

**EGREMONT TOWN MEETING
MAY 2, 2023 (“FISCAL YEAR 2024”)
FINANCE COMMITTEE REPORT AND RECOMMENDATIONS¹**

OVERVIEW

The Selectboard’s proposed operating budget for the town for Fiscal Year 7/1/2023-6/30/2024 (“FY24”) totals \$3,654,182, an increase of \$174,304 (5%) over Fiscal Year 7/1/2022-6/30/2023 (“FY23”). Egremont’s share of the proposed school operating, transportation, and capital budget, including bond repayments, totals \$2,103,064, an increase of \$145,332 (7.4% over FY23). The town’s operating budget plus school budget totals \$5,757,246, an increase of \$319,636 (5.9%) over FY23. In the calculations for FY23, expenses approved at the Special Town Meeting held on November 14 were included. Also included in the town’s proposed budget for FY24, assuming all special articles (not including Article 3 - Water Enterprise Fund) in the warrant pass in the amounts proposed by the Selectboard, is an additional \$807,400. To cover that additional amount, it is proposed that \$285,000 be borrowed, \$15,000 be transferred from the cemetery perpetual care account, \$25,000 from the Overlay Surplus Account, \$280,000 be raised and appropriated and \$202,400 be paid from free cash. **Our proposed total budget for FY24 is \$6,564,646.**

Our current free cash balance is \$407,912. Since the Selectboard proposes that several special articles on the warrant be funded by free cash, our free cash balance after town meeting, assuming all items are approved, will be \$202,512. Combined with the stabilization fund balance of \$425,909, the town’s total reserves will be \$628,421. (Certified free cash, stabilization funds and released overlay surplus funds are Massachusetts cities’ and towns’ reserve funds). The town is using its released overlay surplus balance to partially fund a special article. Reserves in towns and cities in western Massachusetts average between 6 and 9% of the town’s total budget. If the total budget is approved at \$6,564,646, the town’s reserves after town meeting will be 9.6% of the total budget. Reserves increase or decrease from year to year based on adopted budgets. FY23 included a \$2M borrowing raising the budget to over \$8M, thus decreasing our reserves.

Free cash will be recertified in the fall after FY23 closes, and it is estimated, based on the town’s past history, to increase by approximately \$300,000. FY21, with COVID related restrictions, resulted in many line items in FY20-21 and FY21-22 not being spent, adding to the

¹ A summary of this report and recommendations by the Finance Committee is on the town website, has been emailed to those whose e-mail addresses the town has, and has been distributed to various locations in print throughout town. The report and recommendations will also be available in print at the town meeting.

larger than usual amount of certified free cash used at last year’s town meeting. Historically, the town has utilized free cash to fund in whole or in part capital expenses or one-off expenses.

Our real estate tax rate for the year is determined by the Department of Revenue in the fall by (1) adding our total budgeted expenditures approved at town meeting, including the line items (article 2 on the warrant), and the financial impact of those special articles that are not paid out of free cash or the stabilization fund, any charges for the water department not subsidized up front, snow and ice expenditures over the budgeted amount, and certain other items, and (2) subtracting anticipated receipts from fees and charges and monies paid to the town by the state, and spreading the resulting balance over the assessed valuation of all real estate in the town. Total town assessed valuation changes from year to year as new homes are built, renovations completed, and property reassessed. A complete revaluation based on 100% of real estate values was done last year. The state requires that we assess real estate at 100% of its value. Due to new homes being built, homes selling for more than their assessed value, and homes being renovated during FY22 and FY23, many taxpayers saw their taxes rise. Although the tax rate went down, valuations increased, for some homeowners dramatically. The formula described above produced a tax rate of \$7.00 per \$1,000 of assessed valuation, down from \$7.93 in FY22.

We will not know the tax rate and the impact on real estate taxes for FY24 until the fall. State and local receipts are estimated at \$327,983 for FY24, down from \$418,454 estimated for FY23. In FY23 Egremont collected local occupancy taxes and impact fees which will help to reduce taxpayers’ taxes. As of the town’s 3rd quarter it has collected \$82,726 in local occupancy taxes and \$49,254 from cannabis sales.

Example: Assessed Value (FY23)	Tax Rate (\$7.00)
\$ 500,000	\$ 3,500
800,000	5,600
1,000,000	7,000
1,500,000	10,500

FINANCE COMMITTEE RECOMMENDS APPROVAL, 5-0.

SCHOOL BUDGET

The Southern Berkshire Regional School district budget for FY24 is \$19,211,533, (\$737,393) a 3.99% increase over the FY23 budget of \$18,474,140. The operating and transportation budgets increased 6.8% while the capital budget increased \$7,978 (22%) and the debt repayment budget increased \$9,473 (26%). Chapter 70 estimated aid from the state for FY24 totals \$2,065,241, an increase of \$38,850 from FY23. Chapter 71, estimated state transportation aid, of \$936,137 is an increase of \$148,001 from FY23. The transportation portion of the school operating budget increased 12.7%. The net budget, operating,

transportation, capital, and debt repayment, after considering all expected revenue, is \$15,276,655. Enrollment from the 5 district towns is estimated to be 650 students. (Enrollment continues to decline but at a slower pace than prior years). While some district towns showed a decrease in students attending the school, Egremont showed an increase from a low of 75 in Fiscal Year 21 to an increase to 90 students for FY24.

Each town's share of the operating and capital budgets, per the current five-town regional agreement, is based on a minimum required contribution established by the Mass Department of Secondary and Elementary Education (DESE). Factors that are included in the Commonwealth's calculations are:

- Number of students residing in each town being educated in public schools
- Each town's property wealth based on equalized property valuations
- Each town's income wealth (based on the total personal income reported to the Department of Revenue by the district member residents)
- How far or close each town's calculated preliminary minimum required contribution is to the state's "target" contribution for that town
- Each town's "municipal growth factor" (based on new growth in the town)

Based on the above formula, Egremont's share of the net operating and transportation budget (\$14,619,805) is \$2,006,131 (13.7%). Egremont's share of the capital and bond repayment budgets is 13.7%. The town's total contribution to the district for FY24 is 7.45% over its contribution for FY23.

FINANCE COMMITTEE RECOMMENDS APPROVAL, 5-0.

SALARY/WAGES/BENEFITS

The Selectboard, proposes a one-time 6.1% raise for all town employees (including those covered by a collective bargaining contract, police and highway), both salaried and hourly (which percentage increase was based on consideration of CPI, social security increases as well as merit reviews). Overall compensation increased 8.6% over FY23 due in part to (i) salary adjustments for a few of our employees and (ii) the one time increase in raises. Two new positions, which were mostly funded through ARPA funds in FY22 and 23, will be fully paid for by the taxpayers in FY24. Periodically, the Compensation Committee surveys surrounding towns to determine salary/hourly wages for specific positions to remain competitive. Specific skills, education, etc. brought to a position are also considered.

Salaries/wages/stipends for all elected positions, not including the Town Clerk and Tree Warden, who historically receive raises in line with employees, remained flat.

Other towns are in contract negotiations with unions and base their employee raises on union raises.

According to the Massachusetts Interlocal Insurance Association (MIIA), of which the town is a member, the cost of health insurance premiums for FY24 will increase 1.5% and dental premiums will decrease 5.6%. Our budget for the insurance is \$349,238, an increase of \$15,176 (4.5% over FY23). Our budget reserves a sum to allow for changes in our employee mix. We provide health, dental and life insurance for all employees who work 20 hours or more a week at a contribution rate of 75% (town) and 25% (employee). Premiums for our retirees are paid 50%-50%.

Pension contributions to the Berkshire County Retirement System total \$252,750 (17.6% over FY23).

The grand total of salaries/wages, associated payroll costs, the cost of police and highway collective bargaining amounts, benefits, and pension contributions is \$2,277,026 (39.6% over FY23).

THE FINANCE COMMITTEE RECOMMENDS APPROVAL, 5-0.

TRANSPORTATION PROGRAM

Under warrant item N under “Human Services”, the amount of \$60,663 for public transport in FY23 increased to \$65,775 for FY24 (\$5,112) (8.4% over FY23). The town finally acquired a van (although not the one promised) and the Transportation Department has hired two drivers to provide transportation services for those who need them. The towns of Alford and Mt. Washington are participating in using our service and pay a total of \$6,000 per year. Egremont has also been awarded additional funds as the “Taxi Grant” program was extended by the state. Egremont provides and has improved on services that had been provided in the past by the Southern Berkshire Elderly Transportation Corporation. That corporation abruptly stopped providing any type of ride in May 2020. Currently, we have two drivers, 15 hours per week for each driver, and a Transportation Administrator who works 19 hours per week. The Administrator works closely with the Council on Aging. The Finance Committee deems transportation for our elderly and disabled to be a priority.

THE FINANCE COMMITTEE RECOMMENDS APPROVAL, 5-0.

PROPERTY AND CASUALTY INSURANCE PREMIUMS/SPECIAL RISK.

The town’s insurance costs cover professional liability for police and fire, general liability, workers’ compensation and property and casualty insurance for the town’s assets. The town’s asset mix changes from year to year. In FY23 Egremont had approximately \$11,539,770 in insured value comprised of \$8,906,528 in buildings and contents and \$2,633,242 in special

equipment/property. The cost of this insurance is expected to decrease slightly from \$126,923 in FY22 to \$126,810 in FY23. Rates are expected to stay flat in FY24. Capital purchases as they are received will be added to the policy. As equipment is retired it is deleted from the policy. The town's insurer is the Massachusetts Interlocal Insurance Association (MIIA). It is a non-profit member service that insures 400 cities, towns, and other public entities in Massachusetts. The town's coverage has low deductibles, usually \$500 per occurrence.

The Finance Committee explored with MIIA in FY21 whether higher deductibles would provide lower cost to the town. Unfortunately, auto deductibles as high as \$3,000 lowered total premiums by only \$617. Raising property deductibles to as much as \$5,000 only reduced premium cost by \$2,646. Consequently, the Finance Committee concluded there would not be any meaningful cost reduction from raising deductibles.

THE FINANCE COMMITTEE RECOMMENDS APPROVAL 5-0.

POLICE DEPARTMENT BUDGET

A new 3-year police union contract was signed and commenced July 1, 2022 for fiscal years 23, 24, and 25. The town meeting in May, 2022, ratified the contract for 3 years, although town meeting must vote the funds needed for collective bargaining each year. The current contract calls for a lateral raise of 3.9% on July 1, 2023, plus a vertical raise on the same date to the next step if an officer has had a satisfactory review. For those officers who have not hit the top of the pay grades, this results in an overall annual raise between 9% and 10%. Two officers have hit the top of the pay grade and do not receive the vertical step increase. The town is required to provide full time officer training to all part time officers, pursuant to the state's Police Reform Act enacted April 1, 2021. The town currently has no part-time officers.

The town currently has 3 full time officers, two of whom have hit the top of the pay grade as noted above. The department has advertised to fill the fourth position. However, to date it remains unfilled.

In January the Selectboard met with the police union steward and the union representative who requested that due to the staggering increase in inflation the police officers be given an increase commensurate with the current CPI. The contract called for a 3.9% raise and, after negotiations, the Selectboard agreed to give the police officers an additional 2.2% increase, totaling 6.1%.

Town meeting must vote to accept this amendment to the contract.

The Police Department budget totals \$521,621, including \$386,630 for collective bargaining. That is an increase of \$35,963 (7.4%) over FY23 due mostly to collective bargaining increases. The Police Department is not requesting a new cruiser for FY24.

THE FINANCE COMMITTEE RECOMMENDS APPROVAL, 5-0.

FIRE AND EMERGENCY DEPARTMENT

The Fire and Emergency Department's budget increased \$58,305, (40%) over FY23. The Southern Berkshire Ambulance Squad (SBAS) requested \$45,145 from Egremont, which is 13% of the \$350,000 total they seek to cover operational expenses. The towns of Alford (8%), Great Barrington (43%), Monterey (15%), Sheffield (19%), and Mt. Washington (3%) are also being asked to provide funds in the percentages listed. The SBAS based their allocation method on real estate values. Our Selectboard will attend a discussion about assessment methodology and will encourage movement toward a long term strategic solution for the entire south county area. The towns assessed are those towns under a contractual relationship for the SBAS to provide 911 response. The ambulance squad is facing numerous challenges such as increased cost, loss of responders (a nationwide trend), very weak donation response, increased Medicare and Medicaid transport with low fixed fee rates and continuing workload increases.

THE FINANCE COMMITTEE RECOMMENDS APPROVAL, 5-0.

Article 19 asks the town to pay for one-half the cost (\$22,000) of an air compressor (total cost \$44,000) that would replace an old (antiquated) hand- me- down now in use. The firefighters are paying one-half from their savings fund.

THE FINANCE COMMITTEE RECOMMENDS APPROVAL, 5-0.

The Selectboard is actively discussing a hybrid member system, employing a full time firefighter to augment dwindling volunteer resources. The Selectboard in FY24 will take steps to begin a "migration" toward a long term solution (not dissimilar to the SBAS issue). Some of our volunteer firefighters are not permitted to combat active fires under Massachusetts laws. Our Fire Department is aging.

HIGHWAY DEPARTMENT BUDGET

The Highway Department's budget for FY24 is \$655,469, an increase of \$35,994 (5.8%) over FY23. Salaries and wages and contracted extras for highway personnel, pursuant to collective bargaining, are \$205,700, an increase of 14.6% over FY23. This is the first year of a new three-year contract that calls for raises of 3.9% per year. Unlike the police union contract there is no vertical step. As with the police union contract, the highway contract was ratified at town meeting in May, 2022. The contract is in effect for three years, but subject to town meeting funding each year.

In February, 2023 the highway union steward and the union representative met with the Selectboard and asked that they also be given the opportunity to discuss an increase in their contracted raises to offset current inflation. After consideration and negotiation the Selectboard decided to extend the same offer of an additional 2.2% on top of the 3.9%

contracted rate, amounting to a 6.1% raise. As with the police union contract this increase is a one time occurrence for FY24 only.

The town meeting must vote to accept this amendment to the contract.

THE FINANCE COMMITTEE RECOMMENDS APPROVAL 5-0.

TOWN ROADS

In Article 23 of the warrant, the Selectboard requests \$200,000 to make repairs to town roads. That amount will enable the Highway Department to continue to complete resurfacing 3 to 5 miles of town roads per year. There are approximately 43 miles of town roads, and it is hoped that with additional monies each year, roads would be able to be repaired and/or resurfaced every 7 to 8 years as opposed to every 12 years. It is proposed that all \$200,000 be raised via taxes. The Finance Committee concurred because it is extremely important to maintain our roads for the safety and welfare of our townspeople. Equally importantly, we are avoiding costlier repairs.

THE FINANCE COMMITTEE RECOMMENDS APPROVAL, 5-0.

Chapter 90 funds are sums received from the state yearly to support constructing, repairing, and maintaining town roads. It is expected that the town will receive \$150,058 for FY24, slightly less than in FY23.

The town's snow and ice expenditure budget is flat at \$70,000, although overruns are common. Most of the money is spent for materials used in winter maintenance that are purchased during the off season to lower costs. The Highway Department added snow and ice equipment repairs to its vehicle maintenance and repairs line item to more accurately account for what is being spent on repairs. The \$270,000 dump truck approved at FY21's town meeting has finally been received. The price had not increased.

PLOW/DUMP TRUCK

Article 5 requests that \$285,000 be borrowed to purchase a new 2 rear wheel drive plow/dump truck to replace a 2012 similar plow/dump truck that has outlived its useful life. The state sets the useful life for this type of vehicle at 6-10 years. It will be purchased at a state bid price. The state buys a number of these trucks and gets a better price than an individual town would get if it were to purchase it on its own. Maintenance costs for the 2012 vehicle are expected to be at least \$10,000 this year.

It is anticipated that the old truck will be advertised to a broader market through a company known as Municibid at no fee to the town. The town will realize a better price on this

piece of equipment than if it were to advertise itself. This is a service that other towns have utilized and have recognized increased dollars for their surplus equipment. Trade in value is estimated at only a few thousand dollars.

THE FINANCE COMMITTEE RECOMMENDS APPROVAL, 5-0.

WATER DEPARTMENT

The Water Department's proposed budget for FY24 is \$345,800, an increase over FY23 of \$140,338 (61.3%). In FY23 a \$2,000,000 credit agreement was issued for the purpose of paying the costs of making necessary water line upgrades and repairs to a portion of Main Street while the state is tearing up Main Street. This borrowing would save the cost of replacing 800' of pipe and enable the town to piggy-back on the DOT's engineers.

The estimated amount due on the borrowing in FY24 is \$134,000. While the \$2,000,000 loan is a general obligation of the town in accordance with General Laws, such borrowing is expected to be paid, in the first instance, from the Water Department Enterprise Fund. The town is contingently liable. The Water Department's projected receivables for FY24 are estimated at \$345,800, plus \$35,000 from Water Department retained earnings. There is no subsidy required of the taxpayers. It must be noted that the average water bill will increase by \$22.50 per month.

The Selectboard will continue to act as Water Commissioners for FY24 as no one has come forth seeking a position as a Water Commissioner.

The Water Department's salaries/wages line has increased from \$81,250 to \$102,382. The Department had requested that funds be provided for a trainee working 3 hours a day, 5 days a week in FY23, not only for safety reasons (DEP required) but also because it will provide an opportunity to train/familiarize a possible future operator for our system. The statewide average for a "contract operator" averages \$30-\$50/hour. The town has had no responses. The position is now advertised as full-time, 30 hours per week including benefits. It is hoped that the Department will get some applicants. The Department needs a second employee in addition to Nathan Stalker to be trained to take over in his absence, for weekends, etc.

Article 11 seeks \$8,500 for a sander for the Water Department's new truck. The Highway Department will also make use of this addition as routes in Egremont need to be covered during snow and ice storms.

THE FINANCE COMMITTEE RECOMMENDS APPROVAL, 5-0.

ARTICLES 6 AND 7. EGREMONT MUNICIPAL HOUSING TRUST

These articles were added to the warrant at the last minute, and consequently the Finance Committee has not been able to assess their financial ramifications. We have no information about how the proposed trust would be funded, including whether taxpayer money would be sought and, if so, how much would be sought. We have no information about the proposed extent of the trust's activities. There have been some indications that the trust would be empowered to incur liabilities without town meeting approval, which is concerning. The Finance Committee makes no recommendation.

DEBT EXCLUSION

There will be two questions on the ballot for the May 9 election asking to exclude from the levy limit the payments for two loans, those for the highway truck and fire rescue truck. The levy limit is the amount the town is allowed to levy in property taxes under Proposition 2-½. A community cannot levy more than 2.5% of the total full and fair cash value of all taxable real and personal property in the community. A debt exclusion allows a community to raise funds for certain purposes above the amount of its levy limit. A community can assess taxes in excess of its levy limit for the payment of specified debt service costs. The additional amount for the payment of debt service is added to the levy limit for the life of the debt only. Unlike overrides, exclusions do not become part of the base upon which the levy limit is calculated for future years.

The town has already excluded the debt for the payments on the engineering for the Mt. Washington Road reconstruction project and the debt payments for the school district bond issue.

The FY24 levy limit is approximately \$5,248,501. With the addition of the debt exclusion for the highway truck and fire rescue truck, the FY24 levy limit will be approximately \$5,373,080.

DEBT AND INTEREST

Debt and interest payments for FY23 for FY24 total \$225,428 and include \$10,000 for short term debt, \$57,444 for a highway dump truck, and \$67,135 for the fire truck which is yet to be delivered. The cost of the fire truck increased from \$315,000 by \$96,000 and was approved at the Special Town Meeting in November. \$96,000 was transferred from free cash. Payment on the Mt. Washington Road debt for FY23 is \$90,849. Exhibit A attached for more detail.

The Mt. Washington Road project principal outstanding as of 6/30/23 is \$969,000. The Selectboard is not asking for any additional monies at this town meeting. \$1,070,000 was the original amount quoted for 100% of the design (for which the town is responsible), but that amount now covers only approximately 75%-80% of the design cost. However, to proceed

faster with the commencement of reconstruction of Mt. Washington Road, which is deteriorating fast, the project has now been divided in two. The first part to be done (“phase one”) will be the area from the Mt. Washington Road line to Jug End Road. Dividing the project in two will increase engineering fees but lessen the time before construction begins. The Selectboard had hoped for a 2024 construction start but commencement is currently scheduled for 2026.

The town has been making interest only payments on the borrowings to date and rolling over the principal amounts. After year 3 of rolling over principal amounts and paying interest only on the borrowings, repayment of principal must commence. There will be additional funding required once the initial borrowing authorization limit is reached.

Total cost estimated for phase one is at least \$8,000,000. The cost of phase two should be comparable. The town is responsible for all the engineering costs. Although the DOT through the TIP program estimates \$8,000,000 from the state for construction of phase one, the town is still obligated to provide police details and other incidentals during reconstruction for both phases. Total costs originally estimated at \$8,000,000 in 2018 for the entire project (phase one and two) now are estimated at more than \$16,000,000.

EASEMENTS

Article 8 asks the town for \$105,000 (funds to come from overlay surplus with the balance to be raised and appropriated) to acquire certain easements from property owners along the road to enable the town to undertake the Mt. Washington Road project. The expenses which are enumerated in Article 8 are the town’s responsibility according to the contract with our engineers.

THE FINANCE COMMITTEE RECOMMENDS APPROVAL, 5-0.

PROSPECTIVE BORROWINGS

Attached as **Exhibit A** is a projection of the total amount of borrowings/debt expected in FY24 if all warrant articles are passed. Financing options have not yet been determined. In FY23 total debt service was \$269,378. Debt service in FY24 will be \$225,428. The police facility and water department debt was retired in FY22 and the rescue truck debt was retired in FY23. Debt includes the \$270,000 dump truck for the highway department (\$270,000) and the fire truck for the fire department (\$315,000) and a principal balance of \$969,000 (\$1,070,000 borrowed) for Mt. Washington Rd.

CAPITAL PLANNING AND PURCHASES

With the FY24 budget, the town is committing to several critical capital investments, ranging from new equipment such as maintenance vehicles, to ongoing work on roadways in town. The Finance Committee believes these investments are necessary to maintain the level of services that residents have come to expect from the town. Furthermore, the town's financial status is reasonably healthy, with reserves at 9.6% of this year's budget.

With capital purchases in mind, the Finance Committee and Selectboard conduct an annual capital planning exercise with each town department.

Finance Committee for Fiscal Year 2022-2023

Laura Allen, Chairman
Thomas Berkel, Vice Chairman
Bryan Frank, Secretary

Frank Penglase
Daniel Blitzer