

TOWN OF MONTAGUE FY2015 ANNUAL BUDGET



FINANCE COMMITTEE REPORT TO
TOWN MEETING
MONTAGUE, MASSACHUSETTS
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TURNERS FALLS HIGH SCHOOL
THEATER

FINANCE COMMITTEE REPORT TO TOWN MEETING

Fiscal Year 2015

The Montague Finance Committee proposes a balanced budget of \$23,379,013 to provide municipal services during Fiscal Year 2015. 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 (\$8,293,458) and the Franklin County Technical School (\$682,601), derived from the budgets approved by the respective school committees.

At the time this report went to press the legislature had not set final figures for state aid to either municipalities or school districts. However, the two houses have agreed on a joint figure for Unrestricted General Government Aid (UGGA); consequently, our recommendation used that figure for UGGA, and used Governor Patrick's initial budget proposal for other elements of State Aid. These estimates reflect review of recovering economic conditions and tax collections.

Here are Summaries of the Total Proposed Budget Revenue and Expense categories. Fiscal Year references are to budget cycles ending June 30th, and Change figures in parentheses are reductions from Fiscal Year 2014.

	FY 2014 ATM	FY 2015 Recommended	\$ Change	% Change
Revenues				
Taxation	13,879,105	14,440,521	561,416	4.05%
State Aid	1,384,683	1,505,800	121,117	8.75%
Local Receipts	1,200,000	1,300,000	100,000	8.33%
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%
Special Article Balances		20,000	20,000	100.0%
Stabilization for GMRSD	40,616		(40,616)	(100%)
Stabilization for Spec Articles	274,055	113,000	(161,055)	(58.77%)
FCTS SRO Reimbursement		75,645	75,645	100%
Colle Receipts	88,088	86,738	(1,350)	(1.53%)
Sewer User Fees	1,773,363	2,018,586	245,223	13.83%
Airport User Fees	26,850	27,165	315	1.17%

	FY 2014 ATM	FY 2015 Recommended	\$ Change	% Change
Airport Retained Earnings	5,650	4,000	(1,650)	(29.20%)
Long Term Borrowing		3,560,000	3,560,000	100%
Total Revenues	18,922,410	23,401,455	4,479,045	23.67%
Total Rev Net of Borrowing	18,922,410	19,841,455	919,045	4.86%
Expenses				
General Town	7,745,203	8,136,058	390,855	5.05%
WPCF	1,953,363	2,122,370	169,007	8.65%
Airport	42,000	45,512	3,512	8.36%
Gill-Montague Assessment	7,965,557	8,293,458	327,901	4.12%
Franklin Cty Tech Assessment	731,659	682,601	(49,058)	(6.71%)
Colle	88,088	86,738	(1,350)	(1.53%)
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 4.05% over Fiscal Year 2014. New Growth in Fiscal Year 2014 was unusually high, recognizing revaluation of commercial/industrial property, so new growth in Fiscal Year 2015 is forecasted at about the level of earlier years.

State Aid is expected to exceed 2014 levels by 8.75%, reflecting estimates by the governor and legislature of recovering economic activity, as noted earlier.

Local Receipts This source is projected at about the Fiscal Year 2014 level, based on information through March 2014. Roughly two thirds comes from Motor Vehicle Excise Taxes and Trash Sticker sales. Beyond this, we project the reimbursement for the Tech School Resource Officer services to cover the full cost (salary, benefits and related non-personnel expenses) of an additional police officer.

Reserves are a combination of Free Cash, Stabilization Funds and other miscellaneous reserves. Proposed uses of these sources, compared to Fiscal Year 2014, are:

	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2015</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	\$274,055	\$113,000
Free Cash to support Special Articles	\$0	\$0

In preparing the proposed Fiscal Year 2015 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 available funds between the Gill-Montague Regional School District assessment and other town functions in a set proportion, while meeting our commitment to long-term goals under a voluntary Compact with the District, the Town of Gill, and our state legislators.

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

We addressed the second goal by recommending, as for Fiscal Year s 2012 through 2014, 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. This method resulted in a target maximum assessment of \$8,293,458, about \$328,000 higher than the final Fiscal Year 2014 figure, which is sufficient to meet the School Committee’s Fiscal Year 2015 request of \$8,293,458.

In Fiscal Year 2014 we completed the transition toward sustainable funding per the Compact mentioned earlier, which outlined a multi-year plan for fiscal sustainability. Over several years Montague and the District have met their commitments, but State aid to the District has not met the original projections. In Fiscal Year 2015 the town and district managed to achieve the goal of financial affordability, but recognize that in the absence of Chapter 70 increases future years may bring funding stresses.

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 2015, the cost of general town operations rose by about \$296,000, or 3.74% (including School Resource Officer and adding the Pay & Class provisions for Town Departments for both years) to \$8,222,035.

Staffing Changes

Increased inter-library circulation and the rising proportion of electronic media over the last several years have finally pushed library staffing past its current limits. As a result, we recommend the addition of one part-time position in the Library. In response to a request for a

School Resource Officer from the Franklin County Technical School, we are adding a full-time officer to the Police department. The cost of the new officer, including benefits, will be fully reimbursed by the school.

Wages & Benefits

A Pay & Classification study, the first since 2001, was completed early in calendar 2013 and its recommendations are reflected in Police and benefited non-union positions. Application to other positions is dependent on settlement of collective bargaining agreements. Two Special Articles provide an estimate of the possible impact of these settlements for Fiscal Year 2015.

Employee Benefits costs rose 2.34%, the result of increased staff and Retirement Plan costs but flat 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 total budget for this group is \$1,082,580, a 4.28% increase over Fiscal Year 2014; higher costs for elections and the implementation of the Pay & Class study were the main contributors.

Public Safety

The Board of Health is included in the Public Safety group to recognize the role of Public Health in overall Public Safety. An additional police officer added in response to a Tech School request, the contract settlement in the Police department, and implementation of the Pay & Class study for non-union employees combined to increase Personal Services. Increases in requested non-personnel spending are primarily fuel and insurance; the gradual lowering of the average vehicle age contributed to flat forecasted repair expenses. In total, the budgets for this group of departments rose 7.20% (from the adjusted FY14 budget) to \$1,947,028.

Public Works

A favorable contract for solid waste handling and unchanged Snow & Ice spending results in non-personnel costs falling nearly ½% from Fiscal Year 2014. Personnel cost increases include sick & vacation buyback costs for a potential retirement. The recommended total budget for this group is \$1,757,398, a 0.64% increase over Fiscal Year 2014.

Human Services and Culture & Recreation (excludes Board of Health)

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. The proposed total budget for this group is \$622,893, which is 3.31% above Fiscal Year 2014. The entire net increase is a higher case-load in Veterans' Benefits; savings from employee turn-over offset the addition of a half-time library assistant.

Debt Service

This category rose about \$18,000 (2.84%) over Fiscal Year 2014, to \$662,036. 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.

Water Pollution Control Facility

The Water Pollution Control Facility's Fiscal Year 2015 operating budget of \$2,122,370 is about \$88,000, or 4.32%, higher than Fiscal Year 2014. We recommend the addition of 1.5 positions to address the increased workload resulting from broader operating tasks, and to respond to state recommendations for treatment plant staffing. Process improvements have reduced solid waste disposal costs and septage handling for other towns has generated higher revenues. The spending increase includes an increase in debt service of about \$100,000 as part of repairing and replacing failed sewer lines on Millers Falls Road during Fiscal Year 2014. The approaching year will see the beginning of regular sewer line evaluation to plan for future-years repair/replacement.

About 91% of the facility's 2015 total budget request (including a Special Article for inspection efforts not included in the operating budget) is funded by user fees -- leaving \$200,000 to be covered by taxation. This remainder represents "inflow and infiltration" into the system from non-metered sources.

Capital spending for sewer facilities in Fiscal Year 2015 will amount to \$3,175,000. These special articles will rehabilitate lines abutting the 2014 failures and begin phased replacement of major pump stations. These are the first steps in the long-term capital investment plan, specific to the Treatment Plant, mentioned in last year's report.

Airport

As in prior years, user fees and revenue from non-aviation sources are insufficient to cover all Fiscal Year 2015 spending. Nevertheless the airport is nearly 80% self-supporting, a slight improvement from Fiscal Year 2014. Periodic renegotiation of leases and development of surplus land should increase this percentage in future years.

Educational Assessments

Franklin County Technical School

The Franklin County Technical School assessment fell by about \$49,000 in Fiscal Year 2015, due in part to a decrease in the proportion of Montague students to total enrollment and in part to continuing cost control by the School. Since this proportion can change abruptly from year to year we recommend that this savings be added to the FCTS Stabilization Fund (via a Special Article) for possible use in future years when the proportion shifts back.

Gill-Montague Regional School District

The approved Gill-Montague Regional School District budget, on a basis similar to last year, rose from \$16,935,893 to \$17,488,823 (3.26%). However, the assessment request to Montague alone increased about \$328,000 to \$8,293,458. Grant funding of continuing programs has dropped significantly, and there was very little increase in state aid (Chapter 70 and regional transportation). The breakdown by category is as follows:

GMRSD Assessment	BUDGET <u>FY 2013</u>	BUDGET <u>FY 2014</u>	REQUEST <u>FY 2015</u>	REQUEST <u>INCR</u>	PROPOSED <u>FY 2015</u>
Minimum Contribution	4,565,235	4,704,760	4,858,813	154,053	4,858,813
Transportation	313,834	309,429	289,256	(20,173)	289,256
Debt Service	177,758	145,918	143,645	(2,273)	143,645
Over Minimum	2,793,777	2,805,450	3,001,744	196,294	3,001,744
Total	7,850,604	7,965,557	8,293,458	327,901	8,293,458
% Increase		1.46%	4.12%		4,858,813

As noted earlier, the Finance Committee’s recommended “affordable assessment” (\$8,293,458) was calculated by allocating total forecasted available funds between the Gill-Montague district and the total of other town services. Past projections expected that by now the state’s Chapter 70 support for the district should have returned to historic levels. In fact it has not done so, and nearly-unchanged state aid in recent years continues to be a challenge for the district as it strives to balance its educational goals with its available funds. This challenge has been exacerbated by continued struggles with declining enrollment and increasing choice- and charter-outs.

We wish to recognize that the Gill-Montague District is no longer subject to oversight by the Dept 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 does not depend on funding ongoing expenses with one-time savings. The following steps are worth mentioning:

1. We recommend regular appropriation of discretionary funds for needed purchase and repair of Police, Public Works and Information Technology equipment. Though these continue to be presented as Special Articles (to enable unused balances to be preserved for their intended purpose) our intent wherever possible is to fund them from Taxation rather than savings. In Fiscal Year 2015 we recommend a total of \$23,200 for Police and Information Technology (a reduction of \$5,000 from Fiscal Year 2014), and in future years we hope to extend this to Public Works (\$75,000, unchanged from Fiscal Year 2014).
2. We recommend funding vehicle leases from taxation and outright purchases from Stabilization, and accordingly a lease payment of \$43,325 will come from Taxation. No major equipment purchases are planned.
3. In Fiscal Year 2015 we recommend approval of several small non-recurring expenditures from Taxation, most notably necessary maintenance expenses for the former Montague Center Elementary School.

4. We believe it is important to continue the practice of regular replenishment of the town's Stabilization Fund when an adequate Free Cash balance is available, and ask your future support for setting money aside prior to beginning major projects. We expect to recommend appropriation of an additional set-aside in the first half of Fiscal Year 2015, as we did early in Fiscal Year 2014, 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 #19, DPW Equipment, with the dissenting vote in favor of funding from Taxation.

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 2016 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. 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 Treatment Plant 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 2015, 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,

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