



2024 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-four 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 99th 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 2024 Special Town Meeting

Prior to the Annual Town Meeting, a Special Town Meeting will be held. Financial articles are being presented which request funding for shortfalls in fiscal year 2024 budgets, prior year bills, and one-time non-recurring costs as follows:

Prior year bills	\$68,808
Snow and Ice deficit	\$90,000
Valley Bike	<u>\$25,000</u>
Total	\$183,808

The source of funding is free cash. The Appropriation Committee supports these expenditures.

Revenue

Projected revenue increases include \$958,000 in the tax levy (real estate taxes, restricted by Proposition 2 ½) and \$248,000 in local receipts, which includes an additional \$200,000 in investment income resulting from higher returns.

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 \$54,510 and the Unrestricted General Government and other aid by \$122,874, for a total of \$177,384. This is offset by an increase in assessments of \$123,325, resulting in a net increase of \$54,059. Assessments consist principally of School Choice and Charter School charges.

The fiscal year 2025 increase in state aid is substantially less than prior years. The 2024 net increase was \$684,560 and 2023 was \$1,097,333. The smaller increase is due to a much lower Chapter 70 aid increase,

which will be detailed later. These limited resources have made it difficult to meet increased costs of personnel, materials and supplies, and services and necessitated reductions in certain school and town budget items.

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:

	FY19	FY20	FY21	FY22	FY23	FY24 As Proposed
Certified Free-Cash						
Beginning Balance	\$ 2,659,656	\$ 2,500,051	\$ 4,309,770	\$ 3,585,557	\$ 3,958,362	\$ 4,582,395
Expenditures:					\$ -	\$ -
Golf Course-Next Year	\$ 340,758	\$ 374,763	\$ 373,563	\$ 332,463	\$ 331,463	\$ 330,063
Current & Prior Year Budgets	\$ 1,511,233	\$ 71,000	\$ -	\$ -	\$ -	\$ 1,375,262
OPEB Trust Fund	\$ 300,000	\$ -	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Next Year budgets	\$ -	\$ -	\$ 2,495,700	\$ 1,600,500	\$ 1,661,700	\$ 1,530,000
Free Cash at Year End	\$ 507,665	\$ 2,054,288	\$ 1,240,507	\$ 1,452,594	\$ 1,765,199	\$ 1,147,070
Increase at year end closing	\$ 1,992,386	\$ 2,255,482	\$ 2,345,050	\$ 2,505,768	\$ 2,817,196	\$ -
Certified Free Cash for Next						
Year	\$ 2,500,051	\$ 4,309,770	\$ 3,585,557	\$ 3,958,362	\$ 4,582,395	\$ -

Certified free cash for fiscal year 2024 was \$4,582,395. Actual fiscal year 2023 revenues exceeded budgeted amounts by approximately \$2,060,000, budget turn-backs totaled \$1,070,000 and other adjustments were approximately \$310,000. The largest sources of additional revenue were excise taxes, licenses and fees, and earnings on investments. The most significant expense close back was group health insurance.

The proposed uses of free cash are as follows:

Special Town Meeting

Prior year bills	\$68,808
Snow and Ice deficit	\$90,000
Valley Bike	<u>\$25,000</u>
Total	\$183,808

Annual Town Meeting

Golf Course Debt	\$330,063
OPEB Trust	\$200,000
Capital purchases	\$930,000
Mosier building project	<u>\$600,000</u>
Total	\$2,060,063

In addition, a total of \$1,191,454 was appropriated at the November 2023 Special Town Meeting as follows:

Prior year bills	\$35,000
Capital purchases	\$461,000
Mosier building project	\$550,000
Transfer to Opioid Fund	<u>\$145,454</u>
Total	\$1,191,454

The large amount of fiscal year 2023 certified free cash (\$4,582,395) enabled the Town to invest \$1,391,000 in capital assets and transfer \$1,150,000 to the Mosier building project stabilization fund. The Appropriation Committee supports all proposed uses of free cash. Unspent free cash of \$1,147,070 will carryover to fiscal year 2025 and we do not recommend spending additional free cash at this time.

School Budget

One of the most significant challenges facing our Town is to fully fund our schools so that our students can be provided with a positive educational experience in a physically and emotionally safe environment.

The proposed Town funded School Department budget is \$25,521,460, an increase of \$934,000 or 3.8% over fiscal year 2024, which follows increases of 4.1% and 5.1% in fiscal years 2024 and 2023. The increase in Town funding represents approximately 82% of the increase in local receipts and the tax levy. In addition to funding provided from Town resources, the School Department relies on other funding sources, including School Choice revenue, Circuit Breaker revenue to partially offset special education costs, and state and federal grants. The total School budget is \$31,302,540, of which 68% is personnel costs.

The School Department has also been receiving resources provided by the CARES Act through the Elementary and Secondary Education Relief Fund (ESSER). Funding ends in September 2024. Positions paid using ESSER funds will need to be moved to Town funding. The Selectboard has agreed to assist in the transition by committing \$898,000 of ARPA funds, so that positions could be added to Town funding over three years. However, due to budget challenges, the 2025 transitions have been deferred to 2026. As a result, approximately \$550,000 of salaries will need to be funded in the 2026 Town budget.

As previously reported, the gross increase in Chapter 70 state aid is significantly less in fiscal year 2025 (\$54,510) as compared to 2024 (\$1,001,365) and 2023 (\$1,090,917). There are a number of reasons for this, including a change in the state allocation formula, lower total enrollment, and a decrease in enrollment sectors, such as preschool, ELL and low-income household students, which directly affect state calculations.

While state aid has remained flat, costs have increased including transportation and special education and contracted cost of living and step increases of \$900,000. School choice revenue is projected to be the same as 2024, \$646,000, down from \$1,032,000 pre COVID. In response to these limited resources, the School Department has had to institute staffing changes. It is proposed that 23.2 paraeducators and 4 teaching positions be eliminated, while 8.7 ETAs, one teacher, one CNA, and one assistant principal be added.

Despite these budget challenges, the School Department and its employees have made every effort to provide our students with the best possible education. The Appropriations Committee agrees with this budget.

Fiscal Year 2025 Non-School Expenditures

As is the case with the school budget, the General Fund budget has been impacted by increasing costs and reduced state revenue. In response, efforts have been made to meet changing needs by creating new systems and streamlining services, including restructuring staffing to align with needs. The total General fund budget is up by \$895,000 with unclassified accounts: retirement (\$422K), health insurance (\$355K), and Medicare (\$80K) and liability insurance (\$53K) accounting for all of the increase. Other department increases included police, due

to negotiated raises, the addition of a local enforcement officer and normal salary increases. Cost reductions included layoffs, and not funding unfilled positions, lower debt payments, assessment and overlay reductions and funding Mosier stabilization using free cash. In addition, a new Human Services Department has been created by combining the Council on Aging, Recreation and Veterans departments. The Appropriation Committee agrees with these budgets.

Ledges Golf Club

Ledges Golf Club is operated under an agreement with IGM. The Town receives all revenue generated from the golf course and pays a fee to IGM. In recent years, revenues have exceeded costs resulting in a surplus which adds to the enterprise fund retained earnings. This balance can be used to fund repairs and capital improvements for the course as discussed below. The Town continues to pay the principal and interest on golf course debt. The amount for fiscal year 2025 is \$330,063, and this is funded from free cash.

Capital Expenditures

The Capital Planning Committee met regularly during the budget process in order to identify and prioritize the current year and future capital needs of the Town. The Committee has issued a detailed report which summarizes its recommendations. We suggest that this report be read in preparation for Town Meeting. Article 11 proposes spending \$930,000 of free cash and \$20,000 of Cable Access funds for 16 items as listed in the warrant. Article 12 requests \$602,000 from WWTP retained earnings and enterprise fund receipts. Article 13 proposes transferring \$150,000 from Ledges retained earnings to make capital purchases and repairs. Article 14 requests spending \$750,000 from Landfill retained earnings and enterprise fund receipts to purchase trash and recycling carts.

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

Stabilization Funds

Article 16 proposes transferring \$600,000 from free cash and the balance in the Mosier School Stabilization Fund to the Mosier Elementary School Feasibility Study. No other additions to Stabilization Funds have been proposed at this time. The Appropriations Committee supports this article.

OPEB Trust

One of the significant financial challenges facing towns is unfunded post-employment benefits. The most recent actuarial projection of South Hadley's unfunded liability is \$35 million. This amount can fluctuate due to numerous factors. The current balance in our OPEB trust account is approximately \$3,786,000. The fiscal year 2025 budget proposes funding in the amount of \$500,000, \$300,000 from 2024 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.

Summary

At its meeting on April 24, 2024, the Appropriations Committee unanimously voted to support all financial articles to be presented at the May 8, 2024, Special and regular Town Meetings.

We would like to express our gratitude and thanks to Town Administrator Lisa Wong, Town Accountant Bill Sutton, Assistant Town Accountant Lynn Hogan, School Superintendent Mark McLaughlin, Assistant Superintendent for Finance and Business Operations 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
Julie Gentile
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