

## 2018 Annual Report

### *Report of the* **FINANCE COMMITTEE**

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Patricia-Lee Achorn, Chairman; Daniel Lewenberg, Vice Chair; Ira Miller, Vice Chair; Anja Bernier, Clerk; William Brack, Arnold Cohen, Gordon Gladstone, Charles Goodman, Edward Philips, Anil Ramoju, and Hannah Switekowski,

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#### Finance Committee Responsibilities

Under the By Laws of the Town of Sharon, it is the duty of the Finance Committee to inform themselves as to those affairs and interests of the town, the matter of which is generally included in the warrants for its town meeting. To discharge this duty, the officers of the town are directed to furnish the Finance Committee upon request with facts, figures, and any other information pertaining to their several departments, provided, however that any such information may be withheld when in the opinion of the officer, or board of officers, so requested, the communication thereof might affect injuriously the interests of the town.

#### Annual Town Meeting

The primary task at Annual Town Meeting is for voters to adopt a budget for the next fiscal year. In addition, Town Meeting makes decisions on strategic issues such as major capital improvements, zoning and matters of Town business that require Town Meeting Authorization.

The Finance Committee is charged to consider the various articles in the warrant for all town meetings (including, with respect to each member of the committee, the articles in the warrant for the annual town meeting after which such member's term expires) and to report in print prior to all such town meetings the committee's estimates and recommendations for the action of the town together with the committee's reasons therefor.

#### Budget Background

The budget of the Town of Sharon is generally comprised of two components. The first is the “operational budget” which primarily consists of salaries and a smaller amount of expenses such as supplies, fuel, occupancy costs, etc. The operational budget is divided into three “Sectors”: (1) the School Department; (2) the Selectmen (Police, Fire, DPW, Water and most of the other Town “operational functions”); and (3) the Finance Committee (mainly the Town’s “elected boards” such as the Library Trustees, Town Clerk, Moderator, Conservation Commission, Lake Management, Board of Health, Planning Board, and Board of Appeals). The remaining budget costs are “fixed and uncontrollable” which include the Town’s debt (principle and interest), health care insurance (current and retired employees), retirement for the non-teaching personnel, and other employee-related costs (e.g. FICA and unemployment).

About 80% of the total budget is attributable to the School Department (their operating budget and allocations for their portion of fixed and uncontrollable, and Town administrative costs). About 19% of the budget is the Selectmen Sector and 1% is the Finance Committee Sector. Given that the Town’s budget is primarily comprised of the costs associated with employing people, the Town will continue to face budget pressures if uncontrollable costs increase or revenues are reduced.

A summary of the FY 18 and FY 19 budgets is below:

<b>Sector:</b>	<b>FY 2018<sup>1</sup></b>	<b>FY 2019</b>	<b>% Change</b>
Finance Committee	\$1,181,462	\$1,233,224	4.38%
Selectmen	\$13,269,301	\$13,663,962	2.97%
School Department	\$42,414,939	\$43,818,836	3.31%
Fixed and Uncontrollable	\$20,365,858	\$20,109,624	-1.26%
<b>TOTAL</b>	<b>\$77,231,560</b>	<b>\$78,825,646</b>	<b>2.06%</b>

The revenue to fund the Town’s budget is primarily comprised of residential property taxes. The Tax Rate for the Town of Sharon FY 2019 is 19.41 and an average tax bill of \$10,573, among the highest of the 351 cities and towns in the Commonwealth. According to the Massachusetts Division of Local Services data bank, with a tax rate of 19.41, the average Sharon single family home tax bill for FY2019 ranks 20<sup>th</sup> at \$10,573.

The modest reduction in Fixed and Uncontrollable expenses provides some capacity for future debt as we consider expected modernization of the high school and library. Improvement in the management of the debt and the lowering of interest costs is a very positive achievement. However, salaries and related benefits (including “fixed and uncontrollable” such as health insurance, retirement plan obligations and related employment costs) make up a large percentage of the Town’s budget. Increases in salaries directly relate to increases in retirement plan costs that are included in the fixed and uncontrollable budget. Because salaries, employee benefits and debt service represent the vast majority of the budget, there are few areas to reduce expenditures to offset salary increases and associated costs. If salaries and related benefits outpace the growth in assessed property values, the Town will be forced to increase the property tax burden unless new sustainable revenue sources are created. Maintaining the balance between providing the services and resources the citizens of Sharon desire and expect, and managing the growth in property taxes is a process that requires constant careful scrutiny.

For the past two years the Finance Committee has led the School Department and Board of Selectmen in a financial planning process to ensure a sustainable Town budget. Topics discussed are capital improvements, future revenue sources and the financial structure necessary to fund Town services. In 2018 the three committees held a Financial Planning Meeting in January in advance of the Annual Town Meeting in May; the next meeting is scheduled January 28, 2019.

In the 2018 Annual Town Meeting warrant, there were two Articles relating to bylaw changes, for the Board of Health and Conservation Commission, and an Article that would authorize the Town to participate in municipal aggregation of electricity. There were four requests to change zoning bylaws including one that would permit the Selectmen to lease certain municipal property to firms seeking to generate electricity from solar collection devices.

The Town considered four Articles related to recreational marijuana, one of the most controversial issues to face the Town. A ballot petition in November 2016 legalized adult recreational use of marijuana in the Commonwealth. The state legislature established the Cannabis Control Commission (CCC) to “honor the will of the voters of Massachusetts by safely, equitably and effectively implementing and administering the laws enabling access to medical and adult use marijuana.” Final regulations were issued by the CCC in March 2018.

The legalization of adult recreational use of marijuana, like the adult use of alcohol, offers communities an opportunity for increased tax revenues. But the issues surrounding the sighting of

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<sup>1</sup> FY 2018 figures adjusted for reallocation of budgets within Finance Committee and Board of Selectmen Sectors

a retail marijuana establishment in Sharon are more complex. There are legal and societal issues in addition to the financial impact. The Finance Committee would not have fulfilled their obligation to the citizens of Sharon without considering the issues presented by all three impacts. The Committee has had discussions with advocates and reviewed materials that reflect the legal, social and financial considerations.

This year the Finance Committee has reviewed quarterly financial data with the Finance Director to better understand the expenditures and financial management of the Town budget. This regularly scheduled review increases Committee member involvement with details of Town finances as they review the upcoming year budget proposals in preparation for May 2019 Annual Town Meeting.