

JOINT FINANCE COMMITTEE AND BOARD OF SELECTMEN MEETING

November 28, 2012

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Meeting Date: November 28, 2012
Location: 1 Avenue A, Turners Falls MA

Board of Selectmen Called to Order: 6:00 PM

Finance Committee Members Present: John Hanold, Michael Naughton, Lynn Reynolds and Greg Garrison

Board of Selectmen Members: Mark Fairbrother and Christopher Boutwell

Others Present: Frank Abbondanzio (Town Administrator) and Carolyn Olsen (Town Accountant), Peter Golrick (audience)

Minutes

Selectmen Moved:

To approve the minutes of August 15, 2012.

Vote: 2 In Favor 0 Opposed 0 Abstained

Association of Town Finance Committee's Annual Meeting

Mr. Hanold distributed the most current DVD version of the Finance Committee Handbook.

Town Administrator's Budget Forecast for Fiscal Year 2014

Mr. Abbondanzio presented his budget forecast for Fiscal Year 2014 (attached at end of minutes).

- It is fortunate that the town budgeted conservatively for state revenues for Fiscal Year 2013, since the additional monies later received are not likely to recur.
- Another positive is that the town has begun to reduce/eliminate the use of reserves for operating expenses.
- The Town has been able to build reserves, which may be needed for future fiscal crisis.
- The Town has been conservative on spending with only moderate increases in most categories, no employee colas for several years, and has benefited from level employee health insurance costs in Fiscal Year 2013.
- On the school side, the affordable assessment discipline was successful for Fiscal Year 2013.
- The Town has historically had very little excess taxing capacity (meaning the town taxes to the maximum levy limit).
- There is a potential fiscal crisis on the horizon due to reduced state tax revenues which could lead to mid-year cuts in state aid for Fiscal Year 2013.
- Mr. Abbondanzio expects at least some cuts in state aid for Fiscal Year 2014 (total including the supplemental amount), but since we were conservative for Fiscal Year 2013 we may be able to level fund that level for Fiscal Year 2014. Mr. Hanold noted that the additional state aid received in Fiscal Year 2012 was mostly spent on non-recurring items and so is not reflected in our budget base.

- Salaries and wages, with current step increases for eligible employees, will cost about \$42,000 more in Fiscal Year 2014. Implementation of the pay and classification study could significantly increase this amount.
- The planning number for the health insurance increase is a 3% increase for active employees. The rates for retirees are remaining level with Fiscal Year 2013. The Hampshire County Group Insurance Trust has been using reserves to keep the rates flat, but it is unknown whether this practice will continue.
- Mr. Abbondanzio factored in a 2.5% increase for the Franklin County Tech School Assessment for preliminary planning, but since the total enrollment has increased by 2 while Montague enrollment has decreased by 2, there may be a minimal effect on the assessment.
- Intergovernmental assessments may experience a slightly higher increase than usual, driven by the Franklin County Solid Waste Management District.
- Mr. Hanold noted that it may be mid-March before solid numbers are available for several of the categories.
- Mr. Hanold asked if the impact of collective bargaining would be known during the budget process. Mr. Abbondanzio noted that the consultants are having difficulty getting information from towns for comparisons.
- Concern was expressed that the results of the pay and classification study may not be implemented due to revenue constraints, and this would cause a detrimental effect on employee morale.
- Mr. Naughton asked how long it's been since cost of living adjustments were granted. The last COLA was given in Fiscal Year 2008.
- Based on presented assumptions and level services, the preliminary Fiscal Year 2014 budget shows a deficit of \$120,000. This is without using any reserves, implementing the pay and classification study results, or new capital items.

Board Stipends

In Fiscal Year 2009, stipends for elected board members were set at \$1,000 per year due to budget constraints, with the intention that the amounts would be periodically reviewed. Mr. Hanold updated a survey of stipends for various local towns showing the stipend amounts for each position in Fiscal Year 2008 and Fiscal Year 2012.

- Ms. Reynolds thinks we are at a stage where it will be appropriate to have at least modest increases. Ms. Reynolds specifically noted the Selectboard and the large amount of time they spend on town matters.
- Ms. Reynolds suggested that the positions be paid at least \$1,500.
- Mr. Hanold feels that the specific amounts are less important than that increases occur. Mr. Hanold noted that increases to \$3,000 for the Selectboard, \$2,500 for the Assessors and \$2,000 for the Board of Health, would cost \$12,000.
- Mr. Boutwell suggested keeping all board stipends equal and make other changes later if desired.
- Mr. Naughton agreed that an adjustment should be made, but is reluctant to make them until we're in a position to look at increases to other staff.

Selectmen Moved:

To adjourn the Board of Selectmen meeting.

Vote: 2 In Favor 0 Opposed 0 Abstained

Finance Committee Input to Budget Message and Budget Requests

This will be discussed next week after members have had a chance to review Mr. Abbondanzio's report as well as the draft message for departments.

- Mr. Hanold is strongly in favor of requesting a single scenario, but would like the departments to be asked what they would add if additional funds were available.
- Mr. Naughton suggested that this question be asked as two with one being what a department would do with additional one time funds and the second being what they would do with an ongoing increase to the annual budget.
- Audience member Mr. Peter Golrick suggested consistency on website updates to content and agenda. Mr. Golrick suggested at least 30 minutes per meeting be allocated to update the website to a standard consistency.
- Mr. Golrick also recommended a replacement cycle for IT equipment.

Upcoming Reserve Fund Transfer Request

The Board of Assessors has submitted Reserve Fund Transfer Requests to fund the payouts of unused sick and vacation pay to a retiring employee. The transfer requests total \$5,500. Until the Finance Committee has a quorum they will be unable to act on these.

Review Budget Schedule – no changes suggested

Revisit Specialization Assignments and Known Challenges for Fiscal Year 2014

Unanticipated items: – no changes suggested

Meeting Adjourned at 7:20 PM

List of Documents and Exhibits –

- Minutes of August 15, 2012
- Appendix A -Fiscal Year 2014 Budget Discussion and Recommendations (Mr. Abbondanzio)
- Appendix B - Fiscal Year 2012 Stipend Survey (Mr. Hanold)
- Appendix C - Budget Schedule

Next Meetings

- December 5th
- December 12th Discuss implications of initial revenue forecast
- January 9th Initial budget review
- January 16th Determine questions for departments, Select departments for meetings

Appendix A**FY 2014 BUDGET DISCUSSION AND RECOMMENDATIONS
SELECTMEN AND FINANCE COMMITTEE
November 28, 2012****I. INTRODUCTION AND PURPOSE OF MEETING**

- A. Update on FY 2013 Budget
- B. Summary of Budget Trends and Constraints for FY 2014
- C. FY 2014 Revenue Assumptions and Estimates
- D. FY 2014 Expenditure Assumptions and Estimates
- E. Discussion of FY 2014 Budget Recommendations

II. UPDATE ON FY 2013 BUDGET

- (A.) Conservative revenue assumptions continued to drive the preparation of the FY 2013 budget, although by the end of FY 2012, the health of the state economy appeared to be trending in a positive direction. The FY 2013 budget was prepared with the expectation that state aid would be level funded with the FY 2012 number. When the fiscal year ended, the State realized a surplus that allowed it to provide additional funds to the town and school district. This enabled the town to receive \$88,000 more in state aid than had been budgeted.
- (B.) The town's total budget for FY 2013 (\$18,443,587) represented an increase of \$479,319 or 2.67% compared to FY 2012 including:
- General fund spending (\$7,488,471) - \$176,679 or 2.42% increase.
 - Sewer expenditures (\$1,808,367) - \$47,609 or 2.7% decrease.
 - Airport enterprise (\$37,625) - \$1,198 or 3.29% increase
 - Education assessments (\$8,588,469) - \$333,984 or 4.0% increase.
 - Special Articles (\$431,255) - \$78,951 or 15.47% decrease.
- (C.) Some of the more significant elements of the FY 2013 budget were the following:
- Personnel Costs – increased by \$67,026 or 2.1%.
 - General Government – this budget increased by \$42,530 or 4.3%. Some of the factors contributing to this increase on the expense side were: \$13,400 or 32.2% increase in the legal budget and \$10,445 or 24.6% increase in Tax Title Foreclosure, budgets that have been historically underfunded. Other notable increases in general government included a \$9,235 or 21.7% increase in Shared Costs and a \$6,000 cost for GASB45 compliance; and a \$6,100 or 14.3% increase in the Town Clerk's budget to cover the costs of the National Election.
 - Public Safety – This year the budget of the Health Department was placed under the Public Safety function. The addition of a new part-time Health Inspector in the Board of Health resulted in a \$19,144 or 20% increase in that

department's budget. The retirement of long time Police Chief Raymond Zukowski resulted in a decrease of \$13,046 or .7% to the Police budget.

- Public Works – increased by \$95,689 or 6.2%, driven largely by the addition of a new position (Mechanic), and increase of \$29,875 or 7.7% in Solid Waste Disposal and \$14,000 or 7.0% increase in snow and ice removal.
- Workers Compensation - decreased by \$24,691 or 37.1%. This, in combination with an extremely modest 1% increase in Health Insurance, resulted in a \$39,813 or 2.2% overall increase in Employee Benefits. This is the fifth year in succession that our health provider – Hampshire Health Insurance Group has delivered a premium increase that was well below the State average.
- Staffing was increased by one full-time employee (Mechanic) in the DPW, one part-time employee (Health Inspector) in the Board of Health and one full time employee at the Water Pollution Control Facility.
- Although step increases were awarded to eligible employees, and a 1.5% increase to some union and non-union employees currently at top step, there were no cost of living allowance increases given in FY 2013. This is the fifth consecutive year in which no COLA was granted.

- (D.) Although the town continued to rely on the use of reserves in the funding of the FY 2013 budget, significant progress has been made by the town this year to reduce our long term dependence on that funding, particularly with respect to the funding of the operating budget. For the second year in succession the town resisted the temptation to use stabilization or overlay surplus funds to finance the town operating budget, and applied only \$154,182 in town stabilization towards the funding of the Gill-Montague Regional School District assessment. It should be remembered that as recently as FY 2008 and FY 2009 the town used \$276,000 and \$148,000 from these sources towards the funding of the operating budget. This represents significant progress. In addition, taxation funded more than \$125,000 of special articles as well as the police cruiser (\$37,000) which is now included in the police operating budget. Although the town did not use any stabilization funds to finance special articles in FY 2013, it did rely on the use of \$127,000 in free cash for this purpose. This reflected a higher than normal balance in the town's free cash account.

III. BUDGET TRENDS AND IMPLICATIONS FOR THE FY 2014 BUDGET

A. Property Taxes

- As in most years, the town of Montague is levying taxes nearly up to its maximum levy limit under Proposition 2 ½ in FY 2013. According to the Board of Assessors, there is currently \$3,165.75 in “excess taxing capacity” available for use of FY 2014.
- The Town realized \$143,351 in “new growth” in FY 2013. This is slightly higher than the \$120,000 that Montague typically averages, and considerably

lower than the windfall amounts that the town has been fortunate enough to realize in recent years.

- There are no indications that the town will realize any more new growth in FY 2014 than we experience in an average year. Building permit activity for both residential and commercial/industrial has been fairly constant, with the exception of permits for solar installations, the value of which is yet to be determined.
- The Montague Center School Project which, if approved, will result in an investment of approximately \$2 million in the creation of market rate rental housing. Although this new value would generate a significant stream of new tax dollars, the town is anticipating an appeal of permits issued for the project and its implementation is likely to be delayed.
- Existing tax increment agreements will not generate any significant amount of new value in either FY 2013 or FY 2014.
- Most or all of the permanent debt service costs associated with the implementation of large capital projects (high school/middle school, sewer separation, and police station) are included as debt exclusions, and have hit the tax rate. No new debt exclusions are anticipated for FY 2013.

B. State Aid

- As FY 2012 came to a close, it appeared that Massachusetts had finally emerged from the “Great Recession”, and the outlook for future state aid looked positive. In fact, the Legislature felt confident enough to restore state aid that it had cut earlier. Montague benefitted from this decision by receiving \$88,000. The State’s economic performance in the first quarter of FY 2013 tells a very different story and raises serious concerns for towns and cities in FY 2014, and possibly even in the remainder of FY 2013.
- Following a sharp turndown in October tax collections, the governor’s chief finance officer told local officials that there is a high likelihood of a reduction in the revenue forecast for Fiscal 2013 as well as mid-year spending cuts.
- The glass half empty. Several factors are at play which could affect the state’s economic health in FY 2014, many of which are out of our control. These include: the continuing debt crisis and recession in Europe which has resulted in a major decline in exports from Massachusetts industries, declining economic growth, which is below growth projections used in the preparation of the FY 2013 budget, rising unemployment levels in the State, an unanticipated fiscal liability, currently approaching \$50 million, associated with the failings of a state testing laboratory and budget actions and inactions at the Federal level, including the looming “fiscal cliff”, which if not addressed before the end of calendar 2012 will result in major budget cuts and rising taxes. These, in turn, could drive the nation and our state back into a deep recession.
- The glass half full. Despite the state’s poor first quarter performance, during the first week of November State leaders remained cautiously optimistic about the future. The State was able to build up its rainy day fund to a healthy level

while the economy was performing well. Projected growth is at 2.3%, which, while less than that assumed in revenue projections for FY 2013, is still higher than the national level, while unemployment (at 6.5%) is still lower than the national rate.

- This state revenue situation is extremely fluid. On November 13, 2012, Administration and Finance Secretary Jay Gonzalez announced at a meeting of the Local Government Advisory Commission that a review of options was under way, and decisions would have to be made soon – within a few weeks. He did not say how much the tax forecast might be reduced or what possible combination of cuts and state reserves may be used to keep the FY 2013 budget in balance.
- In mid-December various economists, including the State Department of Administration and Finance, are scheduled to make their revenue projections for FY 2014. The consensus revenue estimate will determine, to a large extent, the numbers that the Governor will use when crafting his budget (House 1) – due to be presented in January. This will also affect the local aid numbers that the Governor includes in his budget.

C. Local Estimated Receipts

- Local receipts are projected to remain flat in FY 2014 due to the continued lack of growth in the consumer economy. In fact, the projected number (\$1.2 million) actually represents a slight reduction (\$69,374 or 5.5%) from the amount projected for the FY 2013 budget. The development of new homes is retarded by the depressed housing market and resulting lack of new construction. Building permit activity is relatively flat in calendar 2012. This not only affects “new growth” but also building permit revenues. Due to low consumer confidence, fewer people are also buying new cars; and this affects the growth of automobile excise taxes. Excise taxes represent about half of the town’s local receipts.
- Locally, we have also been very conservative in the estimation of local receipts to avoid potential end-of-year deficits. This is a wise policy; and allows for flexibility in the budget. It is possible that modest growth in local receipts could occur if the economy continues to improve.

D. Free Cash

- The State Department of Revenue certified the Town’s Free Cash at \$559,289 for FY 2013. Based on historical averages this would be considered a moderate amount of free cash to start the fiscal year. Although the town did hold a special town meeting this fall, it did not use any free cash to fund the appropriations made.
- A modest amount of free cash is still “imbedded” into the operating budget. A total of \$250,000 was used at the annual town meeting, \$125,000 to fund the town’s operating budget, and \$125,000 to fund the Gill-Montague Regional School District Assessment.

E. Stabilization Fund

- The current balance in the Stabilization Fund is \$907,165. This is 4.9% of FY 2013 operating budget expenses, an amount that is considered fiscally prudent.

F. Other Available Funds

- Sale of Real Property – There is currently a balance of \$62,405 in the sale of real property account. The town is currently negotiating the sale of approximately 8 acres at the Airport Industrial Park, which will yield an additional \$130,000 in revenue. These funds, in combination with a balance of \$46,460 in the Millers Falls Industrial Park account, could potentially provide a total of \$238,865 that could be used to develop the industrial park on Turnpike Road.
- Sewer Retained Earnings – The Town currently has a balance of \$209,996 in its sewer retained earnings account. An unusually high amount of sewer retained earnings (\$429,996) was certified for FY2013. Much of it was used to stabilize sewer rates or for capital projects at the WPCF.
- A balance of \$16,495 exists in the Airport Retained Earnings Account.
- Colle Receipts Reserved - As of October 31, 2012, the Colle Operations account had a cash balance of \$212,338. Some of this amount has been encumbered as part of the FY 2013 budget that will continue to be spent through June 30, 2013. The Town will also continue to collect lease payments during the remainder of the fiscal year and add to this balance. Since its opening in 2003, the Colle Building has operated as a totally self funded operation. This was possible because the building was fully occupied during the entire time. The Town recently lost one of its major tenants (Hallmark Gallery) which paid total annual lease payment of \$14,600. We are trying to find a new tenant for the space, but anticipate that current market conditions will make it difficult to do so. In the meantime, it will be possible to fund the FY 2014 Colle budget out of this fund without resorting to a general fund subsidy. However, the town will have to draw down on its Colle cash balance somewhat to do so.

IV. FY 2014 Revenue Assumptions**A. Property Taxes**

- We assume that the Town will levy to the maximum levy limit in FY 2014.
- We assume that “new growth” will more closely approximate the \$120,000 average. The Board of Assessors does not foresee any major gains in new growth resulting from tax increment financing agreements.
- All projections assume the debt exclusion figures contained in the Town Accountant’s schedule for FY 2014 (\$685,784).
- No proposition 2 ½ overrides or additional debt exclusions are assumed.

- The Board of Assessors is requesting that \$150,000 be appropriated for abatements and exemptions in FY 2014. The higher number reflects the fact that it is a revaluation year.
- The net property tax levy with these assumptions is **\$13,890,323**.
- Increase in property tax revenue, not including debt exclusions which are offset, will be **\$442,794** in FY 2014.

B. Local Estimated Receipts

- All revenue scenarios assume that local receipts will be **\$1,200,000** in FY 2014. This represents a reduction of **\$69,374** from the local receipts number used in FY 2013 budget. This reduction resulted from more conservative estimating to account for existing economic conditions. Excise taxes, typically one of the town's leading local receipts, have exhibited a declining trajectory in recent months.
- Sewer user fees, which are in a separate enterprise account, will be determined by the approved Water Pollution Control Facility budget and the use of any sewer reserves voted by the Sewer Commissioners.

C. Available Funds

- At this point, we are not assuming any use of stabilization funds in FY 2014, but this may change as the budget process advances. The Town used \$154,182 from the town stabilization fund in FY 2013 to fund a portion of the Gill-Montague Regional School Assessment and \$24,000 from the Franklin County Technical School Stabilization Fund and \$12,000 from the Town Stabilization Fund to fund that District's assessment. No stabilization funds were used to fund capital projects in FY 2013.
- We are assuming that that \$20,000 recycling receipts are also available for use towards the funding of the solid waste budget. These are included in the local estimated receipts.
- We are assuming that the FY 2014 Colle operating budget will be funded by Colle receipts and reserves.
- We are not assuming the use of one-time state aid funds for any purpose in FY 2014. This source of funding was available in FY 2013 and was used at both the April 2012 special town meeting and the May 2012 annual town meeting. That account was closed out on June 30, 2012.

D. Free Cash

- We are assuming that **\$250,000** in free cash will be used in the funding of the budget. This is the same amount used in FY 2013. In FY 2013, \$125,000 was applied to both the Town Budget and Gill Montague Regional School District Assessment.
- We are not assuming the use of Free Cash to fund special articles at this point. This may change as we get further into the budget process.
- The town used \$127,000 from its free cash account for FY 2013 to fund special articles due to the existence of a higher than normal free cash balance.

E. State Aid

- In good years, state aid could generally be counted upon to produce revenue increases in excess of \$100,000 each year. Montague's state aid has actually declined by close to \$600,000 since 2008. The Gill Montague Regional School District has experienced a similar reduction in its state aid during this same period.
- Due to the fiscal uncertainties present at all levels (state, federal and international) of the economy, forecasting of state revenues is truly an inexact science. The best that we can do is make some educated assumptions and assess the likely outcome under each of them.
- The following three scenarios are offered for FY 2014:
- Worst case scenario: Over the next six months, the debt situation in Europe worsens, and/or Congress is unable to reach a consensus on its deficit reduction plan and the country plunges over the fiscal cliff. If the former occurs, Massachusetts would continue to experience declining exports, job losses and declining revenues. If the latter occurs, the entire nation will plunge into a recession causing higher unemployment and declining revenues. It's anyone's guess just how deep the recession and how severe the state revenue losses would be. That would determine the level of state aid cuts that communities could expect in FY 2014. For planning purposes, we could experience a 12% cut (approximately \$150,000) – the amount of our state aid cut in the first year of the current recession. As it is, even without the Fiscal Cliff problem, the State may have already reached a point where it has to make mid year budget cuts that could include state aid.
- Best case scenario: The best case scenario for Massachusetts, and also for Montague, is that the debt situation in Europe stabilizes and/or Congress reaches a budget compromise, thereby averting events that would cause a recession. The economic recovery gains momentum and the state economy is at least able to support modest gains in state aid growth (2 or 3%).
- Most likely scenario: The most likely scenario is that state aid will be level funded at the FY 2013 level. This assumes that the state does not have to resort to mid-year cuts (known as 9C cuts) to account for declining revenues in the current fiscal year, and to establish the town's FY 2013 state aid base at a lower level than originally budgeted. Fiscal uncertainty is likely to continue at least for the next six months, leading the Legislature to be conservative in its decisions. This would mean that the net local aid number in FY 2014 would **at best** be level funded at **\$1,383,844**. This amount is \$90,838 more than the appropriation made at the annual town meeting. The FY 2013 budget was prepared before the final (higher) state aid numbers were released.

V. FY 2014 EXPENDITURE ASSUMPTIONS AND ESTIMATES**A. Salaries and Wages**

- No additional full time or part time staffing is assumed. Also, there are no lay offs of existing staff envisioned.

- There are currently no collective bargaining agreements in place for FY 2014. All of our unions are awaiting the results of the pay and classification study.
- The salary and wage numbers contained in the recommended budget assume that eligible employees receive step increases but no cost of living increases. They do not assume implementation of the pay and classification study. Under these assumptions, personnel costs would increase by \$41,577 or 1.29%.
- The fiscal impact of implementing the pay and classification study has not yet been calculated. According to our consultant, such studies typically result in an additional 3% increase, on average, in wages and salaries. If we assume that number is accurate, and based on our FY 2013 payroll of \$3,211,251, an increase of \$96,338 would be expected. This is for general fund only.
- It is assumed that this cost would be in addition to the cost increases described above, bringing about a total increase in personnel cost of 4.29% or \$137,915. These cost estimates will have to be refined as the results of the pay and classification study are finalized.
- Over the past five years, the town has only awarded step increases to eligible employees, a one-time 1 ½% increase to people at top step, and a modest health insurance reduction offset. There have been no cost of living raises awarded. Many employees have reached their top step.

B. Departmental Expenses

- It is assumed that wherever possible departmental expense accounts have been funded to reflect a level service budget with the FY 2014 appropriations. Where budgets are subject to contractual increases (solid waste for example) or increases are uncontrollable (employee benefits, debt service, insurances), the anticipated increases have been included.
- Solid Waste Disposal costs are estimated to increase by 10% or \$43,595, from \$435,950 to \$479,545.
- The cost of Snow and Ice Removal is level funded.
- Energy costs are assumed to increase by 5%.

C. Debt Service

- FY 2014 debt service expenses will decrease by \$9,048, reflecting a modest (1.4%) reduction in short and long term interest expenses, offset to some extent by moderate increases in long term principal on debt. These changes mainly reflect the amortization schedules for the various projects.

D. Intergovernmental

- The Intergovernmental budget includes the assessments from the FRCOG, FCSWMD and the Veteran's District.
- None of the budgets for these entities has been finalized as yet, so we do not know what the Montague's assessments will be.

- Preliminary indications are that an increase in Montague's Equalized Valuation per capita may impact some intergovernmental assessments to the town. A preliminary budget for the Franklin County Solid Waste Management District, for example (not adopted as yet), would result in a \$1,900 or 10.9% increase. EQV also represents 90% of the formula used by the FRCOG in calculating their assessments; however, FRCOG staff person(s) indicate that they are not anticipating any EQV-related adjustments.
- For planning purposes only we are projecting that total spending on intergovernmental services will increase by \$4,154 or 5.0%.

E. Employee Benefits and Town Insurance

- The Employee Benefits budget includes Retirement (contributory and non-contributory), workers compensation, unemployment compensation, health insurance, life insurance and Medicare.
- This budget assumes that the employee benefits budget will increase by \$110,382 or 6.1% in FY 2014.
- Retirement expenses will increase by \$33,133 or 3.9% in FY 2014. These make up the largest percentage of increased employee benefits costs in the upcoming fiscal year.
- Non-Contributory Retirement expenses increase by \$847 or 2.3%.
- These increases are offset to some extent by anticipated stability in health insurance costs. Health insurance costs represent 50.2% of Employee Benefits in the FY 2013 budget. The health insurance line item is projected to be level funded (\$910,000) in FY 2014. It has been reported that the cost of retiree (MEDEX) health insurance will not increase for the third year in succession. Health insurance for active employees is projected to increase by 3% for HMO's and 3% for PPO's. Even though increases are projected for the active employees, the increases will be largely offset by significant reductions in other parts of the health insurance budget. It should be pointed out that these projections are subject to change based on the actual numbers voted by the Hampshire County Health Insurance Group. This vote is expected to take place in late December.
- The budget for Workers Compensation is projected to increase by \$4,186 or 10%. This is an early projection that is a very conservative estimate.
- The budget numbers projected for Unemployment Compensation and Life Insurance are both been level funded at \$10,000 and \$16,600 for FY 2013.
- Medicare costs are projected to increase by \$1,350 or 3 % over FY 2013.
- Town Insurance costs are projected to increase by \$8,259 or 10%. This is an early estimate and is considered conservative.

F. School Assessments

- The assessment for the Gill/Montague Regional School District is estimated at \$8,046,250 for FY 2014. This is a \$196,250 or 2.5%% increase over FY 2013.

It should be noted that, based on current revenue estimates, the affordable assessment for FY2014 is \$7,950,000.

- The assessment for the Franklin Technical School is estimated at \$756,312. This represents an \$18,447 or 2.5% increase over the FY 2013 assessment. This is a planning number only. As of the printing of these recommendations, the FCTS had not provided the town with an estimate of Montague's assessment. The October census of students, however, indicates that the number of Montague students declined by two students, however, the total number of students also increased by two students, from 469 to 471. Montague's share of total costs will be 15.5% in FY 2014. This compares with 15.9% in FY 2013.

G. Water Pollution Control Budget

- It is assumed that wages and salaries are subject to the same planning constraints described above for the general fund including: steps awarded where employees are eligible, both for union and non-union personnel.
- It is assumed that expenses represent a level service budget.
- At this point, we are not in a position to project the FY 2014 cost of solid waste disposal. However, the WPCF Supt. has recommended that we assume a cost of \$200,000. This is an increase of \$25,000 over FY 2013.
- Employee benefits for water pollution control personnel are assumed to be subject to the same three potential scenarios described above.
- Debt service for the sewer enterprise will decline by \$10,461 or 2.8%, reflecting the scheduled pay down of sewer bonds.
- The town's share of the Millers Falls sewer assessment is also assumed to be level funded, and does not include the additional debt for Millers Falls which is currently subject to litigation. This is a planning number only.

H. Special Articles

- It is assumed that the town will continue to meet its obligations on the existing DPW equipment leases. The town is entering the fifth year of a five year lease (\$54,055/yr) of two dump trucks. This town will also be entering the second year of a five year lease on another vehicle that costs \$44,000 per year.
- It is assumed that the DPW discretionary fund is once again funded at \$75,000.
- It is assumed that a Police Discretionary fund of \$20,000 is included in the Police budget.
- It is assumed that Computer Equipment is funded at a level of \$8,200.
- It is assumed that the Police Cruiser is not included as a special article, but rather is part of the operating budget.
- As the Capital Improvements Committee has not put out a request for proposals as yet, we have no way of knowing what special articles will be recommended.

Appendix B

Stipend Survey

FY 2008, 2012 STIPEND DATA -- SELECTED FRANKLIN COUNTY TOWNS

| <u>Town</u> | <u>Approx</u> | | <u>Popul.</u> | | <u>Select</u> | | <u>Chair</u> | | <u>Assess</u> | | <u>Chair</u> | | <u>Health</u> | | <u>Chair</u> | |
|-----------------|---------------|--------------|---------------|--------------|---------------|--------------|--------------|--------------|--------------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|
| | <u>FY 08</u> | <u>FY 12</u> | <u>FY 08</u> | <u>FY 12</u> | <u>FY 08</u> | <u>FY 12</u> | <u>FY 08</u> | <u>FY 12</u> | <u>FY 08</u> | <u>FY 12</u> | <u>FY 08</u> | <u>FY 12</u> | <u>FY 08</u> | <u>FY 12</u> | <u>FY 08</u> | <u>FY 12</u> |
| Montague | 8,470 | 8,437 | | | \$2,827 | \$1,000 | \$3,398 | \$1,000 | \$1,303 | \$1,000 | | | | | | |
| Orange | 7,667 | 7,839 | | | \$1,000 | \$0 | \$1,000 | \$0 | \$100 | \$0 | | | | | | |
| Deerfield | 4,757 | 5,038 | | | \$1,700 | \$2,900 | \$1,700 | \$2,500 | Selectboard covers | | | | | | | |
| Sunderland | 3,777 | 3,684 | | | \$3,500 | \$3,150 | \$3,177 | \$2,700 | \$0 | \$0 | | | | | | |
| Northfield* | 2,983 | 2,852 | | | \$1,844 | \$1,919 | \$1,712 | \$1,781 | \$447 | \$466 | | | | | | |
| Conway | 1,899 | 1,989 | | | \$1,750 | \$1,750 | \$1,200 | \$1,200 | \$1,098 | \$1,234 | | | | | | |
| Shelburne | 1,890 | 1,893 | | | \$2,366 | \$2,532 | \$2,198 | \$2,380 | \$778 | \$846 | | | | | | |
| Leverett | 1,926 | 1,867 | | | \$1,050 | \$1,050 | \$1,000 | \$1,000 | \$400 | \$400 | | | | | | |
| Erving* | 1,508 | 1,626 | | | \$3,306 | \$3,405 | \$3,245 | \$3,232 | \$787 | \$810 | | | | | | |
| Gill | 1,530 | 1,500 | | | \$2,289 | \$2,463 | \$2,653 | \$2,991 | \$2,500 | \$1,329 | | | | | | |

*member of Eastern FRK Health District

Observations

- 1 BOS stipend unrelated to population (Dfld has larger scope than others)
- 2 Orange conspicuously out of pattern -- fiscal struggles?
- 3 Sunderland and Erving pay rather high, relative to population (and complexity of issues?)
- 4 Are Northfield Erving and and Gill helped by significant-taxpayer presence?
- 5 Some towns increase annually, some don't. Montague, Orange and Sunderland dropped stipends.
- 6 Gill and Conway outliers on Health?
- 7 Most other towns value Health well below other boards -- is this true in Montague?
- 8 Non-Chairs paid 90 - 100% of Chairs in many cases

SOME CONSIDERATIONS

- * (BOS) Time Commitment
- * (BOS, BOA, BOH) Recruitment difficulty?
- * (BOS, BOA, BOH) General knowledge, technical knowledge, "common sense"
- * (BOA, BOH) Required certification or training
- * (BOS) Formulation of policy vs. carrying out regulations

Appendix C

Budget Schedule

| | | | | | | | Schedule Target: ATM 4 May 2013 |
|------------|----|----|----|----|----|----|--|
| DEC | | | | | | | |
| S | M | T | W | Th | F | S | |
| 2 | 3 | 4 | 5 | 6 | 7 | 8 | Input on budget instructions |
| 9 | 10 | 11 | 12 | 13 | 14 | 15 | Discuss implications of intial revenue forecast |
| 16 | 17 | 18 | 19 | 20 | 21 | 22 | <i>no meeting</i> |
| 23 | 24 | 25 | 26 | 27 | 28 | 29 | <i>no meeting</i> |
| 30 | 31 | | | | | | |
| JAN | | | | | | | |
| S | M | T | W | Th | F | S | |
| | | 1 | 2 | 3 | 4 | 5 | no meeting |
| 6 | 7 | 8 | 9 | 10 | 11 | 12 | Budgets due 1/7, initial overview |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 | pick depts for mtgs, questions |
| 20 | 21 | 22 | 23 | 24 | 25 | 26 | (LR) Initial Sch I & II (P/T ranges, stipends?) |
| 27 | 28 | 29 | 30 | 31 | | | (GG) Acct, Clerk, Treas, Plan, Assessors <i>GMRSD preliminary budget due 1/31</i> |
| FEB | | | | | | | |
| S | M | T | W | Th | F | S | |
| | | | | | 1 | 2 | |
| 3 | 4 | 5 | 6 | 7 | 8 | 9 | (JH) Police, Dispatch, GMRSD debrief |
| 10 | 11 | 12 | 13 | 14 | 15 | 16 | (JH) Public Works, WPCF |
| 17 | 18 | 19 | 20 | 21 | 22 | 23 | Selectmen, Debt, Vets, misc |
| 24 | 25 | 26 | 27 | 28 | | | Reserve for Snow Day/Carryover |
| MAR | | | | | | | |
| S | M | T | W | Th | F | S | |
| | | | | | 1 | 2 | |
| 3 | 4 | 5 | 6 | 7 | 8 | 9 | (MN) GMRSD, (GG) CIC |
| 10 | 11 | 12 | 13 | 14 | 15 | 16 | (RR) Bldg Insp, Health, Use of Reserves, Final Sch II & II |
| 17 | 18 | 19 | 20 | 21 | 22 | 23 | (MN,GG) FCTS, Libraries, COA, Park & Rec |
| 24 | 25 | 26 | 27 | 28 | 29 | 30 | Preliminary budget votes with sources |
| 31 | | | | | | | |
| APR | | | | | | | |
| S | M | T | W | Th | F | S | |
| | 1 | 2 | 3 | 4 | 5 | 6 | FC Report Draft |
| 7 | 8 | 9 | 10 | 11 | 12 | 13 | Review FC report, reconsider votes as needed |
| 14 | 15 | 16 | 17 | 18 | 19 | 20 | Finalize report |
| 21 | 22 | 23 | 24 | 25 | 26 | 27 | Mail report |
| 28 | 9 | 30 | | | | | |
| MAY | | | | | | | |
| S | M | T | W | Th | F | S | |
| | | | 1 | 2 | 3 | 4 | Any pre-STM/ATM action needed, ATM |
| 5 | 6 | 7 | 8 | 9 | 10 | 11 | ATM followup, set summer schedule |