

Town Manager's Budget Message

April 28, 2008

I am pleased to introduce the FY 2009 budget for the Town of Reading, and after my remarks I will then turn the presentation over to Bob LeLacheur, Gail LaPointe, Pat Schettini, and the Finance Committee for the details of the budgets.

One need only read the newspapers, watch the news, and read professional municipal management trade publications to recognize the extraordinary position in which Reading finds itself. In nearby communities, towns have: passed budgets that are millions of dollars out of balance, asked voters for proposition 2 ½ overrides, and are increasing fees and reducing services in order to make ends meet. This pattern is repeated all over the nation – communities are declaring or on the verge of declaring bankruptcy, cutting services, laying off employees, and increasing class sizes. In Reading, we are in the extraordinary position of being able to move the community forward in a measured way in both school and municipal services. I am not suggesting that the Town and the Schools have enough resources to do all of the things that we should do, or that are desirable, or even important, but our ship is moving forward, not sinking.

Why is Reading in this position? Based on 22 years of experience in preparing and presenting annual budgets in this community, I'd like to suggest several factors that are responsible, not necessarily in order of importance:

- ◆ Community leadership,
- ◆ Community involvement
- ◆ Fiscal conservatism,
- ◆ Creative paid and volunteer workforce,
- ◆ Good employee relations

The leadership in this community, by volunteers and staff, is incredible. These are a group of talented, hard working, creative, and dedicated individuals. James Bonazoli has laid out for you some statistics on the volunteer commitment to this Town and its government. On the employee side, Reading is blessed to have extraordinary staff leadership at the top:

Superintendent of Schools Pat Schettini,
Facilities Director Joe Huggins,
School Finance and Human Resources Director Mary Delai,
Assistant Superintendent John Doherty
Director of Pupil Services Colleen Dolan
All of our school principals
RMLD GM Vinnie Cameron,
Assistant Town Manager and Finance Director Bob LeLacheur,
Town Accountant Gail LaPointe,
Fire Chief Greg Burns,
Police Chief Jim Cormier and his temporary fill in Lt. Mike Cloonan,
DPW Director Ted McIntire,
Library Director Ruth Urell, and
Community Services Director Carol Kowalski.

They are all backed up by competent and dedicated staff at all levels, and I especially want to mention our clerks, secretaries, administrative assistants, and office manager

Paula Schena who provide assistance to us all. Not only are these people smart, dedicated, creative, and the other adjectives I have already used, but they all work together as a team. This is what one would hope for, and maybe expect, but it is indeed a rare occurrence in local government, and I want Town Meeting members and this community to know how lucky we are as a community.

We have an involved community – sometimes we might think a little too involved - but on reflection it makes us the community we are. Our local government is transparent, providing unprecedented levels of information, and the means to access it to everyone. Our budget is on our web site – www.readingma.gov and through Bob's efforts a number of Town Meeting members and others are subscribing to get this information delivered to your home computers. If you haven't signed up for this, please consider giving us your email addresses so we can get information to you directly in addition to the more traditional methods. We had a unique experience recently when 225 residents of this community came together in a World Café – the first in this state and one of the very few local governments to experiment with this venue nationally. This was an amazing experience, and it was a grassroots effort lead by residents Deb Gilburg and Kerry Dunnell, and lead to the most positive level of energy I have seen in this community since the 350th anniversary celebration. That is a committed and involved citizenry.

Reading has been and continues to be fiscally conservative. We have good cash reserves, although as Bob will point out in his presentation, our 5% of Net Available Revenue is by no means the best cash reserve position in the area. Here I do have to sound a note of caution. We need to make our financial basis sustainable – just as we need to keep our environment sustainable. When we have more resources than are needed for our immediate operating needs, we should invest those resources in our infrastructure in a careful and balanced way. The decision to use additional state aid at the end of this budget process might not be the best thing for us to do when looking at the sustainability of our finances – it certainly is not disastrous, but I would have preferred that we be a little more fiscally conservative.

I am going to give you 3 brief examples of our staff creativity and ability to work together to bring about desired results.

- ◆ Town Meeting has authorized several items of debt over the past couple of years. The municipal debt market has disappeared as a result of the sub-prime lending crisis. Our Assistant Town Manager was able to restructure remaining debt on the Parker Middle School, and on the Birch Meadow School and Joshua Eaton School, and get the MSBA to pay us the total of the remainder of what they owe us on those projects. Bob packaged this and much of our new debt into a private placement bearing a 3.05% interest rate. As a result, our debt service for FY 2009 will be \$200,000 lower than expected, and this will allow us in the fall to spend additional money on capital projects.
- ◆ Working with a consultant paid with a grant, the School Department and their grant writer, the Police Department, the Health Division and the Town Managers office were able to put together a successful grant application for a nationally competitive Drug Free Community grant in the amount of \$100,000 a year for 5 years, with similar funding available for a second 5 years. This provided us with the opportunity to hire a Project Director – Erica McNamara – and move forward on an aggressive program of Substance Abuse Prevention with our non-profit RCASA.
- ◆ Our Office Manager Paula Schena worked with our non-profit insurance carrier to reduce the Town's annual Property and Casualty insurance premiums by increasing

deductibles to more appropriate levels. The Town saved over \$17,000 in annual insurance premiums even taking into account possible larger payouts for deductibles.

Finally, the Town of Reading enjoys very good relations with its employees, both the non-union employees and those represented by the Unions. All of the previous union contracts in Town government expired June 30, 2007, and I am pleased to say that we have new 3 year contracts with all 6 of our unions. Negotiations were not easy, but members of this body and of the community would have been very proud of the quality and creativity (I mean that in a good way) of our employees during this bargaining process. Additionally we have just completed negotiations with all 14 of the bargaining units on the health insurance program beginning June 1, and with their cooperation and assistance we were able to hold our health insurance premium renewals to reasonable levels and make reasonable changes in the policies to save employees and the Town money.

We do have challenges ahead. The major ones include:

- ◆ Rising energy costs which have an impact on many products and services including things like road construction costs
- ◆ The need to make this an environmentally more sustainable community, and we are looking creatively at a Town van service, additional curbs, sidewalks, and pedestrian improvements, building energy efficiency, and other measures
- ◆ We need to find a way to do more road improvements. As well as we are doing, there remains so much more to be done
- ◆ We need to make sure that we are paying our employees appropriately, and towards that end we have hired a consultant to do a compensation and Classification plan for Town and School non-union personnel. Depending on the results of the study we will need to find a way to fund these needs.
- ◆ We need to continue to do a good job in managing our health care costs, and we have hired a consultant to evaluate the Town placing its employees and retirees into the GIC pool with state employees. That may or may not save money, but it is an option we need to evaluate, and potentially negotiate.

With that as an overview, Bob is going to go over the numbers with you – broadly and specifically.