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TOWN OF SOUTH HADLEY

Appropriations Committee Report

Fiscal Year 2023

Please bring this report to the Annual Town Meeting on Wednesday, May 11, 2022, at 6:00 pm at South Hadley High School. If you need special accommodations to attend this meeting, please call (413) 538-5030 ext. 6181

2022 REPORT OF THE APPROPRIATIONS COMMITTEE

Sections 4-8 and 4-10 of the South Hadley Town bylaws state, in part, that the “appointed committee on appropriations shall consider all articles involving the expenditure, appropriation, raising or borrowing of money in any warrant, for any town meeting, and make their recommendations to the meeting held to consider such articles.” Proposition 2½ was enacted forty-two years ago. Since then, the Appropriations Committee’s objective has been to recommend to Town Meeting how to address the demands for services and programs while keeping within the fiscal constraints of Proposition 2½.

This, our 97th annual report, presents to Town Meeting a budget that attempts to continue to meet the needs of the citizens of South Hadley, despite increased costs. It is based on the state aid amounts proposed by the Governor. It is possible that final state aid amounts will change. The effects of these changes will most likely need to be addressed at a Special Town Meeting.

The following paragraphs explain the budgetary issues facing the Town of South Hadley and present our recommendations.

Fiscal Year 2022 Special Town Meeting

In some years, a Special Town Meeting is held immediately prior to the annual Town Meeting. Financial articles are presented which request funding for short falls in fiscal year 2022 budgets and other one-time non-recurring costs. No spring Special Town Meeting will be held this year. The largest deficit is in the snow and ice removal budget. Fortunately, this year’s short fall is approximately \$80,000. This deficit and other smaller budget amounts will be funded by end of the year transfers from department budgets with surpluses. Transfers to stabilization funds and capital expenditures will be addressed during the annual Town Meeting.

State Aid

The state budget process is ongoing. The current proposal by the Governor, which is being used in this budget, increases Chapter 70 state aid (Schools) by \$1,090,917 and Chapter 71 unrestricted aid by \$230,511 for a total of \$1,321,428. This is offset by an increase in assessments of \$224,095 resulting in a net increase of \$1,097,333. Assessments consist principally of School Choice and Charter School charges. This is a larger increase than the net amounts used in recent year budgets (FY 2021 - \$47,000; FY 2020 - \$11,425). It permits the Town to provide increased funding to the Schools, as is detailed later, and to General Government as we deal with increased costs of personnel, materials and supplies and services. The limitation on increased real estate taxes under Proposition 2 ½ makes it difficult to meet increased costs of funding our town and school budgets that have been impacted by increasing inflation. Final state aid amounts will not be available until our budget process is complete.

Free Cash

Free cash is a revenue source which results from the calculation as of July 1 of the Town’s remaining unrestricted funds from operations of the previous fiscal year. A summary of free cash activity in recent years is as follows:

	FY17	FY18	FY19	FY20	FY21	(As Proposed) FY22
Certified Free Cash -						
Beginning	\$ 1,973,540	\$ 2,720,828	\$ 2,659,656	\$ 2,500,051	\$ 4,309,770	\$ 3,585,557
Expenditures:						
Golf Course-Next Year	\$ 480,904	\$ 391,460	\$ 340,758	\$ 374,763	\$ 373,563	\$ 332,463
Current & Prior Year						
Budgets	\$ 659,335	\$ 1,233,050	\$ 1,511,233	\$ 71,000	\$ -	\$ -
OPEB Trust Fund	\$ 180,000	\$ 300,000	\$ 300,000	\$ -	\$ 200,000	\$ 200,000
Next Year Budgets	\$ 178,000	\$ 292,000	\$ -	\$ -	\$ 2,495,700	\$ 1,600,500
Free Cash at Year End	\$ 475,301	\$ 504,318	\$ 507,665	\$ 2,054,288	\$ 1,240,507	\$ 1,452,594
Increase at year end						
closing	\$ 2,245,527	\$ 2,155,338	\$ 1,992,386	\$ 255,482	\$ 2,345,050	
Certified Free Cash						
for Next Year	\$ 2,720,828	\$ 2,659,656	\$ 2,500,051	\$ 2,309,770	\$ 3,585,557	

Certified free cash for fiscal year 2022 was \$3,585,557. Actual fiscal year 2021 revenues exceeded budgeted amounts by approximately \$1,560,000, budget turn-backs totaled \$975,000 and state adjustments were \$190,000. The largest sources of additional revenue were excise and property taxes and licenses and fees and the most significant expense close backs were group health insurance and long-term debt.

No Special Town Meetings were held in fiscal year 2022, so to date no fiscal year 2022 free cash has been spent. Proposed uses of free cash at the Annual Town Meeting are:

Fund Golf Course debt	\$ 332,463
Transfers to OPEB Trust	200,000
Capital purchases (details below)	<u>1,600,500</u>
Total	<u>\$2,132,963</u>

The Appropriations Committee supports these uses of free cash. Proposed expenditures will result in unspent free cash of \$1,452,594. Except for COVID affected fiscal year 2020, this amount is comparable to prior years. These moneys will be needed to fund revenue shortfalls and unbudgeted expenses during fiscal year 2023. For these reasons the Appropriations Committee does not recommend spending additional free cash at this time.

School Budget

The proposed School Department budget is \$23,626,460, an increase of \$1,150,000 or 5.12% over fiscal year 2022. This additional funding is possible as a result of an increase in state Chapter 70 aid. This increased aid is being used to help fund the increasing costs of providing outstanding education to our students, including increased vocation tuition, the addition of several positions and district salary increases.

In addition to the funding provided from Town resources, the School Department relies on other funding sources including School Choice revenue and Circuit Breaker revenue (to partially offset special education costs). These funds are received annually, although the amount varies. Traditionally one year's receipts have been held in reserve; however as proposed in fiscal year 2023, both the prior year and anticipated 2023 School Choice funds are being utilized which will reduce funds available in FY 2024.

The Schools are also receiving resources provided by the CARES Act through the Elementary and Secondary Education Emergency Relief Fund (ESSER). Funding runs through September, 2024 and totals approximately \$2.45 million. The School Department is using these moneys to meet increased costs due to COVID. However, it is also proposed to fund new positions with ESSER money. Some of these positions are temporary, but to the extent they are permanent positions, the cost will need to be funded by local resources when grant funds are not available.

The School Department is aware of these challenges. The Student Opportunity Act passed by the Massachusetts legislature and signed by Governor Baker provides additional Chapter 70 aid to Massachusetts towns for fiscal year 2023 and four subsequent years. It is expected that these funds will be used to meet current year increased costs and transition the funding of recurring expenses from grant revenue. During our meeting with the School Department, we suggested that a 3-to-5-year projection of funding and expenses be developed. It is essential that the impact of the current year budget on future years be fully understood. The proposals presented in the initial FY 2023 budget were not sustainable in future years. The School Department agreed and indicated that projections would be prepared.

Assistant Superintendent Dr. Mark McLaughlin, Business Administrator Jennifer Voyik and the School Committee have worked diligently to prepare a budget that meets the many challenges faced by the schools.

The Appropriations Committee appreciates their efforts, and we agree with this budget.

Fiscal Year 2023 Non-School Expenditures

The General Fund budgets have increased by 4.27% in fiscal year 2023. The largest increases are in unclassified accounts where health insurance and retirement are \$395,000 higher than 2022. Several new positions have been funded, including an assistant town clerk, one parks and one highway staff and a receptionist for the Council on Aging. Other increases include higher election costs, professional development, information technology hardware and software and salary increases. The Appropriations Committee agrees with these budgets.

Ledges Golf Club

Effective in 2019 the Town entered into a five-year agreement with IGM to operate and maintain the Ledges Golf Club. The Town receives all revenue generated from the golf course and pays a fee to IGM. In the most recent year revenues exceeded operating costs and resulted in a small surplus. The Town continues to pay the principal and interest on golf course debt. The amount for fiscal year 2023 is \$332,463, and this is funded from free cash. Also, Article 13 requests \$12,000 from retained earnings for 2022 repairs. We agree.

Capital Expenditures

The Capital Planning Committee met regularly during the budget process to identify and prioritize the current year and future capital needs of the Town. Article 10 proposes that \$1,600,500 of free cash and \$65,000 from the Cable Access Fund be used for capital expenditures, including \$675,000 for High School drainage and HVAC, \$370,000 for police department roof, HVAC, vehicles, LED lights and office equipment, \$100,000 for document preservation and digital data system and \$105,000 for parks barn siding and roof. The complete listing is included in the warrant. Article 11 proposes spending \$505,000

from the Wastewater Enterprise Fund retained earnings and Article 12 spending \$113,600 from Ledges Enterprise Fund retained earnings for capital purchases.

The Capital Planning Committee has voted to support these articles, and we agree.

It is anticipated that additional capital expenditures will be made utilizing the ARPA funds.

Stabilization Funds

Included in Article 9 is a proposed transfer of \$122,000 to the Capital Stabilization Fund and a transfer of \$200,000 to the Mosier Stabilization Fund. The Appropriations Committee supports these requests.

OPEB Trust

One of the most significant financial challenges facing towns is unfunded post-employment benefits. The most recent actuarial projection of South Hadley's unfunded liability is \$46 million. This amount can fluctuate due to numerous factors. The current balance in our OPEB trust account is approximately \$2,440,000. The fiscal year 2023 budget proposes funding in the amount of \$500,000, \$300,000 from 2023 revenues and \$200,000 from free cash. We agree with this article and its inclusion as a regular line item in our operating budget with additional funding provided from free cash, if available.

American Rescue Plan Act (ARPA)

ARPA was signed into law on March 11, 2021, and one provision provided direct financial assistance to cities and towns to address the negative economic impacts caused by COVID and invest in water, sewer and broadband infrastructure. South Hadley's allocation was \$5,268,233. The expenditure of these funds is at the discretion of the Selectboard and not subject to Town Meeting approval. To date \$1,137,594 has been approved, leaving a balance of \$4,130,639.

Summary

At its meeting on April 27, 2022, the Appropriations Committee unanimously voted to support all financial articles to be presented at the May 11, 2022 Town Meeting.

We would like to express our gratitude and thanks to Town Administrator Lisa Wong, Town Accountant Bill Sutton, Assistant Town Accountant Lynn Hogan, Assistant School Superintendent Mark McLaughlin, School business administrator Jennifer Voyik, department heads and other assistants for their extraordinary support in providing us with the information needed so that we can fulfill our obligation to make recommendations to Town Meeting members.

Respectfully submitted,

TOWN OF SOUTH HADLEY
APPROPRIATIONS COMMITTEE

Thomas Terry, Chairperson
Richard Constant
Jessica DeFlumer
James Everett
Leonard Finkowski
Richard Germain
Stephen Hamlin
Kevin McAllister
Joel Prough

TOWN OF SOUTH HADLEY
Fiscal Year 2023
ESTIMATED SOURCES AND USES

Based on Joint Recommended Operating Budgets and Governor's State Aid
 April 28, 2022

AMOUNT TO BE RAISED:

Appropriations

School Department	23,626,460
General Government	2,518,076
Public Safety	3,366,357
Injured on Duty	50,000
Reserve Fund	25,000
DPW	4,362,274
Snow & Ice	101,360
Council on Aging	525,218
Veterans Benefits	278,481
Libraries	797,703
Town Audit	35,000
GASB 45 - Actuary	4,000
Unclassified Accounts	9,739,937
Workers' Compensation	150,000
Health	298,390
Debt & Interest	2,374,893
Debt & Interest (Debt Exclusion)	1,061,547
Connecticut River Markers	4,000
Canal Park	1,000
Ledges Golf Course Enterprise	1,370,858
Cable Studio	117,961
Conservation Land Fund	15,000
Wage & Classification Plan	225,000
OPEB Trust Fund	500,000
Mosier Stabilization Fund / Capital	200,000
Capital Stabilization Fund	122,000

Total Appropriations **51,870,515**

Other Amounts to be Raised

PVPC Assessment	3,233
Overlay Reserve	297,647
Cherry Sheet Charges	175,531
Cherry Sheet Offsets	808,348
School Choice/Charter Tuition	2,671,499

Total **55,826,773**

ESTIMATED RECEIPTS:

Revenues:

Local Estimated Receipts	2,605,770
Cherry Sheet	14,096,177
Debt Exclusion Reimbursement	-
Enterprise Funds	5,171,341
Available Funds	735,282
Electric Light Department Reimb	1,105,500
Electric Light Department PILOT	180,000

Total **23,894,070**

Total to be Raised 55,826,773

Total Estimated Receipts 23,894,070

Tax Levy Required 31,932,703

Actual Tax Levy Limit 30,871,156

Debt Exclusion to be Raised 1,061,547

Balance **\$ -**

Amount of Available Funds Proposed to be Voted

Conservation Wetlands	2,000
Boat Excise	4,000
Dog Refund	20,000
Aid To Libraries	19,000
Cable Studio Fund	157,819
Free Cash	532,463
Total	735,282

Est. Enterprise Funds/ Receipts to be Voted

WWTP	1,503,097
WWTP Debt & Interest	342,111
Landfill	1,331,363
Landfill Debt & Interest	-
Reimbursement to General Fund	623,912
Ledges Golf Course Enterprise	1,038,395
Ledges Golf Course Debt & Interest	332,463
Ledges Golf Retained Earnings	-

(assumes a budgeted free cash deficit of \$332,463 for
 FY23 not including indirect costs in General Fund)

Total **5,171,341**