

JOINT FINANCE COMMITTEE AND BOARD OF SELECTMEN MEETING

April 1, 2015

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Meeting Date: April 1, 2015 **Called to Order:** 6:00 PM

Location: 1 Avenue A, Turners Falls MA

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

Selectmen Present: Mr. Fairbrother arrived at 6:17 PM.

Others Present: Town Accountant Carolyn Olsen

Minutes

Finance Committee Moved:

To approve the minutes of March 25, 2015.

Vote: 3 In Favor 0 Opposed 0 Abstained

FRTA- postponed to next week

Finance Committee Report to Town Meeting

Mr. Hanold reviewed his changes to this year's report.

- Numbers will be reviewed after they are finalized.
- A question was raised as to whether the Fiscal Year 2015 numbers should reflect numbers presented and voted at last year's Annual Town Meeting, as is past practice, or whether they should reflect current, adjusted, budgets. It was decided to use adjusted Fiscal Year 2015 budget amounts, but to have a footnote identifying the changes.
- Mr. Hanold will add an explanation of differences between recommendations by the Town Administrator and the Finance Committee.

Topics not anticipated within in the 48 hour posting requirements

Mr. Hanold received a memo from the Chris Mason, Chair of the Energy Committee. Mr. Mason said that the Energy Committee requests that there be no reference to any action by the Energy Committee regarding the article for the Sheffield Boiler project, as they took no vote on the project.

Meeting adjourned at 6:45 PM

Next Meetings:

April 1, 2015	Draft Finance Committee Report to Town Meeting,
April 8, 2015	Mr. Singleton and the FRTA, Re-votes as needed, revise FC report
April 15, 2015	Final votes/re-votes for recommendations, final report
	Reserve Fund Transfer Request – Snow & Ice

List of Documents and Exhibits

- Minutes for March 25, 2015
- Draft Finance Committee Report

TOWN OF MONTAGUE FISCAL YEAR 2016 ANNUAL BUDGET



FINANCE COMMITTEE REPORT TO
TOWN MEETING
MONTAGUE, MASSACHUSETTS
May 2, 2015, 8:30 AM
TURNERS FALLS HIGH SCHOOL

THEATER

FINANCE COMMITTEE REPORT TO TOWN MEETING

Fiscal Year 2016

The Montague Finance Committee proposes a balanced budget of **\$21,925,303** to provide municipal services during Fiscal Year 2016. These services include the town's general operations, educational assessments, the Water Pollution Control Facility, maintenance of the Colle building, and the Turners Falls Municipal Airport.

Montague has staffed and operated effective municipal programs and services, which serve our residents as well as attracting visitors from outside the town. Approval of this budget will fund the town's services and support continued progress toward the goal of fiscal sustainability. The proposed budget includes assessments from both the Gill-Montague Regional School District (**\$8,498,343**) and the Franklin County Technical School (FCTS) (**\$760,615**), derived from the budgets approved by the respective school committees.

At the time this report went to press Governor Baker had delivered his proposed budget to the legislature, including municipal aid figures slightly higher than in Fiscal Year 2015, but neither house has brought forward increased aid for either municipalities or school districts, and pending mid-year cuts in Fiscal Year 2015 aid have not been determined. Consequently, our recommendation uses the Fiscal Year 2015 figure for all elements of State Aid. These estimates reflect our cautious view of recovering economic conditions and tax collections. In view of this uncertain environment we recognize that department heads have accepted the fiscal challenge inherent in balancing the budget.

Here are Summaries of the Total Proposed Budget Revenue and Expense categories. Fiscal Year references are to budget cycles ending June 30th, **and FY2015 figures reflect the budget approved at the May 2014 Annual Town Meeting.** Change figures in parentheses are reductions from Fiscal Year 2015.

	FY 2015 ATM	FY 2016 Recommended	\$ Change	% Change
Revenues				
Taxation	14,424,463	14,896,349	471,886	3.27%
State Aid	1,509,148	1,509,148	0	0.00%
Local Receipts	1,290,810	1,260,000	(30,810)	(2.39%)
Available Funds/Reserves:				
Free Cash for Town Budget	125,000	125,000	0	0.00%
Free Cash for GMRSD	125,000	125,000	0	0.00%

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Special Article Balances	15,000	18,700	3,700	24.67%
Stabilization for FCTS	0	0	0	0.00%
Stabilization for Spec Articles	113,000	TBD	TBD	(0.0%)
FCTS SRO Reimbursement	75,645	56,706	18,939	(25.04%)
Colle Receipts	86,738	80,350	(6,388)	(7.36%)
Sewer User Fees	2,018,586	2,059,099	40,513	2.00%
Airport User Fees	36,185	30,847	(5,338)	(14.75%)
	FY 2015 ATM	FY 2016 Recommended	\$ Change	% Change
Airport Retained Earnings	5,650	0	(5,650)	(100.0%)
Long Term Borrowing-Town	0	1,801,764	1,801,764	100.0%
Long Term Borrowing-WPCF				
Total Revenues	TBD	TBD	TBD	0.0%
Total Rev Net of Borrowing	18,922,410	19,841,455	919,045	4.86%
Expenses				
General Town	8,222,035	8,373,806	141,771	1.71%
WPCF	2,147,193	2,259,099	111,906	5.21%
Airport	45,512	46,278	766	1.68%
Gill-Montague Assessment	8,293,458	8,498,343	204,885	2.47%
Franklin Cty. Tech Assessment	682,601	760,615	78,014	11.43%
Colle	86,738	80,350	(6,388)	(7.36%)
Recommended Special Articles	374,255	4,012,276	3,638,021	(972.07%)
Total Expenses	18,900,125	23,379,013	4,478,888	23.70%
Total Special Articles Net of Borrowing	374,255	452,276	78,021	20.85%

Revenue Highlights

The town's budget is funded mostly from four sources: property taxes, state aid, local receipts, and reserves (principally from Free Cash or Stabilization Funds).

Property Taxes The proposed budget assumes that the total levy will rise to the 2.5% limit. Net levy revenue, including New Growth, is 3.27% over Fiscal Year 2015. New Growth is forecast at a level typical of earlier years, and we continue to set aside a provision for settlement of disputed valuations.

State Aid is estimated the same as 2015 levels, pending agreement between the Governor and legislature on the extent of recovering economic activity. This is a cautious position, in view of possible Fiscal Year 2015 mid-year cuts.

Local Receipts This source is projected slightly below the Fiscal Year 2015 level, based on information through March 2015. Nearly 70% comes from Motor Vehicle Excise Taxes and Trash Sticker sales.

Reserves are a combination of Free Cash, Stabilization Funds and other miscellaneous reserves. Within this category is reimbursement for the services of the Tech School Resource Officer, which cover the full cost (salary, benefits and related non-personnel expenses) of an additional police officer. Other proposed uses of reserves, compared to Fiscal Year 2015, are:

	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2016</u>
Free Cash to support Town Budget	\$125,000	\$125,000
Free Cash to support GMRSD Budget	\$125,000	\$125,000
Stabilization to support GMRSD Budget	\$0	\$0
Stabilization to support Spec. Articles	\$113,000	\$262,300
Unspent on prior Special Articles	\$0	\$18,700

In preparing the proposed Fiscal Year 2016 budget, the Finance Committee continued pursuing two general goals from prior years. The first is to fund annual needs (both departmental operating budgets and recurring Special Articles) from taxation, and to avoid using reserves for non-recurring projects less than \$10,000. The second is to allocate funds available for annual operations in a set proportion between the Gill-Montague Regional School District assessment and the other town functions.

We have nearly accomplished the first goal by funding only one recurring Special Article for \$75,000 from Stabilization, the same as for Fiscal Year 2015.

We addressed the second goal by recommending, as for Fiscal Year s 2012 through 2015, that 51.5% of available funds (as defined) be allocated to the town budget and 48.5% to the Gill-Montague Regional School District assessment. Continued use of these percentages maintains the balance of resources devoted to town and District budgets, and seems to balance their respective needs. This method resulted in a target maximum assessment of \$8,497,498, about \$204,040 higher than the final Fiscal Year 2014 figure; this approximates the School Committee’s requested Fiscal Year 2016 figure of \$8,498,343 which we are pleased to recommend..

It is disappointing that State Aid to the District rose only slightly from Fiscal Year 2015, as has been true for several years. Though the Town and District managed to achieve the goal of financial affordability in Fiscal Year 2016, we recognize that in the absence of Chapter 70 increases future years will continue to impose funding stresses, which will not be eased by enrollment increases.

Town Operating Budget (excludes Special Articles)

General Conditions

Requests from town departments generally met the initial guideline of a “level services” budget. For Fiscal Year 2016, the cost of general town operations rose by about \$142,000, or 1.72% to \$8,373,806.

Staffing Changes

No new positions are included in this budget, but an additional five hours per week for both the Health Agent and Executive Assistant have been requested by the Board of Health and Town Administrator, respectively. The justification is increased work for the state’s Receivership program (remediating substandard buildings), and administrative support for Selectboard meetings and document requests. Their weekly totals will become 20 and 35 hours, respectively.

Wages & Benefits

Wages reflect a 1% Cost of Living increase and step-increases per collective bargaining agreements. All unions are under contract at this time. Employee Benefits costs fell \$31,064, or 4.65%, due primarily to lower health insurance costs.

General Government

These departments include statutory or otherwise essential functions for basic municipal operations. Principal departments are the Selectboard, Town Accountant, Assessors, Treasurer, Town Clerk, Town Planner, Legal Expenses, and Public Building Utilities.

The recommended budget for this group totals \$1,138,602, a 3.21% increase over Fiscal Year 2015. lower costs for elections partially offset higher hours for the Executive Assistant and software costs for the Assessors. Total Utilities costs, a volatile area, are projected to rise 4%.

Public Safety

The budgets for Police and Dispatch continue to be affected by overtime costs. The need to cover shifts, while a replacement officer attends the Police Academy and during mandatory training classes, is the main force, and the Chief has accepted a challenge to manage these costs with minimal impact on safety and services. Increases in requested non-personnel spending are primarily fuel and forecasted repair expenses. In total, the budgets for this group of departments rose 5.10% (from the adjusted Fiscal Year 2015 budget) to \$1,917,968.

Public Works

A new contract for solid waste handling and a slight increase in Snow & Ice materials results in these costs **rising about \$18,000 (2.74%)** from Fiscal Year 2015. Personnel costs fell, a result of retirement-related separation payments in Fiscal Year 2015, but parts, repair & maintenance costs rose. The recommended total budget for this group is **\$1,818,029, a 1.83% increase over Fiscal Year 2015. The Capital Improvements Committee considers the vehicle fleet to be in good condition.**

Human Services and Culture & Recreation

These departments provide social services and other functions that enhance quality of life in Montague. These include the Council on Aging, Libraries, Parks and Recreation, and Veterans' Services. For Fiscal Year 2016 the separation of fee-based Recreation programs from basic-foundation services makes a year-to-year comparison (10.9% rise) less significant than for other municipal departments. The proposed total budget for this group is **\$803,105, which is 2.59% above Fiscal Year 2015.** The overall increase reflects **a lower case-load in Veterans' Benefits, added hours for the Health Agent (mentioned earlier), and a Library increase limited to 4%.**

Debt Service

This category fell very slightly from Fiscal Year 2015, to **\$661,201.** Debt service for the Public Safety Building and the town's share of the Combined Sewer Overload project accounts for about 82% of the town's debt service, but does not divert funds from the operating budget because it is paid from taxes assessed beyond the Proposition 2-1/2 limit. **Any significant planned borrowing is expected to be excluded debt, as well.**

Water Pollution Control Facility

The Water Pollution Control Facility's Fiscal Year 2016 operating budget of **\$2,259,099** is about **\$112,000, or 4.32%,** higher than Fiscal Year 2015. **We recommend the continuation of a temporary position for exploration of other revenue sources. Septage handling for other towns has generated higher revenues, and may be expanded if it appears promising.** The approaching year will see the beginning of regular sewer line evaluation to plan for future-years repair/replacement.

Capital spending for sewer facilities in Fiscal Year 2016 will amount to **\$385,000, which will come from borrowing (see also Special Articles & Reserves section below).** This project will continue the inspection, cleaning, lining and rehabilitation of old lines, or lines similar to those replaced or repaired during Fiscal Year 2015. These are the next steps in the long-term capital investment plan, specific to the Treatment Plant, which was mentioned in last year's report.

Of the Facility’s total 2016 budget request (including the Special Article) 78% is funded by current-year user fees and 15% from borrowing -- leaving \$200,000 to be covered by taxation. This remainder represents “inflow and infiltration” into the system from non-metered sources.

Airport

As in prior years, user fees and revenue from non-aviation sources are insufficient to cover all Fiscal Year 2016 spending, which will rise less than 2%. The airport is roughly 67% self-supporting, a reduction from Fiscal Year 2015, because there are no significant retained earnings to offset spending. The Commission is actively pursuing development plans for areas not suitable for aviation operations.

Educational Assessments

Franklin County Technical School

The Franklin County Technical School (FCTS) assessment rose by about \$78,000 (7.81%) in Fiscal Year 2016, due in part to an increase in the proportion of Montague students to total enrollment. We chose not to absorb the increase from the FCTS Stabilization Fund, pending agreement on a clear policy defining what is an “unusual” shift in the proportions.

Gill-Montague Regional School District

The approved Gill-Montague Regional School District budget, on a basis similar to last year, rose from \$19,428,823 to \$20,452,361 (5.27%). However, the assessment request to Montague alone increased 2.47% to \$8,498,343, due in part to a reduction in our proportion of enrollment and a shift in the state-calculated minimum contribution. As in recent years, there was very little increase in state aid (Chapter 70) and a reversal of improving transportation reimbursements (Chapter 71)). The breakdown by category is as follows:

GMRSD Assessment	<u>BUDGET</u> <u>FY 2014</u>	<u>BUDGET</u> <u>FY 2015</u>	<u>REQUEST</u> <u>FY 2016</u>	<u>REQUEST</u> <u>INCR</u>	<u>PROPOSED</u>
Minimum Contribution	4,704,760	4,858,813	4,858,813	154,053	
Transportation	309,429	289,256	289,256	(20,173)	
Debt Service	145,918	143,645	143,645	(2,273)	
Over Minimum	2,805,450	3,001,744	3,001,744	196,294	
Total	7,965,557	8,293,458	8,293,458	327,901	
% Increase	1.46%	1.46%	4.12%		

As noted earlier, the Finance Committee’s recommended “affordable assessment” (\$8,497,498) was calculated by allocating total forecasted available funds between the Gill-Montague district and the total of other town services. We had expected that the

state's Chapter 70 support for the district should have returned by now to historic levels. In fact it has remained nearly unchanged in recent years, which continues to challenge the district as it balances its educational goals with available funds. This challenge has been exacerbated by continued struggles with declining enrollment and increasing choice- and charter-outs.

The Gill-Montague District is no longer subject to oversight by the Department of Elementary and Secondary Education as a failing or troubled district. This achievement has been realized while balancing numerous programmatic recommendations from state officials and local requests for increased spending.

Special Articles & Use of Reserves

As noted earlier, we continue to ensure a financially sustainable future for Montague that funds ongoing expenses with taxes and other recurring revenue. Here are the principles that guide our recommendations:

1. We recommend regular appropriation of discretionary funds for needed purchase and repair of Information Technology, Police, and Public Works equipment. Though these continue to be presented as Special Articles (to enable unused balances to be preserved for future use for their intended purpose) our intent wherever possible is to fund them from Taxation. In Fiscal Year 2016 we recommend a total of \$98,200 for the discretionary funds, of which \$23,200 will come from Taxation and the remainder from Capital Stabilization. We hope to achieve the goal of funding entirely from taxation in a future year.
2. We recommend funding vehicle leases from Taxation and outright purchases from Capital Stabilization, and accordingly a lease payment of \$43,325 will come from Taxation. No major equipment purchases are planned.
3. In Fiscal Year 2016 we recommend approval of small non-recurring expenditures (below \$25,000) from Taxation and not from Capital Stabilization. This includes maintenance expenses for the former Montague Center Elementary School, until such time as it is sold to a developer. The avoidance of spending from General Stabilization preserves that fund for protection from state cuts.
4. We believe it is important to continue the practice of regular replenishment of the Town General Stabilization and Capital Stabilization Funds when an adequate Free Cash balance is available, and ask your future support for setting money aside prior to beginning major projects. The recommendation for Fiscal Year 2016 includes such replenishment for the Town Capital Stabilization Fund, but we recommend deferral of an appropriation to General Stabilization until the first half of Fiscal Year 2016, when we know the final state aid and Free Cash amounts.

5. This year the Finance Committee recommends all articles and funding sources as presented in the motions (a separate document in the information packet). **The only non-unanimous vote was for Article #21, Records Preservation, with the dissenting vote in favor of funding from General Stabilization.**

Conclusion

There has been continuing pressure to maintain town services with the funds we have available. In recent years the Town has increased staff levels modestly to better support existing services, but is still below the levels of a decade ago. Our ability to maintain services in recent years has been significantly aided by the commitment and resourcefulness of town employees, the gradual recovery of revenue sources, cost controls at the two school districts that serve our town, moderation of employee benefit cost increases, and efficiencies at the Water Pollution Control Facility.

Looking forward to Fiscal Year 2017 we expect that state aid and local receipts will continue a slow rebound, as any economic recovery will come in the form of a “new normal” balance of national and state economies. The town’s fiscal strength is good, and expected to improve, but the efforts of state and federal governments to address their own program needs and replenish their own reserves will slow the growth of grants and other aid, on which we have relied for some of our development plans. **The increasing age of our buildings and equipment, within both the General Fund and the Water Pollution Control Facility, will require continuing spending for repair, maintenance or replacement.** We expect to work with the Selectboard and Capital Improvements Committee to formulate and follow a clear plan for vital and effective town government without relying on the use of reserves for operating expenses.

In future years the Town may face the difficult choice of whether to raise more revenues (through user fees, debt exclusions or a Proposition 2 ½ override) if we wish to replace or upgrade municipal buildings and infrastructure. Examples include a Public Works Garage, Senior Center, Library, and **Water Pollution Control Facilities**. We invite both general comments and specific questions from residents and Town Meeting members as to how Town services should be prioritized. We may be contacted directly through the Town’s website at www.montague-ma.gov. The website also contains this report, revenue estimates for Fiscal Year 2016, and line item budgets for all Town departments. To locate this information, go to the website, and from the **Departments** list, select “Finance Committee and Town Accountant,” then “Annual Budget Information.”

Respectfully submitted,

John Hanold, Chair

Sharon Kennaugh

Greg Garrison

Michael Naughton Lynn Reynolds