

**Finance Committee Chair Article 4 introduction presented at the
Annual Town Meeting on July 25, 2020**

The Finance Committee recommends a FY21 budget of \$3,165,850. This will pay for the many services the Town of Goshen municipal departments and its partners are committed to providing for the benefit of the community. It also covers the Town's capital expenses associated with these endeavors.

The recommendation reflects best practices in both the capital and operating budgets. We have made recommendations that we believe will maintain and strengthen the long-term operational and financial stability of the Town.

The proposed FY21 budget was developed after a comprehensive review of municipal needs and based on many discussions with our partners, including the regional schools. As shown on page 25 through 28, 62% of our budget is assessed to us by our essential community partners, The Town can directly control approximately 36% - 38% of the total budget.

The total budget request primarily reflects:

- 62% for community partner assessments
- 33% for town department operating requests reflecting :
 - level services contractual changes and support
 - mandated requirements,
 - previously unfunded requests,
 - and two new requests,
- 3% for Town capital stabilization funding
- 2% for already approved debt exclusions payments

For decades, Goshen has lived within the tax limits imposed by Proposition 2 ½. We have the lowest tax assessments of all of the towns in our Hampshire Regional district. Our tax profile in our district can be seen on page 7.

An outcome of our low taxes has been that we have had to keep our expenses as low as possible as well. Contractual obligations for both community partners and some Town expenses have often increased faster than 2.5 % due to inflation, changes in services, or to cover unfunded state mandates. These increases in contractual obligations have forced the town to frequently cut back on the third of the town's budget that we can directly control.

The size of the total tax pie has not kept pace with the inflationary pressures experienced by both the municipality and its partners in various expense line codes; neither has it kept pace with the increasing complexities of running a municipal organization. As a town we have juggled limited part-time staffing and a decreasing pool of volunteers to support the important committees and boards necessary to perform critical municipal functions. Without qualified volunteers or paid staff in sufficient numbers, with reasonable stipends and wages, some things do not get done, communication suffers, volunteers burn out, and residents complain because their reasonable expectations of town government are not aligned with the resources and therefore may not be met.

With this in mind, the Finance Committee recommends that the town increase the amount of funds available to be appropriated annually in our budget. This is known as a Proposition 2 ½ override because it allows us to increase our tax levy permanently by more than 2.5% of the previous year's levy limit. These recommendations are outlined on page 8 and 9.

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This general budget override, in the amount of \$175K can be broken into two parts:

- First, the Finance Committee recommends increasing the Operating Budget by \$105,000 annually. How this money will be used this year is detailed on pages 11-12 of the Finance Committee Report. This override request would have roughly a \$157 / year impact on the average tax bill.
- Second, and equally important, the committee recommends increasing the Capital Stabilization Fund by \$70,000 annually, as explained on pages 14 & 15. This is to fund projects we have already approved to be funded out of capital stabilization and to save money for those capital items and projects being considered, as detailed on pages 20 & 21. The largest of these projects is the multi-use public highway and public safety building discussed on pages 17, 18, 19.

An important point is that this vote **does not approve** the various projects in each year at this time, **but saves for them** so we have the money to do them when the time comes. This would have an estimated \$106 annual impact in the average tax bill.

To summarize, these increases will help us to be able to more adequately address:

- saving for our capital purchases in the next 5 – 10 years,
- unfunded state mandates within our schools and municipalities,
- inflationary pressures of contractual obligations,
- some financial recognition for board / committee project work necessary to meet high demand workloads,
- projected reductions in state aid this year due to COVID-19 and anticipated decrease in new growth and local receipts thereafter

In terms of taxes, page 38 details the tax impact for projects we have already approved, but for which we are just now borrowing, and adds to it the estimated taxes associated with the 2 override requests. It takes the tax rate for already approved projects from \$15.90 to \$16.97 per thousand. The average assessed property value is about \$245,000, which means the average tax bill would increase by about \$263 / year for both overrides - as stated above, \$157 for the operating budget and \$106 for the capital.

Another important point is that **if we do not need** to budget \$92K in capital in the future, **we do not have to**. This override **allows you to tax up to that amount**, but **we do not have to, if it is not needed**. Right now, based on our very best information we need to, as shown on page 21.

This budget is contingent on the Town approving a \$105K override for operating expenses. While we do not recommend it, we literally could cut all the non-mandatory expenses and non-partner assessments in the budget (about \$39K) and still not have a balanced budget. This is in part due to a \$30K reduction in state revenues, and increases the State has indicated we can afford to pay for our schools (required minimum contribution). It also assumes a \$70K override for capital expenses. If we cut the amount we are saving to fund capital, we are kicking the can down the road to be done in the future. If we have to do certain projects, the time is now while the interest rates are low and we can save money on borrowing.

If the town does not approve this budget, the finance committee will need to go back to our partners to ask for reductions and consult the various departments to identify deep cuts in budgets and services and draft a new budget for the Town's approval. If the town approves this budget as written, it will also have to be voted on by an election ballot scheduled for September 1st. If the override ballot does not pass, the finance committee will need to draft a new budget with significant reductions as outlined above.

The override is not a cure-all, but it does get us from a deficit to an even keel. We will still need to work with all our departments and partners to live judiciously within the 2 ½ % in our assessments and expenses and give and take from year to year.

Thank you for your time.