



Town of Montague

Town Administrator's FY21 Budget Message

From: Steven Ellis, Town Administrator
To: Town Department Heads
Subject: FY21 Budget Message
Date: December 3, 2019

Greetings - the FY21 budget season is upon us! This memo is intended to provide insight into the Town's budget process and outlook. As always, see me if you have questions.

Budget Process

The FY21 budget process should feel familiar, with worksheets and forms generally unchanged from those used in FY20. Feedback to the process was very positive coming out of the FY20 budget cycle. However, the varying quality of budget narratives developed by Town departments was an area of concern. These narratives are an opportunity to communicate with the Finance Committee (FC) and Selectboard (SB).

While not all questions will be relevant to all departments, please take time to offer thoughtful responses to those that are. Responses should be clear and concise. Expect incomplete or poorly written narratives to be returned for improvement.

While the forms are relatively unchanged, the FY21 budget calendar shifts deadlines up, making them earlier than in the past. These changes will allow the FC, SB, and Capital Improvements Committee (CIC) more time to review special article and budget requests. It is our hope that this will lead to better informed budget hearings, with fewer questions regarding items already answered by your narratives and workbooks.

By this time **departments should already have submitted any special article requests that require a financial investment, both capital and non-capital**. However, as this is a new process, I want you to know that requests can still be submitted. If you have one, please submit it to Carolyn with a cc to me by Monday, December 9th and we can then schedule a time to discuss it.

Departments Heads are instructed to submit a level services budget that reflects those cost increases that are required by contract or by changes in the marketplace (such as vendor, inventory, or material costs). At the same time, I remain very open to ideas that would enable the Town to offer better or more efficient services.

If you wish to propose a substantive change to your department staffing or budget, it must be brought to my attention and discussed prior to budget submission. You can

submit that proposal using the Innovation Budget form or we can meet to review the proposed idea as a first step. Thanks to those of you who have already done this. **The deadline for submitting budgets and narratives is Monday, December 16, at noon.**

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 us by the preceding Thursday.

Key Dates in FY21 Budget and Annual Town Meeting Calendar

- Deadline for submission of capital and financial articles (November 1)
- Distribution of Budget Message (December 3)
- Deadline for submitting budgets (December 16 at noon)
- Dept. budget review meetings with SB and FC (Jan 15 – Mar 4)¹
- Deadline for submission of non-financial special articles (March 2)
- Capital Improvements Committee recommendations (March 18)
- Selectboard vote on final Town Meeting Warrant (April 6)
- Annual Town Meeting is Saturday, May 2. All department heads must attend.

Line Item Budget Submission Guidelines

Your Budget Request is to be developed in the line item Excel workbook that Carolyn distributed earlier this fall. 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 department. Before making any changes to these lines, please speak with Carolyn so she can review and make parallel changes in her master file.

You'll note that each budget page contains a table that calculates the % change of your FY21 request for each line relative to FY20. Depending on the budget, this appears either directly below your standard budget table or further below, under the staff wage data. The values and percentages in this table pre-populate based on your inputs to the table at the top of each page. Accordingly, you shouldn't need to enter data here, but **you do need to add a brief explanation of any changes in the last column in that table.**

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. Please strive to be brief, but clear.

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

The Town's budget outlook is generally positive prompting my recommendation for a level services budget. Based on FY20 data, approximately 85% of the Town's general operating budget is funded by local property tax revenue, with the remaining 15% split almost evenly between state and local receipts. Accordingly, the Town's available Tax Levy is the single greatest determinant of available spending authority each year.

The Town's FY21 Tax Levy is projected to grow by 4.9% in FY21 to \$19.5M. This figure is inflated by \$6M in debt exclusion borrowing for the Town's new DPW facility that is scheduled for January 2020. Excepting that borrowing from the analysis, net Levy growth is projected to be 3.1%. From a practical standpoint, this is the growth we have available to support the Town's FY21 general operating budget. The tax rate increased substantially in FY20 and likely will increase again in FY21, making it imperative that we live within our means.

As in past years, it is possible that our Levy authority will increase with additional New Growth, which is presently estimated conservatively at \$120,000. This estimate accounts for planned or realized building projects and personal property investments that have been brought to the Assessors' attention. We are not aware of any large new utility upgrades, which we've benefited greatly from over the past three years.

The FY21 budget does not yet account for an expected increase in local receipts stemming from recreational marijuana retail sales taxes and impact fees. We simply don't have a basis for estimation given the lack of any historical performance. Further, we are leery of building these revenues in to our general operating budget until we see a sustainable revenue history. Ultimately, these funds will likely be directed to stabilization and one-time expenses, as will the approximately \$1M in funds released from the Assessors' A&E overlay account in the wake of the First Light settlement.

Overall, FY21 revenues appear sufficient to support a level service budget, plus a quantity of capital investments and financial articles in line with recent budgets. A release of funds from the Assessors' overlay could supplement capital expenditures, if not otherwise deployed, and FY20 marijuana revenues may present as Free Cash early in FY21, affording similar opportunity. Deployment of these resources will be a major point of consideration for Town officials in the coming months.