

Town of East Greenwich Budget Review

Independent Budget Analysis

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Assignment

Independent budget review of Fiscal Year 2018 proposed budget of the Town of East Greenwich, including the East Greenwich School Department:

- ✓ Identify structural deficiencies
- ✓ Identify solutions
- ✓ Propose balanced Fiscal Year 2018 budget for the Town of East Greenwich

Methodology

- Review Town Charter
- Historical cost comparison (FY14, FY15, FY16, estimated FY17)
- Review source documents
 - ✓ Payroll report
 - ✓ Collective bargaining agreements and other contracts
 - ✓ Tuition and transportation invoices
- Interviews school and town personnel, partners

Town-wide Deficiencies

- ❑ Lack of transparency and accurate reporting
- ❑ Numerous misleading budget practices and inaccurate budget assumptions
 - Revenue side
 - Expense side
- ❑ Systemic purchasing inefficiencies
- ❑ Fiscally unsustainable collective bargaining agreements
- ❑ Short-sighted employment practices and benefits decisions

Lack of Transparency and Accurate Reporting

Town

- Lack of allocations of benefits to departments; true department costs unknown
- Lack of budget to actual analysis
- Lack of 3-5 year budget projections
- Town control of all accounting inhibits proper UCOA reporting

School Department

- Incorrect UCOA accounting potentially skew reporting to RIDE and may impact state aid
- Lack of budget to actual analysis
- Lack of 3-5 year budget projections
- Lack of accurate fiscal impact statements

Misleading Budget Practices and Inaccurate Budget Assumptions - Revenues

Town

- Under-budgeting prior year tax revenue
 - Historical average = \$1.093m
 - FY17 & FY18 budget = \$700k
- Failing to acknowledge and respond to \$325k lost Fire Department revenue FY15-FY16

School Department

- Raiding Fund Balances
- Reliance on one-time revenue sources
 - National Grid
 - Wireless Initiative

Town and School Department Revenues – Lack of Cost/Benefit Analyses

Town

- ❑ New England Tech revenue agreement not analyzed
 - Does stagnant annual fee of \$418k represent true cost of providing services to expanding facility?

School Department

- ❑ Aviation Academy
 - Does loss-making career preparatory program, serving 7 out-of-town students in FY18 make sense for East Greenwich taxpayers?

Misleading Budget Practices and Inaccurate Budget Assumptions - Expenses

Town

Under-budgeting claims reserves

- FY 17 & FY18 actual= \$-717,872
- FY17 & FY18 budget = \$4,000

Under-budgeting fire overtime

- FY15-FY17 average= \$620k
- FY18 budget = \$450k

Separation costs not budgeted

School Department

Under-budgeting high-cost special education

- FY17 Tuitions actual = \$1,447,454
- FY17 Tuitions budget = \$1,091,357
- All line items FY17 = \$-784,655

Under-budgeting without plans for cost reductions

- Substitute teachers
- Life insurance

Systemic Purchasing Inefficiencies

Town

- Purchasing by inertia
- Last insurance RFP in 2003; last independent insurance review in 2006
- Not aggressively pursuing new relationships (e.g., Rescue Run Billing and Audit Services RFPs)
- Limits school purchasing efficacy (e.g., document storage space)

School Department

- Limited controls for purchasing (e.g., approvals without complete documentation)
- Reactive not proactive purchasing
- Transportation RFP; one respondent
- No last-look person at schools

Entering into Fiscally Unsustainable Collective Bargaining Agreements

Town

Collective Bargaining Agreement with IAFF

- Increases to costs at a time when Town experienced revenue reduction
- FY17 – one floater permanent
- FY18 – one floater permanent
- FY19 – remaining two floaters permanent

School Department

Collective Bargaining Agreement with NEARI

- Inaccurate fiscal impact statement
 - Not compounded year-over-year
- Buy-back implications not considered; potentially short-term savings outweighed by long-term expense

Short-Sighted Employment Practices and Benefit Decisions

Town

- Hiring solely laterals for Fire Department – FY17
- Generous health benefits compared to other municipalities

School Department

- High turnover in financial and administrative positions
- 70% top-tier teachers FY17
- 80% top-tier teachers projected by FY19
- Lack of understanding of the self-funded benefits plan

Why One Town Now?

- Acknowledge and confront fiscal challenges
- Reduce and rebalance spending to reflect broader community priorities while maintaining educational excellence
- Lessen pain to implement viable changes
- Start targeted investments for the future – two-year minimum
- Shared commitment to One Town

Opportunities for Consolidation

- Finance
- IT
- Human Resources
- Purchasing – non-educational items
- Risk Management
- Benefits (FY19)

Town of East Greenwich Fiscal Year 2018 Revised Budget

- No increases School Department and library
- Consolidations
 - ✓ School Department administrative salaries paid by Town
 - ✓ Addition of director of curriculum position
- Corrections over/under budgeting discrepancies
- Line items reductions/negotiations
- Reduction of capital spending
- Preservation of \$700k prior year tax revenue budget line item

Town of East Greenwich – Revised 2018 Budget

Function or Purpose	Approved Budget for Year 2017	Proposed Budget Year 2018	Revised Proposed Budget Year 2018	Variance
EXPENDITURES				
1. General Government	1,970,781	1,973,629	2,294,593	-320,964
2. Financial Administration	572,359	656,334	768,107	-111,773
3. Public Safety	3,460,103	3,498,112	3,454,261	43,851
4. Public Works	2,812,023	2,876,273	2,876,273	0
5. Public School Operations	34,018,906	34,018,906	34,018,906	0
6. Public Library	520,235	531,218	520,235	10,983
7. Recreation and Parks	636,426	646,529	646,529	0
8. Health and Sanitation	883,517	939,606	939,606	0
9. Employee Benefits	5,595,672	5,990,114	5,929,595	60,520
10. Human Services & Agency Grants	267,826	274,885	267,385	7,500
11. Debt Service	6,604,753	5,527,165	5,550,922	-23,757
12. Capital Improvements	850,500	850,500	515,589	334,911
13. Contingencies	12,500	12,500	12,500	0
14. Fire Department	3,985,270	4,162,597	4,163,868	-1,271
TOTAL EXPENDITURES	\$ 62,190,871	\$ 61,958,368	\$ 61,958,368	
REVENUES				
1. Local Property Taxes	56,542,227	55,912,447	55,924,347	-11,900
2. Local Non-Property	3,197,939	3,291,074	3,279,174	11,900
3. State	2,450,705	2,754,847	2,754,847	-
TOTAL REVENUES	\$ 62,190,871	\$ 61,958,368	\$ 61,958,368	