

TOWN OF SHREWSBURY
2013 FISCAL STUDY COMMITTEE

REPORT

November 26, 2013

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Executive Summary by Subcommittee

Note: full subcommittee reports follow this section

Significant Findings

Over the course of the last four months the Fiscal Study Committee (FSC) met with all departments of the Town to get a better understanding of our current fiscal situation and to determine what of significance has changed since the Fiscal Study of 2007 and what, if any, opportunities lie ahead.

There was general agreement that the greatest benefit was the educational process itself. Many in the current group had only cursory knowledge of the factors that go into making and managing our budget. Simply put, the committee found that there are no viable or realistic alternatives to reduce the expenditures of the town government. The committee found that the departments have achieved every level of efficiency that is feasible, from streamlining operations, contracting out services and regionalization. Costs that can be controlled have been reduced or the rate of growth moderated. Any further reductions would cause severe degradation of services. With the exception of the annual 2 ½ % increase and new growth, the committee also found that there are no alternatives within the levy limit to raise revenues that would allow increased spending in the operating budget. While several cost cutting changes have been made since 2007, this is a result similar to that Fiscal Study Committee.

In reading the detailed reports it was apparent that most subcommittees expressed concerns that we have reached a critical period whereby it is not obvious how we can continue to provide the services that the Town residents have come to expect within the current budget parameters. The key question going forward is, what kind of community do we wish to be and what are our priorities? This report does not answer that question but does begin to talk about the consequences of continuing down the same path we have since the last report. Please note that the items below are of a summary nature. Please refer to the full subcommittee reports for overall details.

Real Estate Taxes

Real estate taxes account for approximately 50% of all town revenue. That relative percentage has been unchanged for decades. That revenue stream is split overwhelmingly in favor of residential real estate taxes at 87% of that total, the remaining being commercial/industrial real estate taxes. There is a very small amount, less than 1%, of real estate taxes associated with land alone but is inconsequential for purposes of this report. The real estate sub-committee finds that tax collecting operations in Shrewsbury are well managed and highly cost contained. We recommend consideration for increasing the short term cost of the Assessor's Office to hire another part-time lister which will be self-funding and profitable, reducing the backlog of physical assessments and improving the fair value of assessments in the taxable pool. Shrewsbury has a history of prudent fiscal management that has served us well. With budgets and resources for virtually all town department's strained (as will be noted in the body of this report) and little expectation of greater State aid, this subcommittee asks the difficult question as to whether the Town has reached a point where current tax revenue will be enough to cover the

core expenses required to provide acceptable levels of safety and service to the people of Shrewsbury.

State Aid and Grants

State Aid is a significant source of revenue for Shrewsbury but not one that we have a lot of influence over. Moreover, State Aid is often a tool of political activity. Net State Aid has decreased since Fiscal Year 2009 and has been relatively stable at slightly under \$20 million for Fiscal Years 2011-2014, which represents approximately 20% of the Town's operating budget. It is important to note that since Fiscal year 2009, state aid has been reduced by \$1.5 million, causing a significant reduction in revenues available to support the operating budget.

Town administrators expect a slow growth in State Aid between 1-2% in the coming years. The majority of the State Aid is for Education and is characterized as Chapter 70 Aid with significantly smaller aid for specific education-related items. There are occasionally grants available from state or federal agencies, however, the current levels of non-school related grants available are not as extensive as they were in prior years. In addition, town administrators caution that once Shrewsbury develops a program as a condition of the grant, when the grant funding ceases, Shrewsbury still has the obligation to fund and maintain the programs created by the grants.

Treasurer & Collector

The Treasurer-Collector has three primary responsibilities including the collection of taxes and fees, financing our debt, and managing our investments, exclusive of pension. Generally collections have been consistent with a modest amount of outstanding collections (\$693,000) in the form of liens against a number of property owners. This range is typically between \$400,000 and \$700,000.

The Town finances its debt via the issuance of bonds approved by debt exclusion. For FY2014 alone, the Town will pay \$9.4 million to service our outstanding bonds. Of that amount, \$8.45 million is exempted debt. Investments by municipalities in Massachusetts are highly regulated by the State and are run very conservatively. During the recession, investment income has decreased dramatically from \$1.78 million in FY08 to \$369,000 in FY13 owing to the very low interest rates currently being offered.

Excise Tax

Under Proposition 2 ½ motor vehicle excise tax is capped at \$25.00 per one thousand dollars of the vehicle value. Due to the recession, excise tax has shown only modest growth since FY09 when the Town collected \$4,351,092. It rose a bit in subsequent years but it is predicted to dip to 2009 levels in FY13.

Meals Tax

In February 2010, Town Meeting approved adding a 0.75% local option meals tax on top of the general sales tax for the gross receipts for meals. This has been a very good source of revenue that has grown modestly from \$336,490 in FY11 to \$353,033 in FY13.

School Department: Revenue

The primary source of revenue is via Town budget appropriations of \$49,864,477 for FY13 which is inclusive of State Chapter 70 funding of \$18,748,463.

The next largest area of revenue is grants. State and Federal grants total \$2,404,570 but can vary greatly from year to year. The remainder of numerous but generally smaller revenue sources are listed in the body of the report. It is important to note that revenue has been greatly boosted over the last decade with tuition reimbursements and fees. The highest revenue streams include full day kindergarten/pre-school tuitions and athletic and transportation fees. There are several key points to consider when considering school revenue. The first point is that State funding has been flat and not within our control and second that fees can only be used for the primary purpose of the program that generates them – they cannot, for example, offset educational costs such as teacher salaries or instructional materials. Further it is felt that we are at a tipping point with fees with a very targeted group of parents of school age children. In addition, the ability to generate revenue within the school department is limited.

School Department: Expenses

The school department's operating budget allocated from the Town's taxable base is \$52 million. With Federal and State Grants, Circuit Breaker reimbursement, tuitions, fees, and revolving account charges the operating expenditures total \$62.7 million for the FY13-14 school year.

The School Department continues to face significant cost pressures from all areas of its operating budget. Student population has not declined but instead has stabilized at approximately 6,000 students. The combination of flat State aid, higher student population and greater State and Federal mandates has resulted in net fewer teachers and steadily rising classroom sizes. This subcommittee concluded that without additional resources, the school department cannot provide the high quality of education that Shrewsbury expects. This subcommittee requested commissioning a study of special education costs related to the feasibility of returning students currently tuitioned-out into an in-house program. In addition, although the cost of technology may be difficult to justify in an environment of limited resources this subcommittee felt that a review of technology to aid and assist the teaching staff and students to become more productive was in order.

The subcommittee report contains detailed information regarding teacher headcount and five year trends, teacher contractual agreements and costs associated with special education, charter/vocational schools, technology, transportation and curriculum.

Human Resources

More than half of Shrewsbury's 981 employees are represented by various unions elected by the employees to represent them in negotiations with management for improved pay and benefits. The contracts explicitly specify pay, benefits, and other terms and conditions of employment. With multiple unions, the process of negotiations requires ongoing resources of time and money in order to prepare for, negotiate, and administer union contracts for the Town of Shrewsbury.

Although the Commonwealth has discontinued its obligation to fund the Quinn Bill's education incentives for police officers, many towns, including Shrewsbury, have continued to fulfill its obligations in whole or in part to their police officers. In doing so, Shrewsbury is responding to the need to remain competitive and to strengthen its ability to retain its police officers.

Over the past six years, the rate of general salary increases (excluding within pay range step increases for employees not at range maximum) has decreased to an average of 2% from 3%. This reduction in the rate of growth in pay mirrors general salary trends in response to a persistently low growth economy.

The various pay ranges for non-represented employees continue to be administered by the Town's Personnel Board to ensure that the Town's pay rates and pay levels are internally equitable and externally competitive. If issues of external competitiveness and/or equity emerge for specific jobs, the Personnel Board develops a recommendation and presents it to Town Meeting Members for review and approval.

To secure Shrewsbury's promise to provide fully-funded pensions to its employees upon their retirement, the Town will continue its accelerated payment contributions to ensure that the goal of a fully funded pension plan is achieved by 2022.

Shrewsbury continues to participate in the West Suburban Health Group in Shrewsbury's efforts to control the rise of employee health insurance costs. This is accomplished by spreading the risk of high outlier costs over a much larger group of health care enrollees.

Governor Patrick has filed legislation entitled "An Act Providing Retiree Health Care Benefits Reform" in order to gain better control over the rising costs of this retiree benefit by raising the qualifying age requirement to 60 years from the current 55 years, and by raising the years of service requirement to 20 years from the current 10 years.

Public Safety

Police Department

The subcommittee examining the Police Department determined that the Police Department continues to provide the best service with extremely limited resources. However, sustaining this high level of service with such strains for extended periods of time can be detrimental to the Department and the community. It raises the risk to the community, as the functions of the Department do actually involve life and death. The strategic day to day balancing and constant adaptation allows the Department to continue to provide outstanding value to the community in

such a demanding environment. A lesser skilled or lesser cohesive department would unlikely have been able to maintain this as long as this Department has. It is crucial to realize that operating in this fashion cannot be sustained without risks. The strains on the Department are not evident from just a cursory view. This study has provided an opportunity to obtain valuable insight into the Shrewsbury Police Department.

Fire Department

The subcommittee feels that the Fire Department is maximizing its capability with the resources they have at hand and do an excellent job protecting the citizens of Shrewsbury. While the committee is sensitive to the requests made by the department regarding staffing levels and their desire to meet “nationally recognized standards for apparatus manning or fire ground operations,” the Town is not required to meet these standards. In this difficult economy, the subcommittee believes that the following recommendations should be considered only in the presence of increased funding for the Town.

Based upon the Fire Chief’s statements, the Public Safety Sub-Committee recommends:

- Consider the hiring of a Deputy Chief/Fire Prevention Officer
- Consider increasing staff through internal promotions (8 lieutenants) and adding firefighters at entry level positions
- More aggressively pursue the Assistance to Firefighters Grant (AFG) and other grants, possibly through the use of a professional grant writer

Public Works

The Public Works Subcommittee finds that the public works departments have been cut to the bone and little reduction in expenses can be reasonably expected. State and federal mandates have created a significant increase in the cost of doing business as they have for many Town departments. As a consequence of this, rates, manpower and contracting services will need to be increased to help maintain services. In addition, there are concerns for our aging equipment and infrastructure. There are a number of sewer pumping stations that will need to be renovated or replaced. Deferred maintenance is now a greater issue. Sidewalks, for example, have not been maintained as would be expected due to limited budget realities. They are not only unpleasing but in some cases becoming unsafe. On the human side, we are losing our most experienced employees and their exceptional knowledge due to retirement. We lose not only their experience but their leadership as well. This subcommittee recommended consideration of the creation of a Public Works Department with one department head with several junior deputies as this may be a way to retain the leadership and experience needed.

SELCO

The subcommittee studying SELCO revenue finds that they provide a highly efficient and cost effective service to the town. The payment in lieu of taxes (PILOT) received, like the cable portion currently capped at \$800,000 per year, would not be realized by any other private utility. The in-kind services provided by SELCO are extraordinary and are in addition to the PILOT

agreement. SELCO is acutely aware of the need to remain current and the need to continually invest capital in the latest technology is an area of concern and the main reason why the PILOT was capped. Increasing payments to the Town would only take away from the ability of SELCO to make this investment and cause a direct increase in the cost of services provided. One possible source of savings in the Town's power costs is by reducing street lighting.

Library

The Shrewsbury Public Library is an efficiently managed and popular municipal service. The library has demonstrated excellence in adapting to and utilizing changing technology to maximize financial and material resources. Library staffing has remained steady. The number of full time equivalent staff was 17.5 in 1998, peaked at 20.92 in 2007 and is projected to be 17.5 in 2014. The number of annual volunteer hours ranges in the thousands, utilizing approximately 700 volunteers. This subcommittee could not identify areas for significant savings nor new revenue sources.

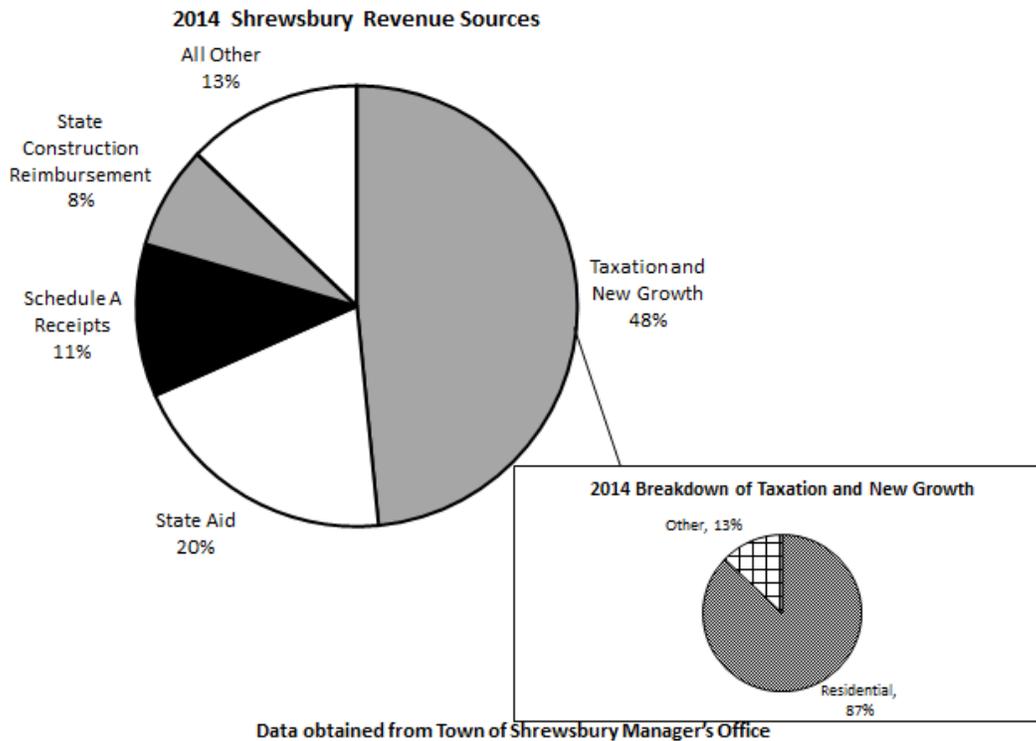
Pay-As-You-Throw (PAYT)

The conclusion on Shrewsbury's PAYT program is that it works as it was intended. Thirty three percent of the Town's waste stream by tonnage is being recycled. Efforts to increase fees for the PAYT program come with consequences. There is a concern that if we increase the costs of bags, it may cause our residents to seek alternative methods for collection and disposal.

2013 FISCAL STUDY COMMITTEE REPORT

1. Real Estate Taxes

Real estate taxes account for approximately 50% of all town revenue. That revenue stream is split overwhelmingly in favor of residential real estate taxes at 87% of that total, the remaining being commercial and industrial real estate taxes. In Shrewsbury, we have a single real estate tax rate for all property classes. Some communities, such as Worcester, have dual tax rates with rates for commercial properties in some cases twice that of residential properties. With the commercial value base so low and that constituency being mostly small businesses, the leadership of the Town has consistently been in favor of the single rate to better preserve the viability of those businesses. The 2007 Fiscal Study Committee believed that Shrewsbury needs to seek opportunities to encourage more commercial growth, and we also believe that raising the tax rate on businesses would be undesirable. Therefore, the focus of this study is on residential taxes.



Residential Taxes

As contentious as a discussion on residential taxes can be in any town, the formula for calculating tax revenue is at essence simple and non-debatable -- for each household, multiply the household value by the yearly tax rate, and then sum those numbers for all households to get the tax revenue for the town. So, to determine whether a town has responsibly managed itself in regard to taxes requires both a tactical view (are our assessed housing values correct and do we correctly take into account non-payments, tax abatements, etc.), and also a policy view (how

conservative or aggressive is the tax rate). It's the policy view that typically generates discussion, but we first address the tactical questions.

Having reviewed the Assessor's approach to assessing housing values, we conclude that the model, while not simple, is data driven and in line with models generally used by Massachusetts municipalities. We also conclude that the percent of non-payments and the number of tax abatements are inconsequential and appropriately predicted and accounted for in our overlay budget. However, most of the primary inputs to the model used to assess a house's ongoing value - for example square footage, number of bathrooms, and renovations or lack thereof - requires personnel from the Assessor's office to physically go out, view houses, and update those data points. In fact, the Assessor's office is required by the Department of Revenue to physically assess each of the houses in Shrewsbury at least once every nine years. But in practice, with 9,148 single family homes and another 1,654 condominiums, representing a 37% increase over the last 20 years, and with only one part-time lister employed to perform physical assessments, the Assessor estimates that only 10% of those houses to be assessed in any year has their interior and exterior physically assessed. The Assessor's office feels there are significant improvements and renovations not currently captured in today's assessed values. This disadvantages the Town from a tax perspective. A backlog of assessments also affects individual homeowners who want a fair assessed value when looking to sell their homes.

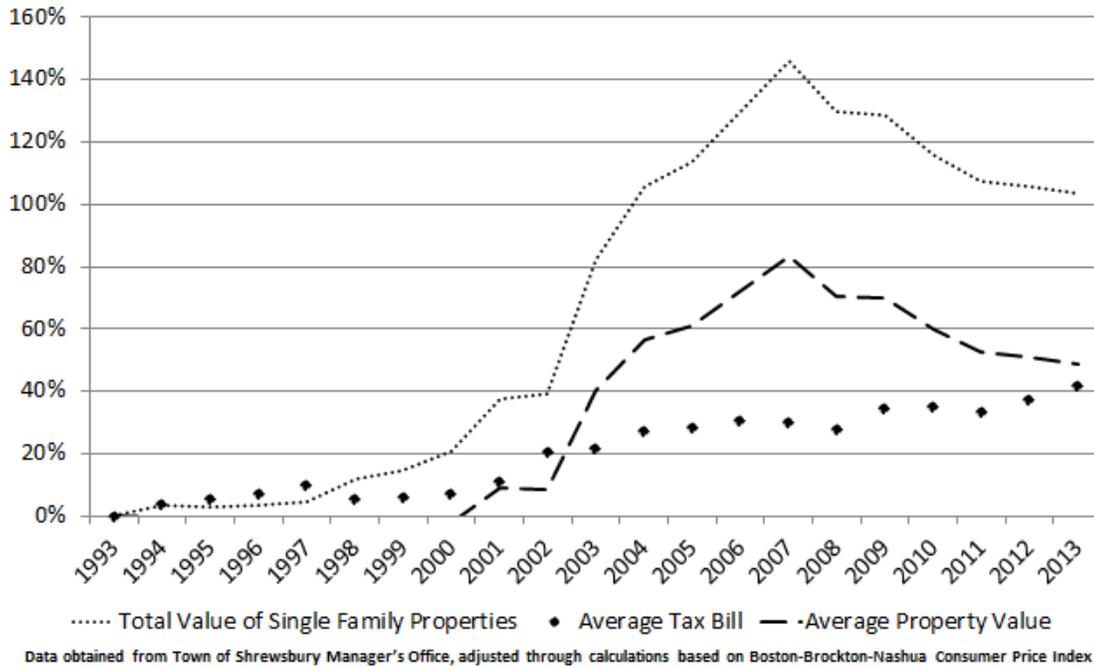
A small but cost-effective opportunity exists to hire an additional contracted part-time lister to reduce the backlog of physical reviews, resulting in a more accurate base of assessed housing values. While such an effort is anticipated to more than pay for itself, the results will not materially affect the town's financial situation.

With a sense that taxes in Shrewsbury are effectively collected and that there is only a small opportunity to raise revenue through improved assessment, we now turn our review to that of tax policy and whether it is "fiscally responsible."

Shrewsbury has a proud history of fiscal conservatism and cost containment, which for years has allowed the Town to maintain an extremely low tax bill relative to other towns in the region. In its history, the prudence of such low taxes has only come into question when the expenses of the town surpass or threaten to surpass revenue. Prudent fiscal policy and prudent tax policy must take into account the inflation adjusted value of tax revenue, the anticipated inflation-adjusted expenses of a town in the near term, and the relative impact tax revenue will have in meeting those expenses.

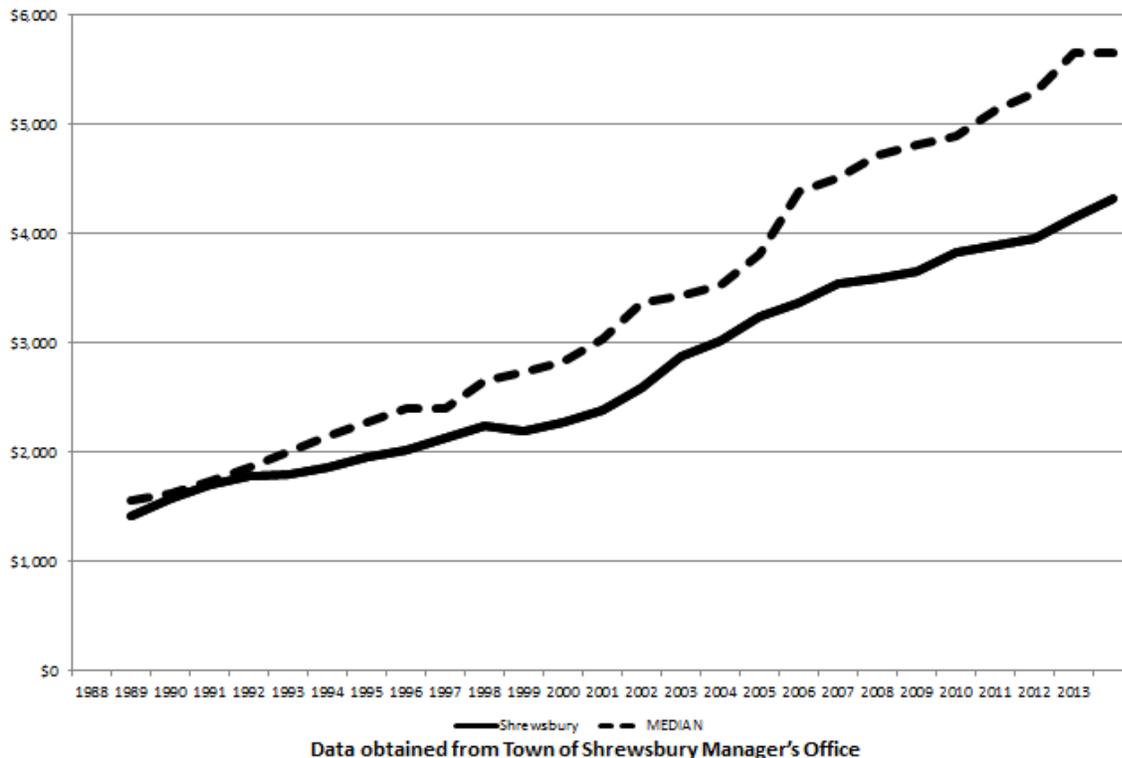
In the last 20 years, the number of single family homes in Shrewsbury has increased by 37%. The overall value of single family homes has increased by 233% -- even when adjusted for inflation that's 104% or an average increase of 5% per year. In the last 20 years, when adjusted for inflation, the average property value for a single family home has gone up 49%, and the average tax bill for a single family home has gone up 42%, both of which average out to approximately 2% per year. This is also in line with the average Shrewsbury tax bill, which has gone up by an average of 2% per year.

**Percentage Growth in Property Values and Tax Bills Since 1993
adjusted for inflation in 1990 Dollars**

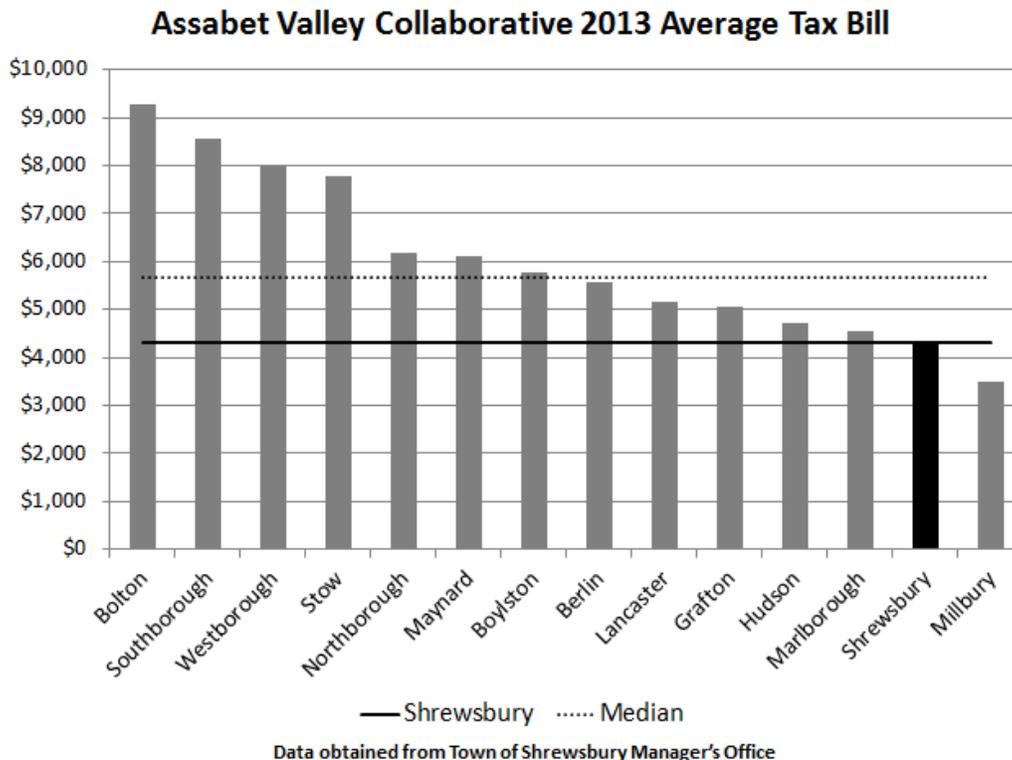


Shrewsbury has always been fiscally conservative relative to surrounding towns. However, in recent years, the gap between Shrewsbury's taxes and those of neighboring towns has increased significantly.

Assabet Valley Collaborative Average Tax Bill



As one of 14 towns in the Assabet Valley Collaborative, Shrewsbury had the 7th lowest taxes in 1991, and now has the second lowest taxes in 2013.



More detail showing the growth in average tax bills by town may be found in Appendix A. Voters in nearby towns have been willing and found it necessary to assume a higher tax burden to provide their desired levels of service. Since municipalities are required to have a balanced budget every year, the town has managed this stress on margins by reducing cost where possible, regionalized where possible, cut services, and imposed fees. Yet the margin pressure continues. Consideration of an override is based on the value of the investments under consideration and affordability. The expense section of the study articulates the tradeoffs associated with cutting, maintaining, or increasing investment in various services provided by the town. Affordability is more difficult to measure, as it balances a household's ability to pay a particular level of taxes with a household's ability to augment services not provided or no longer provided by the town, particularly if those situations involve services that some residents expect to be core public services or if those situations shift costs often shared by all residents of a municipality onto a smaller group of Shrewsbury residents. See Appendix B for median / mean household income data for Shrewsbury.

There are exception programs related to hardship, and they certainly could be expanded further if required by a vote at Town Meeting. Currently eligible groups include the 2% of Shrewsbury families who fall below the poverty line, the 6% of residents who are widowed, and the 16% of residents who are over age 65. There are also approximately 170 veterans who qualify for and use exemptions. There may be at least some overlap between these groups, and many of these individuals may not be property owners. For clarity of discussion, we have provided scenarios which provide a more concrete sense of the revenue that could be generated in Shrewsbury by

pursuing various override scenarios (see Appendix C). For information regarding the relationship between Proposition 2.5 and the tax rate, see Appendix D.

Summary

In conclusion, this sub-committee finds that tax collecting operations in Shrewsbury are well managed and highly cost contained. We recommend consideration for increasing the short term cost of the Assessor's Office to hire another part-time lister which will be self-funding and profitable, reducing the backlog of physical assessments and improving the fair value of assessments in the taxable pool. More importantly, we recommend that the voters seriously consider whether we have reached the limits of prudent expense management, whether our current tax revenue will be enough to cover the core expenses required to provide acceptable levels of safety and service to the people of Shrewsbury, and whether it would be affordable and desirable to increase our tax revenue by more than 2½%, while remaining more fiscally conservative than other local communities.

2. State Aid and Grants

State Aid

State Aid is a significant source of revenue for Shrewsbury. However, Shrewsbury has no significant influence over the amount or timing of State Aid. Therefore it is not likely a source of additional revenue to Shrewsbury. In addition, State Aid is often a tool of political activity at the State level which directs and claws back some of the aid toward specific State goals.

A review with town administrators of State Aid received since Fiscal Year 2008 indicates that net State Aid has decreased since Fiscal Year 2009 and has been relatively stable at slightly under \$20 million for Fiscal Years 2011-2014. (See Appendix E for State Aid and Charges Fiscal Year 2009 to 2014). In spite of recent press from State officials that State Aid would increase, the recent net increase in State Aid to Shrewsbury has been minimal with an increase in Fiscal Year 2014 of roughly \$250,000 after an increase in Fiscal Year 2013 of roughly 345,000. Shrewsbury would need an increase in State Aid of approximately \$1.5 million to get back to the level of State Aid received in Fiscal Year 2009. Town administrators expect a slow growth in State Aid between 1-2% in the coming years.

On an annual basis, each municipality is provided State Aid information by what is known as a "Cherry Sheet" from the State (See Appendix F for FY2014 Cherry Sheet) which indicates the level of overall aid the State intends to provide to a municipality for Education and General Government. However, the Cherry Sheet also sets forth "charges" the State intends to charge against the State Aid for services provided to Shrewsbury or for assessments to Shrewsbury for State programs. Discussions with town administrators indicate that, although most of the revenue received from the state is unrestricted, in general, the State Aid that is provided reflects political decisions made at the State level regarding which programs the State chooses to support.

The Cherry Sheet provides revenue in two categories: Education and General Government. The majority of the State Aid is for Education and is characterized as Chapter 70 Aid with significantly smaller aid for specific education-related items. (There is additional Education Aid provided directly to the School Department to reimburse some costs devoted to special education known as a Circuit Breaker Reimbursement which is covered in the section on Schools.) The majority of the General Government aid is Unrestricted General Government Aid with significantly smaller aid for veterans benefits, certain property tax exemptions, state owned land, and a small contribution toward the public library.

The charges against State Aid include charges for certain State programs such as mosquito control, WRTA assessment and MBTA assessment as well as charges for school choice tuition and charter school tuition. The most significant charge is for charter school tuition although that charge has decreased in Fiscal Years 2013 and 2014 which town administrators indicate reflects fewer students enrolling in charter schools.

Grants and Giving

Discussions with town administrators indicate that there are occasionally grants available from state or federal agencies, however, the current levels of non-school related grants available are not as extensive as they were in prior years. There was a recommendation in the 2007 Fiscal Study Report that Shrewsbury should consider dedicating an employee, or possibly an intern, to research grants and assist in the application process. However, town administrators state that finding grants is easy and that most grants today are formula grants. Currently, grants are applied for by heads of departments for grants relevant to their department or sometimes through a third party with experience in a particular grant.

According to town administrators, there are several obstacles in pursuing or obtaining grants. Shrewsbury must use discretion in determining which grants to pursue since conditions of the grants may require Shrewsbury to get into businesses that are not in the best interest of Shrewsbury. For example, there are some grants available to create more housing units or to expand the provision of human services. However, town administrators caution that once Shrewsbury develops a program as a condition of the grant, when the grant funding ceases, Shrewsbury still has the obligation to fund and maintain the programs created by the grants. In addition to needing to exercise discretion in determining which grants will benefit Shrewsbury, town administrators indicated that for some grants it requires extensive lobbying with local or federal representatives to obtain to grants.

Recent examples of successful grants include work with the Worcester Business Development Corporation on the development CenTech Park in Shrewsbury as well as grants for public health programs obtained in collaboration with the City of Worcester Public Health Division.

In addition to Grants, town administrators acknowledged there is a moderate level of individual donations of funds or resources by local residents and businesses. Some examples are funds that are donated and used to provide needed resources for the schools, or to allow the library to remain open on days when the budget is not sufficient to support the library being open on all days. There is other support where improvements in Shrewsbury are funded and made by local

residents or businesses where Shrewsbury receives the benefit of the improvements without expending resources. However, town administrators acknowledge that such generous donations are minimal in comparison to the resources required to provide services in Shrewsbury. A more overt policy of recognizing generous donors and an open access to Town officials for those looking to do so would have only positive effects and should be considered.

3. Treasurer & Collector

The Treasurer & Collector's office is responsible for many things, but this report focuses on three activities that have the greatest impact on town finances.

Collections

The Treasurer & Collector is responsible for collecting all the tax payments, as well as other payments made to the Town. If these payments are not made promptly, the entire financial performance of the Town is undermined. Currently, Shrewsbury has approximately \$693,000 in property under tax lien. The amount of property under tax lien has been ranging from about \$400,000 to \$700,000. This range has not changed significantly since the last Fiscal Study in 2007.

The Treasurer & Collector's office works very closely with property owners who have difficulty paying on time in order to get the bills paid without resorting to tax liens.

Debt Financing

A good portion of the capital spending that Shrewsbury does is paid for by borrowing in the form of issuing municipal bonds. At each Town Meeting, the Manager provides a list of all the outstanding bonds and shows the principal and interest payment schedule for each. For FY2014 alone, the Town will pay \$9.4 million to service our outstanding bonds. Of that amount, \$8.45 million is exempted debt. From time to time, any of these bond issues may be re-funded to take advantage of lower interest rates.

Whenever a new bond is issued, or an old bond is re-funded, the Treasurer & Collector works with a team of outside specialists to get the best deal possible. As a Town with a good credit rating, Shrewsbury can borrow money at rates far less than the average person or business could. Since the drop in interest rates that occurred around 2009, the Town has re-funded four old bonds to take advantage of lower rates. The Treasurer along with the Town Manager and outside consultants, are always looking for opportunities to capture value in the debt market.

Investment Income

The Treasurer is responsible for investing any funds the Town has on hand due to operational reasons, trust funds for benefits, or special funds used for the various program funding mechanisms we have in Shrewsbury.

Investments by municipalities in Massachusetts are regulated by the Commonwealth and are limited to approved investments. This income is small compared to other income streams, and is influenced by the very low interest rates being paid by banks and investment performance in general. In FY13 the actual interest income was \$369,000, approximately \$45,000 below the budgeted amount. Unfortunately, the sustained economic downturn has depressed interest rates. As a result, investment income has dropped dramatically from \$1.78 million in 2008 to \$369,726 in 2013.

4. Excise Tax

Pursuant to Ch. 60A of the Massachusetts General Laws, every motor vehicle and trailer *registered* in the Commonwealth is subject to the motor vehicle excise tax unless expressly exempted. Prior to the 1982 Proposition 2 ½ Ballot initiative, the Motor Vehicle Excise Tax was set at \$66.00 per thousand dollars of assessed value of a vehicle. When Proposition 2 ½ took effect not only did it affect the property taxes but the Motor Vehicle Excise Tax was also capped to \$25.00 per one thousand dollars of the vehicle value. Listed below are the amounts collected for Vehicle Excise Taxes.

Projected FY13	FY 12	FY 11	FY 10	FY 09
\$4,300,000	\$4,507,317	\$4,437,527	\$4,295,450	\$4,351,092

Below is the excise tax formula for a brand new vehicle.

This example assumes a motor vehicle (a) purchased in the year preceding the year of manufacture [e.g., a 1990 model year vehicle purchased in calendar 1989] (b) with a manufacturer’s list price of \$15,000. Below is the manufacturer’s Ch. 60A value for rate during the immediate years after purchase. Note there is a break given if purchase is made in the year prior to manufacture. From there, the valuation drops from 90% to 10% in the course of the next five years.

Year Preceding Year of Manufacture:	$\$15,000 \times 50\% = \$7,500 \times .025 = \$187.50$
Year of Manufacture:	$\$15,000 \times 90\% = \$13,500 \times .025 = \$337.50$
Second Year:	$\$15,000 \times 60\% = \$9,000 \times .025 = \$225.00$
Third Year:	$\$15,000 \times 40\% = \$6,000 \times .025 = \$150.00$
Fourth Year:	$\$15,000 \times 25\% = \$3,750 \times .025 = \$93.75$
Fifth and Subsequent Years:	$\$15,000 \times 10\% = \$1,500 \times .025 = \$37.50$

Shrewsbury’s Lake Quinsigamond allows the town another opportunity unavailable to many municipalities to capture more boat excise taxes, “this is an amount levied on boats and ships in lieu of a personal property tax for the privilege of using the Commonwealth’s waterways. Assessed annually as of July 1, the excise is paid to the community where the boat or ship is usually moored or docked (<http://www.mass.gov/dor/local-officials>).

The rates are \$10.00 per thousand dollars and the value of the boat is based on the age and length, exceptions are boats valued less than \$1,000.

5. Meals Tax (Optional Local Tax)

In February 2010, Town Meeting approved adding a .75% local option meals tax on top of the general sales tax for the gross receipts for meals. In FY2011 the Town received \$336,490; in FY2012 the Town received \$348,153; in FY2013 the Town received \$353,033; and the projection for FY2014 is \$350,000. Shrewsbury currently has 80 establishments paying this optional tax, the locations range from lower priced individual consumer receipts from Dunkin Donuts to higher priced individual consumer receipts from Amici's Restaurant. This optional tax has been a great boon to Shrewsbury. However, with our high rate of residential property and low commercial property we have little opportunity to dramatically increase our restaurant base. The state collects the optional tax and regular sales tax and then distributes it to the municipalities.

Shrewsbury's proximity to Worcester, its many colleges, particularly the UMASS medical and research campus provides us with a special opportunity to increase our hotel and restaurant base. The Shrewsbury Street restaurants hold introduction events for college students to the city; Shrewsbury's Lakeway Business District might bring more sales to the area by holding events to introduce college students and their parents to the area and to the thousands of employees employed in Worcester at the UMASS campus and Medical-Research center. The revitalized and renovated Lakeway District and the soon to be opened new bridge allow for many new and exciting opportunities to increase Shrewsbury's restaurant base in that area.

In conclusion, the Town has benefited from this meals tax as it has provided a significant and consistent source of revenue to the Town.

6. School Department - Revenue

The subcommittee on School Department Revenue met with Dr. Joseph Sawyer, Superintendent of Schools, and Mr. Liam Hurley, Director of Business Services, on August 20th. The subcommittee continued to interact with Dr. Sawyer and Mr. Hurley as the research process continued.

This report will be divided into two parts: first, a general accounting of the existing revenue streams that flow into the School Department, or which are otherwise utilized by the School Department; and second, an examination of various possibilities for enhancing School Department revenues, including the potential benefits and drawbacks of each.

PART ONE: SCHOOL DEPARTMENT REVENUE STREAMS

The School Department derives its revenues from the following sources:

- Town Budget Appropriations
- State Funding
- Federal Funding
- Grants
- Private Grants and gifts (including PTO and SEF funds)
- School Choice/Other Tuitions

- Athletic Funds
- School Lunch Program
- Other local receipts (such as the before/after school programs)

The School Department procures approximately \$760,000 in reimbursements through various programs, with this revenue going to the Town's general fund. These receipts include:

- Health Insurance Reimbursement
- Medicaid payments
- McKinney Vento Homeless Reimbursement (for transporting homeless students)
- Vocational Transportation Reimbursement
- E-Rate Program (discounted telecommunications services)

All funding the School Department receives is put towards expenses generated in the School Budget as well as the General Town Budget.

Several years ago, the state's Chapter 70 school funding formula began utilizing a community's overall income and property wealth as a factor in determining how much state aid for education should be provided. Over time, the state's target for Shrewsbury's required share of funding an adequate education has increased from 70% to 75% as the town's wealth has increased. The state's calculation shows that Shrewsbury's required contribution is below this target by over 9%, and indicates that the Chapter 70 funding that the town has received in recent years actually exceeds the amount the state calculates that the town needs. Therefore, each year the state reduces the amount of state aid Shrewsbury is eligible to receive under the formula as it moves the town closer to its target share, and has only provided so-called "minimum aid" of a certain allotment per student (in FY14 this was an additional \$25, for a total of \$148,750). Because of the formula's wealth factor, it is highly unlikely that Shrewsbury will receive any significant additional state education aid through the Chapter 70 program over the next several years.

The figures below are based on the School Department's Fiscal Year 2013 budget, and are accurate as of October 2013.¹

Town Budget Appropriation \$49,864,477

State Funding

Circuit Breaker Special Education Reimbursement \$2,502,777

Chapter 70 Funding \$18,748,463 - *This figure is reflected in the Town Budget Appropriation.*

Charter School Reimbursements \$131,784 - *This figure is reflected in the Town's net state aid.*

Federal Funding

Grants

Federal and State Grants \$2,404,570

Private Grants and Gifts \$178,912

School Choice/Other Tuitions

School Choice Receiving Tuition \$79,568
Full Day Kindergarten Tuition \$747,877
Preschool Tuition \$424,727
Other Tuitions \$72,155

Athletic Funds

Athletic Fees \$299,445
Gate Receipts \$23,310
Athletic Sponsorships \$34,500
School Lunch Program \$1,581,932

Other fees & local receipts

Student Activity Fees \$73,688
Transportation Fees \$602,092
One-to-One Technology Initiative Fees \$118,559
Extended Day School Care \$1,064,310
Facility Rentals \$218,313
Summer Enrichment Programs \$246,067
After School Music Lessons \$244,448
Other/ Misc. \$88,281

¹ The FY13 revenue numbers presented in this report have not yet been audited. The School Department has made every effort to assure the accuracy of these numbers, but the School Department reserves the right to make changes or updates to these numbers.

The subcommittee considers it important to note that the School Department has no direct control over State Funding, or the Town Budget appropriation (though the School Committee is actively engaged in the municipal budget process).

PART TWO: POSSIBILITIES FOR ENHANCING SCHOOL DEPARTMENT REVENUES

Restrictions on Revenues from Fees and Tuition-Based Programs

By law, any revenue raised through a tuition or fee-based program must be expended in ways that are of direct benefit to that program. Fees can only be used for the primary purpose of the program that generates them – they cannot offset educational costs such as teacher salaries or instructional materials.

Could the School Department further raise fees? Is there a tipping point at which the Department would lose revenue instead?

The ability to raise fees is the purview of the School Committee. *Fees can only be used for the primary purpose of the program that generates them – they cannot offset educational costs such as teacher salaries or instructional materials.* Regarding a “tipping point” where participation goes down and actually causes a net loss in revenue despite a higher fee, that is a risk, but one that is difficult to predict. One informative example occurred in FY10, when the School Committee raised the transportation fee from \$210 to \$250. Paid bus ridership decreased by 12%, but revenue increased by 5% due to the higher fee. It is conceivable a scenario could occur wherein a fee that too many families consider too high would result in a more significant participation drop. It is hard to predict where that “tipping point” is for different fees, but

according to the Superintendent, anecdotally, families are consistently sending the message that they feel that the existing fee levels are already at a point where they debate the cost/benefit of paying them.

There are other impacts to raising fees. If participation in fee-based activities decreases, fewer students are gaining the benefits of the program (e.g., athletics, music, clubs, etc.); regarding transportation, fewer bus riders equals more auto traffic at school sites, making it difficult to run a safe and timely arrival and dismissal of students.

Can the School Department raise revenue through expanding extended day capacity, or by increasing the rates charged?

By law, any revenue raised through a tuition- or fee-based program must be expended in ways that are of direct benefit to that program. Tuition charged to the Extended School Care (ESC) program must be used in ways that are connected to the ESC program (staffing, materials, etc.); those funds cannot be used to address other school needs such as teachers or curriculum materials. The educational program can sometimes be a secondary beneficiary of ESC expenditures. For example, a few years ago the Paton School cafeteria tables were replaced using ESC funds, because that is the space that they use. ESC funds offset costs of photocopiers, laminating machines, playground mulch, and other equipment that they use. The ESC program also makes an annual payment of \$50,000 to the Public Buildings Department to offset the cost of electric lighting and heat.

Is there capacity to expand revenues through summer enrichment?

By law, any revenue raised through a tuition- or fee-based program must be expended in ways that are of direct benefit to that program. There could be some capacity to expand this program, as the middle school program was recently expanded with some success. Those who teach the courses are not required to be licensed teachers. While many Shrewsbury licensed teachers do teach these enrichment courses, many non-licensed paraprofessionals do as well, as well as outside individuals. It is not a lack of teachers that is stopping an expansion, but rather space available given other summer program needs, such as for mandated special education programming, Parks and Recreation programs, and the need to clean buildings over the summer. The funds collected must be used to support the program that generates the funds, with the regular educational program only benefiting on a secondary level (for example, funds from the summer program housed at Floral Street have been utilized to purchase some technology that the summer program uses but that the Floral Street program can use during the school year). As with the Extended School Care program, the funding source has a marginal impact on the educational program.

Can the Pre-K program be expanded to enhance revenue?

By law, any revenue raised through a tuition- or fee-based program must be expended in ways that are of direct benefit to that program. The School Department is currently maxed out for space in its preschool program; this includes utilizing the building on Wesleyan Terrace for two preschool classrooms, which requires approximately \$40,000 in rent each year. Additionally, the

same issue applies – any tuition generated by preschool must be used for the preschool program, and while the School Department currently generates a significant amount of money to offset that program, adding additional class sections would also require spending new tuition dollars on salaries, materials, etc.

Why doesn't the School Department apply for more Federal and State Grants?

Most grants available to K-12 public school districts are targeted towards financially needy, or otherwise struggling districts. Most often, Shrewsbury does not qualify for these grants. Many grants at the state level require a minimum of 40% of students being eligible for subsidized lunch, where Shrewsbury is closer to 15%. Though the District did receive a competitive grant of \$1.3 million from the federal government for the physical education program (over FY12-14), this grant is specific to physical education.

What is the status of a capital campaign to benefit the School Department?

The Superintendent convened an advisory committee on this topic that met several times in the Spring and Fall of 2012. Members of the advisory committee felt the hiring of a development director to coordinate the work was required for a true capital campaign to be successful, but the question exists of how to fund such a position when the School Department is in great need of teaching and other educational staff. At the present time, groundwork for a more modest “annual giving” style campaign is underway, which, if successful, could provide some momentum and capacity towards a larger initiative.

What about stepping up Athletic Sponsorships?

This effort has already begun under the direction of the Superintendent and the High School Athletic Department Director, and has achieved some degree of success in securing donations. However, private donations cannot necessarily be relied upon year-to-year. Further, school department employees are not fundraising or development professionals. This and similar efforts requires them to undertake such roles, and takes time away from their regular duties.

What about renting out school auditoriums and theaters?

The School Department currently does this. There is a facility rental fee, which is based on whether a renting entity is a for-profit or non-profit. For a number of years, Lesley College has rented classroom space from the School Department on the weekends for their Masters program; Available space for rental, however, is not actively marketed.

Could the School Department charge high school students for a parking sticker to park in the parking lot?

This issue is more complicated than it may appear. Any funds collected from such a charge must be given to the General Fund and not specifically to the School Department, so it would not offset expenses or be used for educational salaries or materials. Further, personnel would be required to monitor parking areas for proper stickers/ permits, issue warnings, and handle towing

for violators. Currently the School Department does not have available personnel to undertake these tasks. The issue of equity is also raised, as families who do not wish to pay the bus fee often opt for students to drive or be driven to school. These families would then face a parking fee.

What of the option to pursue a late bus at the high school, as a potential means of generating revenue?

By law, any revenue raised through a tuition- or fee-based program must be expended in ways that are of direct benefit to that program. The School Department has reviewed this option from time to time. The cost issue is related to the structure of the Department's transportation contract, where a daily fee is paid for the use of a bus whether it is used for one tier or all three tiers (high school, middle schools, and elementary schools). All buses are being utilized for multiple tiers, so there is no bus that is available for a late bus unless an additional bus is paid for at the daily rate, which is approximately \$56,000 for the year. It has been the opinion of the SHS and district administration that there is not enough demand on a consistent basis for enough students so that the fee would be spread out enough to be a reasonable price point.

Could the School Department provide new summer camps or programming (for example, using the new rope course at the high school) to bring in revenue?

This would be stretching the capacity of teachers, who are already being overtasked. Also, it requires special training and safety training to monitor persons on the rope course.

CONCLUSIONS

In examining revenue flowing into the Shrewsbury Public Schools, as well as evaluating the potential for the District to enhance its own revenue, the subcommittee on School Department Revenues has reached two general conclusions that the Town and community should consider regarding school funding.

First, the School Department has an extremely limited capacity to enhance its own revenue. The School Department has no direct control over its most significant income sources. Though there are a number of very specific avenues for the School Department to increase income derived from certain programs, almost all of these options (outlined above) come with significant drawbacks that call into question their value, and potential revenues are minimal. Further, by law, any revenue raised through a tuition or fee-based program must be expended in ways that are of direct benefit to that program. Fees can only be used for the primary purpose of the program that generates them – they cannot offset educational costs such as teacher salaries or instructional materials.

Second, all revenue sources that the School Department has some direct control over primarily impact either parents and families of students, or those who make direct use of Shrewsbury Public School services. In short, efforts by the School Department to enhance its own revenue (namely, tuitions and fees) are overwhelmingly targeted at parents and guardians of current students, or at those who purchase some service from the Department. A rough estimate finds

that approximately 7,300 Shrewsbury residents, or 20% of the Town's current population, are parents or guardians of children in Shrewsbury Public Schools². By and large, it is only these individuals that the Shrewsbury Public School District, on its own, can target for additional revenues, while the entire community derives significant value from the school district.

7. School Department: Expenses

Overview

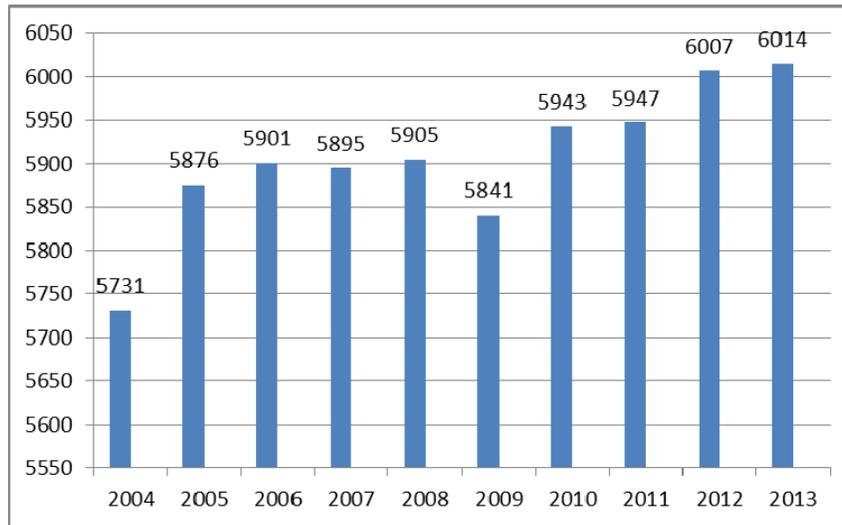
The Shrewsbury School Department is responsible for providing a Free and Appropriate Public Education (FAPE) to all resident children of the Town of Shrewsbury. The school department operates under the auspices and guidelines set by the Massachusetts Department of Elementary and Secondary Education (DESE). These guidelines set an outline for curriculum and requirements to complete a twelve grade education.

In 1994, there were approximately 3,800 students enrolled in the Shrewsbury public schools from pre-school to grade 12. As the chart shows below, as of October 1, 2013, there are 6,014 students in the Shrewsbury school system from pre-school to grade 12. The school department's operating budget allocated from the Towns' taxable base is \$52.0 million. With Federal and State Grants, Circuit Breaker reimbursement, tuitions, fees, and revolving account charges the operating expenditures total \$62.7 million for the FY2014 school year.

Shrewsbury continues to feel the impact of the dramatic population increase in the late 1990s/early 2000s. The pre-school to grade 12 student population now exceeds 6,000 students and there is no expectation that this number will decline in the foreseeable future. The demands of enrollment growth for increased staff and facilities have never been fully met. This situation has been exacerbated over the past 5 years as a result of the recession. Inconsistent and inadequate federal and state funding, combined with the costs of complying with resource-intensive legal mandates, have placed significant cost pressures on the school district. In response, the school district has reduced staff and eliminated programs. As a result, multiple classes in elementary, middle, and high school levels have 30 or more students per class, with some as high as 32, and all Grade 7 sections are *averaging* 31.

² The most recent calculation indicates that there are approximately 3,800 families represented by the approximately 6,000 students in the Shrewsbury Public Schools. Statewide, about 9% of households are single parent, which is likely high for Shrewsbury. Assuming about 3,500 families are two parent and 300 are single parent, that would equal 7,300 parents of 6,000 public school students. 7,300 equals about 20% of the overall town population.

Shrewsbury Public Schools Enrollment History 2004-2013



School Operating Budget

The 2007 Fiscal Study report stated the “the Education budget comprised 49.3% of all General Fund Expenditures for FY 07.” In the FY 14 budget, the Education budget comprised 51.5% of all General Fund Expenditures. The School Department budget has increased from \$40.188 million in FY07 to \$52.041 in FY14. This is an increase of 29.49% or 3.76% per year. While the School department budget as a percentage of the total operating budget is slightly higher there has been a shift in the expenses of the categories of the operating budget within the School Department.

Headcount – Total FTE Positions

The following charts represent the movement in positions from FY 2010 to FY 2014. It shows the year over year trend of total FTE positions funded to support the schools. It is important to note that while this chart shows only the most recent five years, FY 2008 was the School Department's "high water" mark of 734.16 FTE positions.

Total FTE Positions Trend FY 2010 - 2014

Position Type	FY2010	FY2011	FY2012	FY2013	FY2014
Instructional Classroom	256.00	250.10	251.10	236.20	240.20
Instructional Specialists	51.90	49.90	49.70	49.80	49.80
Instructional Support	123.86	125.40	127.20	125.90	126.80
Classified Staff	249.3	260.4	261.05	249.15	267.22
Administration	32.50	32.50	32.10	30.80	33.50
Total	713.56	718.30	721.15	691.85	717.52

Net Change from Previous Year

Position Type	FY2010	FY2011	FY2012	FY2013	FY2014
Instructional Classroom	(2.60)	(5.90)	1.00	(14.90)	4.00
Instructional Specialists	(1.30)	(2.00)	(0.20)	0.10	0.00
Instructional Support	6.30	1.54	1.80	(1.30)	0.90
Classified Staff	(18.80)	11.10	0.65	(11.90)	18.07
Administration	(1.00)	0.00	(0.40)	(1.30)	2.70
Total	(17.40)	4.74	2.85	(29.30)	25.67

As demonstrated above, the five year trend is a loss of instructional classroom positions (resulting in the increased class sizes) and an increase in instructional support positions³ and classified staff positions⁴ mainly due to mandated service needs.

Teachers Contracts

The School Committee is currently negotiating a new three-year contract with the teachers' union. The following chart summarizes the last three teachers' contracts.

Year	Step Increase	COLA
2006/07	Step Freeze	2.0%
2007/08	Regular Step	2.5%
2008/09	Regular Step	3.5%
2009/10	Mid-Year Step	0* (2.0% top step)
2010/11	Mid-Year Step	0** (\$500 top step)
2011/12	Regular Step	1.0%
2012/13	Regular Step	2.5% +0.5% mid-year
2013/14	Regular Step	0.25% ***

*2009/10: For FY10, School Teachers received a 1 year contract with steps mid-year and 0% COLA increase, except the top step was increased by 2% (mid-year). Work year was also reduced by 2 days (equiv. of a 1% increase). An additional longevity stipend was added for more than 15 years of service (in addition to 20 and 25 year stipends).

** 2010/11: For FY11 School Teachers received 0% COLA, and steps mid-year; top step teachers' salary increased by \$500 and top step teachers received a one-time payment of \$386.

*** 2013/14: While there is not a new contract for the 2013/14 year, those on steps received their step increase at start of year. Plus all steps were increased by ¼% on the last day of the 2012/13 contract, thus all staff received some sort of financial increase.

³ Instructional support positions include special education, guidance, curriculum coach, reading and media specialist, school psychologist, nurse, speech, language, and occupational therapist positions.

⁴ Classified staff positions include tutors, instructional aides, secretaries, media aides, and various paraprofessional positions.

Generally, under the terms of contracts, all teachers may receive a cost of living adjustment (COLA), while those in the first 12 years of their career receive an adjustment based on experience (step increase). Teachers who attain a higher level of education based on graduate work may also receive an adjustment. The current salary structure includes twelve step and seven educational levels, a structure typical among area school departments.

Salaries represent approximately 74% of the school department's operating budget. While Shrewsbury teachers' salary increases are in line with other municipal departments and adjacent communities' teacher salaries, this area of growth is of concern in terms of sustainability over time under the limits of Proposition 2½.

Special Education

The schooling of special education students is probably the single largest mandate directed by the DESE and the General Laws of the Commonwealth. The District is obligated under Federal and State laws and regulations to provide a Free and Appropriate Public Education to all students who have been identified with a disability who are eligible for special education services. It is expected that each school district will provide all students that have the need of any type of required additional support with such support based on an individual educational plan (IEP) developed by the school system and approved by the students' parents.

As a result, special education expenses supported by the appropriated budget have increased from \$9.156 million in 2007 to \$16.055 million in the 2014 budget (a 75.4% increase). There are additional expenses associated with special education that are paid by funds received through the state's Circuit Breaker special education reimbursement program (estimated to be \$2.37 million in 2014) and by a federal special education entitlement grant (estimated to be approximately \$1.5 million in 2014) that are in addition to the \$16 million in the appropriated budget. The vast majority of FTE position increases noted above are in the special education department. The increase in the support teachers is more pronounced due to reductions in other support areas (media, curriculum and technology specialists). In the classified staff, 19.6 FTE's have been added to special education to aid teachers in instruction. The cost of students for out of district tuitions, net of circuit breaker reimbursement, is \$6.117 million for the FY2014 budget. This is 11.8% of the budget to support 1.33% of the student population. The committee had an at length discussion with the Special Education Director, Ms. Melissa Maguire. During this conversation, it was noted that over the previous 5 years, the district has introduced innovative, cost effective programming that has resulted in more kids remaining in the district and resulting in significant cost savings (i.e., transitional program at the Shrewsbury High School). Ms. Maguire stated this was a continued priority to offer programs that result in a few number of out of district placements, lower costs to the district and, most importantly, for students to be educated closer to home. Currently, as a result of the district's financial situation, Ms. Maguire does not have the time or staff to fully explore additional opportunities for further reducing the number of students being tuitioned-out, and suggested that a study be commissioned to develop additional opportunities to develop programs to further reduce out of district placements.

English Learner Education

This function is mandated by the DESE and federal Civil Rights laws. Since 2007, the district has increased its expenditures in this category from approximately \$174,000 in FY 2007 to \$626,000 in FY 2014, mainly due to staffing requirements to provide mandated service levels and mandated English testing. The increase of \$452,000 is roughly equivalent to 7-8 additional classroom teachers.

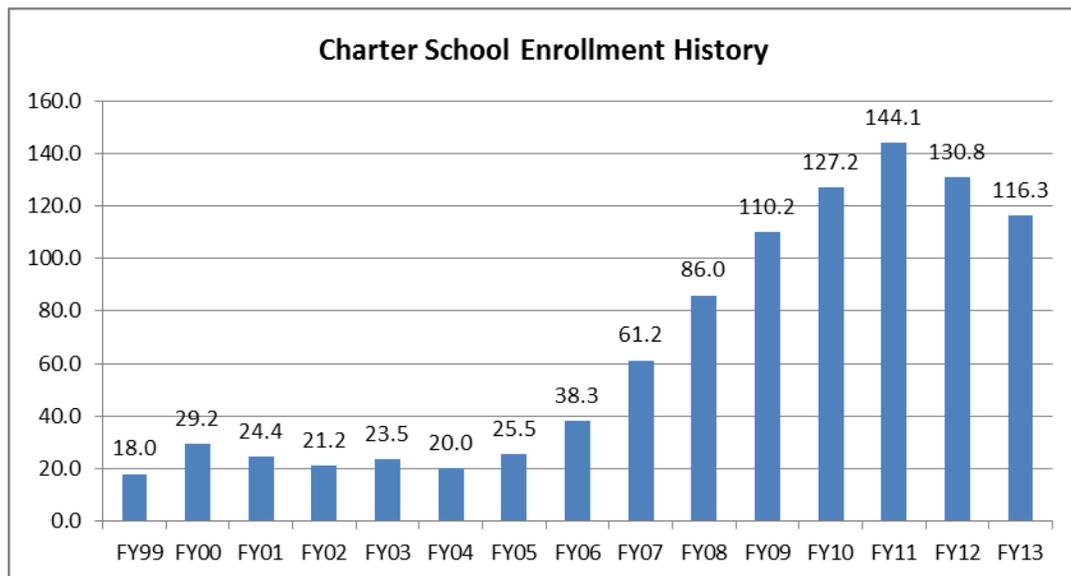
Charter School/Vocational School

Although these two entities are different in their charters, we have included them together because the Shrewsbury School Department must pay the cost of educating these students elsewhere in both instances.

Charter Schools

Charter schools have constituted a part of the state's educational landscape since 1993, when the Education Reform Act of 1993 was passed. In 2010, the second major reform bill raised a mandated cap on charter schools while giving the state broader powers to reform underperforming traditional schools.

The table below depicts the historical enrollment through FY13 of Shrewsbury students in area charter schools. This is based upon reporting from charter schools to the Department of Elementary and Secondary Education (DESE). The Advanced Math & Science Academy in Marlboro has drawn the vast majority of these students.



Currently there are approximately 116 students (down from the high water mark of 144 in FY11) attending charter schools at a cost of \$1,094,492 for the FY 13 school year. This is the second year in a row that the overall number of students leaving the district to attend charter schools

decreased. In addition, for the past 3 years, the number of students leaving the middle schools have dropped from 32 to 8 and in the past year 17 students returned to the district from charter schools. Parental feedback suggests that the return of these students has been primarily due to new math programs developed at the middle school to offset students leaving for the Advanced Math and Science Academy in Marlboro.

The historical net cost to Shrewsbury arising from charter schools are as follows:

Fiscal Year	School Year	Student FTE	% increase	Total Tuition	State Reimbursement	Net Tuition Paid
FY99	98-99	18.00		\$ 77,252	\$ 77,252	\$ -
FY00	99-00	29.24	62%	\$ 180,385	\$ 154,078	\$ 26,307
FY01	00-01	24.44	(17%)	\$ 145,517	\$ 92,781	\$ 52,736
FY02	01-02	21.15	(13%)	\$ 130,981	\$ 36,725	\$ 94,256
FY03	02-03	23.50	11%	\$ 170,601	\$ -	\$ 170,601
FY04	03-04	20.00	(15%)	\$ 170,601	\$ 10,440	\$ 160,161
FY05	04-05	25.48	27%	\$ 205,472	\$ 36,574	\$ 168,898
FY06	05-06	38.30	50%	\$ 330,170	\$ 125,387	\$ 204,783
FY07	06-07	61.23	60%	\$ 514,694	\$ 288,709	\$ 225,985
FY08	07-08	86.00	40%	\$ 743,381	\$ 421,979	\$ 321,402
FY09	08-09	110.2	28%	\$ 1,053,352	\$ 542,361	\$ 510,991
FY10	09-10	127.2	15%	\$ 1,159,129	\$ 458,184	\$ 700,945
FY11	10-11	144.1	13%	\$ 1,321,539	\$ 448,770	\$ 872,769
FY12	11-12	130.8	(9%)	\$ 1,279,450	\$ 199,003	\$ 1,080,447
FY13	12-13	116.3	(11%)	\$ 1,226,276	\$ 131,784	\$ 1,094,492

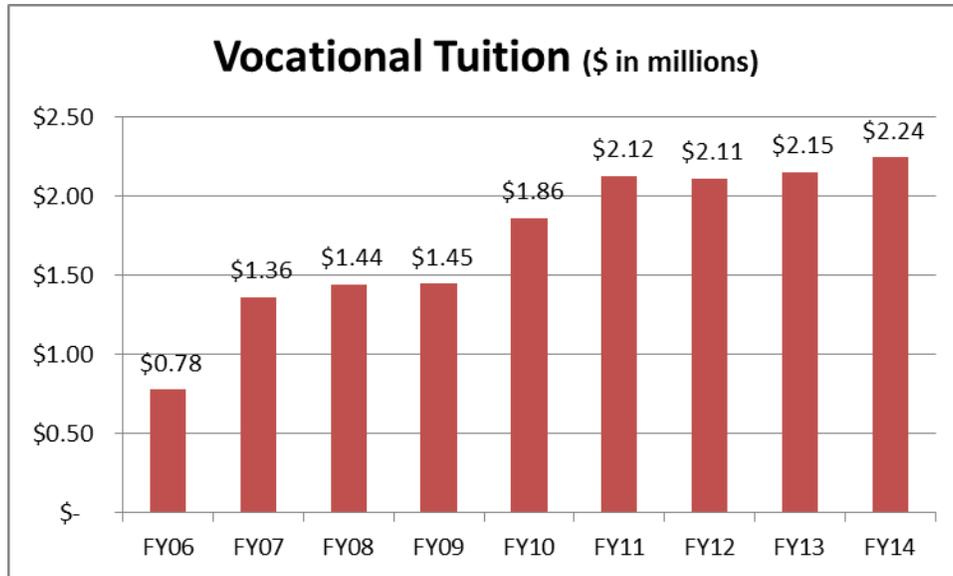
While the reduction in charter school enrollment is very good news for the district, due to the nature of state funding and reimbursements relative to charter schools, as highlighted above, the estimated net cost to Shrewsbury increased by approximately \$14,000. This is due to the fact that the funding formula provides reimbursement for increases in the district’s total tuition from year to year, and this is a reimbursement that phases out over time. The high levels of reimbursement from a few years ago were due to large spikes in total tuition increases, and these reimbursements are now phasing out. At the same time, since our total tuition cost this year was lower than last year, there is no new reimbursement being provided. The table above illustrates this.

We believe that the trend is positive. We must keep programs like the middle school math program in place and implement additional programs to inspire students to remain in Shrewsbury. However, with increased class sizes we run the risk that more students will once again leave for charter schools.

Vocational Schools

The 2014 budget provides for 139 students to attend vocational technical high school (the actual enrollment fluctuates over the course of the year). Tuition at Assabet Valley Technical High School is \$16,080 in FY14, and the total budget for tuitions in FY14 is \$2,244,040. It is Shrewsbury’s responsibility to educate these students, and under applicable law, those choosing to attend a vocational school may do so at the expense to the Shrewsbury School budget.

The table below depicts the historical costs from Shrewsbury students in area vocational schools.



Technology

When the high school became operational in 2002, it was Wi-Fi capable and in the forefront of technology for a school. When the Sherwood Middle School became operational earlier this year, once again its technology equipment was put in the forefront of instructional capabilities. In those 11 years the use of technology in the learning process has changed dramatically. Because of limited resources the high school no longer enjoys the current technology capabilities. The ability to keep up with this technology change has created a pressure on the entire organization. Hardware, software, infrastructure, and professional development expenses arise as we look to access the wealth of digital educational resources currently available. The district has partnered with parents around the cost of personal technology, currently coming in the form of iPads. Over 90% of students in grades 5-7 have access to technology in school that is being fully paid for by their families. The district faculty is currently focused on ensuring that the opportunities for Shrewsbury students to access knowledge, create content, and connect to other students across the globe via technology is being fully leveraged. It is this collection of digital educational resources that curriculum specialists and staff must identify in order to implement these programs that are relevant to student development. The assets required in the future will play a significant role in the student learning experience.

Transportation

The current bus contract is with AA Transportation and expires at the end of the 2017-2018 school year. The total cost in the FY14 budget for the transportation program is \$4,145,404, which includes the following types of transportation:

- busing for students who reside in Shrewsbury and attend the Shrewsbury Public Schools
- busing for students who reside in Shrewsbury who attend private schools in Shrewsbury (per the law)

- busing for students who attend vocational/technical high school; busing for special education students who attend Shrewsbury Public Schools who require specialized transportation
- busing for students who reside in Shrewsbury who are educated in specialized out-of-district special education schools
- busing for mandated summer special education transportation
- busing for homeless students back to their home district (per the McKinney-Vento federal law)
- busing for athletic and extracurricular events

The amount in the appropriated budget for transportation for all of these programs is \$3,545,404, which represents approximately 6.8% of the school department budget. The remainder of the cost is paid through transportation fees paid by families of students whom the district is not required to transport by law, totaling \$600,000. The school district does not provide or pay for transportation of students to charter schools or private schools that are outside of Shrewsbury, nor does it provide or pay for transportation of students in "school choice" programs. The district contracts for out-of-district transportation through the Assabet Valley Collaborative in order to reduce costs.

The currently deployed fleet of 47 vehicles consists of 38 regular education buses, 3 buses for Assabet Valley Regional Technical High School, and 6 special education buses to service over 4,500 students.

Prior to FY09, the district deployed 49 vehicles (42 regular education, 2 Assabet Valley, 5 special education). The reductions in our fleet have been gained through efficiencies resulting from the use of software developed to get the maximum use of a bus route. There are now more "group stops," more students per bus and, in some cases, longer routes.

Curriculum

In 2011 the Massachusetts Department of Education instituted new PreK-12 frameworks in the areas of English Language Arts and Mathematics. While educators express consensus that these standards are more rigorous, and also more in line with the instructional needs of students in the 21st century, the transition to these new standards will require significant expenditures from town budgets. Alignment to these new standards requires high levels of investment in professional development, curriculum development and curriculum materials. These investments will be needed to ensure that Shrewsbury students learn what is needed to be career and college ready upon graduation and to maintain the high quality of education Shrewsbury residents have come to expect from their schools. Student and district performance will be assessed via these new standards by the Massachusetts state testing system (currently MCAS).

The state testing will also undergo a change as a result of the transition to the new learning standards. All indications are that the MCAS will be phased out by the spring of 2015, and a new on-line testing system, PARCC, will be instituted and used to assess the new, more rigorous standards. The on-line nature of this exam emphasizes the need to educate digitally literate

students who are comfortable doing academic work in an electronic environment. Therefore, along with significant curriculum expenditures, the Shrewsbury will need to invest in the technology and accompanying infrastructure and personnel costs in order to prepare students to meet these new demands.

Conclusions

- The demands for increased resources resulting from dramatic student enrollment growth have never been fully met. Inadequate federal, state and local funding, combined with the costs of complying with resource-intensive legal mandates, have resulted in the steady increase in class size and reduced programming. Without additional resources, the school department cannot provide the high quality of education that the Shrewsbury community expects.
- The school department, particularly the special education department, has been successful in providing innovative programming to reduce operational costs. For example, the special education department has been establishing cost effective programs that have been successful in retaining students who would have otherwise been out of district placements. Resources should be made available from the appropriated budget to enable the Special Education Director to study additional potential ways to return students now tuitioned-out of the district. One possible approach is for the town to commission (and fund) the study, similar to the way we commissioned money as a warrant article to perform a study on the library.
- The school department has made some strides toward updating learning technology and practice so that all teachers and students may realize the benefits of technology-enhanced learning environments. However, the reduced spending in the technology area in the past few years is putting the system at risk of falling behind the technology curve. Teachers and instructional leaders will continue to need support to develop the classroom uses of technology that will help students become more productive and prepared for the future. This program will come at an additional cost to the system because it will require ongoing resources for software and hardware, and professional development to implement.

8. Human Resources

Sub-committee Report Findings

More than half of Shrewsbury's 981 employees are represented by various unions elected by the employees to represent them in negotiations with management for improved pay and benefits. The contracts explicitly specify pay, benefits, and other terms and conditions of employment. With multiple unions, the process of negotiations requires ongoing resources of time and money in order to prepare for, negotiate, and administer union contracts for the Town of Shrewsbury.

Although the Commonwealth has discontinued its obligation to fund the Quinn Bill's education incentives for police officers, many towns, including Shrewsbury, have continued to fulfill its

obligations in whole or in part to their police officers. In doing so, Shrewsbury is responding to the need to remain competitive and to strengthen its ability to retain its police officers.

Over the past six years, the rate of general salary increases (excluding within pay range step increases for employees not at range maximum) has decreased to an average of 2% from 3%. This reduction in the rate of growth in pay mirrors general salary trends in response to a persistently low growth economy.

The various pay ranges for non-represented employees continue to be administered by the Town's Personnel Board to ensure that the Town's pay rates and pay levels are internally equitable and externally competitive. If issues of external competitiveness and/or equity emerge for specific jobs, the Personnel Board develops a recommendation and presents it to Town Meeting Members for review and approval.

To secure Shrewsbury's promise to provide fully-funded pensions to its employees upon their retirement, the Town will continue its accelerated payment contributions to ensure that the goal of a fully funded pension plan is achieved by 2022.

Shrewsbury continues to participate in the West Suburban Health Group in Shrewsbury's efforts to control the rise of employee health insurance costs. This is accomplished by spreading the risk of high outlier costs over a much larger group of health care enrollees.

Governor Patrick has filed legislation entitled "An Act Providing Retiree Health Care Benefits Reform" in order to gain better control over the rising costs of this retiree benefit by raising the qualifying age requirement to 60 years from the current 55 years, and by raising the years of service requirement to 20 years from the current 10 years.

Sub-committee Report

The management of Town of Shrewsbury is divided into two major organizational components or divisions having separate lines of authority and accountabilities all of which are ultimately accountable to the voters.

On the municipal side lie all of the responsibilities for the management and delivery of Town services ranging from police, fire, highway, sewer, health, and others services critical to the success of the Town's continuing growth, vitality and well-being.

The other major area vital to the Town lies in the nurturing of its children and adolescences through their growth and development years leading to them to independent and responsible adult lives. These responsibilities fall on Shrewsbury's Public Schools.

Many aspects of these areas of governance and management for both divisions are reviewed throughout this report. Our focus here, however, is on the Town's human resources—the people, needed to ensure that the kinds and numbers of individuals having the necessary skills, knowledge and talent are hired and retained by Shrewsbury to ensure that the Town meets its obligations to the Voters.

Municipal staffing levels—the number of employees in the Municipal division totals 220 full-time and part-time employees. When their hours are combined and then divided by number of hours in a normal work week, they total 195 full-time-equivalent (FTE) employees. Of these, 105 are non-union and 115 are represented by various unions.

Shrewsbury Municipal Division Staffing Levels				
Classification	Full Time	Part Time	Total Count	FTEs
Non-union	70	35	105	82.3
Police & Dispatcher	46	---	46	46.0
Fire	36	---	36	36.0
Public Building	15	2	17	15.5
Public Works	16	---	15	16.0
Total	183	37	220	195.8

Source: Town Manager's Office, Shrewsbury, Mass.

Shrewsbury Public School staffing levels—the number of employees in the Shrewsbury Department of Education totals 761 full-time and part-time employees amounting to 717 full-time-equivalent employees. The combined totals of the municipal and education divisions, amount to 981 full- and part-time employees totaling 913 full-time-equivalent employees.

Shrewsbury, Ma. Department of Education Staffing Levels FY14				
Classification	Full Time	Part Time	Total Count	FTEs
Academic Teacher ¹	229	13	242	240.0
Instructional Specialist ²	42	8	50	49.8
Instruction Support ³	116	14	130	126.8
Classified Staff ⁴	214	87	301	267.2
Administration ⁵	38	---	38	33.5
Total	639	122	761	717.3

¹Academic Teacher Instructional Classroom jobs include the K-4 Classroom, Academic Subjects Grades 5-8, English and Language Arts, Mathematics, Science, Social Studies, and Foreign Language Teachers at the High- and Middle Schools, as well as English as Second Language educators.

²Instructional Specialists include Family and Consumer Science, Technology Education, Music, Art Physical Education, and Health Education.

³Instructional Support includes Special Education, Guidance, Curriculum Coach, Reading and Medial Specialist, School Psychologist, Nurse, and Speech, Language, and Occupational Therapist positions

⁴Classified Staff refers to Tutors, Instructional Aides, Secretaries, Medial Aides, and various Paraprofessional positions, including those that exist due to mandated service requirements.

⁵Administration includes the Superintendent, Assistant Superintendent, Directors, Principals, Assistant Principals, and Department Directors.

Source: Shrewsbury School Department

Town of Shrewsbury Total Employee Staffing Levels				
	Full Time	Part Time	Total Count	FTEs
Grand Total	822	159	981	913.1

Health Benefits

The 351 municipalities throughout Massachusetts, including Shrewsbury, typically offer their employees health insurance benefits as part of a complete benefit package. Although Massachusetts state law does not currently require such benefits be provided, cities and towns have historically provided health benefits to their employees. Once health insurance is accepted by a local resolution of the state law it cannot be rescinded. The General Laws of Massachusetts referenced is 32B, Section 3. Shrewsbury voted these benefits to employees on 3/4/1957.

In an attempt to better control our community's healthcare costs, Shrewsbury joined the West Suburban Health Group (WSHG) in 2005. With a combination of 17 municipal, regional and educational collaborative entities participating, WSHG is one of the two largest municipal joint healthcare purchase groups in Massachusetts. WSHG membership offers insurance premium costs that are more stable and predictable because the risk is pooled with other municipal employers. Membership in WSHG also provides Shrewsbury with healthcare purchasing advantages available to larger employers, such as reduced cost margins and administrative expenses through volume pricing. The WSHG board, on which Shrewsbury has a voting seat, sets a single rate annually for each plan offered and then allows each community to decide how they'll split that cost with its employees and retirees. Plan design decisions, i.e. plan offerings, co-pays, deductibles, etc. are also made by the WSHG board. Participation in WSHG also saves time and dollars because Town administrators deal with a single, central office instead of directly with many insurance companies.

The following is a chart on the annual health insurance expenditures and the annual percentage cost increases from 1998 to the present. Amounts are taken from the town warrant. FY13 is from the Town Manager.

Fiscal Year	Amount Expended	Percent Cost Increase
2014*	\$8,100,000	7.67%
2013	\$7,523,301	-.61%
2012	\$7,569,126	11.51%
2011	\$6,787,930	-2.65%
2010	\$6,973,058	11.00%
2009	\$6,282,137	-6.72%
2008	\$6,734,763	18.48%
2007	\$5,684,151	5.72%
2006**	\$5,376,598	-2.77%
2005	\$5,529,698	23.35%
2004	\$4,483,109	16.84%
2003	\$3,836,906	31.62%

2002	\$2,991,004	16.22%
2001	\$2,573,606	36.90%
2000	\$1,879,964	10.46%
1999	\$1,701,899	3.94%
1998	\$1,637,322	

*Budgeted amount

**Joined West Suburban Health Group

As referenced in the above chart, health insurance increased 224.9% (\$3,827,799) from 2000 to 2005 at which point the Town of Shrewsbury joined WSHG. In FY 06 the amount spent on health insurance decreased from the previous year as a result of Shrewsbury joining the West Suburban Health Group. It is noted that the FY 06 decrease is partly due to affiliation with the WSHG, but is also the result of a change of policy whereby the School Department began reimbursing the general fund for health care costs associated with the lunch and extended day programs. Since joining WSHG health insurance costs have only increased 36.1% (\$1,993,603) from the referenced 2005 thru 2013. 2009, 2011 and 2013 show a cost reduction from the previous year. This is the result of some form of either or both plan design changes by WSHG and contribution shifts agreed to by the employees.

In FY 13, the Town had 756 active employees participating in 6 WSHG health plan offerings through WSGH and 349 retired employees participating in 6 WSHG plan offerings. Total budgeted FY14 health care expenditures are \$8,100,000. The Town contribution for each of these plans varies from 50% - 78% with the highest percentage paid toward the plans with the lowest monthly premium. Third-party insurance carriers are used to administer claims.

Shrewsbury adopted Chapter 32B, Section 18 of the General Laws of Massachusetts requiring retired employees who are Medicare eligible to subscribe to Medicare A&B. Shrewsbury contributes to the Medex portion of the retirees' insurance plan.

Adoption of Section 18 will also reduce the Town's unfunded liability for retiree health insurance that must be accounted for to comply with the a new requirement issued by the Government Accounting Standards Board, GASB 45. This is important because, beginning in 2008 Shrewsbury and all municipalities must identify and report the future cost of other post-employment benefits (OPEB), which includes healthcare, vision, life and dental, much as they now report pension obligations. Under the new requirement issued by the Government Accounting Standards Board, Shrewsbury must report this liability as a current cost during the working years of an employee. Although the new rules do not require governments to fund the liability, they must report it.

The Sub-Committee finds that the town administrators are acutely aware of the need to manage spiraling health care costs as aggressively and proactively as possible. Our conversations with them indicate that the town administrators possess a solid understanding of the many variables that contribute to minimizing health care costs for Shrewsbury. They recognize the cost control measures necessary and have taken steps to ensure that these controls are in place. It is important to note that some cost control options used in private sector business are not options for Shrewsbury because of restrictions placed on the Town by state regulations.

In spite of the efforts to manage expenditures, rising healthcare costs continue to be a pressing concern. As the state and nationwide trend for increases continues, then healthcare costs will continue to grow at levels that will outpace Shrewsbury's revenue stream growth. This will force the town administrators to make choices within the current budget guidelines to maintain the health insurance program and reduce expenses elsewhere or pare the insurance program to settle within the budget guidelines.

These are value questions that will have to be addressed in the near future. Although the trend as shown in the chart above presents a slow-down in the growth rate, the annual increases are still two to three times that of the town revenue growth. Next year (2014) will provide a new variable to the health care cost picture. The Affordable Care Act will be implemented. At this point it is uncertain if this will actually increase or reduce the employer cost trend. This will complicate the cost trend for the next couple of years as every individual chooses where and how they will be included in the Act.

Options to Consider

- Town Administrators should continue to work with employees and collective bargaining units to find ways to reduce costs.
- Work with WSHG to review co-pays and deductibles within the available plans.
- Work with WSHG to get employees to better understand the choices they make with regard to the actual cost of any health care they incur.
- Continue to offer and expand on programs that promote an active and healthy lifestyle.
- Continue to review the probability that we could possibly purchase health insurance through the GIC (Group Health Commission) of the State of Massachusetts.

Other Post-Employment Benefits (OPEB)

Funding of OPEB, like pension benefits, was approved by the town meeting on 5/16/2011. Currently the fund has \$1,900,584 as of 6/30/2013. The liability for these benefits is \$1,397,493 as of 6/30/2013. The majority of the funding to date has been by SELCO to cover their employees. The Town has contributed \$ 398,884. Presently the plan is to fund the Town retirement pension by 2022. At that time the money used for that purpose will then be used to fund OPEB starting in 2023. Currently OPEB costs are being paid from the health insurance budget. That cost in 2013 was \$1,751,630. When funding of OPEB occurs it will reduce the cost of the current health insurance expenditure as the cost for retirees will come from the OPEB account. As stated above the Affordable Care Act will be implemented in 2014. Besides affecting the current cost trend it will also affect the liability of the future benefits of current employees.

Wages, Salaries, and Benefits

The Town's administrative policies and procedures are detailed in the "PERSONNEL BYLAW, COMPENSATION AND SALARY SCHEDULE" which is available through the Town Clerk's office. While a detailed analysis of the salary and benefits are well beyond the ability and scope of the FSC, a cursory review suggests that both and pay and benefits are well within the bounds

of competitive practice. As specified in the Personnel Bylaws, a Personnel Board consisting of three appointed member volunteers who serve without compensation and who are not Town employees or elected Town officials has been created to administer the Town’s compensation and benefits programs.

Salary increases—the table below summarizes salary increase trends for the six years leading up to the 2007 Fiscal Study Committee Report compared with the six years following the 2007 Report. In the 2007 Report a concern was expressed that 3% across-the-board increases could not be sustained going forward without additional revenue. The Report also noted that the Town was moving to reduce some benefits such as tuition assistance and was negotiating with the unions for better control over benefit costs. One notable area for cost reductions that could not have been foreseen in 2007 relates to the Quinn Bill that was passed in 1970 to offer education incentives to police officers in the field of law enforcement (See table’s footnote below).

When the two six year periods of time are compared across bargaining and non-bargaining employee groups, the average across-the-board increases decreased from around 3% to 2%. The most recent six years, which have shown reductions in the rate of salary increases, clearly track with the country’s economic performance since the onset of the financial crises in 2008. The nation’s underperforming economy significantly affected public and private sector employers’ ability to pay for salary increases at the same level as that paid in the previous six years. As noted in the 2007 Report, “Annual across-the-board increases of 2- 2.5% are becoming a reality and our community must recognize this as an option.” Two percent across-the-board increases have become a reality in response to a persistently weak economy.

TWELVE YEAR SUMMARY of UNION AND NON-UNION EMPLOYEE SALARY ADJUSTMENTS

Bargaining and Non-bargaining Units	-----Fiscal Years-----							
	2002	2003	2004	2005	2006	2007	Avg.	
	2008	2009	2010	2011	2012	2013	Avg.	
Department Heads (DH)	3.50%	3.00%	3.50%	3.00%	3.00%	3.00%	3.17%	
	2.00%	2.50%	0.00%	2.00%	0.00%	2.00%	1.42%	
Professional, Administrative and Technical (PAT)	3.50%	3.00%	3.50%	3.00%	3.00%	3.00%	3.17%	
	2.00%	2.50%	0.00%	2.00%	2.00%	2.00%	1.75%	
Police Officers - Represented by Int'l Brotherhood of Police Officers (IBPO Local 426)	3.50%	3.00%	3.50%	2.0%/1.0%	3.00%	3.0%/1.0%	3.25%	
	2.00%	2.50%	3.50%	0.00%	0.00%	0.00%	1.33%	
Police Superior Officers	3.50%	3.00%	3.00%	2.0%/1.0%	3.00%	3.0%/1.0%	3.13%	
	2.00%	2.50%	3.50%	0.00%	0.00%	0.00%	1.33%	
Custodians	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.08%	
	2.00%	2.50%	3.00%	0.00%	2.00%	2.00%	1.92%	
Dispatchers - Represented by Truck Drivers Union (Local #170, Int'l Brotherhood of Teamsters Dispatchers)	3.50%	3.00%	3.00%	3.00%	9.10%	3.00%	4.10%	
	2.00%	2.50%	0.00%	2.00%	2.00%	2.00%	1.75%	
Public Works-Represented by Service Empl. Int'l Union (Local 888, AFL-CIO)	3.50%	3.00%	3.50%	3.00%	3.00%	3.00%	3.17%	
	2.00%	2.00%	2.00%	0.00%	2.00%	2.00%	1.67%	
Firefighters - Represented by	3.50%	3.00%	3.50%	2.0%/1.0%	3.00%	3.0%/1.0%	3.25%	

TWELVE YEAR SUMMARY of UNION AND NON-UNION EMPLOYEE SALARY
ADJUSTMENTS

Bargaining and Non-bargaining Units	Fiscal Years							Avg.
	2002 2008	2003 2009	2004 2010	2005 2011	2006 2012	2007 2013	Avg.	
Shrewsbury Firefighters' Assoc. (Local 4613, Int'l Assoc. of Firefighters)	2.00%	2.50%	3.50%	0.00%	0.00%	0.00%	1.33%	
School Teachers - Represented by the Shrewsbury Education Association	4.00%	4.00%	3.00%	3.00%	3.00%	2.00%**	3.17%	
	2.50%	3.50%	0.00%***	0.00%****	1.00%	2.50%/0.50%	1.63%	
School Paraprofessionals	---	---	---	---	---	---	---	
	---	2.00%	2.50%	2.50%	1.00%	0.00%	1.60%	
Food Service	---	---	---	---	---	---	---	
	---	---	---	0.00%	1.50%	1.50%	1.00%	

Note: The Quinn Bill was passed in 1970 to establish educational incentives for police officers to seek degrees in law enforcement. The incentives were pay increases added to the base salary and ranged from 10% for an Associate's Degree to 25% for a Master's Degree. If a town or city chooses to adopt Quinn incentives, Massachusetts would pay for half of the incentive with the remainder paid for by the town or city. In 2009 and 2010 Massachusetts paid a portion of its half of the incentive and then eliminated it entirely. The State's action was challenged in court and in 2012, The "Supreme Judicial Court ruled that cities and towns are not required to pay the state's portion of the Quinn Bill if they include such language in their contracts." Some towns have eliminated the incentive altogether, others, a portion of the incentive and still others have retained the entire incentive. To retain current police staff and to remain competitive with the prevailing practice among local towns, Shrewsbury chose to retain a portion of the incentive by grandfathering only officers already receiving Quinn payments. New hire would be excluded from receiving the incentive.

*Note: Quinn payment guarantees, in amounts of 33%, FY11; 75%, FY12; and 100%, FY13, were agreed upon in lieu of making other salary adjustments.

**For FY07, School Teachers received a 2% COLA but no step increases (step freeze).

***For FY10, School Teachers received a 1 year contract with steps mid-year and 0% COLA increase, except the top step was increased by 2% (mid-year). Work year was also reduced by 2 days (equiv. of a 1% increase). An additional longevity stipend was added for more than 15 years of service.

****For FY11 School Teachers received 0% COLA, and steps mid-year; top step teachers' salary increased by \$500 and top step teachers received a one-time payment of \$386. Therefore, the 6 year average (FY08-FY13) reported above is slightly higher than 1.63% for those on top step.

Source: School Department Central Office, Town Manager's Office, Town of Shrewsbury, MA.

Pay ranges—serve as an administrative tool for managing individual pay equability across differing job skills, knowledge and experience levels. Pay ranges are created around broad job clusters or families that require similar knowledge, education and skill sets and have or use similar technology, job content, duties and responsibilities. Examples of common job families are office and clerical, craft trades, custodial and maintenance, professional, supervisory, management and executive occupations. Shrewsbury's job family pay ranges follow this pattern.

Three pay ranges have been established in the Municipal Division for employees not represented by unions. The Town also established special pay categories for seasonal jobs that do not fit the established patterns of pay for regular employees.

Town's unions follow the same pattern by establishing pay ranges for their respective bargaining units. Unions have the same interest in managing pay equitability within their respective bargaining units.

Benefits—as indicated above, the Town's benefits policies and procedures appear to be well within the scope of competitive practice. A more in-depth analysis to identify opportunity cost

savings and more effective and efficient administrative processes are well beyond this Committee's charge.

However, one benefit item under Town of Shrewsbury Contributory Retirement System qualifies an employee for medical insurance and life insurance benefit coverage at age 55 after a minimum of ten years of service. The retiree health insurance coverage in today's high-cost healthcare environment has become a very high value benefit. A ten year minimum qualifying period to be eligible for this health insurance benefit is now acknowledged by Governor Patrick to be an unusually generous benefit.

Although Shrewsbury cannot unilaterally change this policy the Commonwealth can through the legislative process, Massachusetts can. To that end, Governor Patrick had filed legislation on February 12, 2013 with the Massachusetts' Senate and House of Representatives entitled "An Act Providing Retiree Health Care Benefits Reform." This legislation is intended to

Among the recommended changes are the following:

- Increasing the minimum years of service requirement from 10 to 20 years
- Increasing the minimum age for eligibility to 60
- Prorating benefits on a scale from 50%-25% premium contribution after 20 years to the maximum current retiree benefit (80% of premium for State retirees) at 30 years.

Pension

The Shrewsbury Contributory Retirement System is governed by Massachusetts General Laws, Ch. 32, with the Public Employee Retirement Administration Commission (PERAC) as its regulatory authority. A five-member board administers the town's Retirement System. The Board and office staff, which consists of one employee, are responsible for all active and inactive members, all retirees, survivors and beneficiaries, all financial transactions, investment activity, member accounts, retirement and pre-retirement counseling and government reporting. As of 12/31/2012 there are 582 active employees, 106 inactive employees and 237 retirees, beneficiaries and disabled employees (page 35)⁵ participating in the Shrewsbury pension system. Teachers are not members of the Shrewsbury Retirement System; they are covered under a separate plan – the Massachusetts Teachers Retirement System.

There are 105 State, Regional and Local pension funding systems in the State of Massachusetts. As of 1/1/2013 Shrewsbury ranked 25th in funding and was 68.4% funded. Currently Shrewsbury reviews the pension fund actuarially every two years. The last review was done 1/1/2012 and will be reviewed again on 1/1/2014. The funding process is currently on a schedule to achieve full funding for pension benefits by the year 2022. The 2022 date has not changed from the prior Fiscal Study report. The State has moved mandated deadline from 2028 is 2040. Although the State has pushed out the mandated deadline to 2040, some portion of the increased funding payments after 2022 would become available for general purposes or could be used for the OPEB funding.

⁵ Pages in parenthesis note the page of the 2012 actuary report that information was taken from.

Actuarial Assumptions

The 1/1/2012 actuarial Valuation Report presented to the Shrewsbury retirement Board included several sets of assumptions. The changes in the assumptions from the previous report (1/1/2010) increased the fund liability by \$3,887,585. This is a onetime change unless the Board feels the need to change the assumptions again. The following assumptions are those approved by the Retirement Board in the current actuarial report.

- Adoption of a new mortality rate. (increase in life longevity)
- Fund projected returns of 8% (the prior report was (8.25%)
- 4% payroll increase (combination of salary increases and headcount change)
- 4.5% of increasing annual payments by the town each year through 2022.
- Fully funded pension plan by 6/30/2022

Employee Contributions

Employee contributions over the years have changed as the result of the legislature changing the law requiring payroll deductions to the fund by employees. The contribution rates are as follows:

- Membership before 1/1/75 - 5%
- From 1/1/75 to 12/31/83 - 7%
- From 1/1/84 to 6/30/96 - 8%
- From 7/1/96 to the present - 9%
- Membership from 1/1/79 - employees contribute an additional 2% on the wages over \$30,000.
- From 4/2/2012 - 9% for the first 30 years of service and 6% thereafter (the 2% from the item above still applies).

If actuarial assumptions are met Shrewsbury will only require a normal payment each year after FY2022 and employees will be fully funding the pension fund.

Investments

In the past the Shrewsbury Retirement Board has used professional investment advisors to manage the pension funds. As of 10/1/2012 the Board has transferred all its funds to the Massachusetts Pension Reserves Investment Trust (PRIT). This was done because of the ability to invest in a broader group of assets with a lower risk and overall lower fees.

The asset market value as of the last actuarial report (1/1/2012) was \$66,092,795. The fund balance as reported in the Annual Town Report of 12/31/2012 was \$74,562,323, an increase of 12.8%. Please note this is not a return on the investments because it reports only the ending balance which is net of receipts and disbursements. The next reporting of the investment account will be for 12/31/2013 which will be used as the basis for the next actuarial report.

As of the close of business on 10/1/2013 the three major indexes are positive for 2013 as follows:

Dow Jones 15.9% NASDAQ 26.4% S7P 500 18.9%

Barring any unforeseen adverse effects it is expected the returns for 2013 will be above those projected in the 2010 actuarial report.

Unfunded Pension Liability

At the time of the last Fiscal Study report (2007), Shrewsbury was 71.3% funded based on the 1/1/2006 actuarial report. Based on the most recent actuarial report (1/1/2012) Shrewsbury's funded status was 68.4%. The actuarial accrued liability as of 1/1/2012 was \$105,086,411. The present value of future benefits is \$125,164,205.

If the pension system was currently fully funded, the required normal payment by Shrewsbury for the following nine years (2014 to 2022) is \$8,814,627 in total [Appendix G, column (a)]. The additional funding required to complete full funding is \$36,526,978⁶ [Appendix G, column (b)]. The amount above the normal requirement in the FY 2014 budget to fund the pension is \$3,363,751. In addition to the town funding requirements the actuarial report projects the expected investments will earn \$89,729,532 [Appendix G, column (c)] through 2022.

Despite the significant impact this expense will have on our FY 14 and beyond budget, the Town Manager is recommending we continue on this funding schedule. Fully funding the Pension Plan at an accelerated pace should result in a more favorable bond rating from Moody's (an independent research organization that rates the creditworthiness of a borrower.) The higher the rating means that Shrewsbury will pay a lower interest rate when borrowing to fund major capital projects.

Pension Fund Asset Returns

The actual return from 2000 to 2012 was 4.21% per year versus the projected actuarial return of 8.42% per year. Since the beginning of 2008 (the period since the last Fiscal Study report) the pension fund earned 3.81% per year.

The shortfall in the pension funding is due primarily to lower investment returns than projected and changes to the actuarial assumptions

Conclusions:

- The fund liability has increased from \$59,312,723 in the 2002 study to \$105,086,411 in the 2012 study. Based on this trend there is concern this amount will continue to increase. There needs to be a better understanding of these increases and why they continue to occur. A presentation should be made as to what the liability will be in 2022 when we expect to be fully funded.

⁶ These amounts are estimates as the breakout of the numbers are only reported for the current year while the future years represent the town in total. Future year numbers are extrapolated based on current year percentages and may vary when actually calculated.

- A chart should also be presented with the flow of funds that bring us from the \$66,092,795 (2012 report) to the expected fully funded amount.
- There needs to be a more suitable accounting of the ups and downs of the market. From 2000 to 2010 the fund assumptions included returns 8.5%. This was reduced to 8.25% in the 2010 report and 8.0% in the 2012 report. Returns during that time (2000 to 2012) did not reach projections which caused the unfunded liability to increase.
- A return projection should be calculated by asset class. This would present a better expectation of the overall 8% return. As an example if the fund split its investments 80% in stocks and 20% in bonds and return for bonds is 2% stocks would have to return 9.5% to reach the 8.0% average.
- Continue to fund the pension based on the amounts published in the 1/1/2012 pension Valuation Study.

9. Public Safety

The subcommittee's study into the Public Safety Departments of the Town provided an opportunity to bring some issues to light for residents that might not otherwise be available. By providing a factual based analysis rather than a subjective agenda, this will allow community members to make informed choices. The Public Safety subcommittee separately examined the Police and Fire Departments.

Shrewsbury Police Department

The Shrewsbury community is fortunate that their Police Department has been able to continue to provide a high standard of service, regardless of the fiscal constraints that have challenged the department for the last several years. Despite these challenges and the fluid nature of police services, the Department is very well managed and they have optimized the level of service with the very limited resources available.

However, it is imperative to note that the ability for the Police Department to sustain this standard of service into the future is questionable and damaging at best. The daily juggling act of the Department's staffing and services in order to supply its residents with the most basic of safety and emergency functions is the most significant. The reassignment of officers from other important purposes to fill dire functions occurs daily. Frequently, officers are removed from the schools and traffic assignments in order to reassign them to provide the necessary and basic patrol and response coverage. The constant tension and stress of operating the department in this manner (many times on a shift-by-shift basis) can exacerbate morale concerns, create greater turnover in personnel, and most importantly, has the potential to have a detrimental effect on the level of services provided.

In order to provide perspective, some background of what has occurred since the last fiscal study in 2007 is necessary:

- In 2007/2008, the Police Department was staffed with a total of 45 personnel. This number provided the layers of supervision necessary to staff each shift, as well as the ability to have an officer dedicated to traffic enforcement and also have 2 officers

assigned to the school. In addition, this number provided adequate staffing to handle elder affairs and domestic abuse issues which require significantly more time to investigate. This staffing was able to handle the administrative duties necessary to operate efficiently at that time. In 2007, this was considered a level of optimal staffing.

- In 2009, due to the severe economic downturn, the Police Department was forced to make even deeper cuts. As a result, the Department lost 3 officers, 1 administrative position, and 1 dispatcher, bringing the total Department personnel to 40 sworn officers, sustaining a reduction of 11% of their total personnel.

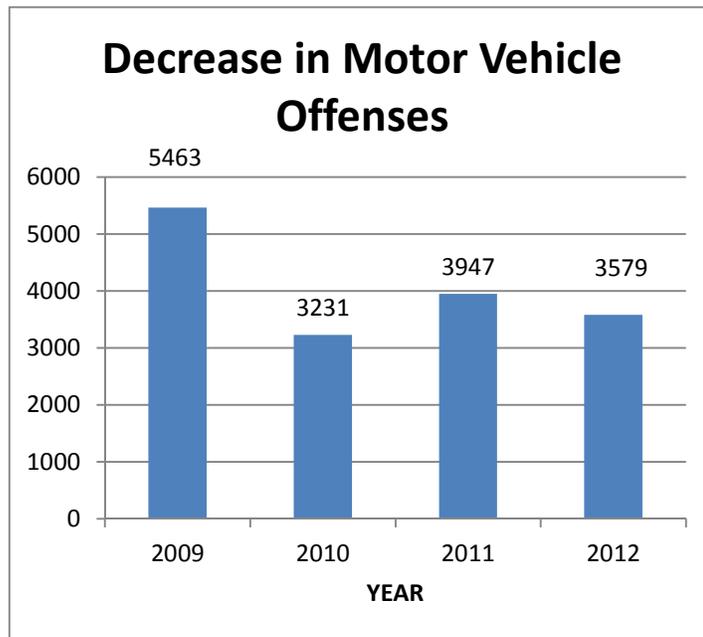
Not only has the department been strained with the loss of these key positions since 2009, they have had to adjust to added pressures and constraints, many of which were unforeseeable. In the past 4-5 years, the Town's population has increased and there have been demographic changes, as well as other outside pressures.

Since that time, the Police Department has been subjected to nearly level or very minimal increases in funding, as compared with other Town Departments. As a result, in order for the department to provide the public with the best service with a less than optimal level of personnel requires daily juggling of personnel. There have already been obvious effects of this indicated by:

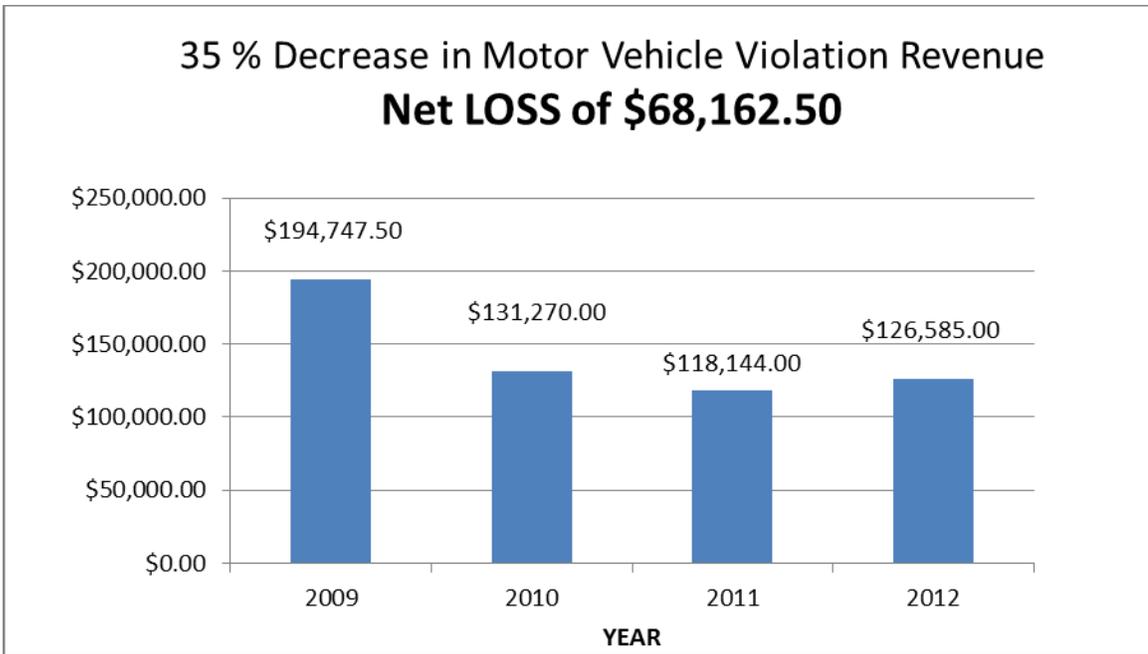
- Longer wait times for accident and incident reports and permits
- The removal of officers from the schools in order to provide patrol coverage
- The removal of officers from lake patrol, bicycle patrol and other crime deterrent visible patrols
- The reassignment of officers from traffic enforcement, to provide basic patrol functions for the Town
- The inability to provide a dedicated officer to handle domestic and elder abuse investigations. Both of these areas have been increasing with the aging and growing population in town.
- The inability to generate revenue through patrol initiated activity such as traffic and parking enforcement, which also often leading to narcotics violations and arrests.
- The lack of capacity to provide educational programs to the community (crime prevention, community interaction, neighborhood patrols, safety classes)
- Additional pressures placed on the department to cover personnel losses. (Officers that are out on injury or active military service for extended periods of time or events needing special coverage.) These often cannot be planned for and the department has no buffer or extra personnel.
- Net 35 % loss of \$ 68,162.00 in citation revenues (see chart below)
- Net 50% loss of \$ 10,344.00 in parking fines (see chart below)

Due to the current situation and lack of resources, the Department has been forced to become reactive rather than proactive. Since there is often only enough staffing to provide regular patrol coverage, it can be difficult to rely on any kind of consistent revenue stream through the issuance of citations. This reactionary approach also detrimentally affects the ability to provide deterrent

traffic enforcement, safety to the community and directly to respond to citizen's concerns. Instead of being able to make officer-initiated traffic stops, which often leads to the discovery of more serious offenses such as narcotics and weapons violations, officers have to remain available to cover calls for service. The patrol officers are cognizant of not getting involved in a potentially time consuming traffic stop since they have to be available to immediately respond to a call for service. In addition, there are not enough personnel to have a dedicated traffic officer, like many other departments have and are necessary in a high traffic community such as Shrewsbury. Due to this severe shortage in personnel, the number of citations issued has decreased, despite an increase in population and traffic. As a result of this inability for officers to actively provide traffic control, the number of annual motor vehicle offenses has dropped from 5,463 down to 3,579 in 2012, a 34.4 % decrease, from 2009-2012.



Since Shrewsbury is in close proximity to the large metropolitan city of Worcester, urban crime has the potential to radiate into our community. The ability to take an active approach and provide deterrence of the sprawl of metropolitan criminal activity is paramount concern.



This reactive response is far from desirable, as it prevents the department from being able to address trends in crimes effectively. Unforeseen trends have created new demands, such as an increase in firearm permits and the need for increased security in the schools. As a service oriented agency, these cuts in personnel have forced the department to focus primarily on the daily maintenance and balancing of staffing, rather than proactively addressing the community's needs.

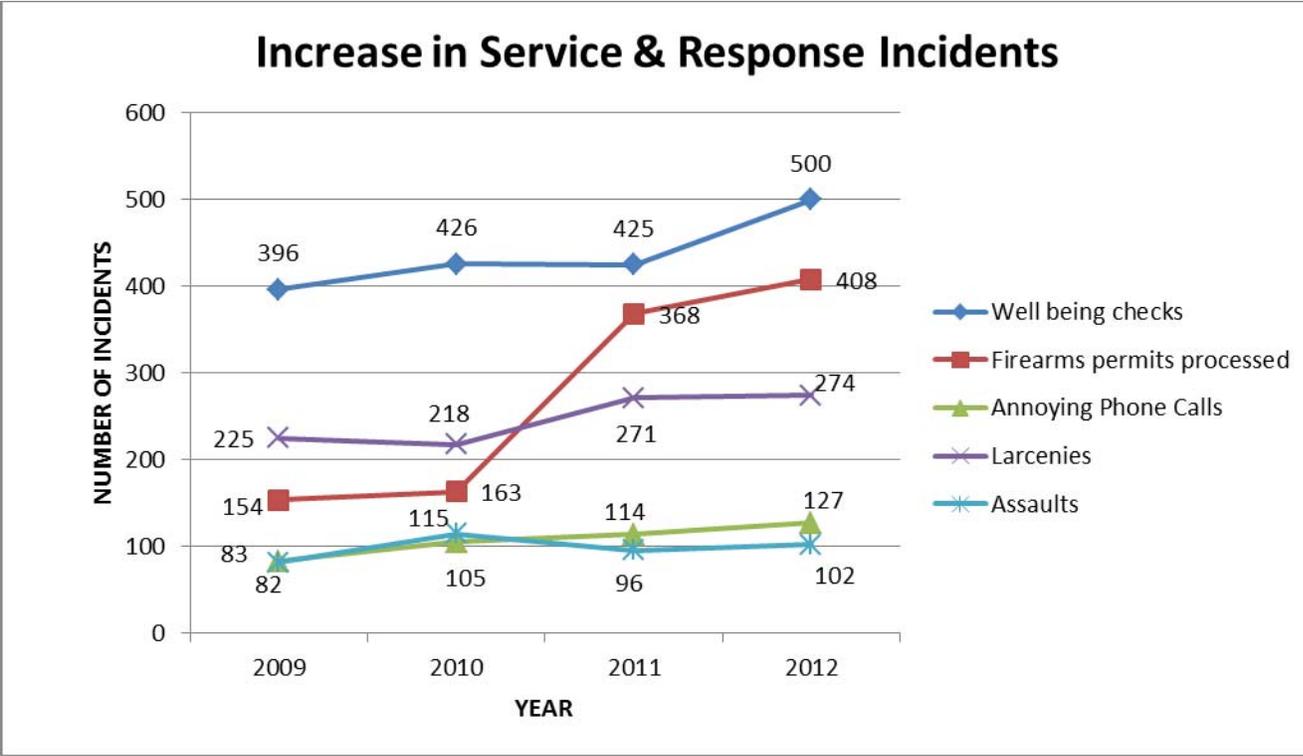
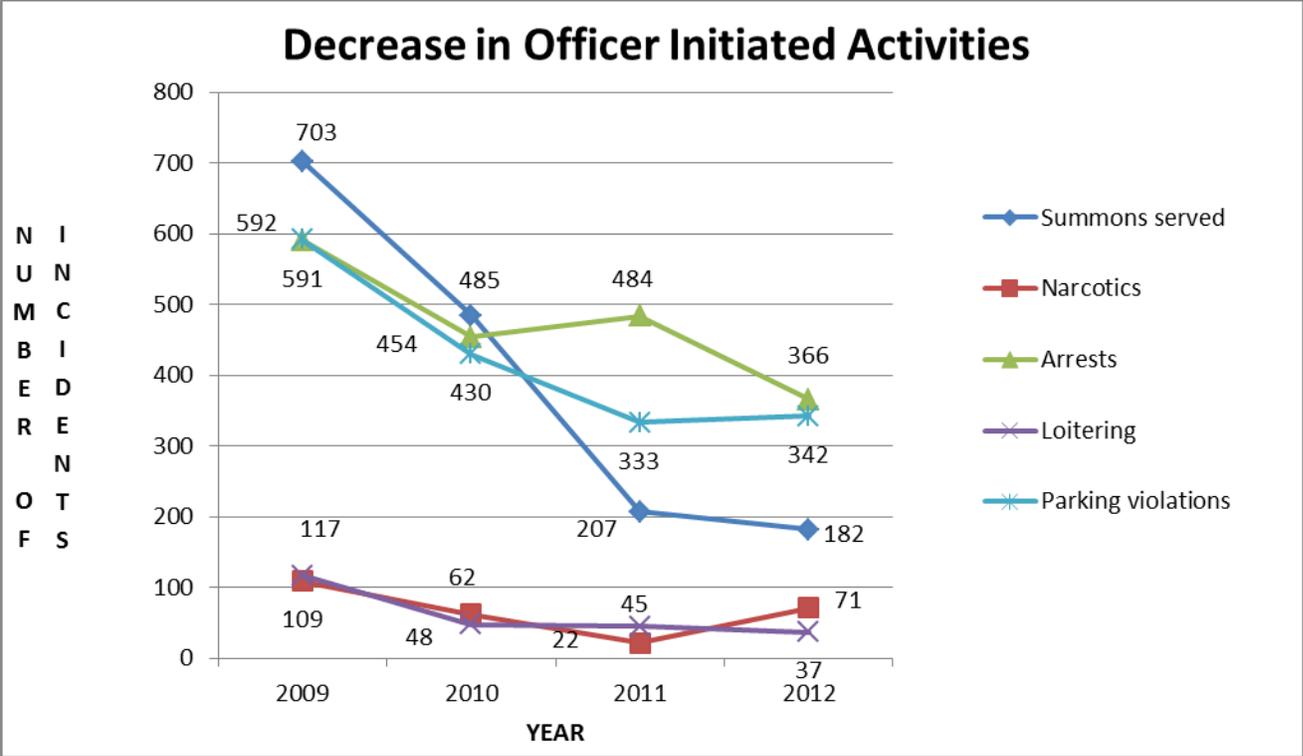
The descent into this operational strategy is evident in not only the area of generating revenue, but also a flat line in overall number of reportable statistics. An explanation of reportable incidents is necessary, as a cursory glance of the raw numbers may be perceived as flat. The total numbers are misleading without dissecting what specific activities comprise the totals. The aggregate annual (measureable) activity is unreflective of the actual activity level of the department. The numbers that comprise the total number reflect only the numbers that can be measured such as patrol activity, administrative activities (permits, etc.) and officer related incidents. There is no way to measure time on patrol, as patrols are frequently pulled off of dedicated traffic duty to fill in gaps in staffing. In addition, some tasks do not generate a tangible “reportable incident.” For example, if the Town is experiencing a trend in house breaks, officers will be reassigned to patrol neighborhoods to provide reassurance with police visibility to the residents, taking them off of their regular assignment. The hours that are spent doing so are valuable but immeasurable and do not generate a reportable incident.

<u>YEAR</u>	<u>ANNUAL REPORTABLE INCIDENTS</u>
2007	28,550
2008	24,091
2009	26,179
2010	23,916
2011	22,286
2012	23,755

An analysis of the numbers comprising the totals reveals:

- An increase in “reactive” activities, often those initiated by calls for service or community complaints such as well-being checks, firearms permits, larcenies, assaults, and harassing phone calls.
- A decrease in activities which are primarily officer-initiated or proactive, such as summons served, traffic and parking violations, narcotics offenses, loitering and arrests.

The increase in reactive incidents combined with the decrease in proactive activities, results in an almost flat line in total numbers.



Members of the Public Safety Subcommittee met with Chief James J. Hester Jr. and spoke with him about the most substantial and pertinent issues that the Department faces, many of them present on a day to day basis. Our meeting with Chief Hester included discussions of the unique challenges to the Department, personnel and training, trends in crime and enforcement, the use of grants, as well as the analysis of department activity statistics.

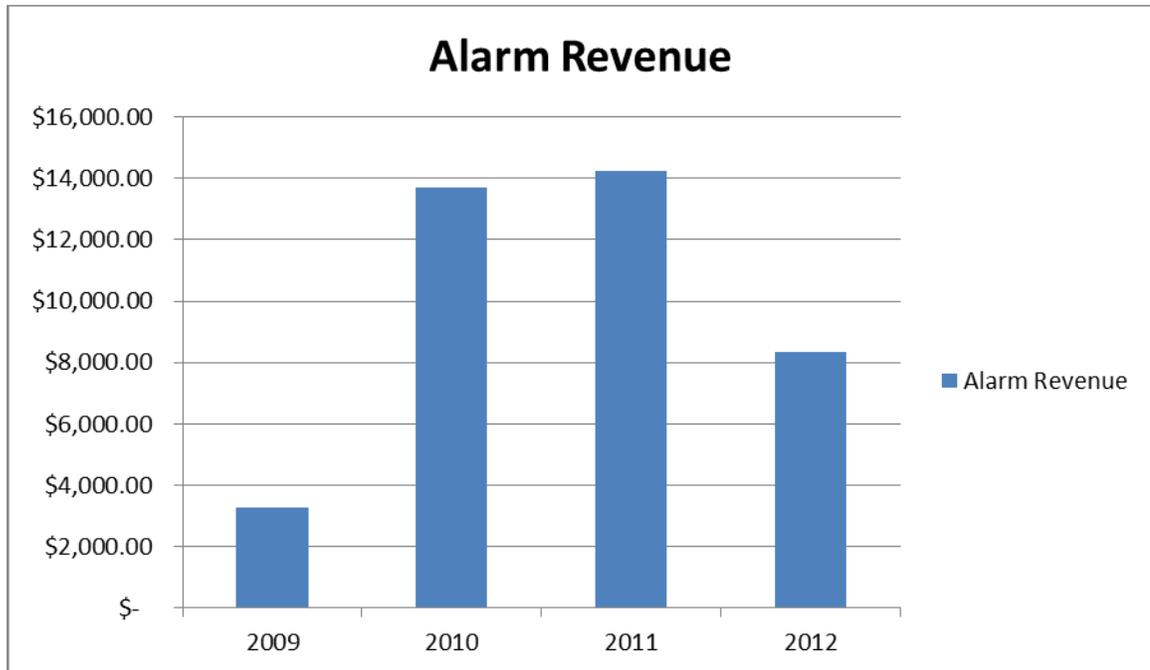
Grants: The Department utilizes grants as much as feasible, given the current budget constraints. They are prudent in fully examining the details, as many of these grants have stipulations that could result in future costs to the department which they cannot afford.

Regional Task Forces: The Department keeps costs low by utilizing many regional task forces. This reduces the cost of specialized training and purchasing/maintaining dedicated equipment, yet still provides the Town with necessary specialized services. The regional task forces spread out the burden by using less manpower and still having access to specially trained officers.

Overtime: The demand for police services can rise and fall substantially from one week to the next. Most police agencies use overtime to respond to temporary spikes in crime, or to manage major events in their community. Using overtime can be more efficient than hiring larger numbers of employees to ensure sufficient staffing for peak-demand periods. However if regular staffing is not adequate for the times when demand is highest, and no overtime funding is available, the result is that the police response will suffer.

Quinn Bill: We examined the funding of the Quinn Bill, which the Town has agreed to fund for those officers that were “grandfathered” to receive such benefits. New officers, as well as those hired who subsequently obtained their degree, do not receive this benefit. Eventually those receiving the benefit will be phased out through attrition. In the meantime, the funding keeps the salary competitive with other departments, thus lessening the risk of costly turnover by losing educated and experienced officers to other departments that do offer this benefit.

Revenue: There are only three revenue streams for the Department. Revenue is generated by the issuance of (1) motor vehicle offenses and (2) parking violations. Both of these have dramatically decreased as a direct result of the personnel shortage, 35% and 50% declines, respectively, over the last 4 years since the layoffs. The third revenue stream is from business related false alarm fees and the failure for a business to register their alarm. This policy was enacted in 2010 as an effort to deter the non-compliance of businesses to repair faulty alarms that continually require a time consuming response by the police, regardless of the alarm being a “false alarm.” The police are required to immediately respond to the alarm, check the premises and wait for a business key holder to respond, even in the case of a known faulty alarm. This puts the community at risk, as a patrol unit is taken out of service and unavailable to respond to other calls until cleared from the false alarm scene. In an effort to combat this, a fine was imposed for violations of this. As a result, the fees for this increased in the year that it was enacted, 2010.



Subcommittee member Heather Kasperzak also met with Detective Michael McGinnis and spoke with several officers of the Department. There are some morale concerns of complacency / weariness with the constant juggling to fill shifts eventually eroding the Department. Officers who have been promoted to assignments, such as traffic enforcement and investigation divisions, are unable to fulfill their primary role since they are often reassigned to fill vacancies in more critical functions. Despite this, the staff and personnel are very dedicated and have a high regard for the Chief and the Department. Much of the frustration among personnel arises from the perception that the Department is not valued and appreciated, as the public is not aware of the daily strains. Cuts and improvisations have been made, but since the public may not be directly affected by them, they may not be obvious. In the incidents where the public is adversely affected through increased wait times or delays, the image of the officers depreciates further. This makes the job of the officers even more difficult and frustrating to the Department's members who are trying to provide the best services with few resources. Due to the nature of the job, most residents do not have direct interaction with the Department and unless they personally are adversely affected by the lack of resources, it goes unnoticed by the general public.

The conditions at the physical facility are less than optimal and further detrimental to the morale issue. The same band aid approach with regard to staffing is also applied to the facility. Many officers' desks and offices are located in the cramped, unventilated and windowless attic of the garage. There are only two computers available for officers to write reports, one of which is housed in a room that has multi-purposes and constant interruptions or is completely inaccessible. Reports are initially handwritten, as there is no funding or personnel available to maintain a computer system for this function on a full time basis. Unfortunately the facility is a low priority, as there are so many other issues that would be addressed before this, should funds become available.

In addition, the lack of resources also prevents the Department from being able to reach out to the community and promote the Department in a positive, proactive manner. Educational and community involvement programs are absent, as there is no money to operate such programs, which could benefit specific age groups, businesses and cultures. Positive community interaction makes the job of the police easier in the long run and enhances the quality of life for the community members. Often those personnel who want to volunteer are unable to do so since they are relied on to fill required staffing vacancies. This lack of community interaction coupled with the detrimental effects of spreading the Department too thin, deteriorates the image of the Department in the public's eyes.

Per the 2012 Annual Report, the Police Department is staffed with 43 sworn officers with total personnel of 54, which includes administrative and dispatcher positions. This staffing level is well below the average staffing of similarly populated New England communities, per the FBI's Crime in the United States 2012 statistics of 2.2 employees per 1,000 residents. If the Department was brought up to the New England average for similarly sized communities (35,608 residents), the Department would have to hire a staggering twenty-one officers and three civilians to be in line with the average (currently we are at 1.52 employees per 1,000 residents.) This high staffing is not the standard that is sought by the Department. This data only highlights how significantly understaffed our Police Department is, and how efficiently it is has been managed since the economic downturn in 2009.

Currently the cost breakdown for each additional personnel is as follows:

- Patrol Officer – The salary range would be between \$58,000 - \$70,000 per year depending on steps, education and experience.
- Dispatcher – range \$40,000 - \$45,000 per year.
- Clerk – Salary range is \$40,000 - \$47,000 per year.

A restoration of the positions cut in 2009 would still be inadequate to handle what has transpired over the past 4 years. The addition of necessary personnel only addresses the dire shortage in staffing. However supplemental funding is required to address issues with the facility and equipment, the absence of proactive community involvement and other items that have been neglected to address the crucial personnel needs.

SUMMARY:

After a thorough examination, it is apparent that the Department continues to try to provide the best service, based on the extremely limited resources that they have. However sustaining this high level of service with such strains for extended periods of time can be detrimental to the Department and the community. It raises the risk to the community, as the functions of the department do actually involve life and death. The strategic day to day balancing and constant adaptation allows the Department to continue to provide outstanding value to the community in such a demanding environment. A lesser skilled or lesser cohesive department would unlikely have been able to maintain this for as long as this Department has. It is crucial to realize that this cannot be sustained without risks. The strains on the Department are not evident from just a cursory view. This study has provided an opportunity to obtain valuable insight into the Shrewsbury Police Department.

Shrewsbury Fire Department

The Public Safety Sub-Committee met with Chief Vuona to discuss the Shrewsbury Fire Department's current status, concerns, needs and opportunities. This meeting was attended by Chief James Vuona, Patrick Pitney and James Flynn from the Shrewsbury Fiscal Study Committee, Public Safety Sub-Committee. Additionally the subcommittee also took the opportunity to meet with Captain Aaron Roy who is also the Union Representative of the department. The current status of the Shrewsbury Fire Department is summarized in the two following paragraphs, taken from the 2012 Annual Report as submitted by Fire Chief Vuona:

“In 2012, the Shrewsbury Fire Department responded to 3,465 calls for service, second most in our history. From 2008 – 2012 the Fire Department responded to an average of 3,400 calls for service per year. For that same time period, 10,941 of the calls were for emergency medical service. The Fire Department also processed 1,784 permits and inspected hundreds of businesses, homes and occupancies. That said, the department fell far short of its inspection goals. The department does not have enough people on duty to do both emergency response and fire prevention/code enforcement in an effective manner. For FY 2013 the Shrewsbury Fire Department was staffed at thirty six (36) firefighters and officers. It should be noted that the authorized staffing level for this department does not meet any nationally recognized standards for apparatus manning or fire ground operations. According to nationally recognized standards we should have a minimum compliment of fifty-two (52) firefighters. That would represent thirteen (13) firefighters per shift. The fire department is also deficient in the areas of shift supervision, administrative positions and secretarial staff. Any reductions in staffing could result in fire stations being closed.

A Massachusetts S.A.F.E. (Student Awareness of Fire Education) Grant was awarded in the amount of \$6,365.00 to supplement public education and safety programs in our schools, senior center and community events. We have re-applied to the Federal Emergency Management Agency (FEMA) for Assistance to Firefighters Grant (AFG) for \$300,000 to replace our aging, non-compliant Self-Contained Breathing Apparatus (SCBA). Our re-application is currently under review.”

In speaking with Chief Vuona, his concerns are as follows:

- No Fire prevention Officer
- No Deputy Chief
- Shortage of personnel on regular shifts
- Inability to adequately man current equipment (i.e. Ladder Truck)
- Only 1/5 days are fully staffed

To resolve these concerns Chief Vuona listed the following as priorities for the Department:

- A trained Fire Prevention Officer
- The hiring of a Deputy Chief
- The addition of eight Lieutenants (2 per shift) to the staff

Chief Vuona did state that a Deputy Chief could also serve as the Fire Prevention Officer and that the salary requirement for such a position would be approximately \$85,000.

Lastly, Chief Vuona stated that the department is treading water due to several years of level funding. He is concerned that continued level funding and/or decreased funding will result in increased risk to the community as well as taking him away from his regular duties as he will be required to respond to routine calls on a more regular basis.

In conclusion, the committee feels that the Fire Department is maximizing its capability with the resources they have at hand and do an excellent job protecting the citizens of Shrewsbury. While the committee is sensitive to the requests made by the department regarding staffing levels and their desire to meet “nationally recognized standards for apparatus manning or fire ground operations,” the Town is not required to meet these standards. In this difficult economy, the committee feels that the following recommendations be considered only in the presence of increased funding for the Town.

Recommendations of the Public Safety Sub-Committee:

- Consider the hiring of a Deputy Chief/Fire Prevention Officer
- Consider increasing staff through internal promotions (8 Lieutenants) and adding firefighters at entry level positions
- More aggressively pursue the AFG and other grants. Possibly through the use of a professional grant writer

10. Public Works: Public Buildings, Engineering, Sewer and Water, Highways, and Planning

Summary

1. The town departments are cut to the bone and little additional reduction in expenses can be reasonably expected from them.
2. State and Federal mandates will significantly increase the cost of doing business for the Engineering, Planning, Highway, and Water & Sewer Departments. Rates will need to increase to recover the costs.
3. Due to these new mandates, staff or contracting services may need to be added. This will result in a significant impact on the Town’s budget.
4. The town's equipment and infrastructure are aging and the oldest items need to be replaced. Many of the Town’s pumping substations need significant overhaul.
5. Certain Town expenses need to be reevaluated to ensure a balance between effectiveness and cost. As an example: We deferred funding sidewalks, but eventually “curb appeal” drops and somebody will get hurt walking on cracked pavement.
6. Employees with exceptional knowledge will soon leave workforce for retirement. Replacements will need to be properly mentored previous to leadership departure
7. Consideration of creation of a Public Works Department with one department head should be reviewed. The cost of one highly trained/experienced leader with several more junior (lower cost) deputies for each area may cut expenses.

8. Engineering/Planner spaces on second deck of Town Hall need immediate remediation with respect to floor loading, access, and work place environment. The current first floor health and building inspector area may have space for town planner and sharing of administrative personnel would alleviate any additional FTEs.

Public Buildings

Robert Cox, Superintendent of Public Buildings, was interviewed to discuss ways to reduce expenses on the maintenance of our public buildings. An energy audit was recently done back in 2010 on most of the public buildings. The report listed many possible improvements for the buildings, ranging from quick and low cost changes, to more involved upgrades. Our evaluation is that the report overestimated savings. It also minimized the costs required to implement each recommendation. While energy conservation is one way to save money, cost/benefit evaluations are critically important.

The interview generally showed it was difficult to justify energy efficient improvements until the item needed replacement. Newer technologies that promised savings are often expensive and prone to failure (such as motion detection systems that shut off lights). By waiting, we can reduce the risk of new technology until proven and get full value out of our current property. At the point of replacement, a balance between reliability, efficiency, and value should be reached. Mr. Cox mentioned that moving from older fluorescent light fixtures to newer florescent fixtures showed some savings. The Town already turns off exterior lights around public buildings. Lights were turned off after scheduled evening events at our public buildings. Not much opportunity for further savings here exists. A steady reminder for employees to secure equipment and lights at the end of the day may eke out some minimal additional savings. The Town monitors energy and other utility costs using spreadsheets and Mr. Cox noted that any usage spikes triggered inquiries that lead to repairs (e.g. leaky water fixtures).

Finally it was recommended that energy audits should be run every six to eight years to highlight any savings using newer technology (such as improvements to florescent lighting fixtures). When things are replaced, a simple note of how much would be saved should be recorded. Initiatives in efficiency should be published so that efforts by town hall are recognized by the townspeople. Keeping track of these efficiencies will demonstrate the Town employees do their part in conservation and cost savings.

Engineering

Since the previous Town fiscal study report, the engineering department has reduced its staff from nine and a half people (9.5 Full Time Employees-FTEs) down to six people (6 FTEs). The department lost a secretary, junior engineer, and one inspector. (However, the junior engineer and inspector were transferred to the Water & Sewer department where their salaries are paid by water and sewer fees.) An additional person transferred to newly created department of Town Planning. Jeff Howland, the Town Engineer, explained that additional inspectors are needed to make sure town contracts and sewer inspections are executed correctly.

New storm water mandates from the EPA could require increasing human resources in engineering. The storm water mandates will require inspections of municipal and commercial storm water discharge points. To ensure proper funding for services rendered to inspect commercial discharge points, the Town has already taken steps to request fees for inspection. The EPA is expected to come up with requirements for chemical, biological, and silt discharging so the level of effort to comply with these regulations is as yet unknown. There will be GIS work to map every manhole, stream, basin, and any other source of discharge so that continual inspection schedules can be maintained.

Infrastructure in the coming years will continue to require significant investment. The town recently raised its water and sewer rate fees. The Town will need to spend \$500,000 per year to repair pipes and reduce inflow and infiltration of water into the drainage system, but Mr. Howland stated that expenses should really be closer to \$1,000,000. Ground water infiltration adds volume to what we discharge to the Westborough treatment plant, thereby driving up our sewer processing charges. Citizens who illegally discharge sump pump effluent into the sewer system also cost the Town significant additional expenses. A new plant for waste water will be needed, and new wells would need to be drilled if the town wishes to continue to grow and develop as watershed control mandates require water to be returned to same basin from which it is drawn.

In addition to infrastructure, the Town's fleet of three (3) inspection vehicles will need to be upgraded very soon. Retention of official records needs to be better addressed as the engineering office is burdened with decades of paper records, which must be retained (mandated). Off-site storage costs will need to be addressed as Floral St. location is being considered. The weight of the material is an issue in its present location in town hall's second floor.

The engineering department is not a source of expense reduction, and will require adroit management in order to control costs. Costs will increase; it's all a question of how much.

Town Planning and Economic Development

Planning and Economic Development continues to remain an important focus in Town as we strive to meet the growing demands of residents and businesses. Currently, the salary of the Town Planner, Kristen Las, is funded by filing fees, but the demands on this one person department are excessive. There is a keen need for a part time or full time planning technician to handle the legal advertisements, agendas, plan distribution, preparation for meetings, follow up, etc. currently being completed by the Town Planner.

Peer review fees are paid separately by the applicant to fund an outside engineer to peer review plans. While the actual work is paid for by peer review and planning fees, the administrative responsibility again falls to the Town Planner.

The Town Planner is currently overseeing myriad projects around Town. This is publicly demonstrated by the various boards and commissions she staffs and for a specific example, at the last special town meeting in October, 2013. Several warrant articles were the sole responsibility

of the planner and exemplified the diverse areas of expertise and attention to detail needed of a planning department.

The Town Planner works out of a small area in the engineering office on the second floor of the town hall, as well as other temporary locations throughout town hall. There is little privacy and no meeting room for consultants or residents to meet with the Town Planner, as the main meeting rooms in town hall are frequently reserved for other town uses.

Highway

Long term staffing in this department has decreased while demands upon the system have increased. Staffing has declined from fifteen FTE in 1988 to the present nine FTEs. In the past five years, staffing has remained at nine FTE and one part-time seasonal employee. The nine FTE includes one foreman, 2.5 FTE fleet mechanics who service and repair vehicles from Police, Highway, Water & Sewer and the Parks Department. The remaining 5.5 FTEs are responsible for maintenance of over 150 miles of public ways in Town. If the Town succeeds in growing, demands on the system may push the need to return to previous staffing levels. It should be noted that the Town has partially offset these and other staff reductions by contracting out some of these services.

With the new storm water regulations, it is more important than ever to ensure our street drainage system is maintained. Storm drainage funding has been kept lower lately. With our drainage systems potentially overflowing this may cause us to fail EPA storm water checks. Another area where expenses may need to be increased is repaving our sidewalks, as this has not been funded for several years. Many areas of Town need sidewalks repaired, some of which are not passable and hard to push strollers on.

Snow:

Like other Highway operations, snow removal has seen a reduction in force. It should be noted, however, that staff reductions have been partially offset by contracting out some of these services. The Town currently contracts slightly over 50% of our snow removal operation which equates to renting approximately 26 pieces of equipment and staff for 22 pieces of Town equipment, including vehicles from Water, Sewer and Parks Departments. For any given storm, there are approximately six or more vehicles out of service due to lack of operators. It may benefit the Town to evaluate the current equipment, plan for equipment that needs replacement and then match that equipment to staffing levels. This way we can maximize service and minimize cost. Ensuring the town runs well during snow events is important to maintaining a business friendly atmosphere.

Equipment:

While attempting to reduce expenses, funding for new equipment has not been funded for the past five years. The town is running a significant amount of equipment that is 25 to 40 years old. In this area the town will need to re-balance priorities. Reduced maintenance cost and higher fuel efficient equipment may be available.

Water and Sewer

Growth and expansion of the Town and tax base will likely be adversely impacted by water and sewer capacity issues.

Item #5 Board of Selectmen Fiscal Policies for Fiscal Year 2014:

“The Board of Selectmen will continue to adjust water rates as necessary to maintain the water utility as self-supporting plus maintaining sufficient reserves for future capital needs to minimize any future borrowing. The Board of Selectmen will also advise the Town and Sewer Commission to do the same for the sewer system.”

Adopted October 9, 2012

The water operation is supported 100% by water use fees and charges. The sewer operation is now supported 100% by sewer use fees and charges for FY2014.

Revenues

All water and sewer revenue raised from rates, fees, and charges cover the entire operations of both departments, including salaries, health and other benefits for employees, as well as capital improvements.

With respect to the mechanism for capturing water revenue, funding is accounted for as a line item in Schedule A (local receipts) of the annual budget. Each year by way of an article on the Town Warrant, the Annual Town Meeting (ATM) members vote to appropriate the water department operating funds. Additionally, any water capital improvements come from the Water System Improvement Account which is funded by the ATM. Any operating surplus gets booked into this account at the end of the fiscal year; to be spent in the upcoming year. All monies collected by the Water Department go into Schedule A Water Surplus Account. Over the past few years, this account has experienced slow growth, providing the cushion needed for emergencies. This account is also there, should spikes in rates come from outside sources. For example, the EPA could, at any time, implement a regulation that would drastically affect rates. For other Town departments to consider “tapping into” this surplus account would, in effect, be creating a tax which would be looked at as the circumventing of Proposition 2 ½.

As the Town complies with the state’s Water Management Act, the Town has encouraged citizens to conserve water. The result has been a rate structure that discourages consumption, particularly residential consumption which is the Town’s largest customer base. As a result, revenue has suffered due to the Town’s success in meeting the state’s goals.

Water Revenue Sources

- Water Rates
- Backflow Inspection Fees
- Connection Fees/Charges (\$4,000 per single family)
- Conservation Fees

- Liens/Penalties & Interest

Additionally

- Water Conservation Balance
- Water System Improvements Balance
- Warrant Article Balance

The Town Manager periodically performs rate studies which are used to determine whether or not the Town needs to consider rate increases. Following a Water Rate Study, the results of which were presented by the Town Manager on September 11, 2012, water rates were increased, effective November 1, 2012, generating more revenue. Sewer rates remained unchanged.

<u>Water Residential/Condo</u>	<u>Prior to 11/01/2012</u>	<u>After 11/01/2012</u>
Minimum Charge	\$19.00/Qtr. (0-5,000 gal.)	\$21.00/Qtr. (0-5,000 gal.)
5,000-25,000 gal.	\$3.20/1,000 gal.	\$3.40/1,000 gal.
25,000-50,000 gal.	\$6.00/1,000 gal.	\$6.30/1,000 gal.
Over 50,000 gal.	\$7.75/1,000 gal.	\$10.00/1,000 gal.

<u>Water Commercial</u>	<u>Prior to 11/01/2012</u>	<u>After 11/01/2012</u>
Minimum Charge	\$32.50/Qtr. (0-5,000 gal.)	\$36.00/Qtr. (0-5,000 gal.)
Excess of 5,000 gal.	\$2.50/1,000 gal.	\$2.80/1,000 gal.
Excess of 50,000 gal.	\$3.50/1,000 gal.	\$3.80/1,000 gal.
Apartment (4 + units)	\$4.00/1,000 gal.	\$4.25/1,000 gal.

The Sewer Surplus Account is the “bucket” which captures the revenue from rates and connection fees. As noted, beginning FY2014, the entire sewer operation is funded through sewer use, fees, and charges. All revenue gets accounted for and appropriated for the sewer operation. All monies collected go into the Sewer Surplus Account, not Schedule A. Sewer Surplus revenue for FY13 is \$5,974,283. Approximately \$4,489,000 will be paid to Westborough for the flow operation and debt services of the Westborough Waste Water Treatment facility. The balance (\$1,485,283) pays for the department expenses. Any surplus in one fiscal year gets rolled over and spent in the next fiscal year. However, there is not a fast growing surplus in the sewer operation.

Sewer Revenue Sources

- Sewer Rates
- Sewer Surplus
- Sewer Connection & Lateral Fees (\$ 600 for single family)
- Sewer Inflow and Infiltration (I&I) (\$1,320 per bedroom)

<u>Sewer Rates</u>	<u>Present</u>
Base Rate Charge	\$30.00/Qtr.
Residential/Condo	\$7.50/1,000 gal.
Commercial/Apartment	\$9.30/1,000 gal.

The sewer department is not seeing major costs increases outside the new storm water regulations (as discussed in the engineering section of this section of the report). Personnel levels have been restored to long term levels after recent new hires.

As of 10/19/2013, Westborough Waste Water Treatment facility is still waiting for their draft permit, so the conditions are not known. One possible addition to regulations is total nitrogen levels in the water. It would require some modest capital expenditure in the range of \$3-5 million to achieve regulation limits on nitrogen. This is much lower compared to the \$54 million just spent for phosphorous upgrades and building and infrastructure improvements.

Infrastructure improvements and maintenance costs are to be kept at their standard rates, and no increases are foreseen. Also costs associated with new wells are being kept on hold as options are limited where we can drill, and it is likely that we will get a limited but much needed increase in our daily pumping limits (0.44 mgd). A new requirement recently put in place to fence in water tanks will have minimal effect, as all of our facilities are already fenced in.

Much of the infrastructure for water and sewer gets funded through bonds and is not included within the annual tax levy. This means while taxes may be limited, additional costs for fees in sewer, water and perhaps new storm water utility will take more money out of the pockets of citizens.

11. Shrewsbury Electric and Cable Company (SELCO)

SELCO annually contributes to the Town a payment in lieu of taxes (PILOT). Most but not all funds paid by SELCO are in the form of a PILOT. Payment from the electric service is a PILOT. Payment from cable operations is partially mandated by state law, and the rest is a PILOT, the result of negotiations between the Town and SELCO. Requiring higher PILOT payment would only raise rates for electricity, cable, internet and phones or limit serviceability of infrastructure. The SELCO Commission has a long standing history of providing the most reliable electric service at the "best price." Increasing PILOT can be interpreted as "taxing through the meter."

The rate at which SELCO remits funds to the Town has not changed since the 2007 Fiscal Study Report. SELCO makes two separate payments annually. The payment from the electric side for 2013, based on 2012 figures, was \$237,569 which represents a base payment of \$30,000 plus 10% of the difference between the year-ending general cash balance and December's power cost bill. The payment from the cable side was \$794,361. Federal law requires a minimum of 5% of gross video revenue. State law previously required at least \$0.50 per subscriber, but SELCO still continues to provide this additional payment. Also included is 5% on gross internet and phone revenue which no other cable operator pays. In addition, SELCO makes a direct payment to the public access provider totaling approximately \$422K. This payment is usually made by a town from the aforementioned franchise fee, paid by the operator. This direct payment comes from 3% of gross TV revenue (\$422,000) to pay for Shrewsbury Media Connection and two employees. The total contribution to the Town for cable services has been capped at \$800,000 plus interest for the next ten years by agreement with the Town.

SELCO provides many ancillary free services to the Town, unlike a private service provider SELCO also saves the Town money in many instances which would not happen for a private entity. The Town benefits from reduced street lighting rates; reduced electric rates for town buildings; the provision of internet, voice, and computer data networks throughout town buildings; labor for other town departments; the donation of equipment such as a weather station at four schools and lighting equipment at a Dean Park tennis court; improved internet connectivity in support of the School Department's insertion of i-Pads into the Middle School curriculum, and many other community-participation events such as the fourth grade open house, Floral Street School's "Go Green Day," Spirit of Shrewsbury Festival, AMC FearFest Blood Drive, "Share the Warmth" program, and Santa's Toy Chest. Two \$1,000 scholarships are annually awarded from combined SELCO and provider contributions. Arbor Day trees, resistant to the Asian Long-Horn beetle infestation, are annually provided free of charge to the community.

While some of these services might be provided by a private entity as a sign of good corporate citizenship (with the typical prerequisite advertising announcing its in-kind deeds), it would by no means be guaranteed. SELCO, however, provides them as a part of its mission.

Can we increase SELCO's payments? SELCO's mission affects its PILOT. The electric operation is intended to provide reliable power to its customers at the same or better rates charged by similar competitors. Currently, Shrewsbury provides the fourth lowest rates within the Commonwealth of Massachusetts. Its PILOT is secondary to that. If SELCO raised its PILOT, the cost to subscribers/customers or the reliability of the system might be affected. The future of the electric PILOT is mostly stable. The big question on the horizon is fluctuating costs of natural gas.

Unlike the electric operation, the origin of cable operation was to provide a revenue source for the Town. Proposition 2 ½ had been implemented two years before the cable franchise was granted. The cable industry confronts many challenges. The industry is heavily dependent on technology and capital investments which must be clearly scrutinized. Of the cable operation's three services - TV, internet, and telephone – only its internet service revenues significantly exceed costs. TV is doubly hit by reductions in revenue as users are seeking other means to get their favorite shows and by increases in costs as providers charge more for transmission contracts. Those costs led SELCO to increase customers' rates in 2012. Telephone costs remain low. Revenues, however, will begin to drop as people disconnect their land lines. Internet has plateaued, because it is dependent on growth of homes and businesses, not costs or amount of use.

What would happen if SELCO were replaced by a private company? They would pay taxes on their property. Electric payments to the town would be zero; cable payments would be based on the federal law (5% of gross TV revenue which was \$435,484); property taxes would likely be higher or services more severely constrained due to the loss of the PILOT. The assessor's office does not scrutinize SELCO's properties because they are exempt from taxation. Therefore, it is hard to get a useful guess at the taxes a privatized SELCO would pay. Finally, all of the other in-kind benefits provided by SELCO would likely cease.

In summary, the Town should not expect any increases in revenue from SELCO. SELCO's expenses for the town are very limited as SELCO is self-supporting. Its main goal is to provide highly valued services at the lowest possible costs. SELCO keeps energy costs low for the town by contracting with across-the-board generators of electricity, from nuclear power plants, to natural gas generating plants, to solar power as well as wind and hydro-electric enterprises. The rates are among the lowest in the state of all the providers of electricity to the consumer. It maintains a stand-by peaking diesel generator which can be called upon to support the grid in high-electricity demand days which can alternately power over one-third of the Town should all other power sources be lost. Because SELCO is a stand-alone entity only within the confines of Shrewsbury, the combined manpower of SELCO can be brought to bear in snowstorms, hurricanes and other natural disasters to restore power rapidly.

SELCO benefited from natural gas prices going down since 2008. Gas costs rise in peak months (January, February, and the start of March) from forty dollars per megawatt hour to one-hundred dollars per megawatt hour. This spike in prices is caused by the constraints in pipeline capacity into New England. For the rest of the year the costs fluctuate between forty and sixty dollars per megawatt hour, with spikes occurring for longer duration (4+ day) heat waves. By buying long-term contracts, SELCO minimizes its exposure to price fluctuations in the market. Efforts to diversify away from sourcing natural gas energy to other sources and renewable sources also helps hedge against peak demand cost spikes. Costs for the town will not go up unless natural gas prices spike, but that is unlikely in the next three years. Transmission charges may increase quickly, but currently are a small portion of the overall cost.

Expenses for the municipal energy needs have stayed level. While there was increased energy expenditure because of the new Sherwood school, the overall rates for electricity decreased 10 percent, balancing out overall Town costs.

One possible source of savings is street lighting. The yearly cost for lighting streets is \$163,000. That cost could be reduced if lights were turned off for a period of time per night, although there may be opposition to this due to a perceived loss of safety. Another way to reduce costs would be to transition to LED streetlights. SELCO is looking for LED lamp costs to stabilize – as prices are dropping significantly. Currently an LED lamp costs about \$260. SELCO is converting lamps to LED and will be buying 50 – 100 lamps for the 2014 budget.

In conclusion, the subcommittee studying SELCO revenue finds that they provide a highly efficient and cost effective service to the town. The PILOT payments received, like the cable portion currently capped at \$800,000 per year, would not be realized by any other entity. The in-kind services provided by SELCO are extraordinary and are in addition to the PILOT agreement. SELCO is acutely aware of the need to remain current and the need to continually invest capital in the latest technology is an area of concern and the main reason why the PILOT was capped. Increasing payments to the Town would only take away from the ability of SELCO to make this investment and cause a direct increase in the cost of services provided.

12. Shrewsbury Public Library

Population and Usage

The Shrewsbury Public Library may be the most widely-used institution in town: there are currently 24,912 library card holders out of Shrewsbury's population of 35,600. The library appears to serve a large cross-section of Shrewsbury residents. Among library card users approximately 60% are adults, 30% are children and teens, and 10% identify as seniors. Library cards must be renewed every three years and inactive ones are purged, ensuring an accurate count of active cards.

Certification

To maintain certification and continue to receive state aid, Shrewsbury must spend 13% of its municipal appropriation on library materials and be open a minimum of 59 hours per week. State aid for FY2013 was \$38,000, a small sum within the library budget. However, the real value of certification is access to the inter-library loan system and the ability to borrow from other public libraries within the program, as well as eligibility for most federal, state, and private grants. In FY13, Shrewsbury patrons borrowed 41,733 items, while lending 31,231. Thus, Shrewsbury is a "net-borrower" within the inter-library loan system, as it has been for the past 11 years. Consideration was given to charging non-Shrewsbury residents for the use of library materials; however, this is not permitted under state certification guidelines.

Internet / E-Books

With widespread use of the internet, access to e-books, and the ease of buying books online, we asked whether we need libraries at all and, if so, why can't we downsize to a sort of 'internet café'? We expected a decrease in measures of library use, but the data surprised us. Despite the e-trends noted, in the past 10 years (FY2003-2013):

- The library budget *increased* \$27,975 or **0.026%**, from \$1,077,463 to \$1,105,438
- The Shrewsbury population *increased* by about 4000 or **13%**, from 31,640 to 35,608
- (Non-electronic) items circulated *increased* by 200,469 or **67%**, from 297,744 to 498,213
- The number of patrons *increased* by 73,691 or **38%**, from 192,317 to 266,008
- The items circulated per open hour *increased* by 73 or **81%**, from 96 to 169 per hour
- The number of patrons per open hour *increased* by 28 or **45%**, from 62 to 90 per hour
- For the 3 years FY2011-2013, e-item circulation *increased* by 14785 or **242%**, from 6,099 to 20,884.

Thus, it is clear that the e-trends have *not* decreased library usage. The library is currently in the infancy stage of e-lending, which is expected to grow. Meanwhile, requests for reference help have increased in complexity because patrons first use the internet, then come for help when they get stumped. This became so pronounced that the reference librarian's service area was reconfigured to allow patrons to sit side-by-side with the librarian as their questions are

researched, thus providing education as well as information. This illustrates one of the classic missions of libraries: to both provide information *and* to help patrons learn how to find it for themselves, thereby empowering them. Knowledge is power, as the saying goes.

Special Programs

In keeping with its mission to provide information and to encourage reading and learning, the library offers many special programs serving everyone from toddlers to people tracing genealogies. Of special interest are the programs serving the school system, job hunters, and data seekers. For example, the library:

- consults with teachers at all levels to help in choosing books to support course work
- purchases books and materials that will support specific courses
- subscribes to "Tutor.com", an online service which provides links to live tutors for help with homework and other assignments
- offers, for jobseekers, a wealth of materials covering everything from job markets to resume writing and interviewing
- subscribes to a host of search engines and data services that would be too expensive for most residents to purchase on their own.

It is estimated that libraries provides \$7.00 worth of services for every tax dollar allocated to them.

Summary

The Shrewsbury Public Library is a well-run and popular municipal service. The library has demonstrated excellence in adapting to and utilizing changing technology to maximize financial and material resources. Library staffing has remained steady. The number of full time equivalent staff was 17.5 in 1998, peaked at 20.92 in 2007 and is projected to be 17.5 in 2014. The number of annual volunteer hours ranges in the thousands, utilizing approximately 700 volunteers.

We can identify neither areas for significant savings nor new revenue sources.

Opportunity Analysis

It is possible to put a dollar cost on the library and we can put numbers on its services. In those terms, the library seems to be an excellent value. What we cannot do is tell you the value of the library to the cultural and intellectual life of the town or to the ambiance that makes Shrewsbury such a desirable place to live. Each citizen must make that determination.

Debt exclusion

On November 5, 2013 the voters approved a \$23.3 million debt exclusion to fund the expansion and renovation of the Shrewsbury Public Library. With a grant from The Massachusetts Board of Library Commissioners and private fundraising, the net cost to the town will be \$13.6 million.

13. Pay-As-You-Throw (PAYT) Waste Collection

The 2007 Fiscal Study was conducted one year before PAYT waste collection was implemented; PAYT was one option identified in that report.

Prior to 2009, Shrewsbury paid for waste and recycling with funds directly from amounts to be raised by taxation (tax levy) creating the impression for many residents that these services were free. In contrast, PAYT requires direct payment by the user of the service for each bag of trash disposed. Collection costs for both trash and recycling are paid from the tax levy. PAYT is one of the most successful worldwide methods to increase recycling rates and to assist in the payment of the waste services. Shrewsbury switched to PAYT in Fiscal Year 2009 and, as anticipated, recycling rates increased and have annually stayed above 32% while waste tonnage has decreased. It is important to note that the PAYT account is structured as an enterprise account that requires annual Town Meeting appropriation pursuant to G. L. c. 44, s. 53F½. As an enterprise account, revenue in excess of estimate or expenses less than estimated are certified as retained earnings at the end of each fiscal year.

Another goal for PAYT is that it would offset disposal costs. The PAYT data provided by Mr. Morgado to the Board of Selectman on July 29, 2013 provides the data for the information below. There is no doubt that PAYT works to reduce refuse, and pays for about half of the overall collection and disposal costs.

The average annual refuse collected from 2000 to 2008 was 11,506 tons; from 2009 to 2013 the average yearly refuse collected was 6,544 tons

The avoided costs from reduced trash disposal are presented in the chart below.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Disposal Tons	11,272	10,944	10,687	7,137	6,370	6,386	6,525	6,307
Recycling Tons	2,834	2,838	3,056	3,569	3,218	3,251	3,222	3,058
Total	14,106	13,782	13,743	10,706	9,588	9,637	9,747	9,365
Tip Fee	\$36.52	\$37.06	\$67.73	\$69.10	\$69.20	\$70.87	\$72.48	\$74.01
		Avoided Disposal Tonnage		3,550	4,317	4,301	4,162	4,380
		Value of Avoided Tonnage		\$245,305.00	\$298,736.40	\$304,811.87	\$301,661.76	\$324,163.80
		Cumulative			\$544,041.40	\$848,853.27	\$1,150,515.03	\$1,474,678.83

There is an opportunity to decrease costs by shifting more of the trash stream into recycling. If the trash disposal tonnage decreased by the same amount recycling would increase, the savings would be \$74.81 per ton. This is the cost of the tip (burn) fee for FY14. For example, if we were to increase our recycling rate to 43% (currently at 33%), thus decreasing our trash to 5,500 tons, the Town would save an additional \$74,810 per year.

How could this extra savings and increased recycling be realized? There are a host of ideas to be considered:

- 1) Providing more or more frequent information to households might help; however, this might require more personnel or an official Recycling Committee beyond the tiny community volunteer recycling group.
- 2) Some type of enforcement might help to reach these higher goals. Some residents wonder why the recycling regulations are not more strictly enforced. The answer is the additional cost. Currently the Department of Health has two administrative assistants who handle all the calls and questions regarding trash and recycling; it might be necessary to hire someone to act as a compliance officer. However, there is some question about whether or not the Town should move to enforcement because it may not make much difference and it may undermine support for PAYT. If enforcement were chosen as an option, there are some State grants to partially offset the cost, at least initially.
- 3) Another way to possibly increase the recycling rate is to slightly boost the cost of the bags. This measure requires careful pricing: a dramatic increase could cause residents to seek a private trash hauler or to subvert the program in other ways.

The PAYT report presented by Mr. Morgado also shows a substantial decrease in the number of bags sold, with 740,400 bags in 2010 down to 689,800 bags in 2013, while the pounds per bag has increased from 17.21 pounds in 2010 to 18.29 in 2013. Shrewsbury collects about \$880,000 per year in bag and sticker fees. Shrewsbury’s “tip fee”, the cost of disposing the trash has increased from \$67.73 per ton in 2008 to \$74.81 in FY2014.

As a means of comparison to other area communities in the chart below, we have used the criteria of number of households served and the tonnage per household and whether they use curbside service. All this data was self-reported to the Massachusetts Department of Environmental Protection and provided to the group by Irene Congdon, Central Regional Mass DEP Recycling Coordinator, and gathered from the noted municipalities’ websites.

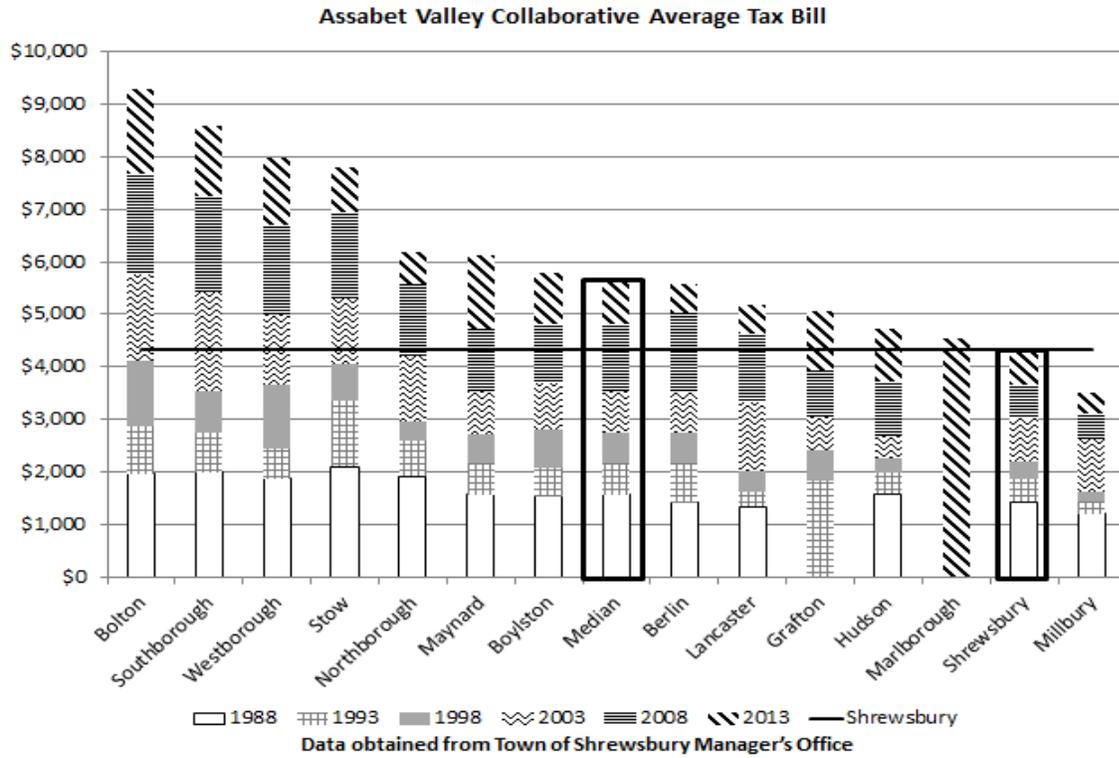
	Households Served 2012	Trash Disposal Tonnage 2012	TonsPer HH 2012	Lbs PerHH 2012	Bag Costs and Fees	Bulky Waste
GLOUCESTER	12500	6837	0.55	1098	\$2 for one size	\$5
GRAFTON	4813	3135	0.65	1303	\$0.75 small \$1.50 large	2 free items yr
FRANKLIN (single stream)	9000	7019	0.78	1560	\$225 cart fee and \$3 bag overflow	\$25 fee for transfer and 10-20 pickup
NATICK	9383	6330	0.67	1349	1.00 small and	\$25

(single stream just started in Aug '13)					1.75 large	
SHREWSBURY	9945	6525	0.66	1312	\$0.75 for small/\$1.50 for large	\$10
DARTMOUTH	9644	5556	0.58	1152	\$1 for small/\$2 for large	100 fee for non res & Commercial lawn

In conclusion, Shrewsbury's PAYT program works as it was intended with 33% of the Town's waste stream being recycled. We encourage more recycling but believe the program is well structured at this time.

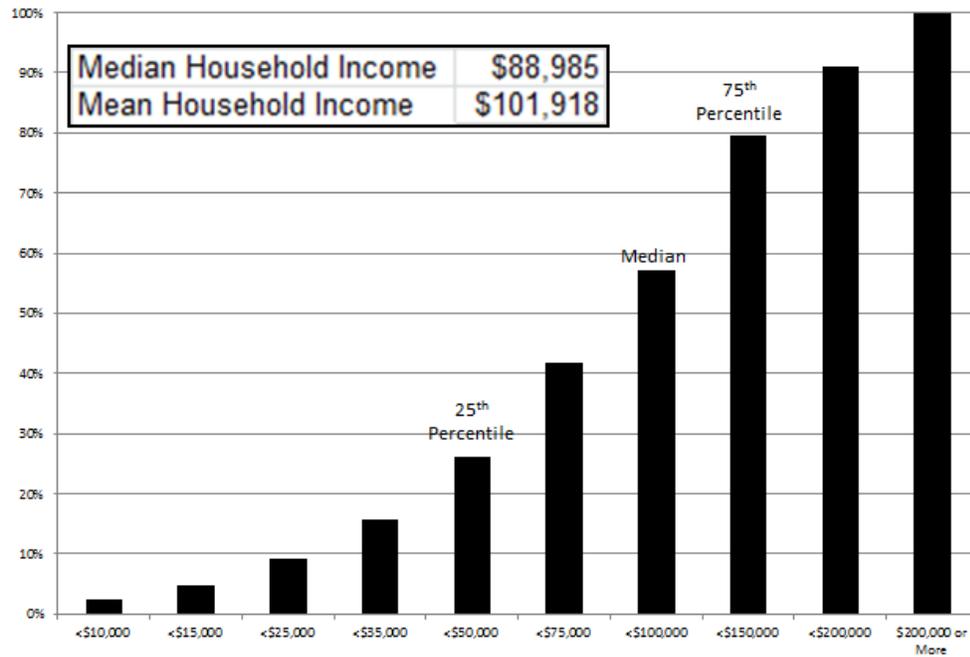
APPENDICES

APPENDIX A – Assabet Valley Collaborative Average Residential Tax Bill



APPENDIX B

2011 Shrewsbury Income and Benefits



Data obtained from Town of Shrewsbury Economic Development Office

APPENDIX C

Shrewsbury Override Scenarios: Projected Tax Bills

	Home Value \$250,000	Home Value \$350,000	Average Single Family \$370,711	Home Value \$400,000	Home Value \$500,000	Home Value \$600,000
Current Tax Bill	\$2,917.50	\$4,084.50	\$4,326.20	\$4,668.00	\$5,835.00	\$7,002.00
Add \$1,000,000	\$2,969.78	\$4,157.69	\$4,403.71	\$4,751.64	\$5,939.55	\$7,127.46
Add \$2,000,000	\$3,022.05	\$4,230.87	\$4,481.23	\$4,835.28	\$6,044.10	\$7,252.92
Add \$3,000,000	\$3,074.33	\$4,304.06	\$4,558.74	\$4,918.92	\$6,148.65	\$7,378.38
Add \$4,000,000	\$3,126.60	\$4,377.24	\$4,636.26	\$5,002.56	\$6,253.20	\$7,503.84
Add \$5,000,000	\$3,178.88	\$4,450.43	\$4,713.78	\$5,086.20	\$6,357.75	\$7,629.30

Shrewsbury Override Scenarios: Projected Cumulative Increase in Tax Bills

	Home Value \$250,000	Home Value \$350,000	Average Single Family \$370,711	Home Value \$400,000	Home Value \$500,000	Home Value \$600,000
Add \$1,000,000	\$52.27	\$73.18	\$77.52	\$83.64	\$104.55	\$125.46
Add \$2,000,000	\$104.55	\$146.37	\$155.03	\$167.28	\$209.10	\$250.92
Add \$3,000,000	\$156.82	\$219.55	\$232.55	\$250.92	\$313.65	\$376.38
Add \$4,000,000	\$209.10	\$292.74	\$310.06	\$334.56	\$418.20	\$501.84
Add \$5,000,000	\$261.37	\$365.92	\$387.58	\$418.20	\$522.75	\$627.30

Data obtained from Town of Shrewsbury Manager's Office

APPENDIX D - Proposition 2 1/2 and How It Influences the Tax Rate

The Proposition 2½ limit applies to the overall tax levy - the value of total taxes assessed across the town - not to the tax rate. The tax rate is based on a simple calculation - total tax levy divided by total assessed property values. For example, if national or local economic trends caused the value of all homes in Shrewsbury to go up uniformly, that would not change the amount of tax paid by any individual homeowner, if the budget did not change, since the total amount is limited by Prop 2 1/2. In fact, it would actually decrease the tax rate, as property owners would pay the same amount of tax on homes that were now of higher value. Similarly, a reduction in the value of all homes in Shrewsbury would not reduce the overall tax levy, so it would therefore raise the property tax rate as property owners would be paying the same amount of taxes on homes that were now at a lower value. Any increase in the tax levy would thus represent an increase in the overall value of property taxes that the Town can raise which would then be apportioned across all properties based on their relative value, subject to budget and other reimbursements.

APPENDIX E – State Aid and Charges FY2009 to FY2014

Line Item	Fiscal Year 2014 Actual	Fiscal Year 2013 Actual	Fiscal Year 2012 Actual	Fiscal Year 2011 Actual	Fiscal Year 2010 Actual	Fiscal Year 2009 Actual
REVENUE						
A. EDUCATION						
Chapter 70	\$18,897,238	\$18,748,463	\$18,511,623	\$18,412,775	\$18,489,475	\$18,866,811
School Transportation	\$0	\$0	\$0	\$0	\$0	\$0
School Construction (Removed in FY 2006)	\$0	\$0	\$0	\$0	\$0	\$0
Charter School Tuition Reimbursement	\$185,207	\$263,968	\$409,002	\$439,559	\$669,148	\$539,381
Tuition State Wards	\$0	\$0	\$0	\$0	\$0	\$0
Charter School Capital Facility Reimbursement	\$0	\$0	\$0	\$0	\$0	\$0
School Lunch (Offset)	\$28,962	\$30,010	\$30,201	\$27,459	\$33,698	\$31,073
School Choice Receiving Tuition	\$69,167	\$79,568	\$96,050	\$100,000	\$0	\$0
Sub-Total	\$19,180,574	\$19,122,009	\$19,046,876	\$18,979,793	\$19,192,321	\$19,437,265
B. GENERAL GOVERNMENT						
Unrestricted General Government Aid (2009)	\$2,411,871	\$2,356,176	\$2,185,815	\$2,356,176	\$2,454,350	\$0
Lottery, Beano & Charity Games	\$0	\$0	\$0	\$0	\$0	\$2,859,417

Additional Assistance	\$0	\$0	\$0	\$0	\$0	\$269,738
Highway Fund	\$0	\$0	\$0	\$0	\$0	\$0
Police Career Incentive	\$0	\$0	\$0	\$15,400	\$31,340	\$157,078
Veteran's Benefits	\$70,805	\$41,977	\$38,498	\$53,523	\$33,353	\$29,272
Exemptions (Vets,Blind,Surviving)	\$88,204	\$88,386	\$91,885	\$94,439	\$91,799	\$67,515
Exemptions (Elderly)	\$0	\$0	\$0	\$0	\$0	\$22,798
State Owned Land	\$145,774	\$142,947	\$142,901	\$137,967	\$112,672	\$129,345
Public Libraries	\$39,514	\$38,995	\$36,947	\$37,323	\$36,435	\$50,669
Sub-Total	\$2,756,168	\$2,668,481	\$2,496,046	\$2,694,828	\$2,759,949	\$3,585,832

Total State Aid \$21,936,742 \$21,790,490 \$21,542,922 \$21,674,621 \$21,952,270 \$23,023,097

CHARGES

County Tax	\$0	\$0	\$0	\$0	\$25,729	\$49,947
Mosquito Control	\$67,979	\$64,430	\$60,128	\$59,538	\$60,013	\$59,166
Mosquito Control (Underestimate)	\$0	\$0	\$0	\$0	\$0	\$0
Air Pollution Districts	\$11,072	\$10,543	\$10,002	\$9,802	\$9,608	\$9,434
RMV Non-Renewal Surcharge	\$26,540	\$22,180	\$22,400	\$22,320	\$21,520	\$21,780
WRTA Assessment	\$81,159	\$81,552	\$97,053	\$95,756	\$74,028	\$69,072
Special Education	\$0	\$187	\$4,904	\$18,451	\$17,305	\$12,816
MBTA	\$152,105	\$149,868	\$114,259	\$115,750	\$139,262	\$141,794
School Choice Tuition	\$147,441	\$129,193	\$117,984	\$113,286	\$106,835	\$78,710
Charter School Tuition	\$1,320,873	\$1,442,205	\$1,556,385	\$1,321,511	\$1,362,093	\$1,059,816
Sub-Total	\$1,807,169	\$1,900,158	\$1,983,115	\$1,756,414	\$1,816,393	\$1,502,535

Overestimate - Mosquito Control	\$0	\$0	\$0	\$0	\$0	\$0
Overestimate - Special Education	\$0	\$0	\$0	\$0	\$0	\$0
Overestimate - Regional Transit	\$0	\$0	\$0	\$0	\$0	\$0
Sub-Total	\$0	\$0	\$0	\$0	\$0	\$0

Total Net Charges \$1,807,169 \$1,900,158 \$1,983,115 \$1,756,414 \$1,816,393 \$1,502,535

School Lunch Offset	\$28,962	\$30,010	\$30,201	\$27,459	\$33,698	\$31,073
Library Offset	\$39,514	\$38,995	\$36,947	\$37,323	\$36,435	\$50,669
School Choice Receiving Tuition	\$69,167	\$79,568	\$96,050	\$100,000	\$0	\$0
Total Off-Sets	\$137,643	\$148,573	\$163,198	\$164,782	\$70,133	\$81,742

Line Item	Fiscal Year 2014 Actual	Fiscal Year 2013 Actual	Fiscal Year 2012 Actual	Fiscal Year 2011 Actual	Fiscal Year 2010 Actual	Fiscal Year 2009 Actual
"Education" Local Aid	\$19,180,574	\$19,122,009	\$19,046,876	\$18,979,793	\$19,192,321	\$19,437,265
"General Government" Local Aid	\$2,756,168	\$2,668,481	\$2,496,046	\$2,694,828	\$2,759,949	\$3,585,832
Charges and Offsets	\$1,944,812	\$2,048,731	\$2,146,313	\$1,921,196	\$1,886,526	\$1,584,277
Total	\$19,991,930	\$19,741,759	\$19,396,609	\$19,753,425	\$20,065,744	\$21,438,820
Change from Previous Year	\$250,171	\$345,150	(\$356,816)	(\$312,319)	(\$1,373,076)	\$977,156
"General Government" Less Charges	\$948,999	\$768,323	\$512,931	\$938,414	\$943,556	\$2,083,297

Indicates 9C Reduction

APPENDIX F – FY2014 Cherry Sheet Receipts and Charges

Commonwealth of Massachusetts Department of Revenue
FY2014
NOTICE TO ASSESSORS OF ESTIMATED RECEIPTS
General Laws, Chapter 58, Section 25A

SHREWSBURY

A. EDUCATION:

Distributions and Reimbursements:

1. Chapter 70	18,897,238
2. School Transportation <i>Chs. 71, 71A, 71B and 74</i>	<u>0</u>
3. Charter Tuition Reimbursements <i>Ch. 71, s. 89</i>	<u>185,207</u>
4. Smart Growth School Reimbursements <i>Ch. 40S</i>	<u>0</u>

Offset Items – Reserve for Direct Expenditure:

5. School Lunch <i>1970, Ch. 871</i>	<u>28,962</u>
6. School Choice Receiving Tuition <i>Ch. 76, s. 12B, 1993, Ch. 71</i>	<u>69,167</u>

Sub-Total, All Education Items 19,180,574

B. GENERAL GOVERNMENT:

Distributions and Reimbursements:

1. Unrestricted General Government Aid	2,411,871
2. Local Share of Racing Taxes <i>1981, Ch. 558</i>	0
3. Regional Public Libraries <i>Ch. 78, s. 19C</i>	0
4. Urban Renewal Projects <i>Ch. 121, ss. 53-57</i>	0
5. Veterans' Benefits <i>Ch. 115, s. 6</i>	70,805
6. Exemptions: Vets, Blind, Surviving Spouses & Elderly <i>Ch. 58, s. 8A; Ch. 59 s. 5</i>	88,204
7. State Owned Land <i>Ch. 58, ss. 13-17</i>	145,774

Offset Item - Reserve for Direct Expenditure:

8. Public Libraries <i>Ch. 78, s. 19A</i>	39,514
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Sub-Total, All General Government	2,756,168
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C. TOTAL ESTIMATED RECEIPTS, FISCAL 2014	21,936,742
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Commonwealth of Massachusetts Department of Revenue
FY2014
NOTICE TO ASSESSORS OF ESTIMATED CHARGES
General Laws, Chapter 59, Section 21

SHREWSBURY

A. County Assessments:

1. County Tax: <i>Ch. 35, ss. 30, 31</i>	0
2. Suffolk County Retirement <i>Ch. 61, Acts of 2009, s. 10</i>	0
Sub-Total, County Assessments	0

B. STATE ASSESSMENTS AND CHARGES:

1. Retired Employees Health Insurance <i>Ch. 32A, s. 10B</i>	0
2. Retired Teachers Health Insurance <i>Ch. 32A, s. 12</i>	0
3. Mosquito Control Projects <i>Ch. 252, s. 5A</i>	67,979
4. Air Pollution Districts <i>Ch. 111, ss. 142B, 142C</i>	11,072
5. Metropolitan Area Planning Council <i>Ch. 40B, ss. 26, 29</i>	0
6. Old Colony Planning Council <i>1967, Ch. 332</i>	0
7. RMV Non-Renewal Surcharge <i>Ch. 90; Ch. 60A</i>	26,540

Sub-Total, State Assessments	105,591
C. TRANSPORTATION AUTHORITIES:	
1. MBTA <i>Ch. 161A, ss. 8-9; 1974, Ch. 825, ss. 6-7</i>	152,105
2. Boston Metro. Transit District <i>1929, Ch. 383; 1954, Ch. 535</i>	0
3. Regional Transit <i>Ch. 161B, ss. 9, 10, 23; 1973, Ch. 1141</i>	81,159
 Sub-Total, Transportation Assessments	 233,264
D. ANNUAL CHARGES AGAINST RECEIPTS:	
1. Special Education <i>Ch. 71B, ss. 10, 12</i>	0
2. STRAP Repayments <i>1983, Ch. 637, s. 32</i>	0
 Sub-Total, Annual Charges Against Receipts	 0
E. TUITION ASSESSMENTS:	
1. School Choice Sending Tuition <i>Ch. 76, s. 12B, 1993, Ch. 71</i>	147,441
2. Charter School Sending Tuition <i>Ch. 71, s. 89</i>	1,320,873
3. Essex County Technical Institute Sending Tuition <i>1998, Ch. 300, s. 21</i>	0
 Sub-Total, Tuition Assessments	 1,468,314
F. TOTAL ESTIMATED CHARGES, FISCAL 2014	1,807,169

For additional information about how the estimates were determined and what may cause them to change in the future, please click on the following link: [Local Aid Estimate Program Summary](#).

Released July 25, 2013

APPENDIX G – Shrewsbury Contributory Retirement System

	Employer Total cost w/ Interest	Light, Cable Housing Payment	Net Town Payment	Town Normal Payment	Excess Town Payment	Expected Investment Return
2014	\$5,270,842	\$1,000,808	\$4,270,034	\$906,283	\$3,363,751	\$6,842,862
2015	\$5,490,809	\$1,042,575	\$4,448,234	\$924,626	\$3,523,608	\$7,505,400
2016	\$5,713,582	\$1,084,973	\$4,628,609	\$942,989	\$3,685,620	\$8,212,638
2017	\$5,945,504	\$1,129,646	\$4,815,858	\$961,340	\$3,854,518	\$8,970,208
2018	\$6,186,958	\$1,175,522	\$5,011,436	\$979,653	\$4,031,783	\$9,785,079
2019	\$6,438,337	\$1,223,284	\$5,215,053	\$997,894	\$4,217,158	\$10,661,509
2020	\$6,700,057	\$1,273,011	\$5,427,046	\$1,016,026	\$4,411,020	\$11,605,092
2021	\$6,972,549	\$1,324,784	\$5,647,765	\$1,034,010	\$4,613,755	\$12,625,370
2022	\$7,256,260	\$1,378,689	\$5,877,571	\$1,051,805	\$4,825,765	\$13,521,374
	\$55,974,898	\$10,633,292	\$45,341,606	\$8,814,627	\$36,526,978	\$89,729,532
				(a)	(b)	(c)

The amounts in all but the first (far left) and last column (far right) are estimates as the breakout of the numbers are only reported for the years 2014, 2015, 2016 while the future years represent the town in total (left side column). Future year numbers are extrapolated based on current year percentages and may vary when actually calculated. All numbers not calculated come from the 1/1/2012 actuarial report.

ADDENDUM

This addendum has been prepared to review the Parks and Building Inspector departments. They have been added to the report to demonstrate the level to which these departments support themselves or contribute to the General Fund.

Each of these departments generates significant revenues through fees. In the case of the Building Inspector department, the fees collected are deposited into the General Fund. The Building Inspector is responsible for all building related permits and zoning bylaw enforcement. Revenues are raised from permit fees for building, gas, and plumbing permits. The Building Inspector and Assistant Building Inspector conduct the building inspections. The gas and plumbing inspections are conducted by part-time inspectors who are paid per inspection, plus car allowance. They do not receive any additional benefits. In FY13, these inspectors were paid \$85,136.17. As seen below, their inspections generated \$109,510.00.

In FY13, the department collected the following fees and miscellaneous revenues:

Building permits-	\$448,879.00
Gas permits-	\$ 45,563.00
Plumbing permits-	\$ 63,947.00
Misc. Revenues-	<u>\$ 16,714.32</u>
TOTAL	\$575,103.32

The actual total departmental expenses for the same period (not including health insurance) were \$252,783.95. While the revenues do go into the general fund, this department generates a surplus of \$322,319.37.

The Parks and Recreation programs are paid for by fees for each program. These fees include various fees for each of the programs, as well as a \$15.00 per player fee paid by the sports leagues. The Parks department fees are deposited into a revolving account which is used directly to offset various costs such as running programs (wages and supplies) and to partially pay for departmental salaries. These revenues can only be used for costs related to the programs.

The Parks Revolving account is a multi-year fund. The beginning balance that was brought into FY 2013 was \$238,616.93. The total revenue received was \$299,258.24 and expenses were \$311,138.86. The account ended the year with \$226,736.31.

It is recommended that the Parks program fees continue.

In addition to running the recreation program, the Parks and Cemetery Department either directly maintains the Town's parks and playgrounds or contract out services, such as lawn mowing and spring and fall cleanup. The department also maintains all of the schools' athletic fields. In addition, the department also operates the cemetery. This part of the department operation is funded by annual budget appropriations. The department personnel administer the cemetery operation and layout grave plots and contracts out lawn mowing and spring and fall cleanup. Cemetery operations costs are partially offsets from the Perpetual Care Fund (\$29,557 for FY13). The fund is primarily funded through the sale of gravesites. As with several other departments, this department has seen a gradual reduction in staff and increased use of contracted services. It has stretched the remaining staff to its limits.

It is recommended that the practice of using contracted services continue as a way to avoid the legacy costs (pensions and health insurance) associated with doing the work with Town employees.