

March 28, 2019

**REPORT OF THE FINANCE COMMITTEE
FOR PROPOSED 2019
FISCAL YEAR BUDGET**

By: William (Bill) Drosehn III – Chairman

Each year in advance of the Annual Town Meeting in May, the Finance Committee, Select Board, and Town Manager work collaboratively to craft a budget that will provide the town's citizens with the range of quality services provided by their town government at lowest taxation level possible. This must be accomplished while complying with the tax limiting statute, Proposition 2-1/2. We have been fortunate that a majority of the line item budgets have been held to reasonable levels. Regardless of that outcome we continue to carefully weigh both necessity and affordability of each proposed individual line item that comes before the Finance Committee. After doing that we make recommendations on each of 72 individual budget proposals which range from \$185 to nearly \$7.9 million in addition to capital requests. Our final product is a comprehensive spending plan which adheres to the requirements of being fiscally responsible while meeting the needs of our residents. Having successfully completed this task, we recommend our FY2020 budget be entirely adopted at town meeting for the fiscal year which begins on July 1st.

The proposed Dalton spending plan for FY20 as recommended by the Finance Committee calls for total appropriations of \$17,829,698. This is an increase of 1.8% or \$310,485 over last year, most of which is due to increases in funding special articles increasing our reserves. The combined actual town operating budget and school assessment for FY2020 is anticipated to increase 1.2% to a total of \$16,161,855. The committee, with the guidance of the town financial team, uses an assumption that Dalton's estimated local receipts (comprised of excise taxes, permits, fees, fines, investment income and sewer user fees) should be budgeted to increase approximately \$57,002 or 2.6% to \$2,215,393. This is relatively small due to the level of activity in the town. These forecasts along with the nominal state revenue increase cause us to again recommend the use of some of our reserves to reduce any tax increase. This year Dalton's Free Cash is certified at \$1,600,527, this is less than last year indicating the budget is maintaining but not increasing. We again recommend transferring \$200,000 from Free Cash at the Annual Town Meeting to be used to directly reduce the tax rate when set in the fall, and an additional \$1,180,852 for other worthy uses. While the committee endorses each of these proposed Free Cash articles, we are aware that we must continue to regenerate these reserves to be successful. The \$200,000 is the same amount recommended to reduce the rate over the last two years. We must be careful to budget available funds to fund critical needs that would otherwise need to be cut. With full approval of all of our recommendations, the property tax assessment increase would be \$254,294 or 2.1% above FY2019 and put us over \$1,113,822 under our adjusted Proposition 2-1/2 tax cap, an improvement of \$281,583 over last year. This excess unused taxing capacity provides us with an important cushion should we ever need to access it. The tax rate is likely to be just under \$20.00/thousand subject to the finalization of the FY20 property valuation. This year the average tax increase will be approximately 2.1% keeping us in line with recent years.

Due to our continuing constrained ability to generate new revenues, the budget was framed by the Town Manager's guideline which directed department heads to level-fund expense accounts where

possible and the committee is in agreement with this guiding principle. Naturally, there are situations where we face uncontrollable increases. The committee has also concurred with a recommendation of a general salary increase of 2.0% in addition to the regular step adjustments for all non-bargaining town employees. At the same time, we are in negotiations with our collective bargaining units within our Police, Highway/Cemetery, and the Communications Departments. Once this is complete we will need to look again on the methods needed to fund the contracts.

Of the 72 individual accounts the committee reviewed this year, eleven are recommended for reduction, and fifteen are to remain the same as originally planned a year ago. The remainder are increasing and as usual while most of these increases are small in terms of both absolute and percentage, this overall budget is very stable at this time.

As discussed annually, paying for our portion of the budget of the Central Berkshire Regional School District is often the greatest challenge for the town of Dalton as it is greater than half the entire town budget. The school budget is not under the direct control of the member towns. The School Committee decides the total resources needed to adequately fund its educational programs. The assessment to towns is calculated by taking this “adopted” school budget, subtracting state educational and transportation aid and other miscellaneous revenues, and then dividing the remainder between the member towns by a weighted formula. This assessment, which represents 58.0% of the total school budget, is a combination of a state formula for the foundation budget and a calculation based on the regional agreement covering the balance. This means that the percentage changes will differ from town to town. This can cause problems for one or more towns if their percentage increases are “unaffordable” to them. Each town meeting votes on their requested assessment and if the respective amounts pass in 5 of the 7-member towns (Dalton, Becket, Cummington, Hinsdale, Peru, Washington, & Windsor) the entire budget is deemed approved. Each member is then contractually obligated to appropriate their required share of the approved amount. If the requested assessment fails to be supported in at least five of the towns, the school committee must lower the budget and all of the assessments. Ten years ago, the enormity of the increase in Dalton’s assessment, coupled with the approval of the requisite number of towns triggered over \$200,000 in reductions in our town services after an override to increase taxes to cover our share failed. Fortunately, since then the school district has worked to better control their budget meaning increases in our CBRSD assessment have generally been affordable to the town.

The process was an easier experience again this year compared to some in the past. The School Committee and Administration presented a total expenditure budget of \$27,634,846 which represented a \$225,428 increase over last year’s, amounting to a 0.82% increase. The revenue budget featured a modest increase in state aid of about \$72,000 and school choice revenue of \$75,000. But when the school committee applied \$1,122,136 from the schools E&D account (similar to the town’s Free Cash) to the total operating assessment it resulted in a 0.87% total increase to the member towns compared to last year. Dalton’s Operating Assessment portion is increasing by \$16,922 or 2.4% to \$7,868,396. The finance committee recommends approval of this request as per Article #6.

Dalton votes the Transportation portion of the school assessment separately. It represents the amount left to pay for the costs to bus the district’s students after factoring any reimbursement from the state. Regional School Districts are supposed to receive full reimbursement according to a state statute to encourage regionalization, but this never actually seems to happen. Estimated Regional Transportation Aid will only cover 44% of the FY20 bussing cost. Fortunately, the district maintains a Transportation Revolving Fund, something instituted two years ago. This year they are supplementing the state

reimbursement with an additional \$450,000 from this fund bringing it to a total of 69% of the bussing cost. The towns must pay any remaining difference using a formula based on the number of students from each town. This year it amounts to \$406,174 for Dalton which is 19% higher than last year figure. Therefore, the committee recommends a favorable vote on this Article #7.

The Capital Budget Assessment covers our pro-rata share of the debt on new construction and major improvements to the school district buildings where Dalton sends any of its students (Craneville, Kittredge, Becket, Nessacus, & Wahconah), and has decreased this year by \$7,495. Each town payment is a total of a pro-rata share of the net debt and interest due on each project based on number of students attending the respective facility based on enrollment figures as of 10/1/18. Dalton's portion primarily includes debt and interest payments on prior Wahconah renovations, Craneville roof project and small portions of Becket, Kittredge and other district-wide projects. The committee recommends this Article #8 at the total requested level of \$164,265 of which \$161,666 is voter debt excluded, meaning those dollars are taxed above the levy limit as previously authorized by the taxpayers.

At the writing of this report the new school proposal was going before the voters in this school district. No matter the outcome I hope that the towns people will come together to make what ever happens come to fruition.

There are a couple other special articles the committee has considered. Article #14 asks for \$500,000 to be transferred from Free Cash to add to four Dalton Stabilization Funds which holds funds for specific individual purposes. It is considered fiscally sound to maintain balances in these funds and the committee recommends a favorable vote. Article #15 is for \$600,000 to be transferred from Free Cash to the OPEB Trust Fund, to cover future post-retirement employee benefit obligations. Funding this account reduces future liabilities which improve our financial rating and the committee recommends passage.

Preparation of a successful budget is the result of many hours of hard work by all of those involved in the process that began six months ago. I would like to thank all the participants in this endeavor, especially the town financial team, lead by Town Manager, Ken Walto and assisted by Town Accountant, Sandy Albano, and Town Treasurer, Dawn Fahey. Thanks also to the Select Board and the department heads for their effort on the budget, and to each employee for their continued commitment to the town. I express my appreciation to Debra Goddeau for keeping dependable minutes of our meetings.

This has been a challenging year with the coming of the school capital proposals, Sewer expenses both from the City of Pittsfield as well as repairs, the engineering for reconstruction of Dalton Division Rd. and the demolition of old Dalton high. We have many things to think about when it comes to your beloved town. The most important being that we all work together to keep it fiscally healthy. This was my first year in the position of Finance Committee Chair and I have learned a lot from our Fiscal team as well as the past Chairman. I would like to thank all of the members of the finance committee for their participation in this year's budget process as well as the financial issues coming before the town. We have had to make some very hard votes this year that have not been taken lightly. I would also like to give a special thank you to Karen Schmidt one of the members of the finance committee for keeping the blue book straight as this book allows us to make motions and keep the budget information in order. I look forward to the support of the voters and the finance committee in this coming fiscal year.

Thank you