

Building a Better Sandwich: Expenses

Marie Buckner, H.R. Director
Craig Mayen, Town Treasurer

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Override Presentation Schedule

- July 8 = Overview
- July 22 = Revenues
- **August 5 = Expenses**
- August 19 = Conclusions & Summary

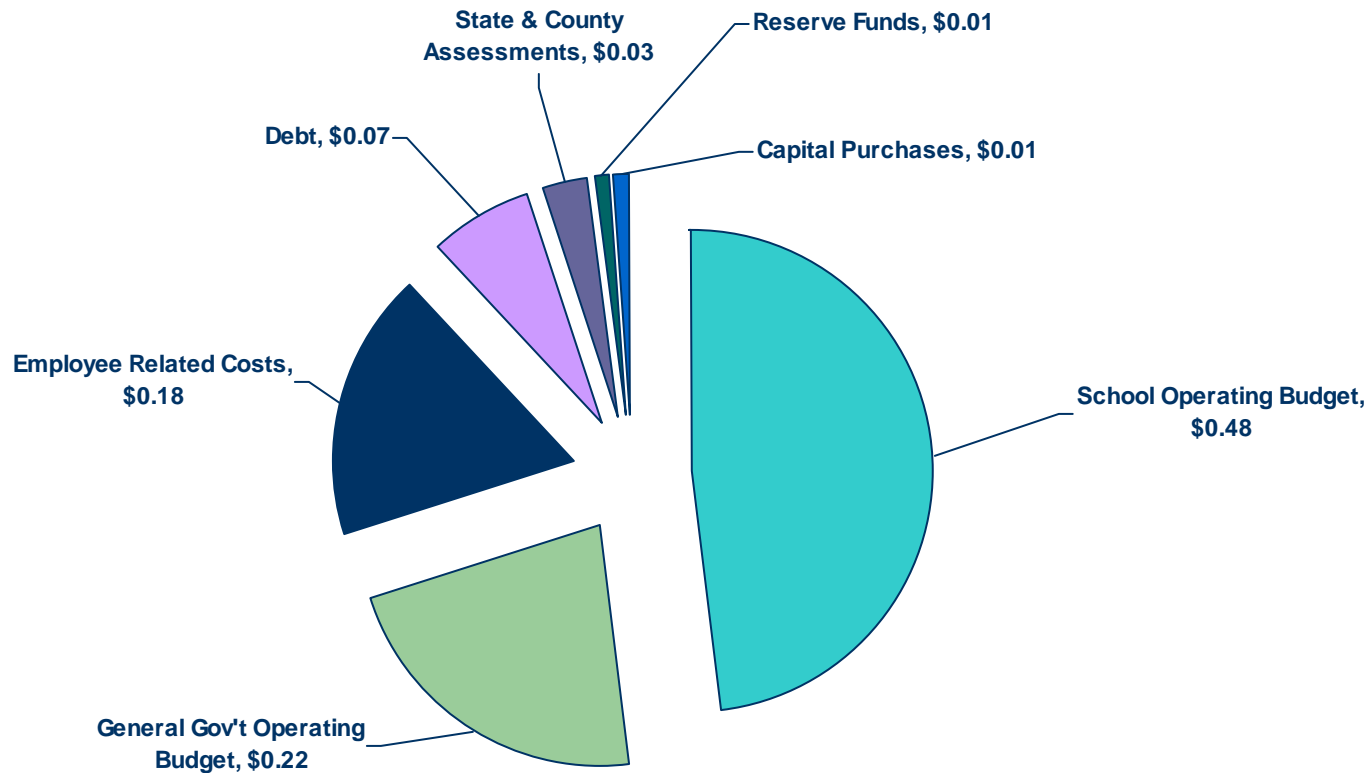
Introduction

- Sandwich is at the point of no return – the short-term solution can only be an operating budget override or a significant reduction in services provided to the public
- Realistic projections show FY12 deficit of \$2.2 million with future deficits increasing by approximately \$1.0 million each fiscal year thereafter

Revenue Overview & Expense Intro

- Tax levy increasing approx by 4.1% per year
 - 2.5% + New Growth
- State aid and local receipts have decreased substantially since FY06
- General government operating budget not contributing to structural deficit
 - Two fiscal year wage freeze & reasonable settlements thereafter (saved more than \$750,000 annually)
 - Increasing levels of service & customers without commensurate increase in staffing

Where Each Dollar Goes



Expenses – Total General Government Staffing

<u>Town</u>	<u>Population</u>	<u>Staffing</u>	<u>Ratio</u>
Yarmouth	21,386	283.0	1:76
Bourne	20,421	219.0	1:92
Mashpee	14,200	165.0	1:86
Average	18,669	222.3	1:84
Sandwich	22,997	173.0	1:133

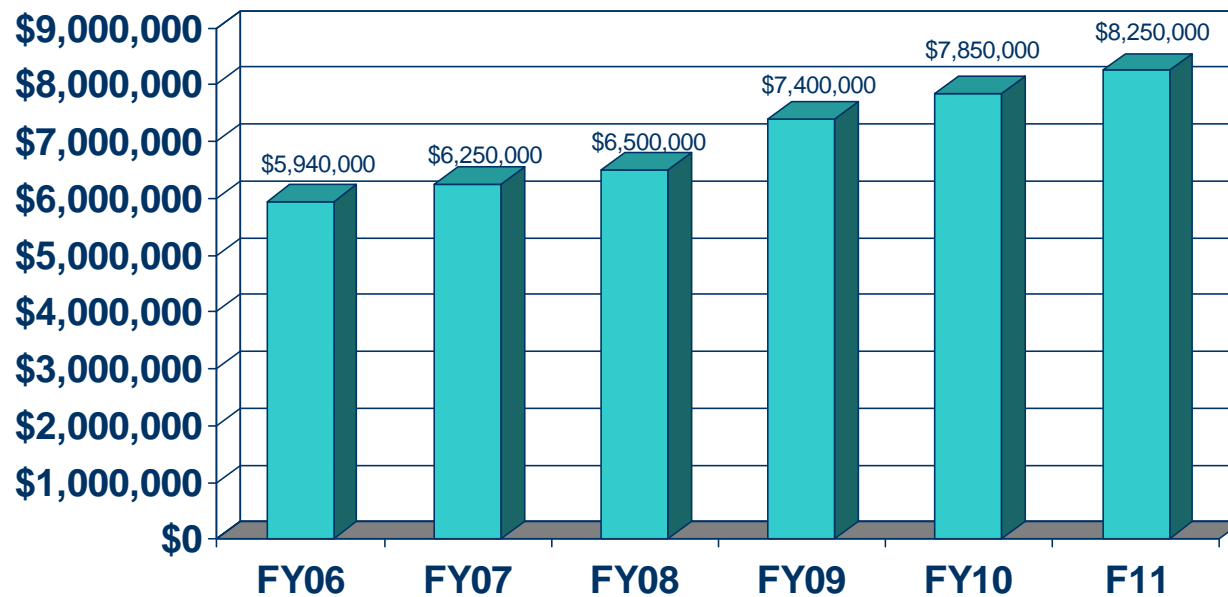
Rising Expenses

- Several key categories of expenses are increasing at a substantially higher rate than revenue (i.e., more than 4.1% per year, not factoring in other revenue decreases)
- Town has taken many steps to anticipate and minimize these increases
 - Regularly performs cost benefit analyses

Key Rising Expense Areas

- Health Insurance
- Retirement
- Unemployment
- Upper Cape Cod Regional Vocational Technical School (UCCRVTs)
- School Out of District Assessments
- Increasing Maintenance and Capital Costs

Health Insurance Appropriation



- Average annual increase over this period = 6.8%
- FY11 appropriation = \$8,250,000

Health Insurance - CCMHG

- Part of Cape Cod Municipal Health Group
 - One of the two largest municipal Joint Purchase Groups in the state
 - Maximizes economies of scale which helps to contain costs
 - 52 participating member units on Cape Cod and Martha's Vineyard (including 14 of 15 Cape Cod towns)
 - Covers 21,000 employees and dependents
 - 8% of all Cape Cod employees
 - \$120 million annual budget
 - Includes professional administration & oversight
 - CCMHG is governed by its member units through a Board and a Steering Committee

Health Insurance

- 75% Town Share / 25% Employees share
 - CCMHG average is 74%
- Approximately 77% of eligible employees participate
- Single budget for General Gov't and School Department with centralized administration by General Government
 - Treasurer's Office
 - Human Resources

Health Insurance Cost Containment Efforts

- One of the first Cape towns to require retirees to enroll in Medicare Part B as primary insurance (1996)
- Eliminated indemnity plan through education and collective bargaining
 - FY11 appropriation would have been \$1.1 million higher
 - Recurring savings
- Disease Management Programs
- Wellness programs

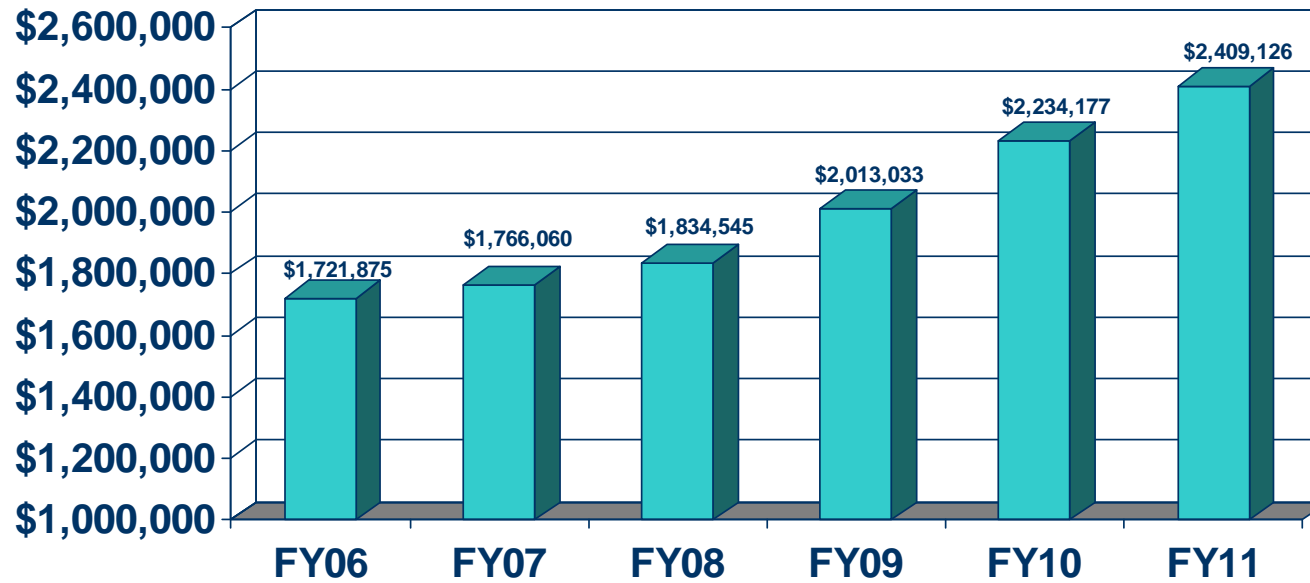
Health Insurance Constraints

- State
 - Collective bargaining required for any plan design changes
 - Over a dozen separate unions in Sandwich
 - Coverage for dependents
 - Additional administration for part-time employees
 - Health Care Reform Law (of 2006)
- Federal
 - Patient Protection & Affordable Care Act (900 pages long!)
 - Coverage for dependents
 - Unknown additional administration

Why a Retirement Plan?

- Massachusetts public employers do not participate in Social Security
 - Mass. public employees do not receive Social Security benefits for their public employment
 - Not a Town option – decision by Commonwealth
- Massachusetts public employers are required to be a member of a public retirement system
 - BCRA needs to be fully funded by 2028 (currently at 53%)
- The (theoretical) cost to participate in Social Security would be greater than our retirement expense

Barnstable County Retirement Assessment



- Average annual increase over this period = 7.0%
- FY11 appropriation = \$2,409,126

Barnstable County Retirement Association

- Covers 14 of 15 Cape municipalities, and all fire and water districts
- Includes professional administration & oversight
- Helps to contain costs
- Town Treasurer on Advisory Board

Barnstable County Retirement

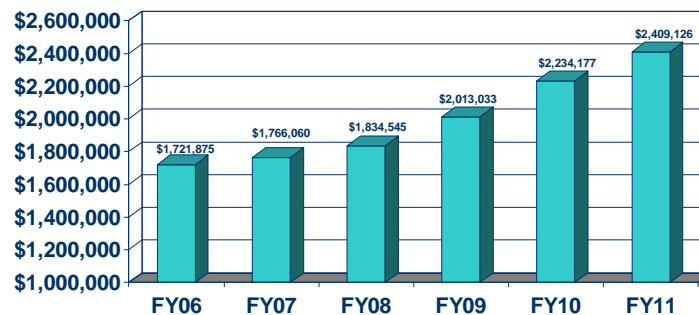
- Employees pay approximately 80% of their own retirement
 - Town does not determine required employee percentage contributions
 - Calculated on base pay only
- Optional Deferred Compensation program, similar to 401(k)
 - No Town match

Barnstable County Retirement

- Defined Benefit Plan
 - Based on the years of service and age of employee
 - Temporary, seasonal, and employees working less than 25 hours a week do not qualify
 - Covers all Town employees except for teachers & school administrators which are covered by the State
 - Average annual retirement benefit in the County is \$17,782 annually
 - 95% of County retirees receive less than \$45,600 annually

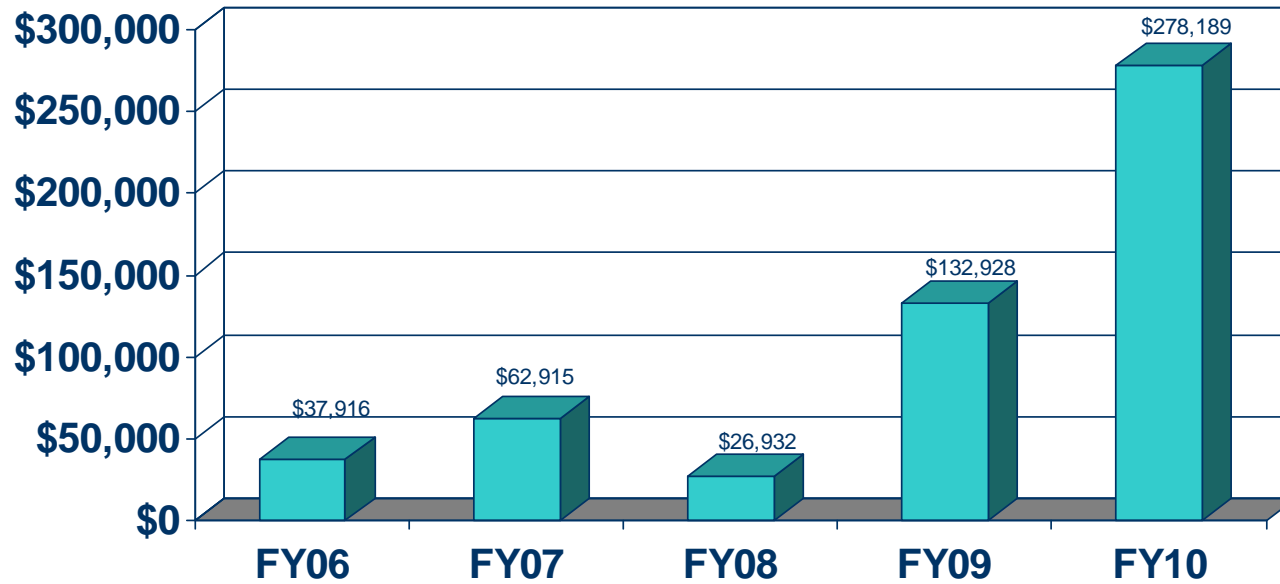
Barnstable County Retirement Association

- Investments administered by the state
 - Returns have decreased with national financial market declines
 - Resulted in assessment increases



- Centralized local administration by Town
 - Treasurer's Office

Unemployment Expenses

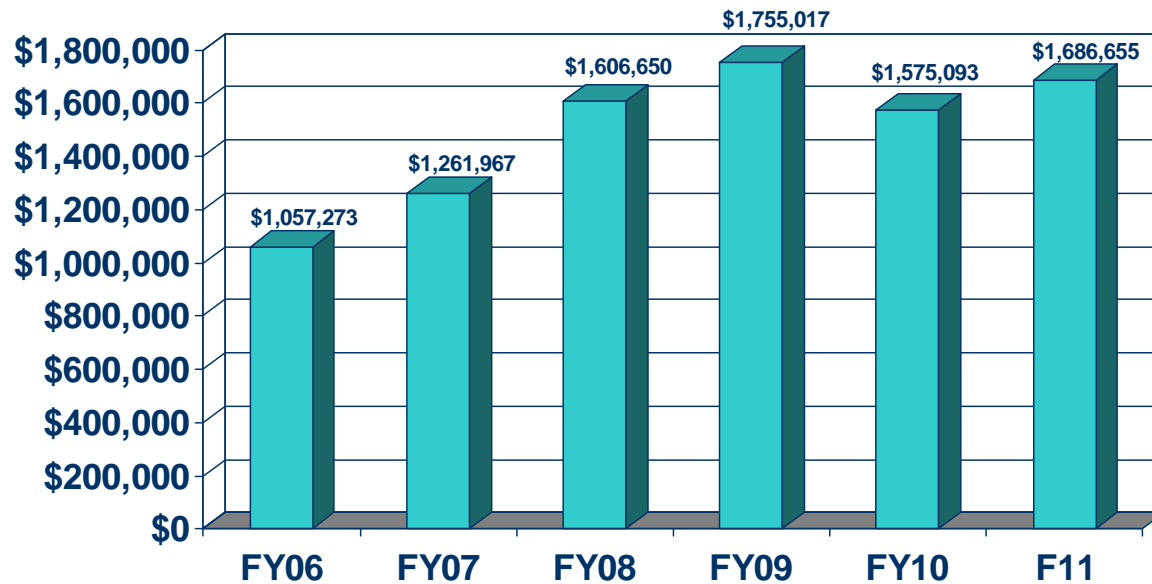


- 4 year average annual increase = 64.6%
- FY10 expense = \$278,189

Unemployment

- Presently the Town pays for each unemployment claim in full (self-funded)
 - Expenses result from layoffs
 - Includes General Gov't and School Dept
 - Golf Course, Marina, and Community School pay their own expenses (unemployment & health insurance)
- It would cost substantially more to pay into the state unemployment pool

Upper Cape Cod Regional Vocational Technical School

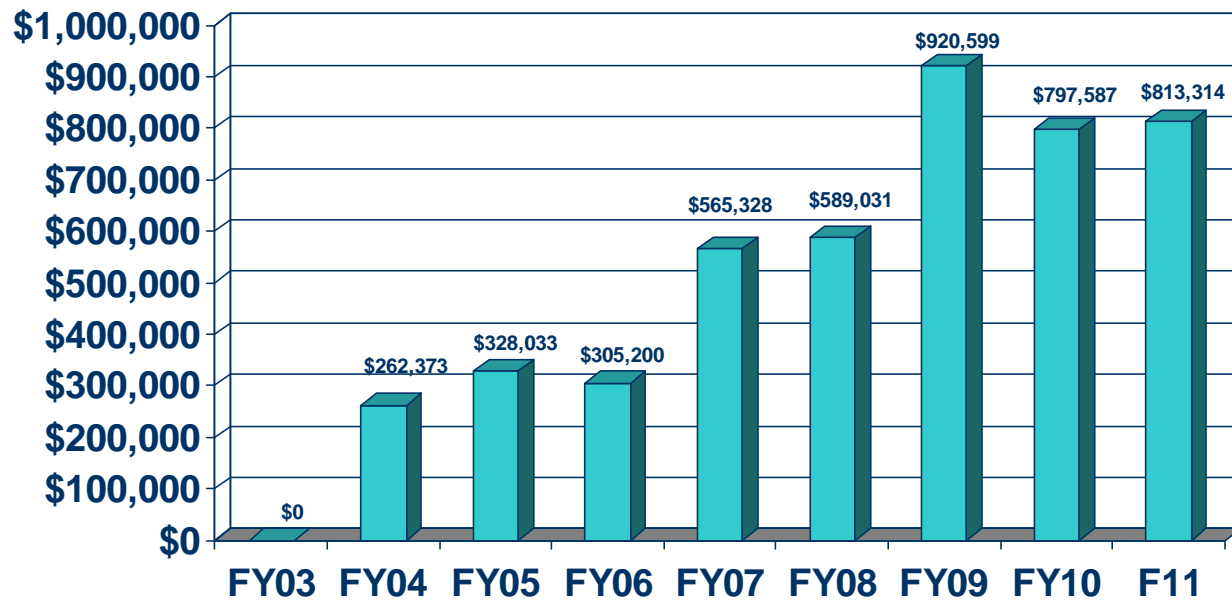


- Average annual increase over this period = 11.9%
- FY11 assessment = \$1,686,655

Upper Cape Tech

- Valuable part of Town's educational system
 - One of 5 member towns
 - Two Sandwich representatives on UCCRVTs School committee
- Sandwich enrollment has increased by 38% since 2002
- Town costs mandated by law per enrollment and capital formulas
 - Can vary substantially and unpredictably from year to year

School Out of District Assessment



- Average annual increase since FY04 = 30.0%
- FY11 assessment = \$813,314

School Out of District Assessment

- Amount assessed to the Town for students who attend Charter or other non-Sandwich public Schools
- Amount is determined by the state
- Prior to FY06 funded from School operating budget
- Since FY06 Town budget charged 100%
- Incoming School choice funds go directly to School (\$84,652 in FY'10)

Increasing Maintenance and Capital Costs

- Underfunded Facilities Department budget
 - \$105,000 for repairs & maintenance on all non-school buildings
- Underfunded Capital Budget
 - Average appropriation unchanged in 15 years (\$517,863)
- Deferring the funding of our facilities maintenance & capital purchases results in need for periodic debt exclusions (as recommended by CIPC and Local Comprehensive Plan)

Conclusion

- Thanks for your attention to these issues
- Info. available at www.sandwichmass.org
- Further information we can provide?
- Questions?
- Conclusions & Summary Presentation
 - Suggestions for Aug. 19th presentation?