

**To:** *Honorable Town Council*

**From:** *Bruce R. Keiser, Town Administrator*

**Subject:** *FY 2013-14 Annual Town Budget*

**Date:** *March 6, 2013*

In accordance with the Town Charter, I have prepared the FY2013-14 Proposed Town Budget for the Town Council’s review and consideration. The budget document represents the Town Administration’s plan for the continuation of municipal services and support for public facilities and infrastructure to Jamestown residents.

**Budget Overview**

Expenditures

Under the proposed spending plan for FY2013-14, the total cost of town and school services will amount to \$21,689,746, an increase of \$103,681 or 0.48% over the current year. Town operating expenditures will rise by \$157,579 (2.1%), capital spending by \$270,876 (29.0%), and debt service drops by \$12,562 (1.6%).

Education program costs are projected to decrease by \$201,475 or 1.7%, capital expenditures decline by \$113,175 (-58.9%) and school debt service increases slightly by \$2,438 (0.9%).

<b>FY 2013-14 Proposed Town and School Budget</b>					
	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>		
	<b>Audited</b>	<b>Adopted</b>	<b>Proposed</b>	<b>Incr (decr)</b>	
<b>Town</b>					
Operations	7,178,749	7,493,256	7,650,835	157,579	2.1%
Capital	1,018,551	932,840	1,203,716	270,876	29.0%
Debt Service	580,817	775,591	763,029	-12,562	-1.6%
<b>subtotal</b>	<b>\$8,778,117</b>	<b>\$9,201,687</b>	<b>\$9,617,580</b>	<b>\$415,893</b>	<b>4.5%</b>
<b>Schools</b>					
Operations	11,398,023	11,923,787	11,722,312	-201,475	-1.7%
Capital	155,911	192,175	79,000	-113,175	-58.9%
Debt Service	489,478	268,416	270,854	2,438	0.9%
<b>subtotal</b>	<b>\$12,043,412</b>	<b>\$12,384,378</b>	<b>\$12,072,166</b>	<b>-\$312,212</b>	<b>-2.5%</b>
<b>Total</b>	<b>\$20,821,529</b>	<b>\$21,586,065</b>	<b>\$21,689,746</b>	<b>\$103,681</b>	<b>0.48%</b>

**Major Budget Components**

*Employee Compensation*

*General Wages and Salaries*

Collective bargaining agreements with each of the three municipal unions (police, DPW, clerical and dispatch) will expire on June 30, 2013. The labor contracts cover wages and benefit provisions for 13 police officers, 19 DPW employees, and 12 clerical/administrative personnel and 4.5 FTE dispatchers. Labor agreements typically extend for three-year periods,

The contracts do not set compensation for 14 Department Head and nonunion personnel. The Town Council determines salary and benefits for this group of employees annually through the budget review and approval process.

Salary and wage increases for FY13-14 will not be known until successor agreements are reached and approved by the Town Council. For budgetary planning purposes, I would note that the US Bureau of Labor Statistics reports that the Consumer Price Index for calendar year 2012 rose 1.7 percent. The annual average CPI increase for the ten-year period 2003-2012 has been 2.4 percent.

Wage increases for town employees for the last four fiscal years from FY09-10 through FY12-13 have been:

	FY09-10 %	FY10-11 %	FY11-12 %	FY12-13 %	Annual Average %
Public Works	3.0	0	2.5	2.5	2.0
Clerical /Dispatch	3.0	0	2.5	2.5	2.0
Police	3.75	0	2.0	3.0	2.2
Nonunion < \$50,000	3.0	0	2.5	2.5	2.0
Department Heads	0	0	2.75	2.75	1.4

*Health Benefits*

In response to the increasing nationwide burden of medical care expenditures, the Town has adopted measures designed to contain the rising cost of employee health insurance benefits. Working with our union and nonunion workforce, we have been able to mutually agree to significant changes that has lead to more stable cost escalation. These include:

- 1) Eleven grandfathered employees hired before 1993 who were exempt from premium co-pay now contribute between 7 and 20 percent of the health premium depending on plan selection.
- 2) On February 1, 2011 the Town instituted a new plan option offering a high deductible Health Savings Account in addition to the traditional Blue Cross/Blue Shield Healthmate Plan. To provide an incentive for staff to join the HSA, the Town agreed to share a portion of the 30 percent health premium cost reduction through a lower employee co-pay. The employee participation rate is 70 percent.
- 3) We have eliminated the \$5 generic / \$10 name brand prescription drug plan. Employee drug co-payment is either 20% across-the-board or part of the HSA.

In FY2012-13, there was no increase in the cost of the Town's health premium. This was the first year in more than two decades that health premiums had not risen. We have been advised that by the RI Interlocal Trust that our medical insurance rate will increase by 8.2% in FY13-14. The proposed budget includes a request for an appropriation increase from \$705,000 to \$762,810 to fully fund the hike in the premium.

### ***Employee Retirement***

The Town is enrolled in the Municipal Employees' Retirement System (MERS), a contributory defined-benefit plan for general municipal employees. This plan is administered by the State for all enrolled municipalities. Assets in the plan derived from employer and employee contributions and appreciation of investments totaled \$10.25 million on June 30, 2012. Current and future obligations amounted to \$12.31 million, or 83.3% of projected need.

As of June 30, 2012, 80 active general municipal employees of the Town and 32 retirees participated in this plan. Employees contribute 7% of their salary with the Town's actuarial contribution set annually by the State Retirement Board. In the current year, the actuarial funding requirement is 12.46% of payroll. In FY2013-14, State Retirement Board has set the Town's actuarial required contribution at 12.13%.

In November 2011 the General Assembly enacted significant pension reforms for all local general municipal employees, teachers, and school support staff that participate in the State-administered public retirement plan. Our Town and School employees are members of the state/local pension system. Jamestown sworn police officers are in a Town-managed private pension plan that was not affected by the State reforms. As a direct result of the legislative actions, future annual retirement plan obligations by the Town will remain stable through the 20-year projection period. The Town's requested contribution is level-funded in FY13-14 in the amount of \$284,415.

The Town Police Pension Plan is a private plan administered at the local level by a board consisting of the Town Administrator, Finance Director, a police union representative, and an appointee of the Town Council. The police officers contribute 9% of salary through payroll deduction and the Town appropriates funding through the annual budget. The proposed budget provides a Town contribution of \$141,000. This appropriation has remained level-funded for the last ten fiscal years. The most

recent actuarial report (6/30/12) reported plan assets of \$8,678,157, representing 108.0% of accrued liability.

***Debt Service***

In the two fiscal years FY2007-08 and FY2008-09, the Town incurred bonded indebtedness for general fund projects amounting to \$8.3 million as follows:

	Bond	Fiscal Year
New Town Hall	\$3.3 million	2007-08
Farmland Protection	\$3.5 million	2008-09
Highway Garage	\$1.5 million	2008-09
Total	\$8.3 million	

FY13-14 appropriations to meet debt service requirements to fund payments for outstanding bonds will be \$763,029. As shown in the debt service schedule included in the budget presentation, the retirement of the 20-year Library bond at the end of the next fiscal year will reduce Town appropriations by \$56,100 in FY14-15. In the succeeding year, the final payment of outstanding school bond will further reduce debt service by \$267,754 annually.

***Capital Budget***

The adopted FY12-13 Financial Town Meeting Budget approved capital spending in the amount of \$902,555, representing 9.4 percent of Town expenditures. In the development of the proposed FY13-14 Budget, municipal department have requested capital asset maintenance, replacement, and improvements that exceed \$2.0 million.

I am presenting a FY13-14 capital spending plan amounting to \$1,603,716. Nearly one-fourth or \$400,000 of this amount is proposed to be funded from Undesignated Fund Balance (\$150,000) or grants (\$250,000). The balance of \$1,203,716 will require funding through property tax appropriations. If approved, the tax support for capital projects will increase by \$270,876 over the current year expenditure of \$932,840.

The capital spending plan by Department is:

Department	Proposed Capital Funding
Public Works	\$685,000
Parks and Recreation	325,000
Fire and EMS	139,839
Library	105,877
Town Hall	105,000

Police / EMA	83,500
Information / Technology	69,500
Affordable Housing	50,000
Tax Assessment	25,000
Town Clerk / Probate	15,000
<b>Total</b>	<b>\$1,603,716</b>

A capital plan list, estimated project by project cost, and narrative descriptions are included with the budget document.

As noted, \$400,000 in support funding for the proposed FY2013-14 capital project plan will be derived from Fund Balance and grants. The FY11-12 annual audit reported that the General Fund undesignated reserves amounted to \$3,771,626. I am recommending to the Council a transfer from fund balance of \$150,000 to meet the cost of the Recreation Center roof replacement. The drawdown from the unreserved fund would result in a remaining balance of \$3,621,626. At 16.8% of total local spending, the fund balance will remain healthy and meet credit rating agency standards.

**Town and School Undesignated Reserve Funds**

<b>Audited Undesignated Fund Balances</b>							<b>Change</b>	<b>%</b>
	<b>6/30/2008</b>	<b>6/30/2009</b>	<b>6/30/2010</b>	<b>6/30/2011</b>	<b>6/30/2012</b>	<b>FY08 - FY12</b>		
<b>Town</b>								
Unreserved	\$3,850,686	\$4,120,509	\$3,909,996	\$3,787,541	\$3,771,626	-\$79,060	-2.05%	
<b>School</b>								
Unreserved	\$835,846	\$1,071,212	\$1,280,362	\$1,515,365	\$1,964,205	\$1,128,359	135.00%	

**Six-Year Capital Improvement Plan**

As required by the Town Charter, I have updated the six-year Capital Improvement Plan (CIP) listing current and proposed capital projects proposed to be undertaken during the period FY2013-14 through FY2018-19. This document shows the financial commitment that will be necessary to provide annual funding to meet expenses for major recurring and nonrecurring projects and programs. The Plan includes projects to be funded from the following sources: 1) annual

appropriations; 2) existing capital reserves; 3) allocations from the undesignated fund balance; and 4) bond or lease financing.

Many of the projects and equipment replacements shown in the CIP represent ongoing annual efforts (infrastructure repair and improvements) or are set asides to meet mandated and scheduled needs (e.g. property revaluation) or provide reserve funding (i.e. affordable housing). Please note that spending for three major capital items are planned for initial funding in FY14-15. These include a North End Fire Station (\$300,000), replacement of both a 1982 fire engine (\$400,000) and Public Works heavy equipment (\$400,000).

### **Revenues**

The Town relies primarily on the local property tax to meet the revenue requirements necessary to support the operating and capital budget plan. As discussed below, the Town does receive revenue from both State aid and pass-through sources and local fees and charges that fund a portion of municipal and school expenditures. In FY 13-14, we project that a total of \$2,346,713 will be available from nonproperty tax sources to support Town government spending. This sum represents 24.4% of Town funding needs. Nonlocal school funding amounts to \$1,065,228 or 4.9% of budgeted education expenditures.

Overall nonproperty tax revenue equals \$3,411,941 which accounts for 15.7% of the total proposed \$21,689,746 Town and School spending plan.

### **State Aid/Pass-Through Revenues**

State aid and pass-through funding for municipalities and schools have been an important source of revenue source enabling the Town to offset property tax burdens on local residents and businesses. However, due to the elimination of General Revenue Sharing and Motor Vehicle Excise Tax Reimbursements, the Town's reliance on State aid has diminished substantially. For example, in FY2008-09, the Town received \$797,636 or 8.7% of total municipal expenditures. In FY13-14, we expect to receive \$385,713 or 4.0% of total municipal budget. To adjust to the fall-off in outside revenue, the Town reduced personnel, placed a freeze on salaries, and renegotiated benefits.

The Governor's 2014 Budget proposes a new municipal aid program designed to assist cities and towns in meeting actuarial obligations to fully fund pension plans. As shown below, Jamestown's share of this \$10.0 million incentive program is \$51,406. Over the coming weeks, we will follow the State Legislature's debate on this municipal assistance initiative to determine if enactment is likely. If the Legislature does not support the proposal or modifies local allocations, we will recommend a change to the proposed revenue plan.

<b>State Revenues</b>	<b>FY2011-12 audited</b>	<b>FY2012-13 adopted</b>	<b>FY2013-14 proposed</b>	<b>Incr (decr)</b>
State Library Aid	135,597	137,118	137,118	0
Vehicle Reimbursement	36,685	35,751	35,751	0
Public Service Corp.Tax	54,671	60,835	65,049	4,214
Incentive Aid	0	0	51,406	51,406
Hotel Tax	0	0	10,645	10,645
Meals and Beverage Tax	74,563	76,399	85,744	9,345
<b>Subtotal aid to Town</b>	<b>\$301,516</b>	<b>\$310,103</b>	<b>\$385,713</b>	<b>\$75,610</b>
<b>Education Aid</b>	<b>\$467,630</b>	<b>\$388,264</b>	<b>\$383,326</b>	<b>(\$4,938)</b>
<b>Total State Aid</b>	<b>\$769,146</b>	<b>\$698,367</b>	<b>\$769,039</b>	<b>\$70,672</b>

*Local Revenue*

Revenues from local sources that are nonproperty-tax related are projected to generate \$1,536,000 accounting for 16.0% of Town general fund budget.

<b>Local Revenue</b>	<b>2011-12 Audited</b>	<b>2012-13 Adopted</b>	<b>2013-14 Proposed</b>	<b>Increase (Decrease)</b>
Town Clerk Receipts - land transfers, probate fees, licensing fees, etc.	261,462	300,000	300,000	0
Building Inspection Fees	130,040	150,000	150,000	0
Recreation Department	469,965	475,000	475,000	0
Dog Fines	5,223	5,000	5,000	0
Finance Revenues	77,470	95,000	85,000	-10,000
Golf Course / Country Club Rental - annual rent.	150,000	150,000	150,000	0
Ambulance receipts	86,817	95,000	95,000	0
Transfer Station Fees	100,980	90,000	90,000	0
Residential Fire/Police Alarms user fees.	7,687	8,000	8,000	0
Turnpike & Bridge Authority	26,500	27,000	27,500	500
Late Tax Interest	92,986	100,000	100,000	0
Investment Income	27,601	50,000	35,000	-15,000
RI TOPS Dividend	15,664	15,500	15,500	0
<b>Total Local Revenue</b>	<b>\$1,452,395</b>	<b>\$1,560,500</b>	<b>\$1,536,000</b>	<b>-\$24,500</b>

*School Revenue*

<b>School Revenue</b>	<b>2011-12 Audited</b>	<b>2012-13 Adopted</b>	<b>2013-14 Proposed</b>	<b>Increase (Decrease)</b>
Preschool Tuition	46,050	37,500	40,000	2,500
Medicaid Reimbursement	96,363	90,000	90,000	0
Miscellaneous	24,840	-	19,335	0
Impact Aid	69,173	40,000	45,000	5,000
Grant Revenue	247,884	325,758	268,617	-57,141
Nutrition Program	133,053	139,950	139,950	0
Fund Balance to Capital	90,100	141,000	46,000	-95,000
Fund Balance to Equipment	65,811	21,175	33,000	11,825
	<b>\$773,274</b>	<b>\$795,383</b>	<b>\$681,902</b>	<b>(\$113,481)</b>

*Property taxation*

The balance of revenue necessary to support the \$21.7 million Town and School Budget is derived from local property and motor vehicle taxes. As shown below, a FY13-14 tax levy of \$18,483,329 on real and tangible property is proposed. The 0.73 percent levy increase is compliant with the 4.0 percent State property tax cap statute.

<b>Property Tax Levy</b>				
<b>FY11-12</b>	<b>FY12-13</b>	<b>FY13-14</b>	<b>Increase</b>	<b>%</b>
\$18,001,386	\$18,349,874	\$18,483,329	\$133,455	0.73

The town-wide property revaluation will produce new residential, commercial, and vacant land values effective 12-31/12 for all real listed property. We expect that Vision Appraisal will provide a preliminary report of the aggregate value for all property no later than March 31. Until this information is received we cannot project a tax rate to be applied to taxes billed in July 2013. When new tax roll is calculated, we will provide a full report and analysis to the Town Council including an estimate of the change in the property tax distribution across the different classes of property. I

would note that if real property assessments were not subject to revaluation, the tax rate would increase by \$.07 per thousand or 0.67%.

The Town Administrator's Proposed Budget is the product of each of the Department Heads carefully reviewing and updating the spending requirements for the programs and services under their purview. I want to thank each and every member of the staff for their diligence in fulfilling this responsibility guided by the interests of the community. I especially want to express my gratitude to Deborah Shea, Executive Assistant, and Christina Collins, Finance Director, for their invaluable support and assistance in preparing this budget document.

I look forward to working with the Town Council as you deliberate the FY2013-14 tax and spending plan that you will develop and recommend to voters at the June 4, 2013 Financial Town Meeting.

**Attachments:**

- **Budget in Detail**
- **Capital Budget**
- **6-year Capital Improvement Plan**
- **State and Local Revenues**
- **Debt Service Schedule**
- **School Committee Adopted FY13-14 Budget**