

Preliminary FY24 Operating and Capital Budget Recommendations

Town of Blandford
Town Administrator

May 22, 2023

The budget process started in October with distribution of capital request forms to Town departments. In January, departments received instructions on submitting Fiscal Year 2024 operating budget requests and before the conclusion of February, all departments had met with the Finance Committee. At the outset of March, the Finance Committee reviewed a compiled list of FY24 budget requests, made minor recommendations and asked for clarification on a number of items. Further meetings resulted in the attached budget proposal. This proposed **\$4.24 million** operating budget looks to accomplish the following:

Goals

- *Keep levy increase under 2% and level fund if possible.* Over the last several years, Blandford's average single family tax bill has seen growth in some years and declines in others. This budget proposes a less than two percent increase in an effort to keep the Town on an even keel and ease year-to-year budgeting for households. Rather than tax to the maximum allowable levy limit of \$4.1 million, here we propose collecting **\$3.6 million in personal property and real estate taxes, a 1.5% increase from the FY23 tax recap.**
- *Maintain expenditures at a level whereby Payments-In-Lieu-of-Taxes (PILOTs) can roll over to Free Cash and be used to fund capital expenses.* Since the advent of major photovoltaic arrays in Blandford, Town finance team members have counseled that PILOTs from these developments should be used for capital rather than operating budget expenses. Because these PILOT agreements have a sunset date and are often subject to mechanical completion of a project, they should not be counted on for recurring expenses. Given this policy, this FY24 operating budget proposal excludes \$170,000 in revenue that represents roughly the total amount the Town is currently billing for PILOT agreements. As a result, the FY24 **operating budget revenue target is \$4.24 million.** The notion is to allow these PILOTs to roll over to Free Cash and be used for major capital expenditures, decreasing reliance on financing strategies that would burden Blandford taxpayers.
- *Implement Collins Center recommendations with respect to wages, salaries, and stipends.* In 2021, Blandford was awarded funding under the Community Compact Cabinet's Best Practices program to develop a formal Wage and Classification Plan. Such plans detail job descriptions, employee grades, and salary ranges, thus providing municipalities with a tool to make pay decisions that are reasonable in comparison to similar work being carried out in all areas of town government. This FY24 budget seeks to implement a majority of the study's recommendations including **standardizing regulatory board stipends and ensuring all positions are within a competitive salary range** so that the Town can secure and retain the volunteer and professional talent it relies on for operation. This roughly \$70,000 increase to the operating budget is somewhat offset by decreases in expense line items and in particular, the transition back to an in-house Treasurer-Collector discussed below.
- *Implement Year One of the Town's first Capital Improvement Plan.* Using the capital requests collected in the fall, the Collins Center is working through another Community Compact Cabinet grant to

complete the Town's first Capital Improvement Plan (CIP). Among the elements of that plan will be establishment of a **Capital Projects Stabilization Account**, removing roughly hundreds of thousands of dollars in capital expenditures from the Town's operating budget line items. For departments with frequent facility and equipment repair needs such as Fire and Highway, this budget proposes increases to their respective expense and repair accounts for the purposes of flexibility. **When the Capital Projects account is not considered in the Town's operating budget, proposed FY24 expenses represent a roughly 4% increase over FY23.**

Opportunities and Tailwinds

- *Transition to in-house Treasurer-Collector services.* In 2018, the Town of Blandford initiated a financial restructuring that involved use of consultant services for most accounting, treasury, tax collection and property assessment services. This restructuring had the intended effect, putting the Town's financial house in order and strengthening policies and procedures for these departments, but at a substantial cost. The Town has been transitioning back to a place where in-house employees can take on many of the financial functions that had been outsourced. With the hiring of an administrative assistant for the Board of Assessors as well as an Assistant Treasurer-Collector who will ascend to the role of Treasurer-Collector in July, Blandford is positioned to realize substantial savings in these areas in FY24.
- *Reduced fuel costs.* Fixed-price contracts for heating oil, gasoline and diesel through the Town's participation in the region's annual collective fuel bid have been a serious pain point in FY23. For example, the Town is paying \$4.44/gallon for heating oil, though residential pricing has dropped to an average of under \$4.00 per recent Department of Energy Resources price index information. **The recently concluded fuel procurement process has secured more favorable pricing for these commodities with Blandford paying for heating oil, gasoline, and diesel all at under \$3.50/gallon.** As such, this budget proposes decreases in Town Hall Fuel, Highway Vehicle Fuel and expense accounts for the Post Office/Old Town Hall and Porter Memorial Library.
- *Payment of short-term borrowing principal through Broadband Retained Earnings.* In past years, the Town has used Free Cash transfers at Town Meeting to cover the principal on obligations such as the borrowings to build out Blandford's broadband network. With the establishment of the Broadband Enterprise Fund and more than \$250,000 in this department's equivalent of Free Cash (Retained Earnings), a short term paydown on this can be covered by the Municipal Light Plant, with future year obligations to be met by funding from the Connect America Fund Phase II (CAF II), a \$1 million anticipated injection of federal funding over a ten-year period.
- *Increases in State Aid.* On the revenue side, Governor Healey's preliminary budget (H.1) was promising for Blandford. In FY23, the Town budgeted conservatively by projecting \$220,000 in State Receipts, in line with Governor Baker's Cherry Sheet estimates and proposed state budget. Democratic lawmakers saw fit to increase these funding levels after the passage of the Town's budget, resulting in more than \$235,000 in state receipts for the Town. **Governor Healey's FY24 budget proposes increases in Chapter 70, Unrestricted General Government Aid (UGGA) and State-Owned Land (SOL) for total gross state receipts of \$254,000.** Given the political alignment of the legislature and corner office, this budget projects these levels to be included in the final budget and to date, the House has largely sustained the Governor's

proposal. The increase in value for State-Owned Land is particularly significant, with Blandford having the second highest percentage change in value (+33%) for any community in the Commonwealth from FY23 to FY24, behind only Egremont.

Challenges and Headwinds

- *Increased Hampden County Retirement assessment and group health insurance rates.* Growth in employee benefits costs is an area with one of the most dramatic increases. **A nearly 20% increase over budgeted costs from FY23 for the County’s retirement assessment will be factored in and paid in July 2023 to ensure a slight discount on this \$135,000 payment.**
- *Increased Hilltown Community Ambulance assessment.* This spring, the Town received notice from Hilltown Community Ambulance Association that they would have to increase their assessment by more than a third in FY24. This comes on the heels of confirmation by state regulators that the Nonpublic Ambulance Trust Fund assessments apply to nonprofits such as Hilltown. **The result is that the Town will need to go from budgeting roughly \$30,000 to \$50,000 for these services in FY24.**
- *Projected increases to vocational education attendance and FY24 rates.* The Department of Elementary and Secondary Education (DESE) sets rates for non-resident vocational students, including Blandford students of Westfield Technical Academy and Smith Vocational and Agricultural High School. For FY24, DESE set a rate of \$20,613 per student for Westfield Tech and \$20,076 per student for Smith Voke. With five students applying for the former and eight for the latter, and the need to budget for special education expenses, **this budget recommends an increase to \$275,000 for this line item.** Updated numbers in late May from the vocational schools could enable the town to decrease this line item.
- *Slight increase in school assessment* While the Gateway Regional School District assessment was initially slightly decreased to \$1.45 million at the outset of March, unreported additional families were identified and a revised assessment was issued at the end of April. As a result, the assessment will increase slightly over FY23 to 1.48 million. **A \$17,000 transfer from the established Education Stabilization Account is recommended to address this change.**

Estimated Revenue

Tax Levy

Account Name	FY2024 Budget Recommended
Previous Year Levy Limit	\$4,017,659
Add-2-1/2% Tax Levy Increase	\$100,441
Add-New Growth	
New Levy Limit	\$4,118,100
Add-Debt Exclusion	\$72,372
Maximum Allowable Levy	\$4,190,472

Less-Overlay	-\$25,000
Less-Surplus Levy	-\$570,000
Tax Levy	\$3,595,472

Cherry Sheets

STATE RECEIPTS	FY2024 Budget
Unrestricted General Government Aid	\$150,029
School Chapter 70	\$58,602
State Owned Land	\$38,903
Veterans Benefits	\$2,597
NET STATE RECEIPTS (after assessments)	\$235,948

Capital Budget and Transfers

Proposed transfers draw on Free Cash and Retained Earnings certified by the Division of Local Service (DLS) for Fiscal Year 2022. Below are proposed transfers after which the following amounts would remain for each account:

Source	FY22	Remaining Cash/Earnings After Transfers
Free Cash	\$761,874	\$17,914
Retained Earnings (Broadband)	\$283,493	\$83,493
Retained Earnings (Water)	\$107,586	\$22,586

Transfers to Stabilization

Source	Amount	Stabilization Account	New Stabilization Total
Free Cash	\$25,000	General Purpose	\$653,856
Free Cash	\$25,000	Building Project	\$716,508
Free Cash	\$25,000	Library Building	\$160,700
Retained Earnings (Broadband)	\$100,000	Municipal Light	\$100,000

Other Transfers

Source	Amount	Use
Education Stabilization	\$16,974	Offset increase to Gateway Regional Assessment
Free Cash	\$25,000	Replace Fire SCBA and Turnout Gear
Free Cash	\$18,000	Non-Reimbursement for Service Incentive Grant
Free Cash	\$20,000	Ongoing Ash Tree Removal project
Free Cash	\$302,999	Road Bond Payoff
Free Cash	\$8,500	Non-Reimbursement for COVID Expenditures
Library Building Stabilization	\$15,000	Library Repairs
Retained Earnings (Broadband)	\$125,000	Telecommunications Debt Paydown

Retained Earnings (Broadband)	\$40,000	Broadband Capital
Retained Earnings (Water)	\$10,000	Water Utilities for current Fiscal Year

Borrowing Authorization

This budget also contemplates the authorization of borrowing to **fund future Fire Department equipment purchases including replacements for the Town’s current brush truck and Engine 1 over the next ten years.** Recent conversations with Springfield Water and Sewer Commission have opened the potential for collaboration on purchase of a new brush truck, given the sheer square mileage of forests within the Commission’s watershed. The need for the replacements is grounded in guidance from the National Fire Protection Agency (NFPA) which suggests trucks be removed from service after no more than 20 years unless they can pass inspection which includes weight, road, and pump tests.

Conclusion

Overall, this proposed FY24 budget seeks to accomplish the following: continuing to build reserves, ensuring wage, stipend and salary parity for employees and volunteers, and implementing revenue targets that create stability for Blandford residents’ personal budgets while acknowledging the need for long-term capital investments.