

2008 Annual Report

Office of the Town Manager

I respectfully submit to the citizens of Hull the Year 2008 Annual Report of the Town Manager's Office. The year proved to be a challenging year. Every action has had input from a variety of individuals who share a common goal to take those actions and make those decisions that are in the best interest of the community.

The year began with the submission of the fiscal year 2009 Budget to the Board of Selectmen. The FY 2009 recognized that the commitment to local government on behalf of the Commonwealth would continue to be anemic, and we would feel stress in other revenue categories as well. In June the Financial Planning Committee established in the previous year was re-convened. The Committee consisting of representatives of the Board of Selectmen, School Committee, Advisory Board, Superintendent of Schools and the Town Manager. The group assessed the fiscal outlook for the Town and produced a five-year budget projection. It was clear that FY09 was going to be a difficult year but that significant fiscal stress would be encountered in FY10. It was determined that the best strategy would be to make necessary adjustments in FY09 with the next step being a discussion with the public on the viability of service levels in FY10 given our fiscal situation.

The fiscal year 2009 budget reflected a 1.4% increase in state aid or \$98,016 dollars more from the Commonwealth than we received in the previous fiscal year. In the FY02 Net State Aid to the Town was 7.4 million dollars. In FY08 State Aid to Hull has declined to 5.4 million dollars or a 27% decline from the FY02 high point. Put another way, if local aid had been level funded at the FY02 level of 7.4 million dollars for the period of FY03 to FY08 the community would have had over 11 million dollars more than it received. We have never seen a decline of local aid of this magnitude.

It is clear that the Commonwealth of Massachusetts has determined that funding to local communities is not the priority it once was. Hull received approximately the same amount of State Aid in 2008 as it did in 1997.

We continued to navigate the precipitous decline. However, this did not come without a cost. We used sources of revenues that were not considered to be recurring placing substantial stress on our operational needs. If the current trend of reductions in State Aid continues we will be forced to diminish or eliminate services or seek alternate actions.

Total revenue increased from \$35,612,256 dollars in FY08 to \$35,959,254 dollars in FY09 or \$346,998 dollars, which is a 1 % increase.

On the expenditure side of the budget reductions were necessary to achieve a balanced budget. The FY09 Operational budget included all departmental budgets for day-to-day expenditures; it excludes insurances, pensions, debt and capital purchases.

The General Government Services Budget was reduced by (-2.6%) and the School Department budget was also reduced by (-2.6%).

Listed below were expenditure activities of note:

- The FY09 General Government Budget (all operating departments except the School Department) was funded at \$9,228,419. This was a decrease of (\$249,066) dollars or -- 2.6% from the FY08 funding level of \$9,477,485.
- The FY09 School Department was funded at \$12,770,000. This was a decrease of (\$335,919) dollars or —2.6% from the FY08 funding level of \$13,105,919.
- It should be noted the percentage share of the operating budget between the School Department and the General Government remains virtual unchanged from previous years, with the Schools receiving 58% of the operating budget and the General Government share at 42%
- The employee health insurance portion of the budget increased by 12.2% or \$465,950 dollars.
- Capital Spending: The FY09 budget had \$229,000 dollars allocated for capital spending. This allocation provided for replacement of two police cruisers, the acquisition of a new sidewalk plow, the installation of a new phone system with a resulting reduction in annual phone company costs, the final payment for the ambulance purchased years ago, repair to public works vehicles to extend service longevity as well as repairs at the main fire station.
- We funded a \$150,000 supplement for 2007-2008 winter's snow removal activity.
- The entire expenditure side of the budget increased 1 % or \$346,998 dollars.
- The fiscal year 2009 Budget was in balance.

In order to present a balanced budget several significant operational changes were required. The changes of note are as follows:

- Police Department: The Police Chief has requested a budget that included one more patrol officer than was recommended in the budget. The Chiefs request was not an increase in staffing (in fact the department through attrition was down 3 officers over past four fiscal years). However, given the circumstances we could not meet his request.
- The Fire Department was funded for 25 firefighter positions. This was not the Chief' s preference. In FY02 there were 32 firefighter positions through attrition the department has been reduced, however the call volume has not seen a similar percentage decline.
- Public Works functions saw a variety of changes; the most significant involved moving to a policy of no trash barrels on the beach, this methodology commonly referred to, as "Carry-on-carry-out" resulted in several significant benefits. We were able to reduce

labor costs by over \$ 10,000 dollars by reducing summer staff. We reduced overtime costs by a similar amount associated with landfill activities to cover the collected debris. We extended the life of the landfill helping to avoid capping costs until we are in a better financial position. We know from observation that over 50% of what is collected from the beach is household trash not beach related. This was both fiscally and environmentally sound policy and was adopted after vigorous debate at Town Meeting.

- In addition, the recycling center, which charged ten dollars per year for a permit, saw a fee increase to \$50 dollars per year. This will cover approximately 50% of the operational costs of the Center, in essence there is still a tax subsidy in place; the fee increase began to close that gap. At \$50 dollars per year this is still less expensive than curbside options offered by private vendors in Town.
- The library budget was reduced primarily by not filling the open Assistant Director's position. This had an impact on staff but is necessary to balance the budget.

As we move forward with the fiscal year 2010 budget deliberations it is my hope that residents will recognize that we are in very difficult straits. I think it is safe to say that there are many items and initiatives that Departments would like to accomplish that are not currently possible given our fiscal situation.

The Town's budget has been under stress for several years. We are reaching financial crescendo in 2009 and 2010. We have been paring departmental budgets for several years. Staffing reductions have occurred in the Police Department, Fire Department, School Department, and Library, Public Works Department as well as many smaller departments. The cost containment efforts of the last several years have resulted in departmental budgets that are lean and at their minimal level to provide the current level of service. If further cuts are made loss and elimination of services will be necessary.

As the FY10 budget was being prepared it was determined that there would be two options presented to the May 2009 Spring Town Meeting. Budget A assumes that there is no new revenue growth beyond the standard annual amount permitted under Proposition 2^½. Budget B assumes that a debt-exclusion to pay for the debt primarily associated with the Jacob's School reconstruction be placed outside the normal limits of Proposition 2^½. This is a similar vote that took place in 2002 for the debt associated with the High School. If the vote passes our ability to continue to provide quality services will be greatly enhanced. Failure to pass the debt-exclusion will result in significant and lasting service cuts.

FY08	Department Operation Budget		
	FY09	FY10	FY10
		Budget A	Budget B
\$22,478,573	\$21,998,419	\$19,797,851	\$21,211,914
Change from Previous Yr	\$(480,154)	\$(2,200,568)	\$(786,505)'
% Change from Previous Yr	-2.1%	-10.0%	-3.6%

As we look forward 2009 will prove to be a seminal year in the history of Hull. We are facing significant fiscal stress that threatens our ability to offer quality services to the residents of Hull. As the local economy and national economy contracts from its heights of the last few years impacts on Hull are being felt by residents and departments alike.

As you review the Annual Reports from your Departments you will see that service requests have increased steadily and consistently over the last several years. As an organization we have been able to meet the increased demand by working more effectively. However, all of our Department's are at their operational limits given the resources that are available. They have been resourceful over the last several years but cannot continue to operate at the current level of services without additional resources.

I would like to thank all Town Employees and in particular, Nancy Allen, Janet Bennett and Terry Finneran in the Town Manager's/Board of Selectmen Office for their tireless assistance throughout the year. I thank you for the opportunity to serve the residents of Hull. Thank you.

Sincerely,

Philip E. Lemnios
Town Manager