



ADVISORY COMMITTEE ATM LETTER TO TOWN OF PRINCETON VOTERS

Annual Town Meeting (ATM) May 15, 2021 for Fiscal Year 2022

PRINCETON FINANCES – PAST, PRESENT AND FUTURE

Over the past five years Princeton budgets grew on average at 3.4% annually. This year the proposed town budget is 3.66% greater than last year's budget. However, looking five years into the future the needs of the town will require growth in spending. Two important new costs are a proposed new public safety building and the multiyear PFAS related expenses. The 2019 discovery of PFAS (a family of hazardous chemicals) in the drinking water at town hall and later at 25 homes around the center of town introduced a new yearly expense for Princeton and its residents. The full scope of this problem and cost of remediation is still unknown. Along with ongoing maintenance costs, we fully expect that there will be an increased need for funding to manage this problem.

I. The Past - Five Years FY16-FY21

Financial information is more meaningful when viewed in perspective. The FY 22 budget growth of 3.66% continues a trend of year-on-year budget growth. Between FY 16 and FY 21 the budget grew by 18% (~ 3.4% annually) compared to cumulative inflation at 9%.

	FY 16 Budget	FY 21 Budget	% Growth
General Government	\$621,056	\$781,765	26%
Public Safety	1,145,209	1,334,385	17%
Schools	4,742,340	5,674,056	20%
Public Works	1,236,706	1,259,849	2%
COA & Veterans	43,530	133,116	206%
Library, Parks, etc.	186,132	218,113	17%
Debt Service	274,000	445,400	63%
Retirement, Benefits & Payroll Taxes	<u>811,923</u>	<u>846,479</u>	4%
	<u>\$9,060,896</u>	<u>\$10,693,163</u>	18%

II. The Present - Fiscal Year 2022

This year's budget process was a collective effort between the Selectboard, Advisory Committee, and the Town Finance Team. This was also the first year that the process was guided by the newly adopted Town Financial Policy Guidelines. This included a more disciplined process around a budget time line and the development of a capital plan, debt schedule, operating budget, and five-year forecast incorporating all planned operating and capital projects.

Operating Budget

The proposed FY22 Town Warrant has an operating budget of \$11.1Million, up 3.66% from the prior year. This compares to inflation of 2.6% for the 12 months ending March 2021. The components of this increase are as follows (Department Table on page 2):



Department	\$ Increase	% Increase
General Government	+\$63.6K	+8.08%
Public Safety	-\$60,4K	-4.53%
Education	+\$13.3K	+0.23%
Public Works	+\$314.7K	+24.85%
Human Services	+\$5.4K	+4.04%
Culture & Recreation	+\$26.8K	+12.42%
Debt Service	+15.2K	+3.41%
Miscellaneous	+12.8K	+1.51%
Total	+\$391.2K	+3.66%

General Government: Special Projects Coordinator (\$15.7K), Audio Visual Equipment to allow for remote participation of in-person committee/board meetings (\$20K), and salary increases (\$26K)

Public Safety: Union salaries (up \$28.1K), dispatch (up \$6.5K), offset by the movement of enhanced ambulance coverage to the separate ambulance operating budget, which is funded by receipts for ambulance services (-\$100K)

Education: WRSD (0.31% after application of prior year surplus funds and various grants); Montachusett (-1.0%)

Public Works: PFAS operating expenses at \$300K (minimum projected annual expenses, for ongoing testing, water supplies and canister replacement, but excluding certain professional fees and expected PFAS related costs for Phase II to V).

Culture & Recreation: Veteran Plaque (\$8.5K), Tenant Improvements Senior Center (\$6K), and add. Programming and Supplies (\$9.4K)

Debt Service: Interest on new debt (\$15.2K)

The FY22 operating budget excluding the addition of the new PFAS line-items up 0.85% given the reallocation of the ambulance budget and the low increase in the school budget. These reallocations are not expected to recur. The total increase of 3.66% is due to a new budget item: PFAS, with a bare minimum of \$300K in ongoing PFAS related expenses which are expected to stay with us for some time.

Debt Service

FY22 debt service does not include the full impact of amortizing debt already approved (PFAS and Bagg Hall are currently paying interest only), new debt on the FY22 warrant (Library Clock Tower, Salt Barn, Front End Loader and 2 Police Cruisers) or potential future debt (Public Safety Building). Total debt (if all of these items are approved) will increase to a level of ~\$18Million. While this amount is under the debt cap authorized by state law (currently at \$29.5MM), the debt service (DS) associated with this debt would increase as follows:

Year	2022	2023 (1)	2024 (2)	2025 (3)	2026 (4)	Total
Annual DS	\$460.6K	\$812.8K	\$847.9K	\$1,246.5K	\$1,110.2K	
	+\$15.2K	+\$352.2K	+\$35.2K	+\$398.5K	-\$136.3K	+\$664.8K
Increase	+3.41%	+76.46%	+4.33%	+47%	-10.94%	+149%
Avg. add. Tax	+\$1.02	+\$236.5K	+\$2.36	\$267.6K	-\$91.5K	\$415.98



Footnotes to Debt Service table column headers on previous page, page 2:

1. Amortization of debt for Bagg Hall, Library Clock Tower, Salt Barn (assumes 10 years), 2 Police Cruisers, Front End Loader begins
2. Fire Truck Debt rolls off while amortization of \$1Million PFAS debt begins (assumes 10 years)
3. Amortization of Public Safety Building begins (assumes 30 years – not yet approved)
4. TPS Green Repair debt rolls off

The table of debt figures does not include future needs, such as additional PFAS expenses, equipment replacement needs identified in the 5-year capital plan but not yet voted, or any other priority needs not identified at this time.

Other Warrant Articles

The town warrant has several requests for the use of free cash, the issuance of new debt and transfers from the various stabilization accounts as follows:

Guide to Funding Sources for Specific Articles				
Free Cash (FC)	Beginning Balance	Article Number	Amount	Remaining
Beginning Balance	\$ 334,243			
OPEB		#4C	\$ 10,000	\$ 324,243
TPS Septic		#4E	\$ 2,047	\$ 322,196
Public Safety Building *		#6	\$ 152,000	\$ 170,196
New Doors for Station II		#7	\$ 37,350	\$ 132,846
Plymovent for Station II		#8	\$ 34,500	\$ 98,346
Turnout Gear		#9	\$ 30,000	\$ 68,346
TPS Parking Lot		#10	\$ 24,605	\$ 43,741
Generator for Highway Department		#11	\$ 43,000	\$ 741
Stabilization Fund (SF)	Beginning Balance	Article Number	Amount	Remaining
Public Safety Building*	\$ 735,580	#6	\$ 218,000	\$ 517,580
Infrastructure Stabilization Fund (ISF)	Beginning Balance	Article Number	Amount	Remaining
	\$ 366,438	none	\$ -	\$ 366,438
Other	Beginning Balance	Article Number	Amount	Remaining
Public Safety Building Account*	\$ 480,850	#6	\$ 480,850	\$ -
New debt incurred for borrowing or leasing				
Additional Salt Barn		#12	\$ 125,000	
Vehicles (2 cruisers, 1 truck, 1 front loader)		#13	\$ 318,314	
Library Clock Tower Repair		#14	\$ 540,000	

*Total Spend for Public Safety Building from various accounts is \$850K



III. The Future - The Next Five Years

PFAS - At this time Princeton has approximately \$380,000 in annual, ongoing PFAS expenses. The amount will likely vary from year to year but could continue for decades. The FY 2022 budget contains \$300,000 under Public Works for a portion of these costs. The \$80,000 of additional annual PFAS costs will initially be covered out of the \$1 mil. of debt already approved by voters. There is one claim against Princeton from a resident for PFAS related damages and there may be additional claims in the future from other aggrieved residents. Going forward Princeton will likely require additional funds for investigative and remediation costs and possibly for claim settlement. Princeton has hired Tighe & Bond, an environmental engineering firm and the law firm Keegan Werlin LLP that specializes in environmental issues.

It is impossible to forecast tax growth through 2026 – there are too many unknowns. The best we can do is show how much taxes would grow under various assumptions.

For example, given the following assumptions, **taxes would grow by a total of 29% (approximately 5.3% annually) over the five-year period FY21 - FY26:**

- Princeton's cost of borrowing rises 1.5% to 4.5% as a result of inflation, fiscal stimulus, easy monetary policy, and a lowering of Princeton's bond rating due to borrowing for a new public safety building and PFAS costs.
- Princeton PFAS costs, including damage claim settlement(s), reach \$6 mil.
- Departmental spending growth continues approximately at the rate of the past five years.
- Revenues from the proposed East Princeton marijuana dispensary are 50% less than anticipated because of increased competition.
- Large purchases are required such as \$600,000 for new fire truck and \$290,000 for a new ambulance.

However, **changing a few assumptions would translate into a 17% (approximately 3.2% annually) tax increase over the same period.**

- Princeton receives grants for both PFAS costs and a new public safety building.
- Princeton's cost of borrowing increases by 0.5%.
- Departmental spending grows at the inflation rate

And making different assumptions about any of the already mentioned issues or choosing different paths for meeting, funding, and prioritizing town needs would lead to yet another financial picture.

Thus, we can summarize the future as follows: Although we cannot predict how the future will play out, we can safely say that the decisions voters make at town meetings will have long-lasting effects.