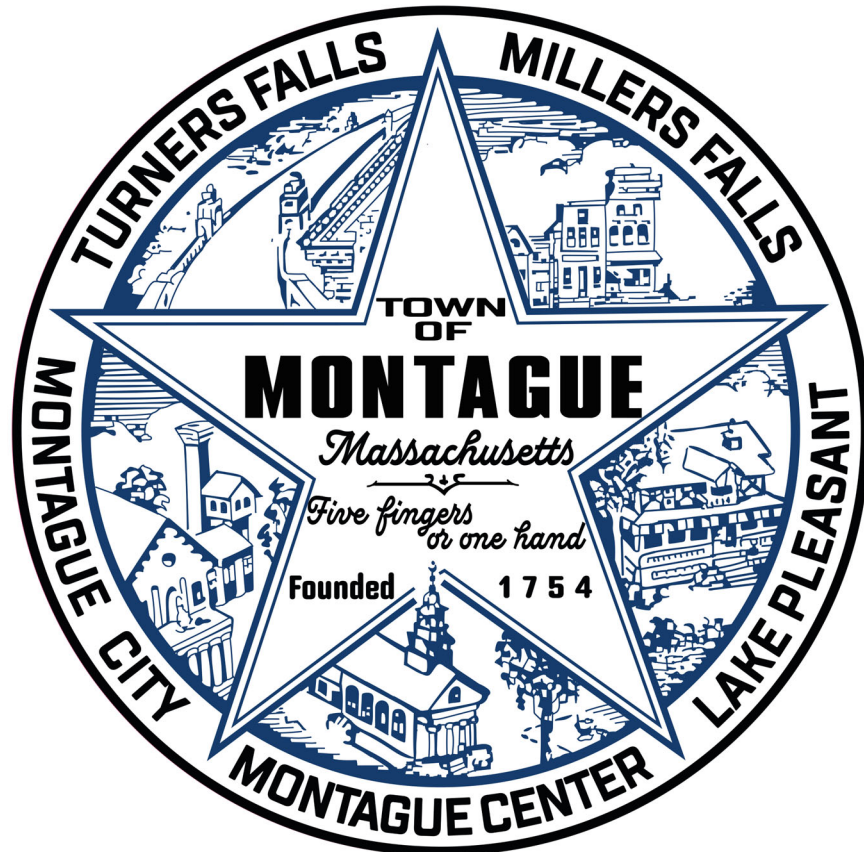


TOWN OF MONTAGUE

FY2027



ANNUAL BUDGET

FINANCE COMMITTEE REPORT TO
TOWN MEETING

MONTAGUE, MASSACHUSETTS

May 2, 2026, 9:00 AM

TURNERS FALLS HIGH SCHOOL THEATER



TOWN OF MONTAGUE

Finance Committee

One Avenue A

Turners Falls, Massachusetts 01376

413 863-3200 ext. 121

April 8, 2026

Dear Town Meeting Members:

One of the Finance Committee's responsibilities is to report to Town Meeting on the annual budget for the upcoming fiscal year. This booklet includes information and explanations of the major elements of the proposed budget, as well as background on each of the motions you will be asked to vote on. If you would like more details, you can find materials related to this year's budget development process on the Town's website at www.montague-ma.gov/p/374/Annual-Budget-Information, and of course if you have questions, any of us would be happy to speak with you.

The budget we are presenting to you is the result of a collaborative process that started in 2025 with a preliminary revenue forecast and solicitation from department heads and commissions of requests for anticipated budgets, when departments and committees were asked to prepare requests for anticipated capital and operating needs in their areas for Fiscal Year 2027. This year the directive was to submit budgets for "level services" and a budget for "level services minus 2%". The Capital Improvements Committee started reviewing capital requests for FY2027 in October, and department heads who were proposing significant staffing changes presented proposals to the Selectboard (acting as the Personnel Board) in December and January.

The Finance Committee and Selectboard had all the initial operating budget and special article requests in hand by mid-December 2025. We reviewed the requests, invited public input, gathered information through written correspondence, researched and asked questions, and discussed our concerns at public meetings in February and March.

The operating budget proposed for the Town was refined by this process, and our input also helped influence decisions about the special articles that would ultimately appear on the Annual Town Meeting Warrant. When we reconvened with the Selectboard in mid-March, we received the Capital Improvements Committee's report and recommendations and then worked together to settle on a final budget to propose to you. We look forward to hearing what you think of it in May!

Respectfully, Your Finance Committee:

Dorinda Bell-Upp (Chair), Leigh Rae (Clerk), Christopher Menegoni, Francia Wisnewski, Joshua Bell, Stuart Mieher, and Emily Siegenthaler

FINANCE COMMITTEE REPORT TO TOWN MEETING

Fiscal Year 2027

In accordance with the bylaws of the Town, the Montague Finance Committee has investigated the cost of maintenance and expenditures of departments of the Town and here recommend in detail the amounts to be appropriated for each department for the ensuing year. We have also considered articles in Town warrants requiring the appropriation of money throughout the year. We propose a balanced budget of \$34,559,798 to provide municipal services during Fiscal Year 2027 (FY27).

Further details on the development of the FY26 budget are available on the Town's website at www.montague-ma.gov/p/374/Annual-Budget-Information. The "Annual Budget Information" section includes a glossary of the terms that are bold-faced in this report, revenue estimates for FY27, line-item budget requests for all town departments, budget narratives, our Capital Improvements Committee's annual report, and other resources.

INTRODUCTION

This budget strives to provide effective municipal programs and services to Montague's residents, while assuring a financially sustainable future. Our **Revenue** estimates reflect our expectations for tax collections, local receipts, and state aid in various forms.

This year town departments were asked to submit two budgets, a "level services" budget and a "level services minus 2%", and for the most part departments were able to comply with this request. There was one new staff position requested this year by the Clean Water Facility that was approved by the personnel board. This position was for an Assistant Mechanic at the Clean Water Facility. The goal of the position is for the assistant to develop the specialized skills required for in-house equipment repair at the Clean Water Facility, which provides for a succession plan in the event that the current mechanic parts ways with the Town. The position will also save money by avoiding the need to contract out the work.

Montague's financial situation has stabilized in recent years, with an improved bond rating (AA since 2021) and increasing levels of reserves across most accounts with many of them exceeding the limit requirements set in the Montague Financial Policies. In the past years we have begun discussing the option of using long-term debt for larger capital expenses, and we feel encouraged by efforts to engage in longer-term planning that will ultimately help us make more strategic financial decisions. The Town's new Five-Year Capital Plan, which is updated annually, will be critical to that strategic decision-making process. This plan has been expanded to include more assets of the Town, including guardrails, roads, culverts, etc., to be more comprehensive of future liabilities of the Town. Following the Five-Year Capital Plan, the

Finance Committee has been working to implement their own five-year plan and expect to continue that work during the off-budget season.

We are grateful to everyone who has worked with us throughout this annual budget season.

FUNDING GOALS

The Finance Committee pursued several goals while developing this budget:

1. To fund annual needs (both departmental operating budgets and recurring Special Articles) from recurring non-Reserve sources, and to avoid using **Reserves** for non-recurring projects estimated to cost less than \$25,000. We accomplished this goal again this year, using a combination of **Taxation** and **Free Cash**. Our continued ability to fund the Town's departmental operating budget and the Education assessment using only taxation is a sign of the Town's ongoing fiscal health.
2. To fund the assessment of the Gill-Montague Regional School District (GMRSD) according to the method described in the [Compact for Funding Education](#), which was ratified in 2009 and reaffirmed in 2019. The agreement was based on a model where Montague allocates 48.5% of defined revenues as the "Affordable Assessment," and that percentage has been used ever since. The funding of this assessment through taxation shows the support and commitment from the Town to the school district. Through an extensive process and joint meetings with various officers from the towns of Gill and Montague, the district's FY27 request matches that figure, and we recommend funding it.
3. To follow the Town's Financial Management Policies, which provide guidelines for capital spending, debt financing, and appropriations to various stabilization accounts. Bond rating agencies encourage towns to establish and follow such guidelines, and the Town's commitment to doing so resulted in favorable interest rates on debt issued in FY2022. These policies include both identifying capital projects of more than \$25,000 that might be eligible for financing through long-term debt and having annual non-excluded debt service costs of at least 5% of the Prior Year's General Operating Revenue.
4. Our ratio of non-excluded debt service for FY27 is only 0.15% of the Prior Year's General Operating Revenue. This year the capital requests did not include any larger projects to help us raise this percentage. Having certain levels of debt service within the operating budget is considered sound practice as it illustrates a community's ability to maintain infrastructure and capital assets within its regular revenues. All the FY2027 capital projects were recommended to be funded with **free cash** and/or with unexpended portions of previous year's special articles. The goal this year, as in past years, was to

retain the Town's Capital Stabilization Fund for future requests, because there is no expected decrease in the need for capital purchases in coming years.

Some notable accomplishments from this year:

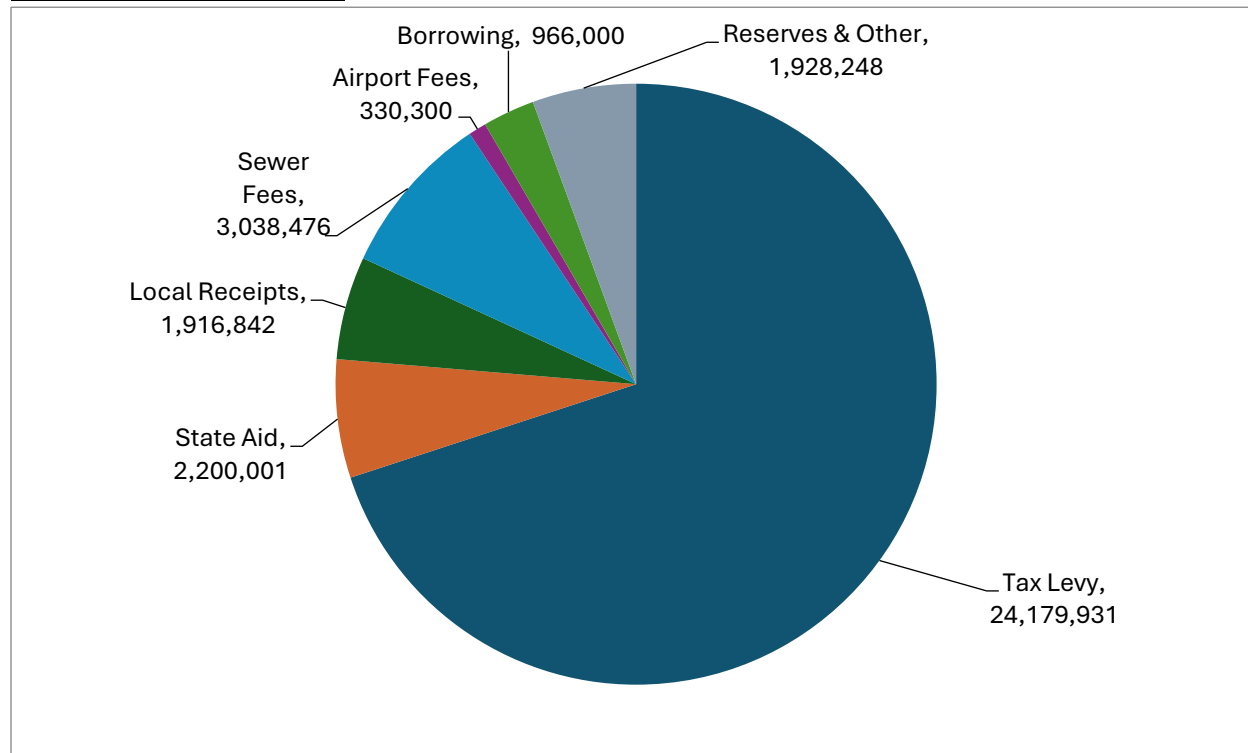
- The FY26 tax rate, set in December 2025, preserved \$1.1M in **Excess Capacity** for Montague, and the **Revenue** estimate for FY27 continues to maintain excess capacity by taxing the Town \$980,328 below the tax levy. Montague's ability to raise revenue sufficient for its needs without taxing to the annual levy limit is an indicator of fiscal health and provides a reserve for possible future revenue reductions or capital needs.
- Contract negotiations for the bargaining units and non-union employees, covering 2026 to 2028, are completed and they incorporated the greater part of Montague's acceptance of the Collins Center Wage and Class study that was initiated in FY2024.
- Starting in FY26 the Town has successfully transitioned to a quarterly tax billing system that allows for a more consistent cash flow for the Town. Having consistent cash flow helps prevent the Town from needing to make short-term borrowings to pay bills and payroll.
- The Selectboard and Accounting offices have successfully implemented a new payroll system that allows employees more access to their payroll records with a digital portal. The system also has time-sheet capabilities to help track and record employees' time and accruals more accurately and efficiently.
- The Finance Committee has successfully welcomed three new members, all of whom bring a breadth of knowledge and valuable professional experience. They also bring new energy and insights to the Committee.

Revenues

Massachusetts General Law requires municipalities to prepare an annual budget that balances revenues with expenditures. The revenue side of our budget is derived primarily from five sources: Property Taxes, State Aid, Local Receipts, Enterprise Fund (Clean Water Facility [CWF] and Airport) revenues, and Reserves (principally Free Cash or Stabilization Funds). A summary table with revenue and expense comparisons to FY26 and FY27 is on page 11 of this report.

The following chart illustrates the proportion of revenues expected from each source. Please note that later, in the Motions, when "**Taxation**" is named as a funding source, **it includes the combination of property taxes, state aid, and local receipts.**

REVENUE HIGHLIGHTS



Property Taxes Net levy revenue is estimated to be 4.28% higher than FY26. The proposed budget assumes that property will be taxed to a level of \$980,328 below the **Levy Limit**. The Tax Levy includes revenue from local taxes on residential, commercial, industrial, and personal property.

The Tax Levy also includes **New Growth**, which is estimated at \$200,000. Historically, Montague has only budgeted the average levels of residential growth. Starting last year, we began budgeting new growth at a higher amount that also includes the average of the commercial, industrial, and personal property new growth. While in recent years Montague has benefitted several times from unanticipated New Growth from personal property changes, we have been advised to estimate only the more historically normal levels of growth, so we remove these outlier years from the estimate.

In FY2026 the average assessed value for a single-family home in Montague was \$325,699, with an average tax bill of \$4,928. The FY2027 proposed budget is estimated to increase the average tax bill by \$120.51 annually. Please note that this estimate does not include any valuation increases and does include only an estimate of new growth, as the final numbers will not be known until the Fall of 2026 before the tax rate is set in November, so this estimate is based off current FY2026 valuations. Other factors that could shift before the final taxes are set include changes to state aid, adjustments of local receipt estimates, votes from taxation at the fall

Special Town Meeting, and changes to the split tax rate between residential and commercial/industrial properties.

State Aid The budget projections use the Governor’s state aid figures, which provided funding equal to last year’s budgeted state aid. State Aid comprises about 8% of our planned revenue, so Montague should be able to adapt to any changes that occur, including altered state or federal funding.

Local Receipts The local receipts estimate is a 2.73% increase over the FY26 estimate with another drop in the School Resource Officer (SRO) Reimbursements due to funding of the Gill Montague Regional School District SRO being uncertain and the Franklin County Technical School requesting a reduced reimbursement for this fiscal year due to their budgetary constraints. The SRO numbers can be adjusted before the setting of the tax rate in December.

	FY25 Estimated	FY26 Estimated	FY27 Estimated	% of Total
Local Receipts				
Excise/Meal Taxes	\$846,000	\$871,025	\$887,000	46.3%
Penalties & Fines	\$145,000	\$148,505	\$155,000	8.1%
Charges for Trash Disposal	\$275,000	\$280,500	\$285,000	14.9%
Rental - 50% Kearsarge	\$70,769	\$79,831	\$81,421	4.2%
SRO Reimbursements	\$142,500	\$77,500	\$72,000	3.8%
All Other	<u>\$379,827</u>	<u>\$408,608</u>	<u>\$436,421</u>	22.8%
	\$1,859,096	\$1,865,969	\$1,916,842	100.0%

Reserves include **Free Cash, Stabilization Funds**, and other miscellaneous funds. The proposed budget for FY27 uses \$788,594 of Free Cash for regular Special Articles and leaves a balance of \$51,807 to be carried over to next year.

We are recommending the use of \$142,500 from Cannabis Impact Fee Stabilization for Special Articles, and \$231,907 from Franklin County Technical School Stabilization for the annual assessment this year. The background on the motions includes an explanation of the funding source recommendations for articles.

Airport and Sewer Revenues Unlike most Town services, the Airport and the Clean Water Facility are **Enterprise Funds**. These operations collect fees from those who use their services along with other revenues, and that income is dedicated to funding their operations.

Airport revenues include hangar rentals, aircraft tie-downs, commercial warehouse leases, user service fees, and renting of the residential dwelling. The Town funding from taxation has been

decreasing over the years in proportion to the budget increases. The FY27 budget is funded 23% through taxation. FY26 was 25% taxation and the 10-year historical average is 27.5%. A grant funds much of the debt service, and the remaining balance of the Pioneer property debt service continues to be funded from Town Sale of Real Estate. The Airport continues to actively pursue other revenue opportunities, but it is likely that continued assistance from the general fund will be needed for the foreseeable future. The Finance Committee is committed to work with the Airport in developing a realistic budget that encompasses the full operational needs of the department and the necessary infrastructural maintenance of the Town owned property.

At the CWF, sewer revenues include residential sewer bills, industrial sewer bills, and septage fees. The revenue proportion has moved towards residential users since the closure of the last paper mill in Montague. The Town also pays a user fee to CWF to cover the cost of treating Inflow and Infiltration (I & I) in the system, which had a significant reduction in the FY27 budget due to efforts made by the DPW to find and repair areas of inflow and infiltration.

Education Revenue

Although it does not directly affect the Town's budget, Chapter 70 and Chapter 71 State Aid to local school districts is an important element of their funding, distinct from the Town's assessment contributions. The Gill-Montague Regional School District (GMRSD) has met the Affordable Assessment target, and the budget's estimate for the Franklin County Technical School's assessment has increased significantly due to a state-mandated change from application-based admissions to a lottery process that admits a set number of students from each town. This change is expected to increase the number of Montague students enrolled.

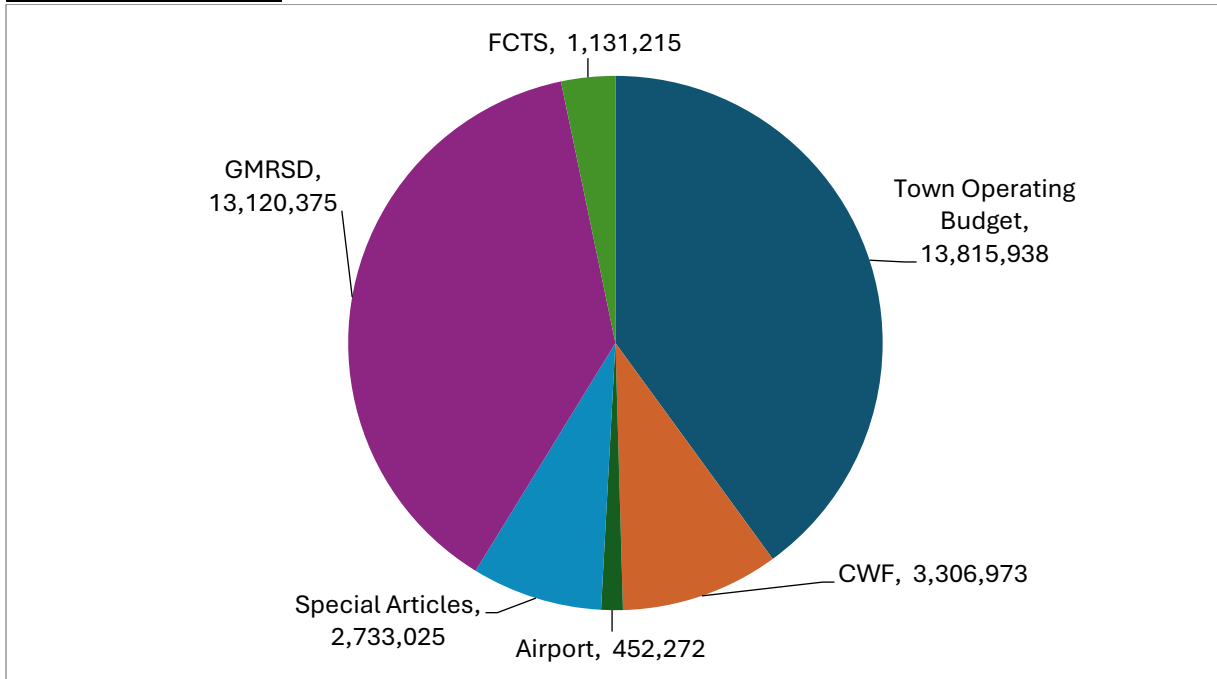
Expenditures

Expenditures are grouped into four basic categories: Town Operating, Education, Enterprise Funds, and Special Articles. Education (GMRSD + FCTS) takes the largest share, at 41%, followed by Town Operating at 40%, Enterprise Funds at 11%, and Special Articles at 8%. A summary table with revenue and expense comparisons to FY24, FY25, and FY26 is on page 11 of this report.

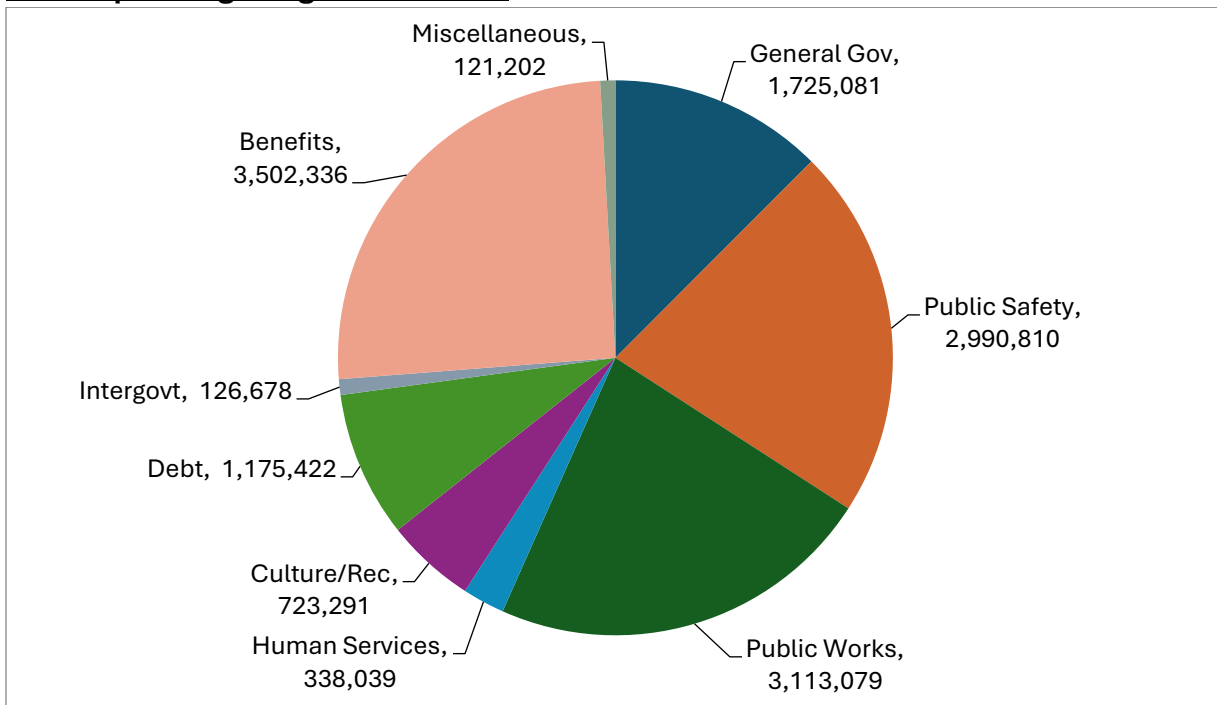
The charts on the next page show the allocations of the total appropriations being requested and the Town Operating budget.

Changes and items of note for specific budgets are noted under the relevant article's (4-10) background information.

Total Appropriations



Town Operating Budget Allocation:



The categories on the pie chart shown above correspond to lines on Schedule III, which is addressed in Article 4.

LOOKING FORWARD

The FY27 Budget that is being presented supports Montague's long-term goals and helps to continue to establish a sustainable path for the future. This budget was built with financial responsibility in mind. The budget worked on cutting out discretionary spending in departments by adopting the "level service minus 2%" budget. This helped offset the large increase in wages and health insurance and created a more fiscally responsible budget. To fund the budget, we continue to use only established revenue sources which allow us to save and build our reserves. To ease the burden on taxpayers, most of the reserve funding from taxation was shifted to free cash for this fiscal year.

In the last few years, the Town has worked hard to get caught up with aging equipment and deferred building maintenance. While we are currently heading in a positive direction we are continuing to focus on maintaining a healthy Capital Stabilization Fund to help continue to fund ongoing infrastructure needs, some of which are outlined in the 5-year capital plan.

At present the Town's fiscal condition is relatively healthy, and the Reserve funds we have funded diligently over the years are now a resource we can draw on for internal stability in the externally unpredictable financial environment of the future. The commitment and resourcefulness of our Town employees is a source of strength, and we urge you to support their efforts to ensure that the Town's operations and programs will continue to meet the community's needs.

As we look ahead, we acknowledge that there are future operating challenges in all budgets. Outside the town operating budget there are challenges at the Airport with revenue shortfalls, the Clean Water Facility with increased operating costs, and the schools with structural funding issues. Within the town operating budget there is a particular focus on wages, insurance, and inflationary cost impacts. The next few years the Town will see larger wage increases annually until employees are stepped out again on the new scales. The Town is monitoring the insurance increases and working on researching alternatives to help mitigate those cost increases. We also acknowledge that there are large future capital projects on the horizon with the new Montague Library, the new Franklin County Technical School, and the new elementary school entering the feasibility phase of the MSBA program.

We will continue to work in collaboration with the Selectboard and Capital Improvements Committee to formulate and follow a clear plan to manage the Town's assets in a responsible manner. As always, we invite both general comments and specific questions from residents and Town Meeting members.

Respectfully submitted:

Dorinda Bell-Upp (Chair), Leigh Rae (Clerk), Christopher Menegoni, Franca Wisnewski, Joshua Bell, Stuart Mieher, and Emily Siegenthaler

HISTORICAL ATM BUDGET SUMMARY					% Incr
REVENUES	FY24	FY25	FY26	FY27	
Net Tax Levy	21,570,869	22,191,924	23,112,922	24,179,931	4.6%
State Aid	1,914,986	2,085,265	2,202,926	2,200,001	-0.1%
Local Receipts	1,943,490	1,859,096	1,865,969	1,916,842	2.7%
Other Available	764,599	254,541	708,072	1,062,404	50.0%
Reserved Receipts	53,250	52,737	52,250	77,250	47.9%
Free Cash	2,180,701	314,000	1,255,200	788,594	-37.2%
Borrowing	0	1,120,300	3,000,000	966,000	-67.8%
Airport Fees	426,965	286,043	302,964	330,300	9.0%
Sewer User Fees	2,719,224	2,759,825	2,841,377	3,038,476	6.9%
Total Revenues	31,574,084	30,999,173	35,341,680	34,559,798	-2.2%
EXPENSES					
General Government	1,680,319	1,663,222	1,671,968	1,725,081	3.2%
Public Safety	2,650,917	2,763,598	2,701,426	2,990,810	10.7%
Public Works	2,774,507	2,940,162	3,005,484	3,113,079	3.6%
Human Services	310,537	305,173	350,351	338,039	-3.5%
Culture & Recreation	666,139	685,159	692,459	723,291	4.5%
Debt Service	1,154,319	1,158,857	1,160,025	1,175,422	1.3%
Intergovernmental	113,924	116,874	119,041	126,678	6.4%
Employee Benefits	2,490,334	2,657,083	2,926,701	3,502,336	19.7%
General Insurance	120,600	119,600	119,600	121,202	1.3%
CWF	3,006,124	3,119,324	3,221,303	3,306,973	2.7%
AIRPORT	426,965	419,677	425,732	452,272	6.2%
FCTS Assessment	1,053,018	837,356	841,660	1,131,215	34.4%
GMRSD Assessment	11,809,191	12,143,442	12,663,178	13,120,375	3.6%
Special Articles	3,398,085	2,069,646	5,442,752	2,733,025	-49.8%
Total Expenses	31,654,979	30,999,173	35,341,680	34,559,798	-2.2%