

Town of Middleborough Finance Committee

Savings Bank Building
20 Centre Street
Middleborough, Massachusetts 02346-2250

Middleborough Finance Committee Annual Report 2009

The 2009 Finance Committee is made up of the following elected residents; Mr. Richard Pavadore, chairman, Mr. Joseph Thomas, vice chairman, Mr. Glenn MacPherson, secretary, Mr. Donald Baldwin, Mr. Greg Stevens, Mr. Jason Ruth, and Mr. Tarsi Velantzas. At the annual town election, Mr. Steven Studley was replaced by Mr. Donald Baldwin. Mr. Greg Stevens replaced Mr. Stephen McKinnon, who was elected to the Board of Selectmen.

The Mission of the Finance Committee is as follows:

The Finance Committee shall be concerned with all matters involving the finances and financial procedures of the Town of Middleborough, as required by Massachusetts General Laws and the Town Charter. The Committee makes recommendations to the Board of Selectmen and the residents of Middleboro on all financial matters.

The main function of the Finance Committee is to provide a recommended balanced budget to the Annual Town Meeting for the residents to approve. We also have control over the town reserve fund which is a budgetary line item used for extraordinary or emergency situations that may occur during the year. The reserve fund this year was recommended and voted to be \$50,000.00 which has been the customary amount for the last 10 years.

The Finance Committee met more than 20 times during this year. Most of the meetings held between January and May were focused on the fiscal year 2010 budget. The annual budget was developed by the Town Manager along with department heads and then brought to the Board of Selectmen for their approval. Following this procedure, the budget was submitted to the Finance Committee at the end of February for our recommendations, printing and delivery to the residents at the Annual Town Meeting for final approval.

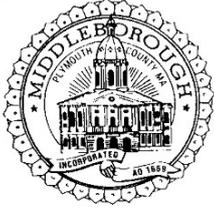
The Finance Committee maintains a web page for the citizens of Middleboro which is controlled and operated by the Information Technology Department. We provide updated agendas, minutes, the towns' annual budget and other financial information on the sight for the public to monitor. You can locate our webpage at the Town of Middleboro website at <http://www.middleborough.com/Finance%20Committee.htm>

The fiscal year 2009 budget was \$67.7 million dollars, and the 2010 budget increased by 1.7% to approximately \$68.9M. The general government budget was basically level funded while the school budget increased by 1%. The country-wide recession economy caused a reduction in state aid that had to be absorbed by local communities.

Although the above paragraph indicates a very modest budgetary increase, the personnel budgets continue to dominate the increases. Over the years FY'05 through FY'10, the average salary increase was approximately 3% per year in general government and 2% per year in the schools (down from 5% and 3.5% one year ago). These figures do not include health insurance and retirement benefits, which are budgeted in a separate department. From FY'03 to FY'10, the employee fringe benefit budgets increased on average by 11.2% per year, down from 12.9% per year one year ago.

As noted above, one of the major budgetary factors in our town is the increase in employee fringe benefits (of which health insurance premiums is a significant part). The current state law (chapters 32A and 32B) dictates that towns can only alter insurance programs through the collective bargaining process. This same restriction is NOT placed on State contracts, which allow dramatic money saving measures that cities and towns are not allowed to use.

This political loophole must change if towns expect to provide health care coverage at the current levels without devastating annual budgets. A modification to state law could result in health insurance savings estimated at \$1M.



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The reduction in local aid by the State of Massachusetts is another of the major causes of our local government's budget deficit. The residents of Middleboro pay higher than state average per capita taxes to local and state entities and cannot be expected to subsidize the lack of state funded responsibilities. Employed town administrators and leaders must lobby our representatives to ensure we get the maximum local aid that is required by the ever increasing state spending mandates.

Assuming level funding (or less) from the state in the foreseeable future, minimal expected new growth, and a local aid increase cap of 2 ½ %, the Finance Committee recommends total departmental budget increases to be capped at 1 - 2% during good financial times. This cap would help to keep the combined employee benefits and personnel line items in line with our local aid growth of 2.5% and might allow us to produce a balanced budget each year based upon recurring revenues. This would also allow any increases in state local aid or new growth to cover one time expenses or to provide additional monies that could be put into our stabilization account. Our stabilization account is currently less than 0.5% of our annual budget and is roughly 10 times less than the state, or the Finance Committee, recommends for Middleboro.

The Town's financial team (Town Manager, Treasurer/Collector and Town Accountant) along with elected boards (Board of Selectmen, Finance Committee and School Committee), MUST work together to come up with a budget based upon a realistic revenue figure. The employee negotiations must be dictated by our recurring revenue stream, which is largely driven by proposition 2 ½. Any deviation from this figure results in budgets that will exceed revenues causing the popular term, "structural deficit" to rise again.

The Finance Committee does not believe that reduced state funding or overly expensive benefit packages for town employees should be offset by transferring the financial burden to the businesses and citizens of Middleboro. Over the past year, the unemployment rate has risen to over 10%, income levels have been stagnant or reduced, state sales taxes were increased to 6.25%, home foreclosures are at an all time high and additional fees, usage rates, and local taxes have been imposed on the same public. Town officials must anticipate the recurring revenues, lobby the state to reduce unfunded mandates, modify health insurance plan design, control contractual increases and adjust local budgets to meet the recurring revenues while providing the best services possible to the town.

The Finance Committee is committed to working with the Middleborough Board of Selectmen, the Town Manager and its financial officers, the School Committee, the Capital Planning Committee, all town departments and the residents of Middleboro to create a sound fiscal plan that meets our needs and services. We encourage employees, town officials and citizens to attend our meetings and be part of our budget preparations and financial recommendations.

Respectfully submitted by;

Richard J. Pavadore, Chairman
January 2010

Current Finance Committee Members

Mr. Joseph Thomas, vice chairman
Mr. Glenn MacPherson, secretary
Mr. Donald Baldwin
Mr. Jason Ruth
Mr. Greg Stevens
Mr. Tarsi Velantzas