

TOWN OF BRAINTREE

IN COUNCIL

ORDER NO: 10 004

DATE: December 30, 2009

ORDERED: Mayor

LINE ITEM TRANSFER FOR WATER AND SEWER

WITHDRAWN AT THE REQUEST OF MAYOR SULLIVAN

Passed in Council:
Presented to Mayor:
A True Copy, Attest:

Date Approved

Joseph F. Powers, Town Clerk

Joseph C. Sullivan, Mayor

YEAS: Bowes, Clifford, DeNapoli, Dingee, Joyce, Kokoros, Mullaney, Powers, Ryan

NAYS: Bowes, Clifford, DeNapoli, Dingee, Joyce, Kokoros, Mullaney, Powers, Ryan

ABSENT: Bowes, Clifford, DeNapoli, Dingee, Joyce, Kokoros, Mullaney, Powers, Ryan

#10-004

Office of the Mayor

One JFK Memorial Drive
Braintree, Massachusetts 02184



Joseph C. Sullivan
Mayor

781-794-8100
RECEIVED TOWN CLERK
BRAINTREE, MA
2009 DEC 30 PM 2:22

To: Leland Dingée, President of the Council
Clerk of the Council
Town Clerk

From: Joseph C. Sullivan, Mayor *JCS*

Date: December 29, 2009

RE: Line Item Transfer for Water and Sewer

As part of the Department of Revenue's ("DOR") review of the Town's financial statements and tax rate for fiscal year 2010, the DOR requested an explanation regarding whether the projected revenues to be raised through the water and sewer rates would be sufficient to cover fiscal year 2010 expenditures of the Water and Sewer enterprise fund. DOR presented the Town with two options to address this issue: increase the water and sewer rates immediately to ensure sufficient funding or adjust the budget and transfer supplemental funds to the enterprise fund. It should also be noted that the Water and Sewer enterprise fund is expected to have approximately \$1 million in retained earnings as of June 30, 2009; however, DOR has not certified the fiscal year 2009 retained earnings amount. Until DOR certifies the Water and Sewer enterprise fund retained earnings for fiscal year 2009, these funds are not available to be used to offset any decrease of projected revenues in fiscal year 2010.

I do not support, nor is it prudent to recommend, an increase in water and sewer rates without first conducting a rate study. Through the Director of Public Works, I will see that a comprehensive water and sewer rate study is conducted in the coming months. However, to address this immediate concern, I am submitting a line item transfer to supplement funds within the Water and Sewer Division by drawing upon existing funds set aside in a 9C (state aid) Reduction Reserve account. Based on current information, I do not anticipate that any mid-year cuts in local aid from the State will be forthcoming, or if such cuts are made, they will not be as deep as originally expected, so I am comfortable reducing the amount set aside for these anticipated cuts.

Accordingly, your review and approval of the following motion is requested:

MOTION: THAT THE SUM OF \$300,000 BE TRANSFERRED FROM THE 9C REDUCTIONS RESERVE ACCOUNT TO THE WATER AND SEWER ENTERPRISE FUND/TRANSFER FROM GENERAL FUND ACCOUNT.

Since this involves the re-appropriation of funds within the fiscal year 2010 budget, advertising and a public hearing is required under Sections 2-9 and 6-7 of the Town Charter.

#10 - 004

Casey, Jim M.

From: Morin, Peter
Sent: Thursday, January 14, 2010 12:45 PM
To: Casey, Jim M.
Subject: withdrawal of request

Jim
We'll be withdrawing the request for the \$300,000 transfer. I'm putting the finishing touches on a memo.



Office of the Mayor

One JFK Memorial Drive
Braintree, Massachusetts 02184

Joseph C. Sullivan
Mayor

781-794-8100

TO: Charles Ryan, Town Council President
Town Council Members

FROM: Joseph C. Sullivan, Mayor

RE: Update on Tax Rate Approval and Water and Sewer Finances

DATE: 1/19/10

This correspondence is intended as a follow-up to my correspondence of 12/29/09, regarding the Massachusetts Department of Revenue's (DOR) approval of the town's tax rate and to inform you that the request to transfer \$300,000 from the "9C reserve" line item to the water and Sewer budget is no longer necessary.

On Wednesday January 13, 2010, Ed Spellman, Director of Municipal Finance received notice of the Department of Revenue's Division of Local Service's approval of the Town of Braintree's tax rate. As you recall, on December 1, 2009, the Town Council approved the board of Assessors' recommendation to adopt the maximum available shift of 175% which resulted in a residential rate of \$9.67 and a commercial rate of \$21.72 per thousand of property value. This vote was sent to the DOR for their review and approval.

In reviewing the Town's financial submission, the DOR inquired into the fiscal year 2010 budget's ten per cent increase in water and sewer revenue. The DOR stated that prior to approving the tax rate, the Town must either approve a water rate increase or reduce the water and sewer operating budget. As I have indicated in earlier correspondence, I believe it is essential to conduct a comprehensive review of our water rates prior to considering any increase. Therefore, we are initiating the first rate study since 2005. I expect a report back before the end of March and will share that information with you.

I indicated in the 12/29/09 correspondence that we had a retained earnings balance of \$1 million or more that had yet to be certified. In fact, the balance now certified by DOR is \$ 5,915,695, a growth of \$4,648,580 from the previous year. This growth is largely attributable to our May 2009 bonding of debt relating to water and sewer projects throughout the town. In previous instances of capital funding for water and sewer projects, retained earnings were utilized to pay for these projects. This May 2009 issuance of bonds at very favorable interest rates provided stability in our long term financing for current water and sewer capital needs while greatly enhancing our retained earnings for future capital requirements.

Moreover, this improved financial position removes the need for any transfer of funds into the water and sewer budget. These funds can now be held in reserve to offset a midyear reduction in state aid during fiscal year 2010.

Simultaneously at the DOR's insistence, and in my view an act of semantics, I have made temporary reductions to the Water and Sewer budget totaling \$975,656. These reductions will be restored with your approval of a transfer from the newly enhanced water and sewer reserves to the fiscal 2010 budget. Stating it plainly, this is all good news. Prudent capital financing has provided us with sufficient retained earnings to restore the reductions to our current budget and more than triple our water and sewer reserves.

In closing I wish to thank the Town Council for the important role it has played in improving our Town's finances. I look forward to making further progress in the coming fiscal year. I welcome any questions you may have.