



Town of Jamestown

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To: *Honorable Town Council*

From: *Bruce R. Keiser, Town Administrator*

Subject: *FY2012-13 Annual Town Budget*

Date: *March 7, 2012*

In accordance with the Town Charter, I have prepared the FY2012-13 Proposed Town Budget for the Town Council's review and consideration. The budget document represents the Town Administration's plan for the continuation of municipal services and support for public facilities and infrastructure to Jamestown residents.

In developing the budget plan, we are keenly aware of the fragile and uncertain national and state economies and the resulting financial constraints on taxpayers. Consequently, the Proposed Budget recommends spending for new programs and expansion of support for capital projects balanced by expenditure reductions to lessen the impact on property taxation.

Budget Overview

Expenditures

Under the proposed spending plan for FY2012-13, the total cost of town and school services will amount to \$21,545,203, an increase of \$353,358 or 1.7% over the current year. Town operating expenditures will rise by \$191,013 (2.6%), capital spending will decrease by \$6,715, and debt service increases by \$194,774 (33.5%)

Education program costs are projected to decrease by \$25,715, capital expenditures decline by \$89 and school debt service by \$149,750.

FY 2012-13 Proposed Town and School Budget					
		2010-11	2011-12	2012-13	
		audited	adopted	proposed	Incr (decr)
Town					
Operations		\$7,121,888	\$7,296,693	\$7,487,656	\$190,963
Capital		810,800	902,555	895,840	(\$6,715)
Debt Service		659,741	580,817	775,591	\$194,774
	subtotal	\$8,592,429	\$8,780,015	\$9,159,087	\$379,072
Schools					
Operations		\$11,164,477	\$11,822,753	\$11,946,700	\$123,947
Capital		96,498	170,911	171,000	\$89
Debt Service		420,891	418,166	268,416	(\$149,750)
	subtotal	\$11,681,866	\$12,411,830	\$12,386,116	(\$25,714)
	Total	\$20,274,295	\$21,191,845	\$21,545,203	\$353,358

Town Expenditure Drivers

The primary contributing elements to the overall Town budget increase are:

<i>Budget Expense</i>	<i>Increase</i>
Salary/Wages	\$98,655
Health Insurance	10,000
Debt Service	194,774
Police Overtime	25,000
Police Education Incentive	14,800
GIS Position Reallocation	10,946
Public Buildings and Facilities Cleaning/Repairs	20,000
Subtotal	\$374,175
All other line items	46,947
Total Town Increase	\$428,122

Employee Compensation

General Wages and Salaries

Union Employees

Three-year labor contracts negotiated with each of the three unions (police, DPW, clerical and dispatch) extend from July 1, 2010 through June 30, 2013. The contracts apply to Police (13 employees), DPW (13 employees), and Dispatchers and administrative personnel (14). As shown below, the nonpublic safety employees will receive a 2.5% increase and sworn police officers are due a 3.0% salary hike. The contractual raises will cost \$60,253. Please note that the Bureau of Labor Statistics has reported that inflation rose 3.2 percent in 2011.

Non-union Employees

There are 10 department heads, 3 librarians, 4 recreation staff as well as the Environmental Scientist/GIS, Highway Supervisor, Planning Assistant, and Secretary to the Police Chief whose salaries and wages are established through the annual budget. For FY12-13, I have budgeted a 2.75% increase for employees whose salaries were frozen for two years. The remaining nonunion personnel will receive a 2.5% increase. The cost of the payroll increases for the 10 Department Head/Supervisors and nonunion staff is \$38,402.

Total salary and wage increases for FY2012-13 amounts to \$98,655.

Wage increases during the contract period are:

	FY09-10 %	FY10-11 %	FY11-12 %	FY12-13 %	FY12-13 Salary Increase Cost
Public Works	3.0	0	2.5	2.5	\$18,960
Clerical /Dispatch	3.0	0	2.5	2.5	14,756
Police	3.25	0	2	3	26,537
Nonunion < \$50,000	3.0	0	2.5	2.5	10,120
Department Heads	0	0	2.75	2.75	28,282
Total 57 Employees					\$98,655

Health Benefits

The Town continues to adopt measures designed to restrain or reduce the cost of employee health insurance benefits. Working with our union and nonunion workforce, we have been able to mutually agree to significant changes that lead to more stable cost escalation. These include:

- 1) Eleven grandfathered employees hired before 1993 who were exempt from a premium co-pay now contribute between 7 and 15 percent of the health premium depending on plan selection. Effective July 1, 2012, the co-payment for all employees will range from 7 to 20 percent.
- 2) On February 1, 2011 the Town instituted a new plan option offering a high deductible Health Savings Account in addition to the traditional Healthmate plan. To provide an incentive for staff to join the HSA, the Town agreed to share a portion of the 30 percent health premium cost reduction through a lower employee co-pay. The employee participation rate is 69 percent.
- 3) We have eliminated the \$5 generic / \$10 name brand prescription drug plan. Employee drug co-payment is either 20% across-the-board or part of the HSA.

In FY2012-13, there will be a no increase in the health insurance premiums. This is the first budget in more 20 years that health premiums have not risen. Health insurance appropriations will increase by \$10,000 to meet the cost of two plans for employees that previously opted out of the Town's plan. The total budget request is \$705,000.

Employee Retirement

The Town is enrolled in the Municipal Employees' Retirement System (MERS), a contributory defined-benefit plan for general municipal employees. This plan is administered by the State for all enrolled municipalities. Assets in the plan derived from employer and employee contributions and appreciation of investments totaled \$9.142 million on June 30, 2010 and represented only 67.0% of obligations under the existing retirement benefit provisions. As a result of the adopted pension reform legislation in November, 2011, benefit obligations were reduced and assets in the Jamestown retirement fund now equal 81.6% of liability. The Town's unfunded liability with the reforms is \$2.1 million.

The principal retirement benefit modifications for the MERS plans include:

- Eligibility to collect a pension is increased from 58 years of age to 67. (Note: This provision applies to employees with less than 20 years of municipal service. The age requirement for longer-term employees is gradually increased depending on current age and years of service.)
- The annual retirement cost-of-living adjustment (COLA) will be linked to the performance of the investment market. Retirees will receive a COLA in any given year based on the rate of market return minus 5.5 percent. For example, if the annual market appreciation is 7.0

percent, retirees will receive a 1.5 percent COLA. In addition, a plan must have an unfunded liability of 80% or greater in order to warrant payment of a COLA.

- A hybrid defined benefit/defined contribution plan replaces the defined-benefit only plan. All prior earned benefits are grandfathered. Effective July 1, 2012, the retirement allowance for each year of service drops from 2% to 1% of final average salary as a guaranteed benefit. The employee will contribute 2% of salary to the defined benefit and 5% to a 401 K plan. The Town’s share is projected to remain constant for 20 years.
- Final average salary for pension purposes is calculated on the average of the highest 60 consecutive months (usually last 5 years) of service up from the highest consecutive 36 months or 3 years.

As of June 30, 2010, 87 active general municipal employees of the Town and 27 retirees participated in this plan. Employees contribute 7% of their salary with the Town's actuarial contribution set annually by the State Retirement Board. In the current year, the actuarial funding requirement is 11.43% of payroll. In FY2012-13, State Retirement Board has set the Town’s actuarial required contribution at 12.46%.

The Town Police Pension Plan is a private plan administered at the local level by a board consisting of the Town Administrator, Finance Director, a police union representative, and an appointee of the Town Council. The police officers contribute 9% of salary through payroll deduction and the Town appropriates funding through the annual budget. The proposed budget provides a Town contribution of \$141,000. This appropriation has remained level-funded for the last ten fiscal years.

The most recent actuarial report (6/30/11) reported plan assets of \$8,827,952, representing 109.6% of accrued liability.

Non-payroll cost increases

Debt Service - \$259,774

In the two fiscal years FY2007-08 and FY2008-09, the Town incurred bonded indebtedness for general fund projects amounting to \$8.2 million as follows:

	Bond	Fiscal Year
New Town Hall	\$3.3 million	2007-08
Farmland Protection	\$3.0 million	2008-09
Highway Garage	\$1.9 million	2008-09
Total	\$8.2 million	

Appropriations to meet debt service requirements for approved and outstanding bonds will increase by \$194,774, rising from \$580,817 in FY11-12 to \$775,591. This increase is necessary to begin principal payments on the \$3.5 million farm land development rights bond issued in FY2008-09.

In the first four years of bond payments for the land protection acquisition, the Town made interest-only payments. This debt service schedule was employed to the spread out the annual tax burden on residents due to the \$3.3 million bonded debt incurred for the Town Hall in 2007-08.

Police Overtime - \$25,000

The labor agreement between the Town and the police union requires a minimum of two patrol officers on shift at all times. Our budgeted Police Department patrol staffing level consists of 11 officers to cover three shifts 24/7. When at full complement of available staff resources, the Department can manage the fill-in requirements to replace officers on paid leave (vacation, sick, and personal) and remain within in appropriations for paid overtime.

Experience shows, however, that Department frequently operates at less than full staffing due to vacancies from employee turnover, on-the-job injury, or long-term illness reduce. With reduced staff available to meet assigned daily shifts, overtime fill-ins at time and one-half pay are required to meet minimum manning. The last five audited years shows the following overtime expenditures:

FY10-11	FY09-10	FY08-09	FY07-08	FY06-07	5-year average
\$203,976	\$162,399	\$180,981	\$159,760	\$210,269	\$183,477

Currently three patrol positions are vacant. Two recently-hired recruits are training at the municipal police academy. These new hires will join the force after graduating from the Academy in May. They will then begin a four-month in-service training under direct supervision before filling a permanent shift assignment.

Based on the past expenditure needs and the known staff resources, we are proposing to increase the overtime account from \$150,000 to \$175,000.

Police Education Incentive - \$14,800

Under state law (RIGL 42-28.1) the cities and towns are required to reimburse police officers for the cost of higher education courses in law enforcement. Three Jamestown officers will pursue eligible college degrees during the FY12-13 fiscal year. The requested appropriation is \$28,000 or \$14,800 more than the current year.

General Fund Share of GIS/Environmental Scientist Salary - \$10,946

Funding for the Town’s Geographic Information System/Environmental Scientist position is shared between the general fund and the fees derived from the Onsite Wastewater Management Fee. In the current and prior approved budgets, both funding sources have shared the payroll cost equally. It is clear that over time the general fund-related responsibilities for GIS data mapping have grown relative to time dedicated to onsite wastewater management. In response to this shift, we are proposing to change the funding share ratio to 67/33 from the current 50/50 cost allocation. The added cost including a 2.75% salary increase amounts to \$10,946.

Emergency Medical Services

To effectuate the merger of emergency medical services with the Fire Department in FY11-12, the Town budgeted \$50,000 under the account "ALS management/training." The Town Council approved the use of these funds for expansion of duties of the Fire Chief and the EMS Director, providing stipends for Deputy Fire Chiefs and EMS captain, and for the Medical Director at Newport Hospital and Quality Assurance/Quality Control. The FY12/13 Proposed Budget shifts this appropriation request to the Ambulance funding account.

Budget Reductions

Electricity

Since 1999, the RI League of Cities and Towns has managed bulk purchase of electricity supply contracts on behalf of member communities which have provided power at discounted rates. Over the life of the energy aggregation program, the Town of Jamestown has saved more than \$300,000.

In December 2011, the League negotiated preferred provider agreement with Direct Energy offering cities and towns options to obtain guaranteed or market-based pricing over a one-three year period. The Town opted to lock rates in for three years at \$.07 per kwh, a reduction of \$0.24 per kwh or 25.5%. Due to the drop in the cost of electricity, we have examined spending and consumption trends in utility accounts and have decreased appropriations for all facilities by a combined \$24,600.

Capital Budget

In the development of the proposed FY12-13 Budget, municipal department have requested capital asset maintenance, replacement, and improvements that exceed \$1.1 million. This documented funding request addresses a broad array of demands across the entire spectrum of municipal services and facilities. Due to limited financial capacity, the Town is tasked with the challenge to target capital support for the highest priority projects.

I have proposed an FY12-13 capital spending plan amounting to \$874,840 or \$6,815 less than the current year.

Additional Off-Budget Capital Projects

In addition to the annual budget appropriations to support major infrastructure and equipment, the Town has the ability to meet urgent needs through fund balance transfers. The audited Undesignated Fund Balance as of 6/30/11 was \$3,787,541 representing 18.2 percent of the FY11-12 adopted General Fund Budget. Rating agencies recommend a 15.0 percent UFB to achieve the highest credit worthiness. Based on this widely-accepted industry benchmark, the Town's maintains very healthy financial reserves.

As shown below, the Town Council authorized the use of \$285,000 from fund balance for the in FY11-12 for two DPW trucks, recreation center heating system, fire station roof, and the LNG legal

fund. Two of the projects (roof and LNG) were not required. Consequently, these allocations are available as unreserved fund balance.

Based on further assessment of the approach to the long-term repair of the East Ferry Seawall, we are recommending construction of a new concrete wall from the boat ramp to the pier. A conservative budget estimate for this project is \$500,000. To avoid adding tax burden, the fund balance can once again be drawn down to meet this large expenditure need. Last year, the Town Council agreed that the General Fund and the Harbor Fund would bear the overall cost of the seawall repairs equally. The Town will advance fund the costs and receive reimbursement from annual distributions from the Harbor Capital Budget. The approved five-year harbor capital plan has proposed a total allocation of \$164,700 over this period. When the project costs are known, the final cost share and period of reimbursement can be established.

			UFB:Budget
6/30/2010	Undesignated Fund Balance UFB	3,868,384	18.4%
FY11/12	Capital Projects Transfers		
	DPW Pickup	(\$50,000)	
	DPW Dump Truck	(\$75,000)	
	Recreation Heating System	(\$80,000)	
	Fire Station Roof	(\$40,000)	
	LNG legal fund	(\$40,000)	
	Total Transfer from UFB	(\$285,000)	
7/1/2011	Undesignated Fund Balance	\$3,787,541	18.2%
FY12/13	Proposed Transfer		
	Seawall Replacement	(\$500,000)	
FY11/12	Projected Surplus	250,000	
	Less reserve for FY13/14 operations	(150,000)	
FY12/13	Projected Year-End Fund Balance	\$3,387,541	15.7%

Six-Year Capital Improvement Plan

As required by the Town Charter, I have updated the six-year Capital Improvement Plan listing current and proposed capital projects to be undertaken during the period FY2012-13 through FY2017-18. This document shows the financial commitment that will be necessary to provide annual funding to meet expenses for major recurring and nonrecurring projects and programs. The Plan includes projects funded from the following sources: 1) annual appropriations, 2) existing capital reserves, and 3) allocations from the undesignated fund balance.

Revenues

State Aid/Pass-Through Revenues

State aid and pass-through funding for municipalities and schools have been an important source of revenue enabling the Town to offset property tax burdens on local residents and businesses. However, due to the elimination of General Revenue Sharing and Motor Vehicle Excise Tax Reimbursements, the Town’s reliance on State aid has diminished substantially. For example, in FY2008-09, the Town received \$797,636 or 8.7% of total municipal expenditures. In FY12-13, we expect to receive \$215,923 or 2.4% of total municipal budget. To adjust to the \$518,212 fall-off in outside revenue over the last three fiscal years, the Town has reduced personnel, frozen salaries, and renegotiated benefits.

State Revenues	FY2010-11 audited	FY2011-12 adopted	FY2012-13 proposed	Incr (decr) FY11-12 : FY12-13
General Revenue Sharing	0	0	0	0
State Library Aid	76,367	74,753	79,139	4,386
Public Service Corporation Tax	60,871	54,671	60,385	5,714
Meals and Beverage Tax	80,408	90,000	76,399	(13,601)
Subtotal aid to Town	217,646	\$219,424	215,923	(3,501)
Education Aid	368,185	\$229,897	358,264	128,367
Total State Aid	585,831	\$449,321	574,187	124,866

Local Revenue

Revenues from local sources that are nonproperty-tax related are projected to generate \$1,565,500 accounting for 17.0% of Town general fund budget.

Local Revenue	FY2011	FY2012	FY2013
	Audited	Budget	Proposed
Town Clerk Receipts - land transfers, probate fees, licensing fees, etc.	\$275,778	\$300,000	\$300,000
Building Inspection Fees	146,130	150,000	150,000
Recreation Department Receipts	449,302	475,000	475,000
Dog Fines	5,785	5,000	5,000
Finance Revenues	214,209	95,000	95,000
Golf Course Lease	150,000	150,000	150,000
Ambulance receipts	115,969	95,000	100,000
Transfer Station Stickers	100,430	90,000	90,000
Alarms - user fees.	7,538	8,000	8,000
RI Turnpike & Bridge Authority	25,000	26,000	27,000
Interest on Late Tax Payments	97,777	100,000	100,000
Investment Income	61,488	75,000	50,000
RI TOPS Dividend	15,500	15,500	15,500
Total Local Revenue	\$1,664,906	\$1,584,500	\$1,565,500

Property taxation

The balance of revenue necessary to support the \$21.5 million Town and School Budget is derived from local property and motor vehicle taxes. As shown below, a FY12-13 tax levy of \$18,309,012 on real and tangible property is proposed. The 1.7 percent levy increase is compliant with the 4.0 percent State property tax cap statute.

Property Tax Levy				
FY10-11	FY11-12	FY12-13	Increase	%
\$17,647,227	\$18,001,38	18,309,012	307,626	1.7

The Tax Assessor has provided an estimated 12/31/11 property tax roll of \$1.97 billion. He will continue to develop a final tax roll over the next several months. With the projected tax base, a property tax increase of \$0.12/\$1,000 valuation would be needed to support the proposed budget. This would raise the tax rate from \$9.21 to \$9.33, or 1.3 percent.

The Town Administrator's Proposed Budget is the product of each of the Department Heads carefully reviewing and updating the spending requirements for the programs and services under their purview. I want to thank each and every member of the staff for their diligence in fulfilling this responsibility guided by the interests of the community. I especially want to express my gratitude to Deborah Shea, Executive Assistant, and Christina Collins, Finance Director, for their invaluable support and assistance in preparing this budget document.

I look forward to working with the Town Council as you deliberate the FY2012-13 tax and spending plan that you will recommend to voters at the June 4, 2012 Financial Town Meeting.

Attachments:

- **Budget in Detail**
- **Capital Budget**
- **6-year Capital Improvement Plan**
- **State and Local Revenues**
- **Debt Service Schedule**
- **School Committee Adopted FY12-13 Budget**