

JOINT FINANCE COMMITTEE AND BOARD OF SELECTMEN MEETING

November 19, 2014

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Meeting Date: November 19, 2014

Called to Order: 6:00 PM

Location: 1 Avenue A, Turners Falls MA

Finance Committee Members Present: John Hanold, Michael Naughton, Lisa Adams, Lynn Reynolds, and Sharon Kennaugh. Greg Garrison was absent.

Selectmen Present: Mark Fairbrother. Christopher Boutwell and Michael Nelson were absent.

Others Present: Town Administrator Frank Abbondanzio, Town Accountant Carolyn Olsen, Director of Parks and Recreation Jon Dobosz, Parks and Recreation Commission Chair Dennis Grader, Parks and Recreation Commission member Barbara Kuklewicz, and Jeanne Golrick

Minutes

Finance Committee Moved:

To approve the minutes of November 12, 2014.

Vote: 4 In Favor 0 Opposed 0 Abstained

Proposed Changes to Parks & Recreation Budget for Fiscal Year 2016

- The increasing administrative costs, including increase maintenance costs for the building and grounds, can no longer be fully funded through the Revolving Fund if the programs are to remain viable.
- Mr. Dobosz, in conjunction with Ms. Olsen, is requesting that some of the administrative costs and costs for building and grounds maintenance be included in the operating budget for Fiscal Year 2016.
- To partially offset this increase, it is proposed that the funding for pool expenses currently in the operating budget be moved to the Revolving Fund.
- Administrative expenses requested to be moved to the operating budget include the copier lease, internet access, dues and memberships, and seminars. Telephone expenses are already included in the operating budget.
- Administrative expenses that would remain in the revolving fund are more directly related to programs and include Sportsman software, office supplies, travel/mileage, and postage.
- It is additionally requested that the costs for maintaining the buildings and grounds be incorporated into the operation budget. These costs include maintenance of the Unity Park building, cleaning supplies, and maintenance of the playing fields. Water expenses for the spray feature would remain in the Revolving Fund.

Town Administrator Budget Forecast for Fiscal Year 2016

- This presentation is included at the end of the minutes.
- Mr. Abbondanzio also passed out a copy of the Fiscal Year 2015 Tax Recapitulation, which is referenced in his presentation.
- During the presentation, Ms. Kennaugh received an e-mail with the information that Governor Patrick is proposing a 2.7% cut in local aid, but this requires legislative approval.
- Mr. Abbondanzio's goal is to get the budget message out to departments by the first week of December, with a due date of either December 31, 2014 or January 5, 2015.
- One change for Fiscal Year 2016 is that departments will only be asked to explain changes to their descriptive information rather than redoing the entire section. All department descriptions will be consolidated into one document and made available on the Town's website.

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- Mr. Naughton suggested adding a similar description of the programs and benefits of the intergovernmental charges.

Finance Committee Input to Budget Message

Members will submit their requests and suggestions directly to Mr. Abbondanzio.

Next Meeting- January 7, 2015, then weekly through mid-April

Items not anticipated within 48 hours-

Dispatch may need a reserve fund transfer to cover payments to MedCare for ambulance dispatching that is not reimbursed by a state grant. The entire \$3,000 annual cost is expected to be covered by a state grant in future years.

Meeting Adjourned at 7:40 PM

List of Documents and Exhibits

- Minutes November 12, 2014
- Town Administrator Budget Forecast

**FY 2016 BUDGET DISCUSSION AND RECOMMENDATIONS
SELECTMEN AND FINANCE COMMITTEE
November 19, 2014**

I. INTRODUCTION AND PURPOSE OF MEETING

- A. FY 2015 Budget Recap
- B. Summary of Budget Trends and Constraints for FY 2016
- C. FY 2016 Revenue Assumptions and Estimates
- D. FY 2016 Expenditure Assumptions and Estimates
- E. Discussion of FY 2016 Budget Recommendations

II. FY 2015 BUDGET RECAP

A. General Fund and Other Revenues (not including borrowing)

- **Total General Fund** - \$17,764,804. This represents a \$297,414 or 1.7% increase over FY 2014.
- **Net property tax levy** - (\$14,424,463). This is a \$417,402 or 3.0% increase over FY 2014. For the second year in succession, the town chose to reserve a significant amount of its tax levy (\$400,000) as an allowance for abatements and exemptions. This is anticipation of a legal challenge of property values from First Light, and the need to build up an escrow in case the town loses before the Appellate Tax Board (ATB).
- **Net State Aid** - (\$1,509,148). This is a \$91,487 or 6.5% increase over FY 2014. Although the town did receive a modest increase in its state aid this year the reality is that we are still well below pre-recession state aid levels. Approximately \$600,000 or 34% of our aid was cut during the recession; and we are currently about \$250,000 below the FY 2009 state aid level.
- **Local Estimated Receipts** - (\$1,290,810). Local receipts continued to be stagnant. This year's level represented a modest (\$810) increase over FY 2014.
- **Available Funds** - (\$290,383). The town used less available funds to balance the FY 2015 budget. The most dramatic change was the reduction in the use of stabilization funds to finance special articles. It went from \$274,055 in FY 2014 to \$113,000 in FY 2015. This is a positive financial trend.
- **Free Cash** - (\$250,000). The town once again used \$250,000 to reduce the tax rate. As in prior years, this amount was evenly divided (\$125,000 each) between the town budget and the GMRSD assessment.
- **Non-General Fund Revenues:** Non-General Fund FY 2015 Revenues (less borrowing) include Sewer User Fees (\$2,018,586), Airport User Fees (\$36,165) and Colle Receipts Reserves for Appropriation (\$86,738)

B. FY 2015 General Fund and Other Expenditures

- **Total General Operating** (\$17,212,117) (not including WPCF, Airport, Colle or TFHS Debt) These numbers do not include the impact of the TOMEA collective bargaining agreement.
- **General Fund** - (\$8,136,058). This amount represents a \$276,345 or 3.5% increase over FY 2014. Personnel costs associated with the implementation of the Pay and Classification Study account for \$162,473 or 58.8% of the increase. These expenditures are distributed as follows:
 - **General Government** - (\$1,082,580). This is a \$46,446 or 4.5% increase over FY 2014. Increases in personnel costs associated with the wages and salaries for election workers (+\$14,000) and increased utility costs (+\$4,130) plus the costs of implementing the pay and classification study for TOMEA and non-union personnel.
 - **Public Safety** - (\$1,947,028). This is a \$130,744 or 7.2% increase over FY 2014. \$75,645 of this increase was used to pay for the cost of the FCTS School Resource Officer, 100% of which were reimbursable costs. An additional \$43,656 was used to fund other wage and salary increases in the Police and Dispatch departments.
 - **Public Works** - (\$1,767,598). This is a \$21,429 or 1.2% increase, spread throughout the budget in several line items including Repairs and Maintenance, Supplies, Parts and Accessories. Although this budget includes wage and salary increases for TOMEA and non-union personnel, it does not include the majority of DPW workers who are under the UE. That contract remains unsettled.
 - **Human Services** - (\$202,659). This is a \$21,021 or 11.6% increase. Most of this growth is associated with an increased in the cost of veterans' benefits (+\$20,000 or 13.1%). It should be noted that 75% of these cost are reimbursed on the cherry sheet.
 - **Culture and Recreation** - (\$420,234) or a \$1,036 reduction. This reduction is associated primarily with the lower personnel costs at the libraries due to the retirement of the Director and other senior personnel.
 - **Debt Service** - \$662,036 or an \$18,266 increase due to changes in debt service requirements associated with projects being permanently for the first time.
 - **Intergovernmental** - \$94,169 or a \$6,101 increase due to increased assessments from the Franklin Regional Council of Governments and Franklin County Solid Waste Management District.
 - **Employee Benefits** - (\$1,882,335) This is an increase of \$43,022 or 2.3% over FY 2014. The two main contributors to this growth were Pension costs, which increased by \$5,752 or .007%, and Health Insurance, which increased by \$26,000. This was the seventh year in succession that the town's health

insurance provider was able to deliver premium increases that are well below the state average.

- **Insurances** – (\$87,619). This is a 3% reduction over FY 2014.
- **Education Assessments** – (\$8,976,059). This is a \$278,843 or 3.2% increase over FY 2014. This included the GMRSD assessment which increased by \$327,901 or 4.1%, and the Franklin Technical School Assessment which declined by \$49,058 or 6.7% due to a reduction in the number of Montague students attending FCTS.
- **Other Non General Fund Operating Expenditures** – including Water Pollution Control Facility (\$2,122,370), which increased by \$87,827 or 4.3%, Airport (\$45,512) which increased by \$859 or less than 1%, and the Colle Building (\$86,738) which declined by \$7,478 or 8% due to lower debt service requirements.

C FY 2015 Tax Recapitulation Sheet (please see attached)

III. BUDGET TRENDS AND CONSTRAINTS FOR FY 2016 BUDGET

A. REVENUES

Property Taxes

- As in most years, the town of Montague is expecting to levy taxes nearly up to its maximum levy limit under Proposition 2 ½ in FY 2016. The total tax levy in FY 2015 is \$14,823,986. This is just under the max levy limit of \$14,824,828, and leaves an “excess taxing capacity” of \$542.
- The Town realized \$112,499 in “new growth” in FY 2015. This number is considerably less than the amount realized in FY 2014 (\$455,610). New growth even fell short of the \$120,000 amount that was estimated for FY 2015 – the average amount of new growth typically realized in a given year. The low new growth figure occurred in spite of more than \$3 million in personal property new growth which accounted for more than \$70,000 of the total new growth. This trend illustrates the danger in predicting significant increases in new growth and the continued, relative lack of new growth from new residential and commercial development.
- There are no indications that the town will realize any more new growth in FY 2016 than we normally experience in an average year. Building permit activity for both residential and commercial/industrial – indicators or potential new growth - continues to be stagnant. The number of permits is pretty much equal with calendar 2013, but most permits are limited to smaller projects (roofs, pellet/wood stove installation, windows and insulation).
- There will be no new growth associated with either the Montague Center School or Millers Falls Commercial Homesteading Projects unless new construction is involved. Current plans primarily involve substantial rehabilitation.

- Existing tax increment agreements will not generate any significant amount of new value in either FY 2015 or FY 2016.
- 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. These comprise approximately \$678,000 of the FY 2016 tax levy. No new debt exclusions are anticipated for FY 2016.

State Aid

- In good years, state aid could once be counted upon to produce revenue increases in excess of \$100,000 each year. During the “Great Recession”, however, unrestricted local aid to Montague declined by a total of close to \$600,000 or 34%. It is only during the past three years that local aid numbers have begun to inch upward again. In FY 2015 they increased by \$91,487 or 6.50%. The reality is that FY 2015 local aid levels are still one quarter of a million dollars less than what was estimated in FY 2009.
- According to Michael Widmer, for director of the Massachusetts Taxpayers Foundation (MTF) the outlook for State Aid in FY 2016 may not be good; and the town may even experience mid year cuts in the present fiscal year. The Patrick Administration recently acknowledged that there is a \$325 million budget shortfall in the *current* fiscal year (FY 2015) budget. This shortfall is attributable to (1) an anticipated reduction in the State income tax rate in January (\$70 million), (2) projected shortfalls in non-tax revenues (\$175 million) and (3) \$80 million in costs associated with an economic development law approved over the summer after the budget was signed. The shortfall would have been \$95 million higher if the Casino Gambling Law had been appealed. Michael Widmer believes that the shortfall will actually be higher than that projected by the administration because he feels the Administration has yet to prove it can cover spending exposures within the existing Mass. Health budget, and failed to recognize anticipated corporate tax settlements. He had suggested that it might be as high as \$500 million. This begs the obvious question if and to what extent local aid might be impacted by the projected shortfall both in FY 2015 and FY 2016. At least in the current fiscal year the Administration may be forced to address the majority of the projected state budget deficit through spending reductions within the executive branch and a plan that does not require use of the rainy day fund. Widmer believes that incoming Governor Baker will be forced to make additional cuts later this year once the actual magnitude of the shortfall is determined. While we might be able to avoid cuts to local aid in the current fiscal year, it seems highly likely that the town could experience some level of reduction in FY 2016. The possible magnitude of potential state aid cuts will not really be known until after the “consensus revenue estimate” is released in mid December and/or the Governor files “House One” in late January.

Local Estimated Receipts

- **General:** The primary sources of local receipts revenues are new residential and commercial construction, automobile excise tax revenues, and trash receipts. None of these revenue categories is expected to grow significantly in FY 2016.
- **Building Activity:** Consistent with the overall pattern of slow to moderate growth in the economy, the town is not projecting any significant increase in local estimated receipts in FY 2016. Building permits generated as a result of the timely implementation of our commercial homesteading program could create a modest amount of unanticipated additional permit fee revenues this year. Although the housing market has also begun to show some signs of life, the town has not experienced any appreciable increase in other building permit activity. New home construction was formerly contributed to the steady growth in local receipts.
- **Motor Vehicle Excise Tax** revenues, which comprise about one half of all local receipts are no longer a major source of growth. Although actual motor vehicle receipts are up somewhat since experiencing a major decline during the recession, there are institutional reasons why growth can never approach the levels that the town experienced during the 1980's when it increased 17% a year, or the 1990's when annual increases of 5% were commonplace. These relate to the formula used in establishing the value of automobiles for taxing purposes. Automobiles older than 5 years of age are valued at 10% of the original retail value. Since vehicles are much better made and have a longer life, many people retain their vehicles for more than five years. Hence they pay a much reduced motor vehicle excise tax.
- **Trash Stickers:** Trash sticker fees consistently generate approximately one quarter of a million dollars in revenues each year. The town currently charges \$3 per trash sticker. This is considered a fairly high amount; and any attempt to increase fees would probably be strongly resisted by residents.
- **Medicare Part D Reimbursements:** Due to changes in our Retiree Health Insurance Drug Coverage the town will no longer be eligible to receive Medicare Part D reimbursements.
- Locally, the town has 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.

Free Cash

- This year the State Department of Revenue certified the Town's Free Cash at \$894,940 for FY 2015. Based on historical averages this would be considered a high amount of free cash to start the fiscal year. The town used a significant amount of free cash at its October 29, 2014 special town meeting, including

the transfer of \$563,039 to stabilization funds. Following that meeting the town has a balance of \$292,009 in free cash.

- A modest amount of free cash is still “imbedded” into the operating budget. \$250,000 was used at the annual town meeting to reduce the tax rate through allocations of \$125,000 to fund the town’s operating budget and \$125,000 to fund the Gill-Montague Regional School District assessment.

Stabilization Funds

- This year the town adopted financial policies and procedures which called for the establishment of two new reserve funds (town capital stabilization fund and a sewer capital stabilization fund) as well as the capitalization of the existing and newly created reserve funds at levels considered “healthy” by the fiscal experts.
- The town’s general stabilization currently has a balance of \$911,332
- The town’s capital stabilization currently has a balance of \$350,000
- The sewer capital stabilization currently has a balance of \$100,000
- Sewer retained earnings currently has a balance of \$38,782; and
- Airport retained earnings has a current balance of \$1,774.
- The total amount of town stabilization is \$1,261,332 or 7.73% of FY 2014 general operating revenues (target is 5%)
- The total savings/reserves are \$1,553,341 or 9.52% of FY 2014 general operating revenue. (The target is 10%)

IV. FY 2016 Revenue Assumptions

A. Property Taxes

- We assume that the Town will levy to the maximum levy limit in FY 2016.
- 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 2016 (\$677,864).
- No proposition 2 ½ overrides or additional debt exclusions are assumed.
- The Board of Assessors has requested that the town appropriate \$400,000 into is allowance for abatements and exemptions account (A&E). This is the third year in succession that the account represents a significant expenditure. The higher appropriation is in recognition of the fact that the town has a significant, potential liability, associated with the First Light tax appeal case expected to be heard before the appellate tax board (ATB). If the town were to prevail in that case, some portion of these funds could potentially be voted back into surplus at a later date, as the Indeck Energy funds were when the town won that case.
- The FY 2016 net property tax levy given these assumptions is **\$14,896,389**.

- Based on these assumptions the overall increase in property tax revenue, not including debt exclusions which are offset, will be **\$473,810** in FY 2016.

B. Local Estimated Receipts

- All revenue scenarios assume that local receipts will be **\$1,260,000** in FY 2016. This represents a reduction of **\$40,000** or 3% from the local receipts number used in FY 2015 budget. The reason for this decline is that the town will no longer be receiving Medicare Part D reimbursements from the federal government.
- Sewer user fees, which are considered a separate enterprise account, will be determined by actual spending under the 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 2016, but this will probably change as the budget process advances. The Town used \$113,000 from the town stabilization fund in FY 2015 to fund the DPW Discretionary Equipment Account (\$75,000) and to fund the Gill-Montague security project (\$38,000). No stabilization funds were used from the Franklin County Technical School Stabilization Fund to fund their assessment.
- We are assuming that **\$56,706** from Franklin County Technical School reimbursements will be used to fund wages/benefits costs associated with the FCTS School Resource Officer. These reimbursements are reflected in local estimated receipts; and represent a continuing commitment by the FCTS to fund 100% of the cost of the position over the long term. This number is lower than the FY 2015 estimate because the employee is not covered under the Town's health insurance.
- We are assuming that the FY 2016 Colle operating budget will be funded by Colle Receipts Reserved for Appropriation. At the present time that budget is assumed to be **\$80,350**.

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 2015. In FY 2015, \$125,000 was applied to the Town Budget and \$125,000 was applied to the 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 did not appropriate any free cash to fund capital projects at the annual town meeting or at the subsequent special town meeting on October 29, 2014.

E. State Aid

- Due to the uncertain health of the Massachusetts state budget, the town is not expecting to receive any increase in local aid in FY 2016; and could under a “worst case scenario” experience both a mid year cut in the current fiscal year (FY 2015) and subsequent local aid cuts in FY 2016. This latter scenario is not expected to play out. On the municipal side at least, the Governor lacks the authority to make 9C cuts in the larger budget items (Unrestricted General Government Aid (UGGA) and Payments in Lieu of Taxes (Pilot)). On the school side, Chapter 70 school aid also falls into this protected category. Although the Governor could recommend that the Legislature make cuts to these accounts as part of his plan to balance the FY 2015 state budget deficit, he has no power to force it to happen. Under a “best case local aid scenario”, the town could avoid any cuts in the current year and could experience level funding of state aid in FY 2016. This would provide the town with net state aid of **\$1,509,148**. The latter scenario assumes that the Legislature draws a line in the sand as it has in the past to protect categories of local aid outside of the Governor’s 9C control. A more “likely scenario”; however, would have the Governor making very modest cuts in those smaller municipal Cherry Sheet line items that are under his 9C control (Library Aid, Benefits). The School Districts are far more vulnerable in this respect. While Chapter 70 school aid may be immune from 9C cuts, other larger budget line items including Circuit Breaker and Regional School Transportation will not be immune. Developments affecting state aid need to be closely monitored including the consensus revenue estimates that are expected to come out in the middle of December. The number contained in the Governor’s budget (House One) – due out in late January, 2015, will also be an important indicator. If the State does, in fact, have to resort to cuts in State Aid, the town would lose \$75,324 for each 5% cut.
- A 5% reduction over the actual cherry sheet number released in July, 2014 would result in a net state aid number of **\$1,431,165**.

V. FY 2016 EXPENDITURE ASSUMPTIONS AND ESTIMATES**A. Salaries and Wages**

- The FY 2016 expenditure projection assumes that no additional full time staffing, *not already accounted for in the FY 2015 appropriation*, will be added to the general fund payroll. The Board of Selectmen is expected to request that its part-time executive assistant position be increased from 30 to 35 hours/week.
- WPCF staffing levels are assumed to remain at nine full time employees. The budget does not assume that the employee currently employed as a full time seasonal employee will be hired after his temporary employment ends on June 30, 2015.

- The budget assumes the continuation of funding for the shared animal control officer with the towns of Greenfield and Deerfield.
- It is assumed that the town succeeds in reaching an agreement with all of its collective bargaining units that includes some form of implementation of the pay and classification plan and other anticipated contractual increases.
- The salary and wage numbers contained in the recommended budget assume that eligible employees receive step increases recommended in the pay and class study and a 1% cost of living raise. Under these assumptions, total town personnel costs, not including those at the WPCF, would increase by \$103,529 or 2.9% over the FY 2015 budget.
- WPCF salaries and wages would increase by \$41,869 or 10.2% between FY 2015 and FY 2016. It should be pointed out that the FY 2016 budget numbers are compared with FY 2015 numbers that do not yet include the retroactive changes that will occur once the final union contract is negotiated. Once retroactive payments are factored in to the FY 2015 budget number, the percentage increases between FY 2015 and FY 2016 will be reduced accordingly.

B. Departmental Expenses

- It is assumed that departmental expense accounts have been funded to reflect a Level Service Budget with the FY 2015 appropriations. Department heads will be asked to reduce costs where opportunities to do so exist. At the same time, it is realized that some budgets may be subject to contractual increases or increases that are uncontrollable; and that increases in excess of inflationary growth may occur.
- It is difficult to project what a level service budget will cost in terms of every day operating expenses. The following discussion focuses on areas in the budget that, because of their size, can have a significant budgetary impact from one year to the next.
- Total Solid Waste Collection and Disposal: Solid Waste disposal costs represent 25% of the total costs of operating the DPW. These costs are subject to a multi year agreement with Allied Waste/Republic Services. The DPW anticipates a \$30,000 or 7% increase to **\$474,474** in FY 2016. This is a conservative estimate provided by the DPW.
- Snow and Ice Removal costs are expected to increase by \$20,000 reflecting a \$10-15/ton increase in the cost of salt. This would result in a snow and ice budget appropriation of **\$232,000** in FY 2016.
- Utility (including electricity, heating oil and natural gas) costs, on the town side, are expected to increase by 4.7% or \$5,004 to 112,014. The town is currently budgeting energy costs conservatively; and it recently succeeded in obtaining a very favorable electricity bid. Electricity: On the municipal side, we are assuming a 5% increase in the cost of electricity. Although the cost of electricity is expected to increase significantly industry wide, the Town of Montague recently locked into a comparatively low cost, two year fixed price

– effective September 1, 2014 - (9.82 cents/KWH) through its bid under the Hampshire County Council of Governments. We are still assuming a 5% increase. Using this assumption, electricity costs would increase from \$69,280 to **\$72,744** (+\$3,464). Heating Oil costs have declined significantly this year and are the market rate is currently well below our bid price. As a result, the DPW is anticipating level funding next year in that category at **\$17,890**. Natural Gas cost which currently total \$15,400 are considered a wild card due to supply issues. We are assuming that these costs will increase by 10% or \$1,540 to **\$16,940**. All other utility costs including Sewer and Water are level funded, resulting in a public utility budget (Budget code 190) of **\$112,014**. This is a \$5,004 or 4.7% increase over FY 2015.

- Gasoline and Oil costs are expected to remain level with FY 2015 costs, or could even decline, for both the DPW and Police budgets. This reflects significant reductions of these costs this year.

C. Debt Service

- FY 2016 debt service expenses will decline by \$835 to **\$661,201**.

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 don't have final assessment numbers for Montague.
- This budget assumes that Intergovernmental budget at \$94,169 will increase by \$6,310 or 6.7% to **\$100,479**. This number makes assumptions about the Veterans District and FCSWMD budgets, but does not account for any of the likely reductions in the FRCOG assessments that will result when the State assumes responsibility for statutory charges from that entity.
- At this point, we do know some possible numbers: Veterans District (+\$4,110 or +35.4% to **\$15,707**). The Town will be joining a new district (Upper Pioneer Valley Veterans Services District). Although the assessment will be significantly higher than this year, the increase would have been even greater if we had not merged into this new district because of significant new state mandated requirements.
- Franklin County Solid Waste Management District. The FCSWMD budget is expected to increase by \$2,200 (upper end number) due to revisions in the Equalized Valuations per Capita to **\$23,360**.
- Franklin Regional Council of Governments (FRCOG). The FRCOG has not started its budget discussions as yet, but we already believe that the town will see a sizable reduction in its assessment. The State Legislature recently passed legislation that would require the state to pick up a portion (retirement, but not retiree health insurance) of the so-called Statutory Assessment. We currently pay \$25,525 for our statutory assessment. It is not known whether or

not current budgetary difficulties at the state level will impact the implementation of this funding requirement. For the time being we are assuming level funding of the FRCOG assessments at **\$61,412**. This includes both the FRCOG general assessment (\$57,550) and the FRCOG Emergency Communications Assessment (\$3,862).

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 total Employee Benefits budget at **\$1,900,739** will increase by \$18,504 or 1.0% in FY 2016.
- Retirement expenses will increase by \$35,712 or 4.3% to **\$869,163** in FY 2016. This includes a \$42,546 increase in contributory retirement expenses and a \$6,834 reduction in non-contributory retirement expenses.
- Health Insurance costs represent 48.9% of Employee Benefit in the FY 2015 budget. At this point the town does not know what the final cost will be for health insurance in FY 2016. That number will probably not be known until late December. At this point, we are projecting a total cost (active employees and retirees) of **\$899,000** which is a reduction of \$22,300 or 2.4%. Although insurance costs for actives is expected to increase by 7%, this increase will be more than offset by planned reductions in the cost of the retiree portion of our health insurance (MEDEX).
- The budget for Workers Compensation is projected to increase by \$2,232 or 5% to **\$49,181**. This is an early projection.
- The budget numbers projected for Unemployment Compensation and Life Insurance are both level funded at **\$10,000** and **\$17,510** for FY 2016.
- Medicare costs are projected to increase by \$2,650 or 5 % to **\$55,650** over FY 2015.
- Town Insurance costs are projected to increase by \$4,381 or 5% to **\$92,000**. This is an early estimate.

E. School Assessments

- The total estimated cost of educational assessments for FY 2016 is **\$9,217,498**. This is a \$241,439 or 2.70% increase over FY 2015.
- The assessment for the Gill/Montague Regional School District is budgeted at **\$8,498,498** for FY 2016. This is a \$204,040 or 2.5% increase over FY 2015. The proposed number is the affordable assessment which is based on 48.5% of available revenues.
- This budget assumes that the assessment for the Franklin Technical School will be funded at **\$720,000**. This represents an increase of \$37,399 or 5.5%. The actual increase may be somewhat less. As of October 1, 2014, the Town

of Montague was sending 70 students to the FCTS. This is an increase of three students over FY 2015. The overall total of FCTS students rose by only one to 476. The projected increase in assessments is based on the cost per student last year (\$10,188) plus a small contingency.

F. Water Pollution Control Budget

- It is assumed that wages and salaries for the WPCF reflect the assumed cost of the full implementation of the pay and classification study in FY 2016. There is currently no collective bargaining agreement in place for the U.E union, so the numbers provided are for planning purposes only and subject to change. Under this scenario wages and salaries in the sewer department would increase by \$41,869 or 10.2% to **\$452,358**.
- Although the current budget does include a projection of wages/salaries and benefits for the 1.5 positions that were added at the WPCF, it does not assume any new staff positions including making the full time seasonal position, carried in the FY 2015 budget, a permanent position. This decision will require further discussion.
- It is assumed that FY 2016 expenses represent a level service budget, with the exception of a few items.
- Sludge Disposal: The amount budgeted for sludge disposal (**\$110,000**) will be level funded; and it appears it will be more than adequate if the town continues to use the same treatment process. The town has not sent out a load of sludge since June, 2013.
- Electricity: Electricity represents a major cost center for the WPCF. In FY 2015, the electricity budget of \$204,352 represented 21% of all expenses, and 14% of WPCF spending. Over the past few years, the cost of electricity has increased significantly. Some of this growth has been due to rising electricity costs overall, but some of it has been attributable to process changes at the plant. The process currently being used is energy intensive, as it requires more constant use of 100 horsepower pumps as opposed to the 50 horsepower pumps that are cheaper to operate. We are not anticipating any increase in the costs of electricity in FY 2016. This is because: (1) the FY 2015 budget was conservative and the department is currently running well within and even below its estimate, (2) the electricity use assumed for FY 2015 was on the high side already and probably will not increase in FY 2016, and (3) the town's electricity bid was very favorable (9.82 cents/KWH – fixed price till September 1, 2016), and will not be impacted by the volatile electricity market. The two FY 2016 electricity line items will be level funded at **\$204,352**.
- Sludge Handling Equipment Supplies: This line item will increase by \$20,000 to **\$32,000**. The department plans to purchase two more screens at a cost of \$10,000 each. All other equipment supply and equipment Repairs and Maintenance line items are expected to be level funded.

- WPCF Highway: For the time being, this line item is level funded at **\$54,959**. The WPCF Superintendent believes that a serious discussion about the planned inspection and cleaning of sewer collection lines needs to occur. Additional spending will be required to address this item.
- Employee benefits (retirement, health insurance etc.) for water pollution control will increase by \$28,521 or 14.1% in FY 2016 to **\$231,327**. This includes \$13,239 increase in retirement costs and a \$7,680 increase in health insurance. Both of these increases are due to new staff at the WPCF.
- Debt service for the sewer enterprise fund will decrease by \$22,343 or 5.0 % to **\$422,052**, reflecting the scheduled pay down of sewer bonds. The FY 2016 budget now includes debt service for all major sewer projects that have been completed, including the new debt service associated with the Millers Falls Road/Industrial Boulevard emergency project. It does not include any costs associated with the \$3 million pump station replacement project which will not hit the budget until FY 17.
- The town's share of the Millers Falls sewer assessment is also assumed to increase by \$5,050 or 2.5% to **\$207,034**. This increase is driven by contract provisions in the Montague/Erving Inter Municipal Sewer Agreement. It should be pointed out that there are also provisions in the agreement that could cause the assessment either to go up or down based on the volume of wastewater sent by Montague to Erving.

G. Special Articles

- It is assumed that the town will continue to meet its obligations on its DPW 6 Wheel Dump Truck Equipment Lease. This will be the fourth year of a five year lease for a vehicle with payments of **\$43,325/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.
- There is currently **\$15,000** in the budget for the Montague Center School, but the town will not have any expenses if the property is sold during the current fiscal year as is hoped.
- The Colle Building is budgeted at **\$80,350**, reflecting declining debt service costs. This building currently generates approximately \$110,000 in annual lease payment revenues. Any remaining balances go into the Colle Receipts Reserved for Appropriation; and in effect, they act as a stabilization fund for future capital improvements.

- 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.
- A minimum of **\$70,402** as “Pay as you Go” capital expenditures is required to meet the targeted minimum.
- There is also a total of **\$81,579** in money that would have to be appropriated into stabilization, including **\$48,947** in Operating Appropriations into the General Stabilization and **\$32,632** in Operating Appropriations into the Capital Improvement Stabilization Fund, to meet our reserve fund target.
- If the town has sufficient revenue to do so, I am recommending that the town consider appropriating **\$50,000**, or some other amount of funds into an OPEB Reserve Account. This would require the creation of an OPEB account. The town’s auditors have suggested that the town might have experienced an even greater bond upgrade this year if such an account existed. This might be in addition to or in place of one of the other reserve appropriations.