A photograph of a building at night, likely a town hall or council chamber, with snow on the ground. An American flag is flying on a tall pole in the foreground. The building has a gabled roof and a large window. The scene is illuminated by a bright light source, possibly a street lamp, creating a lens flare effect.

Proposed FY17 Budget, Sewer Budget and Capital Program Hampden Town Council

Monday, June 27, 2016



Overview of Presentation

- Budget process to date
- Longer term budget and financial trends
- Proposed FY17 Budget:
 - Town Expense Budget
 - Town Revenue Projections
 - Sewer Budget
 - Capital Program (5-year)



Budget Process to Date

- Feb. 6 and 20: Town Council and Manager Goal Setting
- March: Department Heads proposed budgets to Town Manager
- May 2: Town Manager Budget Message and proposed budget to Town Council
- May: Budget working meetings
- June 6: Town Council referral of budget to public hearing



Changes from Prior Years

- Budget hearing includes review of Sewer budget and proposed Capital Program
- Sewer rates increased in February; Sewer Fund projected to be self-supporting in FY17
- Proposed budget does not include revenues from Unassigned Fund Balance; year end balance fallen below recommended levels
- Expenses in budget that were previously paid from Host Community Benefit account



Major Changes Considered or Proposed during Budget process

- Recreation Department prepared budgets with and without Skehan Center to evaluate cost and operational impacts; proposed budget based on continuing facility lease
- Changes to staffing in Planning & Economic Development proposed, including improved administrative support to DPW, Finance
- Capital Program has 5-year time horizon for infra, capital items (years 2-5 non-binding)



Factors affecting FY17 Costs

- Budgeting for 5% increase in health care costs (based on est. 10% mid-year increase)
- Locked in reduced pricing for heating oil, propane and diesel, but electricity costs in FY16 consistently above estimates
- RSU-22 and County increased by \$202,292



Changes in State Policy

- Though still well below past years, Municipal Revenue Sharing increased somewhat from FY16 (\$348k to \$377k)
- Change to Homestead Act will increase exemption from \$10k to \$15k (expected to cost Hampden ~\$70,000)



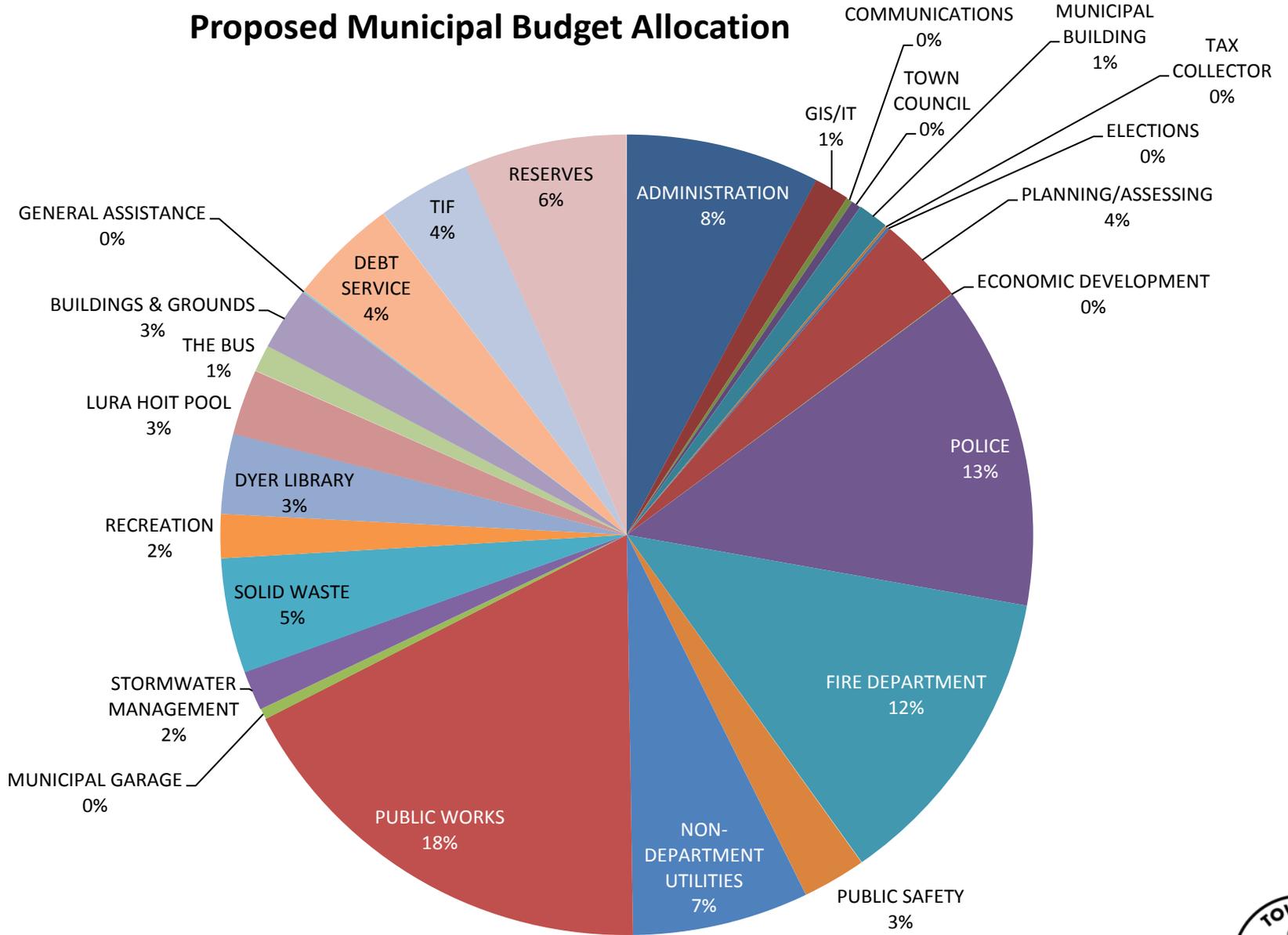
Proposed allocation of Costs supported by Property Tax

- Municipal: 39.6%
- RSU-22: 53.6%
- County: 6.7%

- In addition to property tax, other revenue sources (incl. excise tax, Revenue Sharing, Sewer income, MDEA, etc.) projected to generate \$3.089 M in FY17



Proposed Municipal Budget Allocation



Overall Budget: Fy16 to FY17

- Municipal: increase \$706,959
 - Personnel increase 3%; non-personnel 21%
- School: increase \$178,289
- County: increase \$24,003
- **Overall: increase \$909,251**
- New revenue from valuations:
 - Valuation increases: \$7.28 M
 - At \$17.50, would generate approx. \$127,475



Line Items with largest increase

- RSU-22 Assessment (+\$178,288)
- Resurfacing Roads (+\$160,000)
- Stormwater management (+\$110,875)
- LL Bean bond issue (+\$108,097)
- TIF Reimbursement (+\$99,365)
- Recreation Reserve (+\$80,000)
- Ambulance Reserve (+\$77,245)



Estimated Mil Rate Impact

- Mil rate won't be established until tax commitment (August 15, 2016)
- However, based on known valuations, proposed budget would increase mil rate
- At current budget, a mil rate of 18.5 would cover costs but overlay only at \$14,695
- For overlay closer to FY16 level of \$303k, would need mil rate of ~ 18.9 (\$272k overlay)



Additional Revenue Options

- On revenue side, two potential options to reduce increase to \$1.00 – mil rate of \$18.5
 - Reduce TIF sheltering
 - Project increased Environmental Trust revenues to offset budgeted expense items



TIF Revenues

- TIF current account balance: \$88,888
- This is after all FY16 Credit Enhancement Agreement payments have been paid
- Eligible uses primarily defined by Emera TIF agreement: include economic development
- Proposed FY17 Budget includes required CEA payments of \$149,943
- Another \$138,570 can be “sheltered” and would be added to current TIF balance



Environmental Trust

- Established in early 1990s related to landfill
- Assets (book value of 4/20/16)
 - Principal: \$2.919 M
 - Income: \$1.117 M
- Env. Trust Income eligible expenses:
 - “...to preserve and protect the environment in Hampden, including funding such environmental study, testing, protection, preservation, and remediation measures as the Individual Trustees, in their discretion, direct.”
- In opinion of Town Manager, stormwater infrastructure costs in FY17 Budget (\$123,430) would be eligible expenses, subject to approval



Impact on Estimated Mil Rate

- With the budget as proposed:
 - If \$138,570 of TIF revenue is put back into budget (instead of “sheltering”), an 18.5 mil rate would generate overlay of \$159,208
 - If TIF revenues not sheltered and \$100k of Environmental Trust revenue added (to offset budgeted expenses for stormwater infrastructure), 18.5 mil rate would generate overlay of \$259,208



Effect of \$1.00 Mil Rate Increase on Residential Tax Burden

- For homes with Homestead Exemption:
 - Home at \$125,000 value, tax bill would increase \$22.50
 - Home at \$175,000 value, tax bill would increase \$72.50
 - Home at \$225,000 value, tax bill would increase \$119.50
 - Home at \$250,000 value, tax bill would increase \$147.50
 - Home at \$300,000 value, tax bill would increase \$197.50



Conclusion

- Proposed FY17 Budget internalizes some costs that have been paid in past with one-time revenues (i.e. HCB)
- FY17 will be the first year in many years that Sewer Fund is self-supporting – and will start paying back interfund transfers
- Proposed cost increases include personnel-related costs, but overwhelmingly driven by capital and infrastructure costs

