

January 14, 2019

Tiverton Town Council
Tiverton Budget Committee
Town Hall
343 Highland Road
Tiverton, RI 02878

Re: Fiscal Year 2020 Preliminary Budget Request

Dear Councilors and Commissioners:

Enclosed please find the preliminary Municipal budget request for fiscal year 2019-2020 (FY20). This submittal is in accordance with section 301(a)(2) except in one respect: it does not exclude the Town Treasurer's and Town Clerk's budgets. I want to thank both the Treasurer and Clerk for their cooperation and assistance which made it possible to include their budgets in the same submittal. I also thank the other department heads for their collaboration in developing this preliminary request, especially their willingness to consider the whole, and not just their specific parts.

Backup materials for various budget items will be provided in the customary binders. We are still in the process of completing these, hopefully by tomorrow, January 15, 2019.

Because this is a lengthy cover letter, I will jump to the bottom line first. The total request at this time, not including the School Department budget, is **\$24,075,682, an increase of \$2.7 million** when compared to "Municipal Expenses" in the approved budget for the current fiscal year, FY19. The majority of this large (12.6%) increase is associated with capital expenses, which are also presented as part of a five-year capital plan. The objective is to (1) acknowledge the capital needs of the Town, and (2) indicate how they can be addressed without having to increase taxes.

Capital Budget and 5 Year Plan

In addition to the traditional budget document, this submittal includes a five-year Capital Improvement and Equipment Replacement Plan. Although this is by definition a work in progress, to be adjusted and refined on an annual basis, the information for the first year (second column) is part of the preliminary Municipal budget request for FY20. Please note that the total amount requested for capital expenditures in the first year is included on the last page of the "traditional" budget request, on a new line below the one for "Municipal Expenses."

As discussed during the initial budget workshop on January 5, I believe it is both necessary and appropriate to *highlight the real capital needs* the Town faces and to explore options that are currently available to address those needs within the limitations of available funds and a balanced budget. I further believe the proper way to achieve this is not by identifying and funding capital needs on the basis of an individual fiscal year, but by adopting a multi-year budget planning process. This approach offers several benefits. It allows us to prioritize and schedule capital expenditures in a manner that

avoids the proverbial kicking of empty cans down the road, but that also allows us to even out the expenditures, and therefore appropriations, across sectors in a given year, as well as over a number of years, so as to avoid, as much as possible, shocks to our system of town finances (i.e. extreme ups and downs in level of taxation). Another benefit is the ability to save through proactive maintenance, upgrades and replacement of infrastructure and equipment, instead of having to make “emergency” (and often greater) expenditures in response to equipment failure or other crisis.

If the format of this submittal is initially confusing, it might unfortunately be more so because (1) the “traditional” budget document still includes a “Municipal Capital” section and (2) within that section shows allocations for “Recurring Major Timed Finance Payments.” Although I would have preferred to move *all* capital expenses (recurring as well as non-recurring) to the capital budget, I followed the advice of the Treasurer to leave the “Recurring” category in place. The primary reason is that these are in fact amounts determined for each fiscal year by binding financing agreements that the Town needs to honor. By comparison, the precise cost and timing of items in the capital budget are subject to change, for reasons or to an extent we do not always control, making some flexibility desirable.

Because capital needs and expenditures are less predictable, I propose that funding remain in capital accounts at the end of a fiscal year (instead of balances being returned to the General Fund). Such “roll-overs” are not, however, meant to be completely automatic; they can, and in my opinion should, be subject to review and approval (for example by separate resolution) as part of the annual budget process. This would facilitate public disclosure and transparency; at the same time, it would allow for adjustments that may become necessary in terms of priorities, amounts and timing. It would require that we justify, for example, why expenditures have not yet been made in a current fiscal year as planned, but are still necessary.

Revenue

An additional reason to propose a capital budget at this time is that the Town has an opportunity to fund it without having to raise taxes, by allocating new revenue generated by the Twin River Casino. In addition to an increase in tax revenue, projected at more than \$1 million per year, the Town is expected to receive at least \$3 million per year as its share of gaming revenue, which will flow into the General Fund as non-tax revenue. A significant portion can be used to start catching up with real and significant capital needs without negative impact on taxes and without depleting the General Fund. This, in my opinion, presents the most prudent and sustainable strategy to benefit tax payers in both the short and longer term.

This strategy, however, must be informed by the fact that revenue from the casino cannot be counted on indefinitely. While it is appropriate and necessary, in my opinion, to apply this new funding to real and often urgent needs, we also have to continuously look for ways to reduce costs and pursue alternative funding sources, including federal and state funding, grants and public-private partnerships.

The preliminary budget request does not include formal revenue estimates, but has been developed with consideration of initial, unofficial estimates. That analysis indicates that (1) the proposed capital budget can be more than offset with gaming revenue from the casino, and (2) the overall budget increase may be feasible without an increase in the tax rate.

Municipal Expenses - Miscellaneous

- Salaries for union personnel are level-funded, pending negotiation of all four union contracts. Steps have been taken to allow the Town Council to fund increases if agreed to during the negotiations, which will focus in part on identifying savings to offset such increases.
- Funding is proposed for a new Deputy Town Clerk position, a part-time position in Public Works/Building Maintenance (to assist with maintenance of parks and recreation facilities main), and a part-time Animal Control Officer in the Police Department (to cover weekends and help support the contract for Animal Shelter Services).
- I request an increase in the Tax Collector's salary by 10% in FY20 (and again in FY21) to eliminate a discrepancy with level of compensation for other department heads (when compared on an hourly basis).
- The cost of insurance is expected to increase by at least \$80,000, most of it for health insurance.
- Funding for revaluation is increasing by \$40,000, in large part to pay for a special assessment of the Tiverton Gas facility.
- Funding for Computer Services has been reduced in several departments but increased in a consolidated Information Technology (IT) Services account in the Town Manager's office. To the extent department budgets include computer or software expenses, they are for department-specific equipment or systems. (See also Capital Expenses, below.)
- I recommend a new contribution (\$300,000) to the Town's OPEB (Other Post-Employment Benefits) Trust Fund, to be repeated, and hopefully increased, in future years so as to help reduce the Town's unfunded liability.
- Overtime in the Fire Department is expected to increase based on projections developed in contract negotiations, but also because we are anticipating a significant number of vacancies. For the same reason, expenses for promotional and medical testing is likely to increase (for new hires). An effort has been made to hold other expenses level as much as possible.
- In the Harbor Master account, the amount for Boat Operations may be reduced if funds can be allocated in the current fiscal year to replace two outboard motors for the harbor patrol vessel (which is currently inoperable).
- In Public Works, overtime expenses have been moved in part to Landfill Operations to reflect where they are actually incurred. Paving and Drainage expenses have been moved to the Capital Budget.
- Street Lighting Expenses increase substantially, after they were underestimated for the current year.
- The increase in funding for the public library is \$10,000, which is half of the original request.

Capital Expenses – Miscellaneous

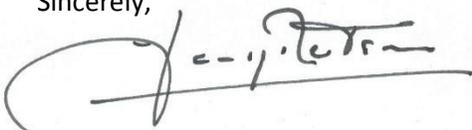
- In the Capital Improvement section, items such as paving, drainage and several parks and recreation items are based on analysis of known costs, with backup information being provided in the binders. Other items are based on real need, including in new areas that need attention such as impacts from storms and rising sea level on waterfront and other areas in town; but they require more work to develop better estimates, especially for future years. These are not "wish list" items, but rather ones that require substantial input from consultants first; examples include remediation in the Bay Street area (presentation being planned) and upgrades of municipal buildings.
- The Equipment Replacement section attempts to develop predictable schedules for replacement of critical equipment and vehicles. In Public Works in particular, an effort is made to phase out old equipment, especially when the cost of repair is not justifiable. Under Harbor Master, the replacement of the current vessel may not be necessary until later, especially if new outboards are installed in the current year, but needs to be anticipated.

- A new section has been developed for Information Technology, in recognition of the fact that it is increasingly a critical part of municipal infrastructure, requiring continuous attention to network capabilities, reliability and security, as well as cost-effectiveness of newer technologies. This section, too, is intended to cover needs across departments to the extent they have common or similar equipment and functionality needs.

Conclusion

During the initial budget workshop, I explained that this budget request serves in part to put items on the radar that need attention and cannot be deferred, as that is likely to only increase their cost. The request also involves a serious effort to balance the need to address these challenges with the need to control costs. Striking the right balance will no doubt require more work during the budget process, but I believe the Town has an opportunity to do so without a negative impact on taxes, and strongly recommend that we use this opportunity. Our department heads and I will do what we can to assist you in that process.

Sincerely,

A handwritten signature in black ink, appearing to read "Jan H. Reitsma". The signature is stylized with a large initial "J" and a horizontal line extending across the bottom.

Jan H. Reitsma
Town Administrator

C: Department Heads