



TOWN OF JAMESTOWN

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TO: HONORABLE TOWN COUNCIL
FROM: ANDREW E. NOTA, TOWN ADMINISTRATOR
SUBJECT: FY 2014-2015 BUDGET MESSAGE
DATE: April 21, 2014

In accordance with the Town Charter provisions, we have prepared the FY 2014-2015 Proposed Town Budget for the Town Council's consideration. The budget document represents the Town Administrator's plan for the continuation of municipal services and support for public facilities and is of a zero-based nature with cost presentation by specific service areas. The following information represents a summary of key elements of the budget document for the 2014-2015 fiscal year.

For the 2014-2015 fiscal year, a total General Fund Program in the amount of \$22,658,804 is proposed. This funding proposal represents an increase of \$532,655 over the current year appropriation of \$22,126,149. Town operating expenditures will rise by \$327,821 or 4.2%, Capital spending will increase by \$154,784 or 12.4% and Debt Service will increase by \$71,601 or 9.4%.

The School Department operating program costs are expected to decrease by (\$54,757) or (-.5%), Capital expenditures will increase by \$41,000 or 51.9%, Grant Funding will increase by \$8,857 or 3.3%, Nutrition funding will decline by (\$4,000) or (-2.9%) and Debt Service will decline by (\$12,651) or (-4.7%).

The School Department's budget program also includes two major adjustments worthy of additional discussion that were recommended by the School Committee and School Administration during the budget development process. The first such change was a budget reduction of \$301,567, thus reducing the schools overall budget total below their FY 2013-2014 maintenance of effort amount. This initial change neutralized the town's estimated levy transfer to the School Department and went one step further by lowered the maintenance of effort threshold by (\$124,166) or (1.12%). The justification for this additional reduction was possible based on a projected declining school enrollment.

The second change came at the School Committee's recent meeting held on April 17, 2014, at which time a decision was reached to dedicate a portion of the schools undesignated reserve funds equaling \$297,513 to the district's annual OPEB debt obligation. This was the first time the school department had dedicated undesignated funds to address the annual required contribution (ARC) of their OPEB liability. As you are aware, the school previously dedicated \$1.5 million dollars for their undesignated reserve to address the total estimated \$6.5 million dollars in OPEB liability that exists within the district.

A breakdown of the proposed FY2014-2015 budget is depicted below:

FY 2014-2015 Proposed Town and School Budget					
	2012-13 Adopted	2013-14 Adopted	2014-15 Proposed	Inc/(Dec)	Change
Town					
Operations	\$7,493,256	\$7,713,835	\$8,041,656	\$327,821	4.2%
Capital	932,840	1,252,216	1,407,000	\$154,784	12.4%
Debt Service	775,591	763,029	834,630	\$71,601	9.4%
subtotal	\$9,201,687	\$9,729,080	\$10,283,286	\$554,206	5.7%
Schools					
Operations	\$11,923,787	\$12,047,215	\$11,997,315	(\$49,900)	-0.4%
Capital	192,175	79,000	120,000	\$41,000	51.9%
Debt Service	268,416	270,854	258,203	(\$12,651)	-4.7%
subtotal	\$12,384,378	\$12,397,069	\$12,375,518	(\$21,551)	-0.2%
Total	\$21,586,065	\$22,126,149	\$22,658,804	\$532,655	2.4%

Property Tax Program

To support the 2014-2015 fiscal year appropriation, a property tax rate of \$8.75 per thousand dollars of assessed valuation will be necessary. This is the same rate of \$8.75 that will remain in place from the current fiscal year. The distribution of the rate for Municipal operations will require an increase from \$3.52 in FY 2014 to a new rate of \$3.77 or an increase of 7.3%. The School Department rate will realize a reduction from \$5.23 in FY 2014 to \$4.98 in FY 2015 or a reduction of (-4.9%).

	Municipal Program	School Program	Total
Property Tax Levy Growth			
FY 2013-2014 Tax Levy	\$7,377,698	\$10,972,176	\$18,349,874
FY 2013-2014 Tax Distribution Percentage	40.21%	59.79%	100.00%
FY 2014-2015 Tax Levy	\$7,973,411	\$10,510,346	\$18,483,757
FY 2014-2015 Tax Distribution Percentage	43.14%	56.86%	100.00%

The estimated tax rates presented are based on the current year tax roll. It is anticipated that the value of the taxable property role on the gross assessed value of Real and Tangible property will be

\$2,221,458,342. Exemptions in Real Property and Motor Vehicles is expected to amount to \$43,185,766 with the Net Assessed Values outlined below:

Net Assessed Values	
Real Property - Residential	\$2,066,096,210.00
Real Property - Commercial/Ind / mixed Use	61,200,800.00
Motor Vehicles	39,664,770.00
Tangible Personal Property	11,310,796.00
Total Net Assesed Value Real & Tangible	\$2,178,272,576.00
Levy	
Real Propety - Residential	\$18,078,341.84
Real Property - Commercial/Industrial	535,507.00
Motor Vehicles	571,965.98
Tangible Personal Property	98,969.47
Total Net Tax Levy Real & Tangible Property	\$19,284,784.29

Motor Vehicle values are assessed at a rate of \$14.42 per thousand dollars of assessed value. Since 1998 this rate has been stable due to actions of the State in their effort to phase out this particular tax. This process was initiated at a time when the State of Rhode Island had begun to phase-out the taxation of motor vehicles over a ten year period, by replacing the loss of motor vehicle tax income with state revenue. This program was restructured in FY 2010-2011 whereby the State reimbursement was limited to a maximum of \$500 per vehicle. For budgetary purposes the Town has set the value of the motor vehicle tax exemption at \$6,000 per vehicle, the same as in FY 2013-2014. The estimated value of Motor Vehicle Excise Tax Role is projected at approximately \$39,664,770. In FY 2014-2015 the State is projecting the Town will receive \$23,683 through this program recognizing the \$500 value, although over the past several years the Town has received in the range of \$35,000 - \$36,000. The Town will continue to recognize the \$6,000 exemption value previously set by the State and underwrite the difference on behalf of its residents.

Capital Improvement Program

The Town's Capital Improvement Program for FY 2014-2015 includes construction, purchases, contractual programs and equipment replacements of a significant budgetary nature. The purpose of this program is to develop a schedule and coordinated financial plan to address the improvements needed within the community. The programs intent is to determine community needs, assist in setting priorities, and analyze the Town's ability to pay for these new improvements.

In FY 2014-2015 a capital budget of \$1,407,000 is proposed, reflecting an increase of \$154,784 or 12.4% of the current year's fiscal year adopted budget of \$1,252,216. For the 2014-2015 fiscal year, an increase is proposed in several critical areas that require the communities immediate attention. The net general fund need for capital projects is \$1,407,000.

A summary of the FY 2014-2015 Capital Budget is presented in the spreadsheet on the following page:

Capital Improvement Program	2013-2014 Adopted	2014-2015 Proposed	Increase/ (Decrease)
General Municipal Program	280,377	155,000	(125,377)
Public Safety (Police/Fire/EMS)	216,839	220,000	3,161
Public Works	450,000	1,022,000	572,000
Parks and Recreation	305,000	10,000	(295,000)
Annual Capital Budget	\$1,252,216	\$1,407,000	\$154,784

Revenue Program

Based on the limited size and scope of the commercial tax base in the community and the continuing decline in state aid, the Town has continued to rely heavily on the property tax to meet its revenue requirements in support of the operating and capital program funding needs. The Town does receive revenue from pass through sources, local revenues and state aid that fund a portion of municipal and school expenditures. In FY2014-15, it is anticipated that \$2,035,375 will be generated from non-property tax sources to support local municipal spending. This represents 19.79% of the Towns funding needs. The School department anticipates receiving revenue in the amount of \$1,529,672 or 12.36% of budgeted educational expenditures.

State Revenues	2013-2014 Adopted	2014-2015 Proposed	Increase/ (Decrease)
State Library Aid	80,467	87,697	7,230
Motor Vehicle Reimbursement	35,751	23,683	-12,068
Public Serv. Corp. Tax	65,049	67,867	2,818
Hotel Tax	10,645	9,409	-1,236
Meals and Beverage Tax	85,744	83,545	-2,199
subtotal - Aid to Town	\$277,656	\$272,201	(\$5,455)
Education Aid	\$383,326	\$471,700	\$88,374
Total State Aid	\$660,982	\$743,901	\$82,919

State Library Aid: It is anticipated that the State will provide approximately \$87,697 in general Library Aid in FY 2014-2015. This total includes a projected increase of \$7,230 for the fiscal year.

Municipal Incentive Aid Program: In FY 2013-2014 and continuing through FY 2015-2016 the Governor has recommended establishing a new category of state assistance entitled "Municipal Incentive Aid" to be funded annually from a \$10 million state appropriation. The intent of this program is to encourage municipalities to improve the long-term sustainability of the retirement plans and to reduce unfunded liabilities within their plans. Funds are to be distributed based on data derived from the

community's population statistics as a percentage of the State's 2010 US Census population. Based on the Town not having made its full ARC payment for the Police Pension Plan, due to it being funded in excess of 100% at this time, the State is presently reviewing the Towns eligibility to receive funding under this program. A final decision has not yet been made, although if a favorable decision is reached, the Town could potentially receive up to \$70,000 from this program.

Public Service Corporations Tax: The tangible personal property of cable, telegraph, and telecommunications corporations are exempted from local taxation, although not from taxation from the State. Funds collected from the State from this tax are distributed to cities and towns on the basis of a ratio of the town population to the population of the state as a whole. For the FY 2014-2015 fiscal year, the Town is projecting funding in the amount of \$67,867, reflecting an increase of \$2,818 over the current fiscal year.

Meals and Beverage Tax: The State meal tax by the General Assembly in 2003 when it was increased by 1% on the sale of all prepared foods and meals served by any food service provide. Receipts from this 1% tax are collected by the State and transferred to the municipality where the sale occurred. It is conservatively estimated that the Town will receive \$83,545 the 2014-2015 fiscal year.

Hotel Tax: The State levies a 6% surcharge on the charge for occupancy of any space furnished by any hotel in the State, in addition to the standard State sales tax. The State returns to the host community, 33.3% of total revenues collected, 39.2% of the total surcharge goes to the Regional Tourism Council, 5% to the Roger Williams reserve Fund, and the remaining 22.5% is used by Commerce RI for tourism promotion. It is estimated that \$9,409 will be available from this program in FY 2014-2015.

Revenues from local sources that are non-tax related are projected to generate \$1,690,195 or 16.4% of the total municipal budget. The sources of this funding is outlined in the below listing:

Local Revenues	2013-2014 Adopted	2014-2015 Proposed	Increase/ (Decrease)
Town Clerk	300,000	300,000	0
Building Inspection	150,000	150,000	0
Parks and Recreation	475,000	475,000	0
Dog Fines	5,000	5,000	0
Finance Revenues	85,000	85,000	0
Golf Course / County Club Rental	150,000	150,000	0
Ambulance Receipts	95,000	165,000	70,000
Transfer Station Fees	90,000	115,000	25,000
Alarms - Residnetial Fire/Police Fees	8,000	8,000	0
RI Turnpike and Bridge Authority	27,500	28,500	1,000
RI Trust TOPS Dividend	15,550	15,550	0
Harbor Management - Yr. 3 seawall	0	58,145	58,145
Interest on Late Tax Payments	100,000	100,000	0
Total Local Revenues	\$1,501,050	\$1,655,195	\$154,145

Fund Balance Revenue Transfers

For the past several years the Town has allocated a \$150,000 transfer from the Unassigned Fund Balance in offsetting the need for additional tax funding. In FY 2013-2014 the Town utilized \$212,697 from its Fund Balance to reduce the overall financial need to fund several projects within the capital improvement program. In the 2014-2015 fiscal year, the need to continue with a separate capital program transfer is not required. Unassigned funds forwarded to the General Fund are targeted either to meet one-time capital costs or to reduce the need for property tax support of the general fund operating program. Funding used to meet operating expenses is considered a base revenue since it must be provided on an annual basis or the property tax need in the following year will have to increase in direct proportion to the reduction in unassigned funding support. Funding of one-time capital projects does not have the same effect since there are no recurring program expenses.

An outline of the Town’s Unassigned Fund Balance transfers is outlined below:

Unassigned Fund Balance Transfers	2013-2014 Adopted	2014-2015 Proposed	Increase/ (Decrease)
Fund Balance	150,000	150,000	0
Fund Balance Transfer for Projects	212,697	0	-212,697
Total Fund Balance Transfers	\$362,697	\$150,000	-\$212,697

School Department Revenue

The school department is anticipating an increase in revenue of \$412,719 or 36.9%. This increase can be attributed to positive trending for medicaid reimbursements, grant revenues and an increase in the transfer from the schools Unassigned Fund Balance to support the districts capital improvement program.

School Department Revenue	2013-2014 Adopted	2014-2015 Proposed	Increase/ (Decrease)
Tuition from Individuals	40,000	43,200	3,200
Medicaid Reimbursement	90,000	110,000	20,000
Miscellaneous	19,335	23,835	4,500
Impact Aid	45,000	70,000	25,000
Grant Revenue	268,617	277,474	8,857
Nutrition Program	139,950	135,950	-4,000
Fund Balance To OPEB	0	297,513	297,513
Fund Balance To Capital	26,000	72,000	46,000
Fund Balance To Equipment	33,000	28,000	-5,000
Total Local Revenues	\$661,902	\$1,057,972	\$396,070

Unassigned Fund Balance Comparison

Undesignated Fund Balance						Change	
	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	FY09-13	%
Town							
Unreserved	\$4,120,509	\$3,909,996	\$3,787,541	\$3,771,626	\$3,585,628	-\$534,881	-12.98%
School							
Unreserved	\$1,071,212	\$1,280,362	\$1,515,365	\$1,964,205	\$1,130,399	\$59,187	5.53%

Property Taxation

The balance of the revenues necessary to support the Town's \$21.1 million dollar budget is derived from the local property and motor vehicle taxes. As reflected in the below spreadsheet, a tax levy of \$18,483,757 is proposed for the 2014-2015 fiscal year.

Property Tax Levy					
FY 2011-12	FY 2012-2013	FY 2013-14	FY 2014-15	Inc	%
\$18,001,386	\$18,349,874	\$18,349,874	\$18,483,757	\$133,883	0.73%

As noted above, it is proposed that we limit the property tax levy growth generated in FY 2014-2015 to .73% or \$133,883 more than the current year levy. The states enactment of the 2006 Senate Bill – 3050 Sub A, resulted in a reduction from the prior 5.5% cap on property tax growth in all cities and town's to the new limit of 4%. These amendments revised the tax cap to apply only to the prior year levy beginning in FY 2007-2008 and reduced the cap to a maximum 4% annual levy increase in FY 2012-2013, by lowering the cap in .25% increments. Under the 4% cap requirement, the maximum tax levy increase the Town could have sought under the existing limit totaled \$19,083,868 or an increase of \$733,994. The proposed budget reflects an increase of \$133,883, an amount \$600,111 below the statutory tax cap.

This proposed budget was formulated with the professional dedication and commitment of the full town staff. Considerable effort over the past several months was spent in review of the Town's various programs and services under the direction of each of the Town's individual departments. In the midst of significant change, the staff did an exemplary job in addressing this necessary and challenging responsibility. I would like to thank each and every member of the staff for their effort and diligence in this regard. I especially would like to call your attention to the effort put forth by the Town's Finance Director Tina Collins, who for much of the budget process also served in the capacity of Interim Town Administrator. I sincerely would like to express my appreciation to Tina, as her professional commitment to the community is one of the major reasons why the Town Council has a completed budget document

before you at this time. Without Tina's professional assistance and personal dedication, I could not have prepared this budget document for your consideration.

I look forward to working with the Town Council in the coming weeks in anticipation of preparing the budget presentation for the Financial Town meeting in June. Should you require any additional information or have questions on the enclosed materials, please do not hesitate to contact me at your convenience.