Report from the Finance Committee regarding the FY2020 budget for the Town of Orange

This document is provided to the taxpayers of Orange as a service of the Finance Committee. Its purpose is to inform residents of the facts surrounding Town Budgets – specifically the FY2020 budget. This handout is not intended to cover all aspects of budgeting or to answer every budget question.

I. Introduction and Recommendation:
The Orange Finance Committee in partnership with Town Administrative Staff and the Selectboard is focused on stabilizing the Town of Orange financial situation. We know that tax increases are hard for our citizens and we strive to ensure that expenditures are absolutely necessary.

For years, Departmental budgets have been funded below the amount needed to provide services. This cannot continue. At the same time, revenue growth has not been significant enough to fund all of our needs. Without additional State funding, taxes are the primary way to increase revenues to pay for these costs.

The Finance Committee Recommends a Proposition 2 and ½ override be passed, in the amount of $513,971, in order to adequately fund Town Departments for the coming year and to put the Town on an improved financial footing for the future.

Town Priorities – What does this budget do?
The FY20 Budget provides Town Departments with the funds needed to provide the services that we desire in Town. This includes: a full time, 24 hour police department; our full time and on-call firefighters as well as our Regional Ambulance Service; Snow removal, tree maintenance, library and cultural resources, and planning for the future growth of the Town.
Education receives a healthy increase in this budget, although it is not as much as requested by the school committee.

**Costs always increase.** The Town’s budget has increased approximately **$605,000 per year since FY2013**. Costs are driven by: inflation, employee wage increases, insurances (health, unemployment, workers comp, etc.) education costs, and new hires only partially funded through the SAFER grant, which the Town overwhelmingly supported at Town Meeting.

**Revenues to the Town do not keep up with rising costs.**
- The average revenue increase each year, over the past 5 years = $231,252.
- Proposition 2 and ½ limits amount we can raise from taxes.
- State Aid and New Growth do not make up the difference between tax revenue and expenses.

**Can we count on help in the future?**
- We expect ambulance receipts to increase as a result of full staffing for Fire Department.
- Some solar farm taxes will come online in the next 2 to 3 years.
- State Aid is unpredictable and generally increases only 1 – 2 % per year – less than our cost increases.

II. The Proposed FY20 budget
A. **Budget Summary (8 categories)** (costs are rounded)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Government</td>
<td>+$ 72,026</td>
</tr>
<tr>
<td>Protections of Persons and Property</td>
<td>+$257,091</td>
</tr>
<tr>
<td>Orange Education</td>
<td>+$477,255</td>
</tr>
<tr>
<td>Public Works and Facilities</td>
<td>+$198,122</td>
</tr>
<tr>
<td>Human Services</td>
<td>+ $ 4,253</td>
</tr>
<tr>
<td>Culture and Recreation</td>
<td>+$ 15,023</td>
</tr>
</tbody>
</table>
Debt Service  
+$ 56,617

Miscellaneous  
+$170,009

Total increase for FY2020  
$1,250,000

**B. Why are we seeing these cost increases in FY20?**

General Government  *(wages, reserve fund increase, tax title line, CD director salary)*

Protections of Persons and Property  *(wages, SAFER grant, fire and police expenses)*

Orange Education  *(Increases at all three schools)*

Public Works and Facilities  *(snow and ice, wages, expenses)*

Human Services  *(wages)*

Culture and Recreation  *(wages)*

Debt Service

Miscellaneous  *(Insurances, AOTV {offset in income})*

Use of Free Cash in FY2019 to cover departmental shortfalls.

**C. Revenue Summary:**

**Tax Levy Revenue**

Real Estate and Personal Property (FY19)  
$11,152,441

Additional 2.5%  
$ 278,811

Estimated New Growth  
$ 70,500

Mahar Debt exclusion  
$ 169,997

**Subtotal Revenue from Tax Levy**  
$11,671,749

**Additional Revenue and Offsets**

Local Receipts (+0.8% over FY19)  
$ 2,176,635

State Aid (Ch. 70, Ch. 90, others)*  
$ 6,704,713

Indirect costs (from Enterprise funds  
Water/sewer combined + 17% over FY19)  
$ 236,644

AOTV Cable Revenue  
$ 120,000

Assessors Overlay (held for abatements,  
Same as past several years) Reduction  
$ -120,000
Release from Overlay Account  $\quad 50,000

Subtotal (additional revenue and offsets)  $\quad 9,167,992

**Total Funding available for Appropriation**  $\quad 20,839,741

**Finance Committee Recommended Budget**  $\quad 21,353,712

**Difference to be raised through Override**  $\quad 513,971

*Notes on State Aid:
State Aid values are estimates and are subject to change by the State or actual calculations during FY20. This revenue estimate using the values voted in the House version of the State budget. The final number will, in all likelihood, be different from this estimate. Currently, State aid is estimated to increase about 2.2% over FY19. The largest portion of State Aid is Ch. 70 funding for the School, which is $5.3 million. Next largest portion is unrestricted government aid at $1.7 million. Additional calculations are included for veteran’s benefits and other smaller payments. Offsetting this funding that the Town receives are deductions for school choice out ($450,000) Charter sending out ($45,000) and other smaller payments ($50,000).

V. What does all this mean for my tax bill?
(Figures are estimates based on a property valued at $200,000 in Orange)

FY2019 tax (rate = 22.39/$1000)  $\quad 4,478
FY2020 2.5% tax increase  $\quad 112
Subtotal (tax amount w/o override)  $\quad 4,590
Prop 2 and ½ override (to raise $514,000)  $\quad 200
Total Tax (with Prop 2 and ½ override)  $\quad 4,790
VI. What will happen if the override fails?

- A Special Town Meeting will be held to determine the Town Budget.
- A Town Budget will be proposed by the Finance Committee that will likely decrease the FY2020 budget from $21,353,712 to 21,076,321, (a $277,391 decrease).
- The FinCom will likely propose the use of $250,000 of Free Cash to fund portions of the budget. This creates an automatic shortfall going into FY2021.
- The FinCom will likely propose an increase of $159,392, for the Orange Elementary School, $141,000 less than proposed in the FY2020 “override” budget. Under this scenario, the School may potentially reduce up to 5 positions.
- Departmental maintenance and expenses lines will likely be reduced, further exacerbating our aging equipment woes, and negatively affecting service to residents.
- The snow and ice budget will continue to be inadequate, causing budget stresses in subsequent years.

VI. Summary - what does the future hold?

- The FinCom believes that passage of the override is critical to stabilizing the Town’s finances
- We must continue to monitor expenditures in all Town Departments. Cost control and efficiencies will be sought.
- We need to increase efforts to complete planning efforts and attract new business to Town.
- We need to continue efforts to save. The backlog of maintenance for buildings and equipment appears to be significant. This budget does not address our savings backlog at all.
- Eliminate use of Free Cash to balance the budget
- Work to increase State funding (Ch. 70, Ch.90).