

Proposed Operating and Capital Budgets

Fiscal Year 2021

August 12, 2020



Proposed Budget—Objectives and Capacity

Ongoing Strategy: build levy capacity to address year to year assessment changes by dividing allowable increases evenly between Town Operating Expenses and School Assessment.

FY 2021

| | |
|-------------------------------------|-----------------|
| Prop 2 ½ Allowable Growth | \$128,985 |
| Estimated New Growth | \$44,236 |
| Last year nonrecurring | \$84,080 |
| <u>Excess Capacity</u> | <u>\$60,891</u> |
| TOTAL | \$ 318,192 |
| [Divide evenly between School/Town] | |

Additional Goals due to pandemic

- Control Tax growth
- Preserve or increase current Excess Capacity
- Use more conservative estimates for state aid and local receipts due to uncertainty regarding collections
- Develop strategy for possible school assessment increase
- Reduce capital spending (push highway 10 wheel truck to FY 2022)
- Control recurring operating budget increases
- Reduce/Eliminate travel and convention expenses
- Consider COVID19 expenses and funding (Federal Reimbursement expires Dec 31st)

Proposed Budget:

Town Operations are well over the 50% target

School Side

Town Side

| | |
|---------------------------------|------------------|
| 50% of allowable increase | \$ 86,610 |
| FY 2020 one time appropriations | <u>\$ 84,080</u> |
| Total Available | \$170,690 |
| FY 2021 School increase | <u>\$116,061</u> |
| +/- 50% target | \$ 54,629 |

| | |
|---------------------------------|--------------------|
| 50% of allowable increase | \$ 86,610 |
| Total Available | \$ 86,610 |
| FY 2021 Town Operating increase | <u>\$138,368</u> |
| +/- 50% target | \$ (51,758) |

Figures do not include Stabilization or debt

Proposed Budget Breakdown of Operating Expenses

| | \$ | % vs. FY 2020 |
|-----------------|-------------|---------------|
| Total Operating | \$5,600,408 | +4.76 |
| Town Operating | \$2,698,595 | +5.40 |
| School | \$2,901,813 | +4.17 |

Expense Increase Highlights: Employee Related

- COLA of 1.6% for all employees and contracts Total = \$16,500
- Implement recommendations of Human Resources Study
 - Bring employees' wages within range of comparable towns for same positions
 - 10 positions received annual increases ranging from \$209 to \$2,997. Total = \$18,754
- New Positions:
 - Police Department Clerical,
 - Assistant Board of Health Agent,
 - Finance Committee Clerical
- Additional hours and stipends:
 - Building Department,
 - Rescue Stipends,
 - Rescue Clerical,
 - Transfer Station,
 - Emergency Management,
 - Employee Contingency Hours,
 - Animal Control Officer
- Total New Positions and Additional hours and stipends= \$19,160
- Health Insurance budget increase \$18,728
- Retirement Assessment increase \$5,850

Expense Increase Highlights: Non-employee Related

| | |
|---|----------|
| • Roads and Bridges | \$50,000 |
| • Transfer Station Expenses | \$10,000 |
| • Tree Work | \$5,000 |
| • Town Hall Expenses | \$5,000 |
| • Legal Services (Labor Counsel and Town Counsel) | \$5,000 |
| • Highway Department Expenses | \$4,901 |
| • Police Department Expenses | \$3,750 |

Proposed Budget—No major shifts in spending for operations

Trend Analysis--Fiscal Year 2018- Fiscal Year 2021

| | FY 18 | FY19 | FY20 | FY21 (proposed) |
|---|--------------------|--------------------|--------------------|-------------------------|
| General Government | 6.0% | 6.2% | 6.3% | 6.4% |
| Highway | 17.2% | 17.2% | 18.1% | 18.0% |
| Schools | 53.7% | 50.5% | 49.3% | 50.7% |
| Culture and Recreation | 2.0% | 2.0% | 2.3% | 2.1% |
| Protection Persons & Property | 6.2% | 6.9% | 7.7% | 8.0% |
| Health & Human Services | 1.9% | 2.1% | 2.2% | 2.4% |
| Debt & Interest | 3.9% | 2.8% | 2.8% | 1.9% |
| Unclassified | 9.0% | 12.2% | 11.6% | 10.4% |
| TOTAL BUDGET | \$5,609,249 | \$5,633,848 | \$5,821,380 | \$5,849,597 |
| Increase v. Prior Year | 5.7% | 0.4% | 3.3% | 0.5% |
| Tax Rate (per \$1000/assessed valuation) | \$10.45 | \$10.34 | \$10.31 | To be determined |
| Increase v. Prior Year | 6.6% | (1.0%) | (0.3%) | |

Proposed Budget—Comparison to Prior Year

Town Operating Budget

| | |
|-----------|------------|
| Increases | \$ 180,257 |
|-----------|------------|

| | |
|-----------|------------------|
| Decreases | <u>\$ 41,889</u> |
|-----------|------------------|

| | |
|--|-------------------|
| <i>Net Town Operating Budget Increase/Decrease</i> | <i>\$ 138,368</i> |
|--|-------------------|

Increase is 5.4% from FY 2020

| | |
|-----------------|-----------|
| School Increase | \$ 97,921 |
|-----------------|-----------|

| | |
|---------------|-------------|
| Debt Decrease | \$ (48,992) |
|---------------|-------------|

| | |
|-------------------------------------|-------------|
| Stabilization Contribution Decrease | \$ (75,000) |
|-------------------------------------|-------------|

| | |
|----------------------------------|--------------------|
| One time appropriations Decrease | <u>\$ (84,080)</u> |
|----------------------------------|--------------------|

| | |
|---|------------------|
| <i>Net Total Budget Increase/Decrease</i> | <i>\$ 28,217</i> |
|---|------------------|

Increase is <0.5% from FY 2020

School Budget: Historical Share and % of Total Town Budget

| | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
|------------------|-----------|-----------|-----------|-----------|-----------|
| NM % of Budget | 22.0 | 22.8 | 20.9 | 20.6 | 20.8 |
| NM Assessment | 2,938,274 | 3,143,681 | 2,841,455 | 2,865,680 | 2,963,602 |
| % of Town Budget | 50.0 | 50.9 | 50.4 | 49.2 | 50.7 |

School District Budget: Total and Town Share

Total five town school assessment

| | |
|------------------------------|-------------------|
| Operating and Transportation | \$ 13,651,277 |
| Capital | <u>\$ 291,153</u> |
| Subtotal | \$ 13,942,430 |
| Roof/Boiler Bond | <u>\$ 296,878</u> |
| | \$ 14,239,308 |

New Marlborough assessment*

| | |
|------------------------------|------------------|
| Operating and Transportation | \$ 2,841,216 |
| Capital | <u>\$ 60,597</u> |
| Subtotal | \$ 2,901,813 |
| Roof/Boiler Bond | <u>\$ 61,789</u> |
| | \$ 2,963,602 |

*FY 2021 share (20.81% of district budget) uses new assessment formula

Debt Service Schedule

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|----------------------------------|---|----------------|----------------|----------------|----------------|
| | | | | | |
| Hwy Truck | 45,492 | | | | |
| Fire Truck (2025) | 70,400 | 68,200 | 66,000 | 63,800 | 61,600 |
| Grader (2029) | 45,500 | 44,200 | 42,900 | 41,600 | 40,300 |
| School Roof/Boiler* (2032) | 79,929 | 61,789 | 98,161* | 98,161* | 98,161* |
| TOTAL | 241,321 | 174,189 | 207,061 | 203,561 | 200,061 |
| | *School Roof/Boiler amounts estimated after FY 2021 based on FY 2018 levels | | | | |

Proposed Reserves

| | |
|---------------------|-------------------|
| Stabilization | \$ 857,187 |
| Certified Free Cash | <u>\$ 550,086</u> |
| | \$ 1,407,273 |
| Reserve 10% | <u>\$ 646,789</u> |
| Available for use | \$ 760,484 |

| | |
|-----------------------|--------------|
| Stabilization | \$ 857,187 |
| Proposed Expenditures | <u>\$ -0</u> |
| Post ATM Balance | \$ 857,187 |

| | |
|-----------------------|-------------------|
| Free Cash | \$ 550,086 |
| Proposed Expenditures | <u>\$ 349,940</u> |
| Post ATM Balance | \$ 200,146 |

Proposed Free Cash Expenditures

| | |
|------------------------------|-----------------|
| Certified Free Cash | \$550,086 |
| Road Projects | \$ 198,000 |
| Highway Roller | \$ 75,000 |
| Police Cruiser | \$ 51,000 |
| Radio Repeater | \$ 8,200 |
| Umpachene Falls Park Erosion | \$ 7,500 |
| Firehose Replacement | \$ 7,000 |
| Highway Yard Camera Security | <u>\$ 3,240</u> |
| Total Expenditures | \$ 349,940 |
| Balance | \$ 200,146 |

Proposed Stabilization Expenditures and Additions

Stabilization Fund

| | |
|-------------------------|------------------|
| Balance | \$ 857,187 |
| Transfer from Free Cash | \$ 0 |
| Raise and Appropriate | <u>\$ 75,000</u> |
| Subtotal | \$ 932,187 |

Outlook for the Future— Capital Expenses and Revenues

Capital Expenses:

- Town Hall – Renovations for ADA Compliance
- Roads/Culverts – Update to 5 year road plan
- Other Capital – Equipment purchases
- Broadband – \$62,500 per year for 15 years

Revenues:

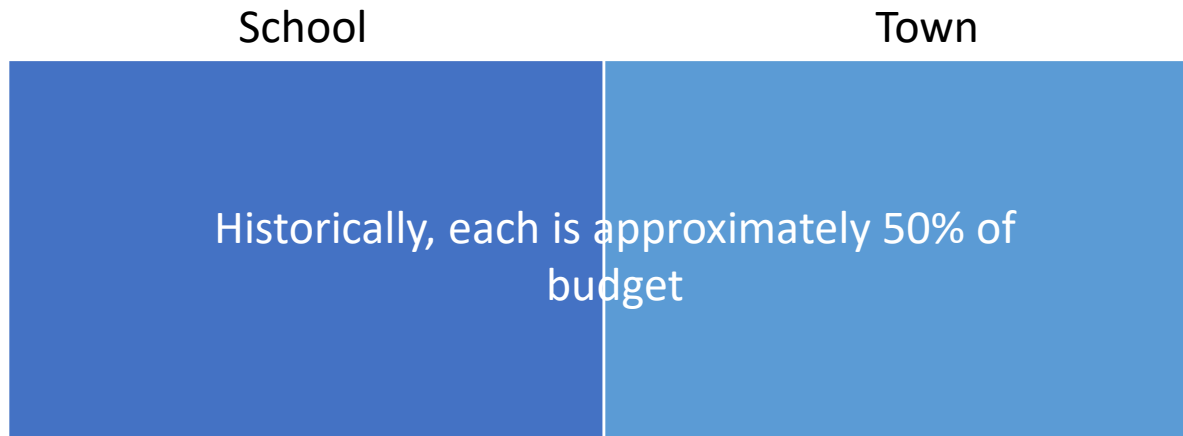
- Uncertainty of future State Aid
- Payments in Lieu of Taxes for Solar Projects (PILOT)
 - Signed agreement for annual payment of \$45,750/year for 20 years

Finance Committee View

The Finance Committee has taken the position that, while the overall budget increase is prudent, the apportionment of funds to be raised and appropriated between operating expenses and capital is both:

- Disproportionately weighted to operating costs, and
- Short sighted and will make the on-going goal of controlling tax rate growth very difficult to achieve

Finance Committee View



The proposed FY21 budget meets the strategy of maintaining this apportionment

Finance Committee View

Within the Town portion of the budget, in addition to controlling overall tax rate growth, it is equally important to maintain an apportionment of spending between operating expenses and capital.

Why?

Capital resources are critical for two reasons:

First, they are our cushion against unforeseen, emergency expenditures and provide financial stability and insulate against unexpected tax rate increases

Second, they are our source of funding for capital investments, assets with long lives that should be paid for with money that has been accumulated over time (free cash and stabilization fund) or money that will be paid back over time (debt)

As a result these resources must be funded every year, even in years when they are not used to fund assets, so that they are adequate when they are needed. Given the limitations of local government budgeting, it is very difficult to skip a year and make it up later.

Finance Committee View

Town FY20

Operations: \$2,560,227 or 89.2%
of funds raised & appropriated

Capital: \$311,392 or 10.8%

Town FY21 BOS Proposal

Operations: \$ 2,698,595 or 93.5%
of funds raised & appropriated

Capital: \$187,400 or 6.4%



The proposed FY21 budget misses the
objective of prudent apportionment
between operating to capital items

Finance Committee View

The details of FY20 and FY21 BOS proposal:

- FY21 Debt service is \$48,992 less than FY20 due to final payoff of Highway Department Truck
- FY21 proposed amount to raise & appropriate for Stabilization decreased by \$75,000 from prior year
- Conversely, commitments to on-going operating expenses have gone up \$138,368 v. FY20

Essentially, commitments to on-going operating expenses have been funded at the expense of our typical commitments to capital funding.

Finance Committee View

Why is the BOS proposed budget apportionment problematic?

- To simply return to our historic level of capital resources, \$75,000 will have to be “found” in the FY22 budget.

Finding this \$75,000 to the FY22 budget will be difficult considering

- Strategic, allowable budget increase for all needs was only \$86,610 this year
- Operational decreases amounted to only \$41,489
- If annual budget growth is limited to 2.5% plus new growth, and operating expenses are structurally bound to grow due to their nature (compensation related expenses, etc.) then it becomes harder and harder to catch up with savings.
- Debt is not an equivalent alternative as we generally must go beyond 2.5% limits for debt, further adding to tax rate growth.

Finance Committee Recommendations:

1. Reduce the Roads & Bridges budget from \$233,000 to \$203,000 (still a \$20,000 increase over past year)
(motion from the floor at Annual Town Meeting, Article 12 on the Warrant)
2. Increase the amount to raise and appropriate for Stabilization from \$75,000 to \$112,500 (still not at prior year's level, but closer)
(motion from the floor at Annual Town Meeting, Article 22 on the Warrant)

Taken together these actions will have no impact on overall tax rate, but will put the town in much stronger position to address future capital needs and maintain fiscal stability going forward

Select Board View

- While we have specific budget differences this year, the BOS is not in general philosophic disagreement with FinCom. While we support operating within a general policy framework, we do see the need for reasonable flexibility in application from year to year.
- Total growth in appropriations for FY21 has been limited to less than .5% which should preserve significant excess capacity for the future and limit any tax increase. That excess capacity provides one avenue of returning to a higher stabilization contribution in future budgeting.
- FinCom's major concern is that we are reducing Stabilization contributions this year to fund increased current expenses, and that it will be difficult to return to the recent traditional funding level of \$150,000.

- Contributions to Stabilization serve one of two primary purposes:
 - 1) Maintaining a policy reserve of 10% overall considering both Free Cash and Stabilization; and
 - 2) Saving for future “capital” projects.
- We have clearly maintained that 10% reserve of \$646K this year. The combined balance at FY20 yearend is \$1,057,000 (after excluding FY21 capital spending from free cash) plus an additional \$75,000 contribution to Stabilization for a total of \$1,132,000.
- Higher highway department spending this year for deferred dirt road maintenance should not be viewed as a permanent increase in the highway operating budget. That also provides an avenue for a higher stabilization contribution in the future.

- Let's not create a false dichotomy between "operating" and "capital". Appropriations to either are reflected in the tax rate.
- Saving at some level for future "capital" projects is prudent, but it is in fact pre-funding of a future benefit. The amount of that saving should be based on an annual analysis of future needs. It is not necessarily a fixed \$150,000.
- Use of debt can also be prudent. The BOS does not presume that debt is always on top of some fixed savings amount. When debt is used on a project then stabilization requirements may be lessened, or *vice versa*.
- Debt does have the desirable attribute of matching the debt service cost to the period in which the benefit is received, as opposed to pre-funding.

- In our budgeting we will probably always be faced with trade-offs. In this particular year, the BOS has reasonably made a trade-off of funding current road and tree needs instead of pre-funding a future need. And, remember, the road and tree needs don't go away if not funded. Most likely they will come back as a capital request.

Fiscal Year 2021 Presentation

Questions, comments and discussion