

SECTION 1
BUDGET MESSAGE

Fiscal Year 2015 Annual Budget & Financial Plan Budget Message

March 5, 2014

To: The Honorable Board of Selectmen and Finance Committee:

I am pleased to submit the Town Administrator's recommended FY 2015 Operating and Capital budgets and the FY 2015 – FY 2020 Financial Plan. The theme of this year's budget is "Towards a Management Based Budget for the Town of Montague".

Budget Format

This year the Town Administrator has instituted a new management-based budget format in which the town departments play a greater role in communicating the connections that exist between proposed spending and the goals and objectives of both the town and department/program. In FY 2015, departments were asked to describe what they were proposing to, what resources that would be required to get the job done and which departmental and town goals and objectives would be achieved as a result of the expenditure. These connections are articulated in budget narratives that were submitted along with the line-item budgets which were submitted in January.

The narratives include (1) A Program Description/Description of Services; (2) Budget Statement: describing the most significant changes contained in the budget submission; (3.) Budget Goals/Objectives: describing the department's primary objectives for the upcoming and subsequent years, tied to a list of town-wide goals and objectives that was provided by this office; (4.) Major Accomplishments: highlighting the significant achievements of a department/program and its efficiency/effectiveness in the use of budget resources in prior years; and (5.) Performance/Workload Indicators: Concrete, objective measures of the workload that is performed by individual departments/programs. All of this information is contained in Section Seven of this budget document: Department/Program Line Item Budgets.

Budget Goals

As always, the town's most important budget goal is to maintain a core of essential municipal services, while at the same time, minimizing the impact of spending upon the tax and sewer rates. The town's spending plan should also relate directly to the delivery of services and programs that advance the goals and objectives of the department and town. A detailed description of town goals that have been articulated in the various plans and studies developed by the town in recent years including the Town Master Plan, Open Space Plan, Economic Development Plan, HUD Livability Plan, Housing Plan, Energy Plan and in the Community Development Strategy is contained in Appendix "A". These plans help the town to identify needs, to establish priorities, to set goals and objectives, to develop a work plan for the town departments and to allocate budget resources for specific tasks and activities. They also help to guide the department heads in the development of meaningful programs.

Town goals and objectives include efforts by town departments:

- To achieve cost savings through improved operational efficiency, enhanced use of technology, regionalization of programs/services and internal consolidations;
- To ensure the retention and attraction of qualified staff;
- To improve communications and relations with customers (users of town government) through more effective use of our web site/other media, and between departments, including working together as a team on planning, problem solving and service delivery;
- To adopt policies and practices that improve the financial management of the town and enhance the town's standing with bond rating agencies;
- To fund the systematic repair and maintenance of town infrastructure (town buildings, equipment, roads/sidewalks and sewers) and where necessary providing for the replacement of aging and obsolete town facilities as part of the capital plan;
- To provide a quality level of education to residents that is affordable to the community.
- To promote a positive image for the Town as a means of stimulating tourism and economic activity;
- To facilitate economic development through the expansion of industrial capacity and support of downtown revitalization programs;
- To support efforts to protect the environment – natural and manmade - the town's most valuable resource; and
- To enhance overall quality of life through recreational and cultural enrichment programs.

Budget Overview

The FY 2015 Town Administrator's Recommended Budget (including borrowing) totals \$23,184,648 – a 20.9% increase over the FY 2014 budget of \$19,176,171. The large overall increase is due to the amount of borrowing that is recommended. The Operating portion of this budget is \$19,312,675. This is a \$675,894 or 3.6 % increase over the FY 2014 debt adjusted budget amount of \$18,636,781. This budget continues the services and the programs that are currently being provided. Additional funds are requested to expand or enlarge existing programs or add new programs/activities in the Public Safety, Public Works, Recreation & Culture, and Sewer Enterprise Programs. The proposed budget is balanced by total revenues of \$23,184,648. The revenue estimates for this budget assume that the town will levy property taxes to the maximum levy limit and realize a modest amount (\$120,000) of new growth. It also assumes that there will be a slight increase in State Aid (3% in the unrestricted governmental aid, with all other estimates assuming the numbers contained in House 1 – the Governor's FY 2015 budget). It also assumes the use of a conservative amount of Free Cash (\$299,058), with \$49,058 of this amount being used to build the Franklin County Technical School Stabilization Fund, and the use of considerably less Town Stabilization (\$38,000) than FY 2014 (\$274,000). And it includes \$2,123,294 in spending on the Sewer Enterprise Fund – a 30% increase over FY 2014, to be funded out of Sewer User Fees. The budget also anticipates the use of \$3,298,000 in borrowing to fund the following capital projects: \$3,175,000 in sewer borrowing including \$3,000,000 for the replacement of two pump stations and \$175,000 for sewer rehabilitation work on Millers Falls Road and Crescent Street. The budget also assumes the use of \$100,000 in borrowing for the town's Skateboard Park match.

The following is a summary of proposed FY 2015 revenues and expenditures as recommended by the Town Administrator:

OVERALL BUDGET SUMMARY

	FY 2013 Actual	FY 2014 Budget	FY 2015 Requested	FY 2015 Recommended	\$ Change	% Change
Revenue						
Property Tax (net levy)	\$13,501,567	\$14,007,061	\$14,441,186	\$14,441,186	\$ 434,125	3.1
Local Receipts	\$ 1,306,343	\$ 1,290,000	\$ 1,290,000	\$ 1,300,000	\$ 10,000	.008
State Aid (net of charges)	\$ 1,372,617	\$ 1,417,661	\$ 1,417,661	\$ 1,509,303	\$ 91,642	6.5
Free Cash	\$ 647,586	\$ 250,000	\$ 250,000	\$ 299,058	\$ 49,058	19.6
Other Available Funds						
FCTS Reimbursement	\$ 0	\$ 0	\$ 75,645	\$ 75,645	\$ 75,645	100
Spec. Art. Balances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Receipts Reserved	\$ 99,070	\$ 88,088	\$ 86,738	\$ 86,738	\$ (1,350)	(1.5)
Free Cash Spec. Art.	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Town Stabilization	\$ 154,182	\$ 274,055	\$ 238,000	\$ 38,000	\$ (236,055)	(86.1)
FCTS Stabilization	\$ 0	\$ 24,000	\$ 0	\$ 0	\$ (24,000)	(100)
Borrowing in Antic.	\$ 4,371,400	\$ 0	\$ 0	\$ 0	\$ 0	
Borrowing	\$ 158,000	\$ 160,000	\$ 3,000,000	\$ 3,275,000	\$3,115,000	0
Sewer User Fees	\$ 1,619,325	\$ 1,633,865	\$ 2,298,294	\$ 2,123,294	\$ 489,429	30
Airport User Fees	\$ 26,610	\$ 31,461	\$ 36,424	\$ 36,424	\$ 4,963	13.6
TOTAL REVENUES	\$23,256,700	\$19,176,171	\$23,133,498	\$23,184,648	\$4,008,477	20.9
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General Fund Sources	\$16,982,295	\$17,262,777				
Net of Borrowing, THFS						
Debt Balance, WPCF, Airport						
And Colle						

	FY 2013	FY 2014	FY 2015	FY 2015		
	Actual	Budget	Request	Recommend	\$ Change	% Change
General Fund						
Expenditures						
General Government	\$ 1,008,167	\$ 1,040,134	\$ 1,081,299	\$ 1,067,299	\$ 27,143	2.5
Public Safety	\$ 1,576,976	\$ 1,694,222	\$ 1,819,134	\$ 1,819,134	\$ 124,912	6.9
Public Works	\$ 1,556,472	\$ 1,746,169	\$ 1,766,812	\$ 1,739,000	\$ 7,169	.004
Human Services	\$ 280,464	\$ 303,700	\$ 327,213	\$ 327,213	\$ 23,513	7.8
Recreation & Culture	\$ 398,924	\$ 421,270	\$ 428,803	\$ 428,803	\$ 7,533	1.8
Debt Service	\$ 624,059	\$ 643,770	\$ 662,036	\$ 662,036	\$ 18,266	2.8
Intergovernmental	\$ 83,075	\$ 88,068	\$ 93,578	\$ 93,578	\$ 5,510	6.3
Miscellaneous						
Employee Benefits	\$ 1,760,819	\$ 1,839,313	\$ 1,882,335	\$ 1,882,335	\$ 43,022	2.4
General Insurances	\$ 63,587	\$ 85,067	\$ 87,619	\$ 87,619	\$ 2,552	3.0
Total Miscellaneous	\$ 1,824,406	\$ 1,924,380	\$ 1,969,954	\$ 1,969,954	\$ 45,574	2.4
Grand Total General Fund	\$ 7,372,544	\$ 7,861,713	\$ 8,148,829	\$ 8,107,017	\$ 245,304	3.1
Water Pollution Control						
Water Pollution Control	\$ 1,240,212	\$ 1,434,084	\$ 1,455,134	\$ 1,455,134	\$ 21,050	1.5
DPW Subsidiary	\$ 25,511	\$ 54,959	\$ 54,959	\$ 54,959	\$ 0	0
WPCF Debt	\$ 356,185	\$ 360,992	\$ 461,198	\$ 461,198	\$ 100,206	27.8
WPCF Employee Benefits	\$ 162,429	\$ 184,508	\$ 215,893	\$ 215,893	\$ 31,385	17.01
Total WPCF	\$ 1,783,337	\$ 2,034,543	\$ 2,187,184	\$ 2,187,184	\$ 152,641	7.5
Plus Town Share WPCF/MF	\$ 215,720	\$ 174,502	\$ 200,000	\$ 200,000		
Airport	\$ 36,905	\$ 43,309	\$ 45,924	\$ 45,924	\$ 2,615	6.04

Category	FY 2013 Actual	FY 2014 Budget	FY 2015 Request	FY 2015 Recommend	\$ Change	% Change
Education						
FCTS Assessment	\$ 737,865	\$ 731,659	\$ 682,601	\$ 682,601	\$ (49,058)	(7.00)
GMRSD Assessment	\$ 7,850,604	\$ 7,965,557	\$ 8,289,949	\$ 8,289,949	\$ 324,392	4.1
Total Education	\$ 8,588,469	\$ 8,697,216	\$ 8,972,550	\$ 8,972,550	\$ 275,334	3.2
TOTAL OPERATING BUDGET	\$17,781,255	\$18,636,781	\$19,354,487	\$19,312,675	\$ 675,894	3.6

Plus Special Articles

Source of Funding

Computer equipment/software	\$ 8,200	\$ 8,200	\$ 8,200	\$ 8,200	Taxation
Assessors Software Update	\$ 0	\$ 0	\$ 9,500	\$ 9,500	Taxation
Police Discretionary	\$ 0	\$ 20,000	\$ 15,000	\$ 15,000	Taxation
DPW Discretionary	\$ 75,000	\$ 75,000	\$ 100,000	\$ 75,000	Taxation
6 wheel dump (July 2013 paid)	\$ 54,055	\$ 54,055	\$ 0	\$ 0	n/a
6 wheel dump (lease 3 or 5)	\$ 0	\$ 44,000	\$ 43,325	\$ 43,325	Taxation
One ton dump	\$ 0	\$ 50,000	\$ 0	\$ 0	n/a
Bucket Truck	\$ 0	\$ 95,000	\$ 0	\$ 0	n/s
MC Library Furnace	\$ 0	\$ 10,000	\$ 0	\$ 0	n/s
Unity Park Field house windows	\$ 0	\$ 8,000	\$ 0	\$ 0	n/s
Replace 2 pump stations	\$ 0	\$ 0	\$ 3,000,000	\$ 3,000,000	Sewer Borrowing
MC School Maintenance	\$ 0	\$ 10,000	\$ 15,000	\$ 15,000	Taxation
Colle RRA	\$ 80,364	\$ 88,088	\$ 86,738	\$ 86,738	Colle RRA
Sewer Maintenance	\$ 0	\$ 0	\$ 75,000	\$ 75,000	Sewer User Fees
Sewer Rehab	\$ 0	\$ 0	\$ 175,000	\$ 175,000	Sewer Borrowing
WPCF Grade Increases	\$ 0	\$ 0	\$ 20,873	\$ 20,873	Sewer User Fees
WPCF 1.5 new positions	\$ 0	\$ 0	\$ 40,237	\$ 40,237	Sewer User Fees
Skate Park (town share)	\$ 0	\$ 0	\$ 100,000	\$ 100,000	Town Borrowing
GMRSD Doors	\$ 0	\$ 0	\$ 38,000	\$ 38,000	Stabilization
Additional salary/wage amounts	\$ 0	\$ 0	\$ 106,238	\$ 106,238	Taxation

1% COLA for non-union	\$ 0	\$ 0	\$ 15,531	\$ 15,531	Taxation
Free Cash into FCTS Stabilization	\$ 0	\$ 0	\$ 49,058	\$ 49,058	Free Cash
Total Special Articles	\$ 217,619	\$ 462,343	\$ 3,872,700	\$ 3,872,700	
Total Estimated Uses	\$17,998,874	\$19,099,124	\$23,185,375	\$23,185,375	
Total Estimated Sources		\$19,176,191	\$23,259,648	\$23,184,648	
Total Estimated Uses		(\$19,099,124)	(\$23,185,375)	(\$23,185,385)	
Estimated Shortfall		\$ 77,067	\$ (737)	\$ (737)	

Changes that eliminated the latest deficit:

- FCTS Assessment reduced by \$49,058
- GMRSD Assessment increased by \$41,258 (added to deficit)
- Skate Park - \$100,000 borrowed
- Sewer Rehab - \$175,000 borrowed
- New article appropriating \$49,058 into FCTS stabilization – offset by use of additional \$49,058 in free cash
- Additional state aid - \$91,642
- Cuts in town operating budget - \$41,812

PROJECTED FY 2015 EXPENDITURES

The FY 2015 Town Administrator's Recommended Operating Budget for town departments is \$19,312,675. This figure represents an increase of \$675,894 or 3.6 % over FY 2014. This budget includes the expenses of the General Fund and the Sewer Enterprise. The budget also recommends \$8,972,550 in spending on Education, an increase of \$275,334 or 3.2 % over FY 2014. This includes \$8,289,949 on the Gill/Montague Assessment, in line with projections included in Schedule "B" of the affordable assessment agreement, assuming that state aid numbers do increase as projected. The Franklin County Technical School Assessment is \$682,601, which is a \$49,058 or 7.0% reduction over FY 2014, reflecting declining enrollment by Montague students. It is a balanced budget. The budget continues the services and programs currently being provided. Additional funds are requested to expand or enlarge existing programs or add new programs/activities consistent with town-wide goals. Program expansions are proposed in the General Government, Public Safety, and Recreation and Culture in the General Fund and in the Sewer Enterprise Fund. The revenue estimates for this budget are relatively conservative assuming the town levies to the maximum levy limit, that there is a modest (3%) increase in unrestricted state aid, and that there is very little additional revenue growth.

Recommended spending on special articles is \$3,872,700. This includes \$3,275,000 in proposed borrowing: \$100,000 in town borrowing for the proposed Skate Board Park match; and \$3,175,000 in sewer borrowing, including \$3,000,000 for the replacement of two pump stations and \$175,000 for important sewer rehabilitation work.

The recommended grand total of expenditures is \$23,185,375. This number assumes that the Franklin County Technical School Budget will be funded at the requested level, and an equivalent amount of money voted into FCTS stabilization from Free Cash; an additional \$41,812 in cuts will be made to other portions of the Town Operating Budget and the Gill Montague Regional School Assessment will be increased to the requested amount, which is \$41,258 more than originally budgeted, before \$91,642 in additional State Aid was calculated into the affordable assessment formula (See Line Item Budget Details). The recommended budget also includes \$25,000 less in capital spending than was proposed with the recommended cut coming in the DPW Discretionary appropriation (\$100,000 was requested), recommends that \$49,058 in Free Cash be voted into the FCTS Stabilization Fund, and includes the additional borrowing described above.

The highlights of the Town's operating budget are shown in the following section. However, it should be noted that there were many worthwhile, new or expanded programs/activities requested but they were not able to be funded for FY 2015. Readers are strongly urged to look at the detail in the line item budgets submitted by the departments (Section Seven) and the backup information and analysis that are included in the accompanying budget narratives.

DEPARTMENTAL BUDGET SUMMARY

The following is a summary of significant changes in the budget requests that have been submitted. It also includes a summary of recommendations by the Town Administrator.

OPERATING BUDGET

GENERAL GOVERNMENT (Budget Code 100)

The FY 2015 Recommended Budget is \$1,067,299. This represents a 3% increase over the FY 2014 Budget. Significant changes requested include the following:

Moderator: \$500 to cover the printing and mailing of a Town Meeting Handbook was requested but is not recommended.

Selectmen: an increase of three (3) hours per week to 30 hours/week for the Selectmen's Executive Assistant (+\$3,749) to cover increased workload in the department. The position was formerly a 35 hour/week position and the requested increase in hours is recommended. Other requested increases which are not recommended include \$1,500 for printing/mailing of the Town Administrator Budget, and \$2,000 for streetscape maintenance (balance to be carried forward).

Accountant: \$665 to fund the purchase of a new printer.

Assessing: \$8,500 to fund a software upgrade for the assessing department.

Shared Services: \$6,500 to fund the implementation of a Code Red emergency notification system. This year the town will not have to appropriate funding for GASB 45 triennial audit. This will save an equivalent amount of money.

Town Clerk: \$10,000 increase in the clerk's budget to fund poll workers in a year that has more elections.

Utilities: The amount requested is not recommended. Cut \$10,000 from this amount to bring it more into line with actual spending. The town has experienced significant energy savings in recent years.

Public Safety (Budget Code 200)

The FY 2015 Recommended Budget is \$1,819,134. This represents a \$124,912 or 7% increase over the FY 2014 Budget. Significant changes in the Public Safety Budget include the following:

Police: \$50,302 to fund the salary of a school resource officer for the Franklin County Technical School. One hundred percent of this cost will be reimbursed by the FCTS. In effect, the creation of this new position will also make an additional full time police officer during vacations and summer for no additional cost.

Dispatch: a \$20,277 or 9% increase in wages/salaries due to the implementation of the pay and classification study. The new compensation plan for the Dispatch Department, particularly the entry level wages, will make the department far more competitive in the labor market and hopefully lead to reduced turnover.

Board of Health: Although not shown in the Board of Health budget, the town's participation in the Attorney General's Receivership Program will require the services of our attorneys to implement. For this reason, this budget level funds the legal budget even though the overall legal case load is expected to be less than the current year.

Public Works (Budget Code 400)

The FY 2015 Recommended Budget is \$1,739,000. This represents a \$7,169 or .001% increase over the FY 2014 Budget. Significant changes in the Public Works Budget include the following.

Department of Public Works: Cut additional \$20,000 from the budget. Even with the proposed cut the department would receive a \$35,000 or 12% increase over FY 2013 actual spending. In addition, there will be significant savings in disposal costs (in excess of \$30,000/year) along with no increase in curbside collection costs in FY 2015. The department's budget request only cuts \$14,000. Expenses under the current FY 2015 budget are 19% higher than FY 2013 actual spending.

It should be noted that the above request does not reflect any increases attributable to the implementation of the Pay and Classification study because the town is still in the process of negotiating a collective bargaining agreement with the UE union.

Human Services (Budget Code 500)

The FY 2015 Recommended Budget is \$23,513. This represents a \$23,513 or 8% increase over the FY 2014 Budget. Significant changes include the following:

Veterans Services: The primary reason for the increase in the Human Services budget is the rising costs of Veteran's Benefits which will grow by \$20,000 or 13.1%. This is due to a growing caseload (currently 25) for veteran's assistance and veteran's benefits attributable to the economic slump.

Recreation and Culture (Budget Code 600)

The FY 2015 Recommended Budget is \$428,803. This represents a \$7,533 or 2% increase over the FY 2014 Budget. Significant changes include the following:

Library: Although the Library budget request only represents an increase of \$4,473 or 1.0%, within this budget the department is proposing to increase staff by creating a new 26 hour per week position. The Library is currently undergoing major staff turnover (including the hiring of a new Library Director, Children's Librarian, and Library Technician) in which of the replacements will (have been) hired at a lower pay grade. This will result in a significant payroll reduction. Some of the funds that are being freed up could be used to fund the new position. This position would be used to increase coverage of the circulation desk. The cost of the position (not including benefits) is \$16,759. The new position is recommended because of a significant increase in circulation/interlibrary loan

activity. In order to handle this increased workload the Library has had to rely of the use of professional staff people. The addition of the new staff person will free up these people to work on grants and other more appropriate tasks. This activity may include renewed interest by staff in planning for a new library.

Parks and Recreation: The Parks and Recreation budget includes a \$1,637 increase in funding for the part-time temporary wages account. This is needed to pay for an anticipated increase in the State's minimum wage.

Debt (Budget Code 700)

The FY 2015 **Debt** Budget is \$662,036. This is an \$18,266 or 2.84% increase over FY 2014. It is due to changes in amortization schedules. No significant new town debt is anticipated.

Intergovernmental (Budget Code 840)

The FY 2015 Recommended Budget is \$93,578. This represents a \$5,510 or 6.26% increase over the FY 2014 Budget. Significant changes include the following:

Two of the agencies included in this category proposed significant budget increases including: Franklin Regional Council of Governments (+\$3,119 or 6%), and the Franklin County Solid Waste Management District (+\$2,119 or 11%). These increases are somewhat greater than those requested in recent years; and should be viewed as a process of catching up. Both agencies relied more heavily in recent years on the use of reserves to stabilize their assessments.

Employee Benefits/Insurances (Budget Codes 910/946)

The FY 2015 Recommended Budget is \$1,969,954. This represents a \$45,574 or 2% increase over the FY 2014 Budget. Significant changes include the following:

In the area of employee benefits the most significant increases are in the area of **Health Insurance**; and this increase is entirely driven by the addition of new staff and not premium rates, which were actually level funded for next year. Health Insurance costs will increase by \$26,300 or 3.0%, assuming that Town Meeting approves the creation of the new Library position and the School Resource Officer for the Franklin County Technical School. **Retirement** costs will increase by \$5,752 or 1.0%. **Medicare** costs are projected to increase by \$6,954 or 15% due to the increase in staffing and overall payroll.

Insurance costs are expected to increase by \$2,552 or 3%.

Colle Building

The FY 2015 Recommended Budget is \$86,738. This is a slight reduction which reflects a declining amortization schedule for the debt that was incurred by the Town to renovate the building. The facility is 100% leased; and the revenues generated by these leases cover all the operating/maintenance costs and return a significant balance at the end of the year which will eventually be used to fund capital improvements to the building.

Airport (Budget Code 482)

The FY 2015 Recommended budget is \$45,924. This represents a \$2,615 or 6.0% increase over the FY 2014 Budget. The most significant changes include the following:

The primary reason for the increase is the implementation of the town's pay and classification study which recommends an increase in the wages paid to the Airport Manager. User fees will cover 79% of the cost of the Airport Budget in FY 2015.

Water Pollution Control Facility (Sewer Enterprise Fund) (Budget Code 440)

The FY 2015 Recommended Operating Budget is \$2,187,184. This represents a \$152,641 or 8.0% increase over the FY 2014 Budget. If one time operating costs associated with the Millers Falls Road/Industrial Boulevard Sewer emergency is removed from the FY 2014 budget, for comparison sake, the increase is actually \$232,641 or 12%. The latter (adjusted) figure is the one used in this analysis. The most significant changes include the following.

Operations and Maintenance: Operation and Maintenance cost at the Water Pollution Control Facility increase by \$100,651 or 10% over the actual FY 2014 budget figure. This increase includes a \$47,534 or 30% increase in electricity to run the WPCF and pump stations. These costs are attributable to process changes implemented at the WPCF and to overall increases in the cost of electricity. A second significant change was an \$18,362 or 10% increase in the Millers Falls sewer assessment. This cost is driven primarily by the volumes of wastewater delivered to the Erving Plant.

It must be noted that the current budget, as requested, does not include any increased operations costs associated with the hiring of new staff (cost estimated at \$40,237) or the reclassification of plant personnel (cost estimated at \$20,873). It also does not include any costs associated with the implementation of the pay and classification plan.

It should also be noted that the operating budget assumes that the department will continue to incur \$200,000 in cost to dispose of sludge. If the department is capable of sustaining the level of savings currently being realized as a result of process changes at the plant, that number and the overall bottom line of the WPCF could be significantly lower. This, and the additional revenues currently being generated through the acceptance of sludge and septage from other communities, could offset much of the increase in the budget.

WPCF Highway Subsidiary: The proposed Highway Subsidiary Budget is currently level funded with the FY 2014 number.

W.P.C.F. Debt: A second major driver of the increase in the Water Pollution Control Facility Budget is the additional debt to be incurred as a result of the sewer replacement done in response to an emergency affecting the integrity of the Millers Falls Road/Industrial Boulevard collector sewer. The FY 2015 sewer debt budget will increase by \$100,206 or 28%. It should be noted that the debt budget does not include the borrowing cost associated with the replacement of two pump stations. If approved at the May 3, 2014 annual town meeting, this project will not impact the budget until FY 2017.

WPCF Benefits: WPCF benefits will increase by \$31,385 or 17% in FY 2015. This is due to the addition of staffing that has been requested for the plant.

Education (Budget Code 300)

The FY 2015 Recommended Budget is \$8,931,292. This represents a \$234,076 or 3.0% increase over the FY 2014 Budget.

Significant changes include the following:

Gill-Montague Regional School Assessment: \$283,134 to fund the Gill-Montague Regional School District assessment. The recommended amount is based upon a calculation consistent with Table B of the affordable assessment. This is a 4.0% increase. The actual preliminary assessment figures from the Gill-Montague School District, for Montague, are actually much higher than this.

Franklin County Technical School: \$682,601 to fund the FCTS regional school assessment. This represents a \$49,058 or 7.0% reduction over the FY 2014 assessment. It is also recommended that the town appropriate \$49,058 into the FCTS stabilization fund, consistent with past practice.

SPECIAL ARTICLE/CAPITAL PROJECTS

The Recommended FY 2015 Budget includes \$3,387,700 in Special Articles which are funded out of various revenue sources in the General Fund, Sewer Enterprise Fund, Colle RRA. The following articles have been requested:

Computer Equipment/Software: \$8,200 out of taxation to fund this recurring expense, which could easily be justified as an annual operating (capital outlay) expense.

Assessing Software Update: \$9,500 out of taxation to fund this important technology upgrade.

Police Discretionary: \$15,000 out of taxation to fund this annual expense.

DPW Discretionary: \$75,000 from taxation is recommended. \$100,000 was requested.

6 Wheel Dump Truck for DPW: \$43,325 from taxation is recommended.

Montague School Maintenance: \$10,000 from taxation is recommended. \$15,000 was requested.

Replace Sewer Pump Stations: \$3,000,000 from sewer borrowing recommended.

Colle Operation/Maintenance: \$86,738 from Colle Receipts Reserved

Sewer Rehab: \$175,000 from sewer borrowing to fund the lining of 2,070 feet of sewer on Industrial Boulevard/Millers Falls Road, and 700 feet of sewer on Crescent Street in Millers Falls.

Sewer Maintenance: \$75,000 out of available funds (\$35,000 from the Infiltration and Inflow Study appropriation, and \$10,000 from sewer retained earnings for the cost of Sewer Inspections) and \$35,000 from sewer user fees for the Canal Siphon work since it could result in savings to the town due to a reduction in infiltration and inflow.

WPCF Grade Increases: This is a subject of collective bargaining. Although the amount requested is included in the sewer budget, any appropriation should only come following the ratification of a collective bargaining agreement.

WPCF Staffing Increase: \$40,237 from sewer user fees to fund 1.5 staff people at the WPCF, to be funded out of sewer user fees.

Skate Board Park – Town Share: \$100,000 (or other amount to be determined) to be borrowed, plus any additional borrowing authorization that is necessary in anticipation of receiving grants.

GMRSD Doors: \$38,000 to be funded out of stabilization.

Additional amounts for TOMEA, UE Pay and Classification Implementation: \$106,238 out of taxation.

1% COLA for non-union personnel: \$15,531 out of taxation.

Transfer \$49,058 from Free Cash into FCTS Stabilization Fund

PROJECTED FY 2015 REVENUES

For FY 2015 it is projected that the total revenue and other funding sources will be \$23,185,385. This amount - less the \$3,275,000 in new debt that will be incurred in FY 2015 - will result in net revenues of \$19,909,648. This is an \$893,457 or 4.7 % increase over the FY 2014 debt adjusted amount of \$19,016,191. Seventy three percent of the revenue comes from the **Property Taxes** compared to seventy four percent in FY 2014. **Local Receipts** account for the six and one half percent of the revenue budget and **State Aid** contributes seven and one half percent. **Sewer User Fees**, which will grow \$489,429 or 30% over their FY 2014 appropriation will account for 10.7% of all revenues. (See the Financial Summary Section for charts, graphs and more information on Montague's revenues.)

Property Taxes: The FY 2015 net tax levy is estimated to be \$14,441,186. This represents a \$434,125 or 3.1% increase over the FY 2014 net tax levy. This includes the normal 2.5% increase plus \$120,000 in new growth. It is assumed that the Town will levy up to the maximum levy limit. In addition the town will raise \$688,782 on the tax levy for the purpose of paying debt services on projects where debt exclusions were voted (i.e. Police Station, Combined Sewer Overflow, and the Turners Falls High School/Middle School)

Local Receipts: Local receipts are projected to be approximately level funded with FY 2014 level of \$1,300,000. \$10,000 in recycling revenues has been added to the FY 2015 total, which is now \$1,400,000. Although there may be an additional modest increase (1%) in motor vehicle excise tax revenues, this will be largely offset by reductions in rental income (town hall office) and Medicare Part D reimbursements. Additionally, other local revenues include Sewer Enterprise Fund which offsets most (if not all) of the expenditures made by the Water Pollution Control Facility.

State Aid: Based upon the Governor's proposed budget and the town's estimates, net state aid is projected to increase by \$91,642 or 6% to \$1,509,303. This is an optimistic, but reasonable, estimate that assumes that all cherry sheet categories, with the exception of unrestricted general government aid, will be funded at the level contained in the Governor's budget, which resulted in an increase of \$53,035. This forecast also assumes that the Legislative leadership will follow through on its promise to "do better" on unrestricted aid. An increase of "3%" has been rumored as a likely outcome. This would add an additional \$37,225 in unrestricted general government aid. Due to the lack of certainty on these increases it is recommended that the additional funds be earmarked to fund capital items that would otherwise have to be funded out of stabilization, such as the DPW Discretionary and GMRSD Doors. In effect that would be funding it out of taxation with the anticipation of state aid.

Other Available Funds: Revenues from available funds are estimated to be \$236,807. These include the FCTS SRO Reimbursement (\$75,645), Airport User Fees (\$36,424), Town Stabilization (\$38,000), and Colle Receipts Reserved for Appropriation (\$86,738). There are currently no special article balances being used in the budget. If the Finance Committee were to vote not to increase the state aid number and/or to make the cuts that have been proposed, additional revenues would be needed. This may require the use of additional Stabilization Funds.

Free Cash: The Town's free cash was certified at \$563,092 on July 1, 2013. The current free cash balance is \$338,092. The FY 2015 budget includes the use of \$299,058 in free cash. This includes \$250,000 to be applied towards the funding of the Town General Operating Budget and Gill-Montague Regional School Assessment (\$125,000 to each). An additional \$49,058 is being requested as a transfer into the FCTS Stabilization Fund. This will leave a balance of \$39,034 of free cash.

Borrowing: The budget includes \$3,275,000 in borrowing. Of this amount \$3,175,000 will be borrowed by the Sewer Enterprise Fund, \$3,000,000 of which will be used to replace two pump stations. This debt will not affect the sewer debt service budget until FY 2017 and it will be subsidized under the State Revolving Loan Program (Mass. Department of Environmental Protection) which provides low interest loans (2%) for sewer work. It is also recommended that sewer borrowing be used to fund \$175,000 Sewer rehabilitation work on Millers Falls Road/Industrial Boulevard and Crescent Street in Millers Falls; that an additional \$100,000 be borrowed by the General Fund for the Skate Park project.

Conclusion

In conclusion, I am pleased to complete the first stage in Montague's budgeting process. If the recommendations contained in this report are adopted by the Finance Committee and included in their final report to Town Meeting, they will result in a tax levy of \$14,838,356 on taxable value of \$760,048,413. This would result in a very preliminary residential tax rate of \$17.01/\$1,000 and commercial rate of \$25.38/\$1,000. This rate assumes that the Board of Selectmen adopts a residential factor of .871135. The actual

tax rate will be determined following the adoption of the final budget by Town Meeting in May. It should be pointed out that the final budget to be adopted by town meeting may include changes, some possibly significant, in the actual amount of expenditures that will be made and the sources from which they will be funded.

Respectfully submitted,

Frank Abbondanzio
Town Administrator