

My budget proposal and that of the Budget Committee are available for review on the town's website at [https://www.nsmithfieldri.org/sites/northsmithfieldri/files/uploads/budget\\_summary\\_2017-2018\\_0.pdf](https://www.nsmithfieldri.org/sites/northsmithfieldri/files/uploads/budget_summary_2017-2018_0.pdf)

An overview of the budget committee's perspective is included. I offer the following as the basis for my recommendations. I also want to provide some explanation of how the budget development process unfolds.

A significant part of this budget process for me is targeted to two things. One is increasing the town's ability to handle more borrowing for infrastructure investment by working to control our biggest employment costs and even the smallest expenses. Given the limited economic expansion that we are experiencing as a country and certainly as a state, I believe North Smithfield must target overall employee compensation growth to a 2% year over year level. Increases at 3 and 3.5% are simply not affordable to the community. At the same time, it is vital that we stabilize a leadership team that, for about the last decade, has experienced totally unacceptable turnover in very important positions making it very hard to control expenses due to perpetual learning curves and loss of institutional knowledge. We need to recognize that we are in competition for talented leadership so the compensation levels that we establish for these positions is vital to keeping or finding the leadership we need. My salary recommendations for some of our leadership team are based upon analysis of statewide compensation for each position. The increases that are recommended though significant continue to keep our compensation levels below average for suburban and rural communities.

Another part of my recommendation includes an increase in the amount of our contribution to our future liability known as Other Post-Employment Benefits or "OPEB". For all intents and purposes this is a credit card on which we are carrying a substantial balance but only paying a portion of the interest. In recent budgets \$100,000 was appropriated to begin paying down that obligation. But the amount allotted would only have us meeting our obligation in about 40 years. My recommendation is to increase that to \$150,000 to essentially chip away at the obligation with hope that in future budgets we can increase that element again to allow the town to achieve a compliance schedule that is less than twenty years.

In the same vein, it is important that the town council and community at large be informed about the full picture of employment expenses. In my first months here in office, based upon current obligations created by our charter, ordinances and/or contracts, the town has paid a total over \$100,000 for unused sick or vacation time to employees who have retired or simply left our employ. In prior budgets those values have not been recognized. This administrator's budget includes \$102,000 for the estimated cost of payments for projected retirements in the next fiscal year.

Finally, regarding my spending proposal, while our target in this discussion each year obviously focusses on the overall impact to the tax rate, I believe it is essential that North Smithfield use its budget process to drive improvement in the community's balance sheet because it is that document that is the basis on which bonding capacity and cost is determined. A key component for optimizing our borrowing capacity is predictability in many aspects of our fiscal activities. Reasonably attacking OPEB is one example. Vigilantly protecting and reasonably growing our reserves is another which will require substantial consideration by the school committee and town council. This administrative budget proposal includes a provision to establish the contingency fund that is under control of the town council as a standard 1% of the overall budget. Prior year contingency has been itemized for "potential" needs such as trucks, for

example, which if needed I maintain must be part of the individual department budgets. With a solid budget plan and reasonable discipline at the council level, it is expected that the contingency would not be spent which would allow the entire balance to be able to flow to the town's reserve. By that action our reserves would track our annual spending plans and thereby optimize my initial objective as stated above which is to position the community for the best opportunity to obtain the financing, not for any specific project, but for any future need if, or more likely when, the need arises.

As to the tax rate, we have a complicating factor this year that arises from a request by National Grid to reclassify approximately 22 million dollars of previously declared tangible property. The specific property that Grid has identified to have been improperly classified in their submission to the town beginning two years ago is the foundations related to their new high voltage line upgrades. Grid has submitted documents that require transfer of that property to our commercial real estate tax category which means it moves from a rate of over \$40 per thousand to a rate below \$20 per thousand. The impact to the town is a reduction of over \$450,000 that if recovered by increasing the rate in one year would increase our rates by about 1.7% without any change at all in spending. My office is in continuing discussion with Grid representatives to mitigate the impact of the change with hope to have an agreement that is satisfactory to our town council and Grid as soon as possible.

So, in summary, this administrator's budget is founded upon an overall objective to achieve the following:

1. A budget that required no more than a 2% spending increase.
2. Recommending leadership salary changes that are appropriate to the skills of our staff and respectful of the competitive environment that we are in to attract and maintain key staff.
3. Bring focus and full clarity to some of our personnel costs that emanate from our charter, ordinances and contracts.
4. Add to our ability to meet our long term OPEB liability.
5. Bring more structure to the budget process to also provide more predictable balance sheet improvement to add to our financing qualifications.

Though the overall recommended increase is 2.29% which admittedly doesn't meet the stated 2% target, the reason simply is I believe in the various requests and obligations that are depicted by this plan and I don't think it is prudent to arbitrarily reduce them simply to meet that target. The target was good. We have come as close as we reasonably can. I believe this proposal is the most responsible program we can offer to meet the obligations we have to our customers, those of course being the citizens of North Smithfield.

Our budget hearing will be on June 19<sup>th</sup>. Our tax rates will be set by the council at its meeting on June 29<sup>th</sup>. If you have questions please don't hesitate to contact me by our website or by phone at 401-767-2200 Ext 303.

Gary S Ezovski PE