



Town of Montague

Town Administrator's FY20 Budget Message

From: Steven Ellis, Town Administrator
To: Town Department Heads
Date: December 6, 2018
Re: FY20 Budget Message

Greetings! As you know, the FY20 budget season is upon us. This memo provides insight into the budget outlook, and direction for the schedule and filing of Budget Worksheets, Budget Narratives, Innovation Requests, and Special Articles. The process is essentially unchanged from FY19, when we made some substantive changes.

It is my hope that the budget process will lead to budgets that acknowledge fiscal reality, but also allow room for thoughtful new ideas. Similarly, I expect development of thoughtful narratives and request forms to reduce the need for many very predictable questions from the Selectboard, Finance Committee, and Capital Improvements Committee. As always, I am happy to answer any questions or to receive feedback.

The budget submission process is described in some detail in the following pages, but first, here are some key dates:

- Distribution of FY 19 Budget Workbooks (October 30)
- Distribution of Budget Message (December 5)
- Deadline for submitting budgets and \$ special articles (Thursday, Jan 3 at 1pm)
- Dept. budget review meetings with BOS and FinCom (Jan 9 – Mar 6)¹
- Capital Improvements Committee recommendations (Wed, March 20)
- Deadline for non-financial special articles (Thur, March 21)
- Deadline for Select Board vote on final Town Meeting Warrant (Mon, April 11)
- Annual Town Meeting is Saturday, May 4
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The deadline for submitting budgets, special articles and other requests is Thursday, January 3, 2018 at 1pm. Please send these materials to Carolyn Olsen with a cc to me. If you require flexibility with regard to this deadline, send that request to me by Wednesday, December 20 at 5pm. Note that requests submitted later than January 3rd may not be positioned to receive the same consideration as those that are submitted on time.

¹ The Finance Committee/Select Board joint budget calendar includes review times for many departments. If your department is not included and wishes to make a presentation, please contact the Town Accountant.

Budget Outlook

Overall, the Town anticipates a only modest growth in its FY20 budget. At this early point in the budget planning process, we estimate growth in the Tax Levy in the range of 3%, with some possibility of further increase if additional “new growth” emerges as expected. Over the past two years the Town has benefited from substantial new growth, over triple our historical averages, but in the present year it is more likely to find its way to a solid, but unspectacular figure. The Tax Levy is the most significant portion of our budget, accounting for 74% of gross operating revenue in FY19.

Last year saw a solid increase in State Unrestricted Aid of 3.5%. Since the Baker administration came into office, they have pegged the growth in this, the largest line in the state Cherry Sheet, to a “consensus” estimate of state revenue growth. Discussions that will ultimately lead to a consensus figure began on December 5th and those estimates ranged between 2.4% (Mass Taxpayers) and 3.2% (MA DOR). This is likely to keep us on pace for an overall increase in the vicinity of 3%.

Overall, a three percent overall increase in budget authority is in line with presenting a balanced, level-services budget. It cannot provide much more—particularly given increases in sewer user fees in FY19 and expected increases in the debt service in FY20—but we do not need to engage in negative growth scenarios. There will likely be less additional funding to support capital and other special articles than in years past, with roofs on the Town Hall and Shea Theater likely to be replaced before failure leads to substantial damage and additional cost, but I again encourage you to submit requests for necessary capital projects and equipment so they can be considered.

Line Item Budget Submission Guidelines

Base Budget Request

All department heads should prepare and submit a level services budget request for FY20. Your Base Budget Request is to be developed in the line item budget workbook that Carolyn Olsen distributed on October 30th (if you’ve misplaced that email, request a copy from Carolyn). This workbook contains updated staffing and wage data, but you are responsible for verifying the accuracy of the Grades, Steps, rates, and longevity amounts for staff in your budgets. Before making any changes to these lines, please notify Carolyn so she is also aware and can reconcile any changes in her master file.

Each budget page contains a table that calculates the % change of your FY20 budget request for each line relative to FY19. Depending on the budget, this appears either directly below your standard budget table or further below, under the staff wage data. This table pre-populates based on your inputs in the table at the top of each page and includes a field where **you must add a brief explanation of any changes.**

It is our expectation that providing these explanations will reduce the need for the Finance Committee to ask questions about routine budget changes and thereby save time in the budget review process. **The explanation does not have to be elaborate** (that goes in the Budget Narrative). It can be “contract provisions”, “Steps & COLAs”, “increase in contracted price,” etcetera. **Strive for brief, but clear.**

Please note that energy-related costs (heating oil, electricity and gasoline) should be assumed to be level funded as per FY 2019 (unless you know differently). These figures may be adjusted later in the budget process once the town has established a better history of current FY energy use and of the impact of any savings we are realizing from our power purchase agreement with Kearsarge Solar.

Budget Narrative

Your feedback to the new Budget Narrative forms used in FY19 was positive, so we will use them again in FY20. There is an added question relevant to those of you managing discretionary accounts, added by request of the Finance Committee. Please remember – answer all relevant questions on the narrative. Be concise, but clear as well. Submission of the narrative is required. A copy of the narrative is attached.

The purpose of the budget narrative is to ensure that critical questions are asked and answered, but not to over-burden your department. If you have questions regarding the level of detail to be included, feel free to consult me or Carolyn.

Innovation Budget Requests

The Innovation Budget Request is an opportunity for Department leaders to formally offer new ideas for consideration by the Town Administrator. The idea is to allow you to present new ideas that might be advantageous to the Town. These may include expanding or creating new capacity that will have a substantive impact on the quality of our services, allow us to reduce other costs, or enable us capacity to generate new revenue through growth, development, or fees.

The intent is not to duplicate the Special Article Request process, but to create space for ideas that may require ongoing commitments to funding of staff or programs. In some instances, you might see and describe ways in which your idea would reduce costs elsewhere or be eligible for outside funding. The intent is to create a space in our budget process for creative thinking. I will review all proposals and discuss them with you. If there's an opportunity to do something great, we'll work together to move it forward.

Special Article Requests

The Town implemented a new set of forms for special article requests for FY20 and these were well received. They include capital item requests (\geq \$25,000 with a lifespan of 5+ years), non-capital item requests ($<$ \$25,000), and—though not part of the budget process—no cost special article requests. The forms are to be fully completed and should include written estimates of cost wherever possible.

The capital and non-capital request forms reflect a focus on developing a full picture of the need, the cost, the benefits and the relative priority of proposed articles. This will be invaluable to the Town in determining which projects require funding in FY19, in the event that projects exceed available funding. The CIC will require that capital requests be accompanied by a reliable quote for the project or equipment. If you are having difficulty obtaining a quote, please work with me and/or Tom Bergeron.