

Advisory Committee ATM Warrant Letter to Town of Princeton Voters

Collectively, the Selectboard, Advisory Committee, and Town Finance Team are focused on increased financial transparency and year-round planning and reporting. The scope of this collaborative work encompasses a year-round timeline of planning for the Operating Budget, 5-year Capital Forecast, 5-year Financial Outlook, and the correlated Debt Schedule. This is built on the foundation provided by the Town Hall financial staff, the town assessors, and the town's new accounting system we migrated to the past year.

Draft Financial Policy

We started these enhanced planning efforts in July 2019. The Advisory Committee drafted a town financial policy modeled after Division of Local Services' best practices. During the past 10 months, we have been applying this draft policy for this year's budget process. The policy provides better discipline for financial matters with clear definitions, timing, process, and guardrails for ranges, minimums, and limits. As a result, this year's budget process saw several changes:

- The yearly budget calendar was developed to both meet the critical deadlines of all parties involved in the budget process and to avoid a "mad rush" just before the Annual Town Meeting (ATM). The yearly schedule and long range planning was disrupted with a series of unplanned events including the PFAS project and Special Town Meeting (STM), the timing of the temporary closure of Bagg Hall, the COVID-19 pandemic meeting and workplace restrictions, and economic uncertainties.
- A new comprehensive capital request form was implemented with each department presenting their capital requests detailing the amount, justification, method of payment and priority. Based on the capital requests and priorities, an initial 5-year capital plan was developed. We plan to refine this plan during FY21 for FY22-FY26.
- Capital expenditures were defined in the financial policy, and as a result, several small capital requests below a certain dollar threshold were placed into the operating budget to streamline planning, increase focus on large-dollar requests, and reduce complexity within the warrant article.
- The policy outlined appropriate uses of Free Cash; these do not include recurring expenses. As such, several categorical items that in previous years were paid from Free Cash were moved to the operating budget or requested as "raise and appropriate" articles. Many uses of free cash continue and are reflected in this year's ATM Warrant Articles including Stabilization Funds transfers, OPEB retirement payments, and projects tied to capital expenses.

Tax Impact of FY21 Budget, Past ATMs, and Future STM

The June ATM Warrant Articles are reduced from a typical year and are focused on items that keep the town operating and move time-critical projects along. Several originally planned capital requests have been removed. When the State completes its budget and provides revised forecasts/plans for local allocations, these delayed expenditure requests will come before the voters at either a STM or at the May 2021 ATM.

Proposed Operating Budget, Article 3

The town FY21 operating budget (Article 3) request is for \$10,693,162, a \$440,758 increase (4.30%) from the FY20 operating budget of \$10,252,404. If the operating budget is passed, the taxpayer impact for the average single-family residence will be \$304.

The majority (93.6%) of the operating budget increase is related to State mandates including the following:

- School Budget Increase: \$335K (\$230K is for WRSD and balance for Monty Tech and Smith)
- PFAS debt: \$13K (interest only)
- Veteran: \$17K (will be reimbursed by the state in future years)
- Police Training: \$48K (includes new mandatory training minimums and backfilling officers)
- Total: \$413K or 93.6% of the \$440K (total increase)

Additional FY21 Warrant Articles 4D, 7, and 13

The FY21 warrant includes several articles requesting funds to be raised and appropriated. Adding these items brings the proposed budget increase to a total of \$463.6K or 4.52% from FY20 with an incremental tax impact of \$11 for an average single-family residence.

Previously Approved Warrant Articles, Debt for Past ATM and Past STM

At prior town meetings, voters approved funds to be borrowed for Bagg Hall repairs and for the PFAS project. In FY21, the town is making interest-only payments for these projects as part of the debt service section of the operating budget. In FY22 and for 10 years forward, the town will be making principal and interest (P&I) payments. These payments will add \$268K to the annual town budget with an additional \$189 impact for the average single-family residence starting in FY22.

Future Debt for Proposed Capital Expenses

The town may schedule a STM to request funds for capital projects to include a highway vehicle, a police vehicle, TPS parking lot repair, fire station #2 generator, and a new salt barn with an estimated total cost of \$466K. If paid for with a 7-year loan at current market rates, the increase in debt service payments would be \$75.2K with an additional \$50 impact for the average single-family residence.

Summary

Cumulatively the Fiscal Year 21 budget and warrant articles, the proposed Fall STM and previous ATM/STM P&I payments waiting in the wings for the already approved debt for PFAS and Bagg Hall will add to this increase bringing the total cumulative increase in the average single family residence property tax bill to \$554.

Summary Tax Impact

Budget Item	Tax Impact on Avg Residence*	Cumulative Impact on Avg Residence*
Proposed Operating Budget FY21	\$304	\$304
+ Add. Warrant Articles FY21	\$11	\$315
+ Previously Approved, Impact FY22	\$189	\$504
+ Debt for Proposed Capital Expense deferred decisions Fall STM	\$50	\$554

** Average Single-Family Residence assessed value \$384,442; yearly assessed property tax \$6,093*

Stabilization Fund

Article 9 requests to move Free Cash of \$267,424 to the Stabilization Fund. This is a conservative contingency plan while the town and the school district await this year's State budget allocations. In the future, we will have more flexibility to perform more long-range planning around capital projects to include the deferred items mentioned above and new requests

School Budget

The Advisory Committee will make a motion to amend Article 3 to lower the WRSD budget assessment of \$5,184,582, an increase of \$230,751 or 4.66% over FY20. The amended amount to be motioned will be \$5,127,215, an increase of \$173,384 or 3.50% over FY20. The difference between these amounts is \$57,367 or 1.16%. The spirit of the amendment is being prudent with the limited funds the town has while ensuring the town's commitment to the delivery of a quality education remains intact.

The rationale is the following:

- The WRSD budget for FY21 is \$102,115,384, which represents an overall increase of 4.37% while Town Assessments are up 5.24% over FY20. The Princeton student population K-12 is 428 students (an increase of 5 students), 6.11% of the district's 7,003 students.
- AC/SB issued a letter to WRSD after the budget briefings in February to request the Finance Committee look for cost savings and bring the district increase down from 5.24% to 3.5%. Prior to that, in October at the WRSD budget roundtable, the 5-town guidance to the school district was an increase of 3-3.5%. Most towns are challenged to balance budgets above a 3% growth. Every percent above 3% can be a reduction of that same percentage of town services. Yearly planning for towns is based on a 2 ½% increase over the previous year revenue raised through local taxes.

- Annual real estate tax increases are limited by our levy limit which grows by 2 1/2% per year plus an allowance for new growth (which is projected to be limited for FY21 due to the current recession). In addition, some other revenue categories are projected to decline due to COVID-19, the resulting recession, and large deficits in the State budget. The overall revenue increase is projected at 2.0%. The budget increase of 4.52% (including separate warrant articles) exceeds the amount of revenues expected to be raised for the fiscal year by 2.52%, thereby eroding into our excess levy capacity and reducing our future financial flexibility.
- WRSD is now planning on operating on a 1/12th budget and has taken budget reduction measures with layoffs as COVID-19 has affected state planning and allocations. The WRSD budget is 30% dependent on state allocations, which are indirectly tied to the State's revenue collection. Several industry groups forecasting the State revenues have indicated a 10-20% shortfall. This means the WRSD will need to come back to the 5 towns with a new budget assessment sometime in the coming months, once they get clarity on state allocations and how to address increased COVID-19 costs for reduced classroom sizes, remote learning, and possibly more transportation costs.
- Voting the requested 4.66% February assessment at the June ATM, with voters best intended desires to support the school system, may result in an over-payment based on the knowledge that a new town assessment will come in the next several months. At a later date, an over-payment is certified as Free Cash that is voter directed to town future needs excluding recurring operating expenses listed in Article 3 which includes schools.