the last decade and favorable circumstance. However, the future is always uncertain and currently appears negative. **We ask that each voter carefully consider the town’s alternatives. Weigh those alternatives against what you feel is best for the community, attend Town Meeting, and vote.**

The Town of Sterling Finance Committee respectfully submits this report for the fiscal 2008 Annual Town Warrant.

John Potter, Chairman
John Kilcoyne, Vice Chairman
Lisa Call, Recorder
Frank Heinemann

Larry Pape
Matt Emsley
Robert Brown