



# TOWN OF JAMESTOWN

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**TO:** HONORABLE TOWN COUNCIL  
**FROM:** ANDREW E. NOTA, TOWN ADMINISTRATOR  
**SUBJECT:** FY 2015-2016 BUDGET MESSAGE  
**DATE:** March 2, 2015

In accordance with the Town Charter provisions, we have prepared the FY 2015-2016 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 2015-2016 fiscal year.

## General Fund Overview

For the 2015-2016 fiscal year, a total General Fund Program in the amount of \$23,103,940 is proposed. This funding proposal represents an increase of \$445,136 over the current year appropriation of \$22,658,804. Town operating expenditures will rise by \$240,414 or 3.0%, Capital spending will decrease by (\$163,000) or (11.6%) and Debt Service will increase by \$89,042 or 10.7%.

The School Department General Fund operating program costs are expected to increase by \$194,842 or 1.7%, requiring a General Fund Town appropriation increase of \$236,086 or 2.21%. The Schools Capital Improvement Program requirements are \$131,200, an increase of \$39,200 or 42.61% and the Capital Reserve for Technology Equipment is proposed to decrease by (\$840) or (-3.0%) to \$27,160. School Debt Service for the year is \$258,605, an increase of \$402 or .2%, while Grant Funds are estimated at \$318,550, an increase of \$41,076 or 14.8%, with Nutrition Program requirements anticipated at \$139,950, an increase of \$4,000 or 2.9%.

A breakdown of the proposed FY2015-2016 budget is depicted below:

FY 2015-2016 Proposed Town and School Budget					
	2013-14	2014-15	2015-16		
	Adopted	Adopted	Proposed	Inc/(Dec)	Change
<b>Town</b>					
Operations	\$7,713,835	\$8,041,656	\$8,282,070	\$240,414	3.0%
Capital	1,252,216	1,407,000	1,244,000	(\$163,000)	-11.6%
Debt Service	763,029	834,630	923,672	\$89,042	10.7%
<b>subtotal</b>	<b>\$9,729,080</b>	<b>\$10,283,286</b>	<b>\$10,449,742</b>	<b>\$166,456</b>	<b>1.62%</b>
<b>Schools</b>					
Operations	\$11,638,648	\$11,583,891	\$11,778,733	\$194,842	1.7%
Capital	79,000	120,000	158,360	\$38,360	32.0%
Debt Service	270,854	258,203	258,605	\$402	0.2%
Grants	268,617	277,474	318,550	\$41,076	14.8%
Nutrition	139,950	135,950	139,950	\$4,000	2.9%
<b>subtotal</b>	<b>\$12,397,069</b>	<b>\$12,375,518</b>	<b>\$12,654,198</b>	<b>\$278,680</b>	<b>2.25%</b>
<b>Total</b>	<b>\$22,126,149</b>	<b>\$22,658,804</b>	<b>\$23,103,940</b>	<b>\$445,136</b>	<b>1.96%</b>

**I. General Fund Revenue Statement**

**A. Property Tax Program**

To support the 2015-2016 fiscal year appropriation, a property tax rate of \$8.92 per thousand dollars of assessed valuation will be necessary. This includes a rate increase of \$.17 cents from the 2015 fiscal year rate of \$8.75. The distribution of the rate for Municipal operations will require an increase from \$3.77 in FY 2015 to a new rate of \$3.85 or an increase of 2.1%. The School Department will realize a rate increase from \$4.98 in FY 2015 to \$5.08 in FY 2016 or an increase of 2.0%.

Property Tax Levy Growth	Municipal	School	Total
	Program	Program	
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%
FY 2015-2016 Tax Levy	\$8,149,491	\$10,746,834	\$18,896,325
FY 2015-2016 Tax Distribution Percentage	43.13%	56.87%	100.00%

It should be noted that the Town last engaged in a State mandated full revaluation in 2012 for FY2013-14 and will be required to provide statistical updates in 2015 for FY2016-17 and in 2018 for FY2019-2020, with the next full revaluation scheduled to be held in 2021 for FY2022-23. During a revaluation or statistical update, variables such as land value, cost tables, property improvements and comparable property sales and cost of reconstruction are analyzed to establish the full fair market value of a property.

Property Tax Rate History						
FY2011-12	FY2012-2013	FY2013-14	FY2014-15	Proposed	Inc./ (Dec.)	Avg. Inc.
				FY2015-16		
\$9.21	\$9.35	\$8.75	\$8.75	\$8.92	(\$0.29)	\$9.00
1.10%	1.52%	-6.42%	0.00%	1.94%	0.84%	-0.4%

The tax liability for the average residentially assessed property valued at \$500,000 will be \$4,460, an increase of \$85 as indicated in the below chart. This increase will only be realized should the revenue and expenditure assumptions used in the development of the proposed rate, remain unchanged.

Average Residential Property Tax	FY2014-15	Proposed FY2015-16	Change
Average Residential Assessment	500,000	500,000	\$0.00
Tax Levy Per Average Residential Parcel	\$4,375	\$4,460	\$85.00
Tax Rate Differential	\$8.75	\$8.92	\$0.17

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 \$2,225,926,416. This figure represents an estimated increase in gross value during the year of approximately \$11 million dollars having been added to the Tax Role with a corresponding net impact on the Tax Levy of approximately \$220,000. Exemptions in Real Property and Motor Vehicles as of December 31, 2014 is expected to amount to \$42,038,295, an increase of approximately 1.4% from December 31, 2013, with the Net Assessed Values outlined below:

Net Assessed Values	
Real Property - Residential	\$2,071,636,430
Real Property - Commercial/Ind./ Mixed Use	60,684,200
Motor Vehicles	40,157,200
Tangible Personal Property	11,410,471
<b>Total Net Assessed Value Real &amp; Tangible</b>	<b>2,183,888,301</b>
Net Tax Levy	
Real Property - Residential	\$18,237,011
Real Property - Commercial/Industrial	536,433
Motor Vehicles	578,806
Tangible Personal Property	99,887
<b>Total Net Tax Levy Real &amp; Tangible Property</b>	<b>\$19,452,136.14</b>

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 2014-2015.

There remain six (6) other municipalities in Rhode Island for a total of seven (7) that continue to utilize the maximum exemption of \$6,000 per vehicle in subsidizing this amount for residents in their individual communities. An additional six (6) communities use a \$3,000 exemption, while the remaining 26 communities in the State use rates that fluctuate between the minimum state exemption of \$500 and \$1,500. The net assessed value of Motor Vehicle Excise Tax Role is projected at approximately \$40,157,020, stemming from a Gross Value of \$71,988,445, minus exemptions totaling \$31,831,425. In FY 2015-2016 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.

**B. Capital Improvement Program**

The Town’s Capital Improvement Program for FY 2015-2016 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 2015-2016 a capital budget of \$1,244,000 is proposed, reflecting a decrease of (\$163,000) or (13.1%) of the current year's fiscal year adopted budget of \$1,407,000. For the 2015-2016 fiscal year, a diverse and broad capital program is offered to address a wide array of important projects designed to address existing needs within the community. The net general fund need for capital projects is \$1,244,000.

A summary of the FY 2015-2016 Capital Budget is presented in the spreadsheet below:

Capital Budget	2014-2015 Adopted	2015-2016 Proposed	Increase/ (Decrease)
General Municipal Program	\$155,000	\$179,000	\$24,000
Public Safety (Police/Fire/EMS)	220,000	165,000	(55,000)
Public Works	1,022,000	770,000	(252,000)
Parks and Recreation	10,000	130,000	120,000
<b>Annual Capital Budget</b>	<b>\$1,407,000</b>	<b>\$1,244,000</b>	<b>(\$163,000)</b>

### C. 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.

#### State Aid Reimbursement Program

**State Library Aid:** It is anticipated that the State will provide approximately \$87,697 in general Library Aid in FY 2015-2016. This total includes no projected change from the current fiscal year.

**Motor Vehicle Excise Tax Phase-Out:** As previously noted, the General Assembly instituted a \$500 per vehicle value credit in the FY2012-2013 Adopted budget. Funding of \$22,069 is anticipated in FY 2015-2016, a decrease of (\$1,614).

State Revenues	2014-2015 Adopted	2015-2016 Proposed	Increase/ (Decrease)
State Library Aid	\$87,697	\$87,697	\$0
Motor Vehicle Reimbursement	23,683	22,069	(1,614)
Public Serv. Corp. Tax	67,867	73,464	5,597
Hotel Tax	9,409	8,800	(609)
Meals and Beverage Tax	83,545	85,727	2,182
<b>subtotal - Aid to Town</b>	<b>\$272,201</b>	<b>\$277,757</b>	<b>\$5,556</b>
<b>Education Aid</b>	<b>\$419,370</b>	<b>\$417,870</b>	<b>(\$1,500)</b>
<b>Total State Aid</b>	<b>\$691,571</b>	<b>\$695,627</b>	<b>\$4,056</b>

**Municipal Incentive Aid Program:** In FY 2013-2014 and continuing through FY 2015-2016 the prior Governor had 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 112% at this time, the State reviewed the Towns eligibility to receive funding under this program. A final decision was made and although favorable to the Town in the amount of \$25,703 in the current fiscal year, there are no assurances that the Town will be eligible or the program will be funded in FY2016. In FY 2015-2016 this line item is proposed to be funded at the level of \$165,215, reflecting an increase of \$23,883 or 16.9% from \$141,330 budgeted in FY 2014-2015, with the expectation that the recommended ARC payment of \$189,098 will be fully funded in FY2016-2017.

**Pass-Through Aid Programs**

**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 2015-2016 fiscal year, the Town is projecting funding in the amount of \$73,464, reflecting an increase of \$5,597 or 8.2% 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 provider. Receipts from this 1% tax are collected by the State Division of Taxation and transferred back to the municipality in which the meals and beverages were delivered. This tax is projected to exceed \$23.1 million dollars in the current fiscal year. It is estimated that the Town will receive \$85,727 during the 2015-2016 fiscal year, an increase of \$2,182 or 2.6%.

**Hotel Tax:** In 1986 the General Assembly enacted the Hotel Tax, a five-percent (5%) tax upon the total charge for occupancy of any space furnished by any hotel of the state. Twenty-five percent (25%) of the revenues generated from the five-percent (5%) tax are distributed to the municipalities where the individual hotels are located. In 2004, the General Assembly enacted a one-percent (1%) gross receipts tax on the total occupancy charge. The taxes are collected by the Division of taxation and distributed at least quarterly to the city or town where the hotel is located. In FY 2015-2016, \$6.9 million is estimated to be generated from this tax on a state-wide basis while it is anticipated that the Town will receive \$8,800 in FY 2016, a decrease of \$609 or (6.5%).

**D. Local Program Generated Revenues**

Revenues from local sources that are non-property tax related are projected to generate \$2,198,550 or 26.9% of the total municipal budget. The sources of this funding is outlined in the below listing:

<b>General Revenue</b>	<b>2014-2015 Adopted</b>	<b>2015-2016 Proposed</b>	<b>Increase/ (Decrease)</b>
Interest on Late Tax Payments	\$100,000	\$100,000	\$0
Investment Income	35,000	35,000	0
Motor Vehicle Phase out	475,000	490,000	15,000
<b>Sub-total General Revenue</b>	<b>\$610,000</b>	<b>\$625,000</b>	<b>\$15,000</b>

<b>Town Revenue</b>	<b>2014-2015 Adopted</b>	<b>2015-2016 Proposed</b>	<b>Increase/ (Decrease)</b>
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	165,000	186,000	21,000
Transfer Station Fees	115,000	125,000	10,000
Alarms - Residnetial Fire/Police Fees	8,000	8,000	0
RI Turnpike and Bridge Authority	28,500	29,000	500
RI Trust TOPS Dividend	15,550	15,550	0
Harbor Management - Yr. 3 seawall	58,145	60,000	1,855
<b>Sub-total Town Revenue</b>	<b>\$1,555,195</b>	<b>\$1,588,550</b>	<b>\$33,355</b>
<b>Total Local Revenue</b>	<b>\$2,165,195</b>	<b>\$2,213,550</b>	<b>\$48,355</b>

### School Department Revenue

The School Department is anticipating an increase in revenue of \$43,692 or 4.2% during the fiscal year. This increase can be attributed to a projected increase in Grant Funding of \$41,076, Nutrition Sales of \$4,000 and an increase in the Fund Balance Transfer to Capital of \$39,200.

<b>School Department Revenue</b>	<b>2014-2015 Adopted</b>	<b>2015-2016 Proposed</b>	<b>Increase/ (Decrease)</b>
Tuition from Individuals	\$43,200	\$43,200	\$0
Medicaid Reimbursement	110,000	100,000	(\$10,000)
Miscellaneous	0	0	0
Rental Income	2,500	2,000	(500)
Transportation Fees	2,000	2,500	500
Impact Aid	70,000	65,000	(5,000)
Grant Revenue	277,474	318,550	41,076
Nutrition Sales and Reimbursements	135,950	139,950	4,000
Transfer - Fund Balance To OPEB	297,513	272,769	(24,744)
Transfer - Fund Balance To Capital	72,000	111,200	39,200
Transfer - Fund Balance To Equipment	28,000	27,160	(840)
<b>Total Local Revenues</b>	<b>\$1,038,637</b>	<b>\$1,082,329</b>	<b>\$43,692</b>

### E. 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 2015-2016 fiscal year, the need to continue with a separate capital program transfer is not recommended. 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 on the next page:

<b>Fund Balance Transfers</b>	<b>2013-2014 Adopted</b>	<b>2014-2015 Adopted</b>	<b>2015-2016 Proposed</b>	<b>Increase/ (Decrease)</b>
Fund Balance	\$150,000	\$150,000	\$150,000	\$0
Fund Balance Transfer for Projects	212,697	0	0	0
<b>Total Fund Balance Transfers</b>	<b>\$362,697</b>	<b>\$150,000</b>	<b>\$150,000</b>	<b>\$0</b>

### Unassigned Fund Balance Comparison Property Taxation

In 2009, the Governmental Finance Officers Association issued a new guideline regarding the appropriate level of Unrestricted Fund Balance in the General Fund that is recommended generally for a municipality. In this recommendation, a minimum total was cited that a community should maintain for general government purposes, regardless of community size, to be maintained in an unrestricted reserve in the general fund. This unrestricted reserve should amount to, no less than two months of regular general fund operating revenues or general fund operating expenditures of (16.67%). At the end of the 2013-2014 fiscal year, the audited general fund unassigned fund balance was \$3,767,245 which equaled 18.5% of the total general fund expenditures.

	Undesignated Fund Balance						Change FY09-14	%
	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014		
<b>Town</b>								
Reserved	\$641,994	\$608,900	\$940,646	\$650,979	\$902,273	\$712,566	\$70,572	10.99%
Unreserved	4,120,509	3,909,996	3,787,541	3,929,992	3,585,628	3,767,245	(\$353,264)	-8.57%
<b>Subtotal Town</b>	<b>\$4,762,503</b>	<b>\$4,518,896</b>	<b>\$4,728,187</b>	<b>\$4,580,971</b>	<b>\$4,487,901</b>	<b>\$4,479,811</b>	<b>(\$282,692)</b>	<b>-5.94%</b>
Change in FB from prior year		(\$243,607)	\$209,291	(\$147,216)	(\$93,070)	(\$8,090)		
					Avg. Inc./(dec.)		(\$56,538)	
<b>School</b>								
Reserved	\$624,714	\$541,996	\$496,453	\$399,611	\$1,822,729	\$2,331,702	\$1,706,988	273.24%
Unreserved	\$1,071,212	\$1,280,362	\$1,515,365	\$1,964,205	\$1,130,399	\$847,318	(\$223,894)	-20.90%
<b>Subtotal Schools</b>	<b>\$1,695,926</b>	<b>\$1,822,358</b>	<b>\$2,011,818</b>	<b>\$2,363,816</b>	<b>\$2,953,128</b>	<b>\$3,179,020</b>	<b>\$1,483,094</b>	<b>87.45%</b>
Change in FB from prior year		\$126,432	\$189,460	\$351,998	\$589,312	\$225,892		
					Avg. Inc./(dec.)		\$296,619	

The balance of the revenues necessary to support the Town’s \$23.1 million dollar budget is derived from the local property and motor vehicle taxes. As reflected in the below spreadsheet, a tax levy of \$18,896,325 is proposed for the 2015-2016 fiscal year.

Property Tax Levy						
FY 2011-12	FY 2012-2013	FY 2013-14	FY 2014-15	FY 2015-16	Increase	%
\$18,001,386	\$18,349,874	\$18,349,874	\$18,483,757	\$18,896,325	\$412,568	2.2%

As noted above, it is proposed that we limit the property tax levy growth generated in FY 2015-2016 to 2.2% or \$412,568 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 \$19,223,107 or an increase of \$739,350. The proposed budget reflects an increase of \$412,568, an amount \$326,782 below the statutory tax cap.

## F. General Fund Expenditure Statement

A summary of the proposed General Fund Expenditure Statement is provided below:

General Fund Expenditure Distribution	Increase Over				
	2013-2014	2014-2015	2015-2016	(under)	Inc./(Dec.)
	Actual	Budgeted	Proposed	Adopted Budget	Percent
General Administration	\$2,173,397	\$2,267,975	\$2,287,318	\$19,343	0.85%
Finance	333,226	334,488	321,694	(\$12,794)	-3.82%
Police	1,593,303	1,670,096	1,638,832	(\$31,264)	-1.87%
Fire/EMS	556,464	689,631	798,376	\$108,745	15.77%
Public Works	1,659,936	1,755,949	1,816,659	\$60,710	3.46%
Parks and Recreation	449,600	513,199	527,903	\$14,704	2.87%
Library	397,288	403,397	422,158	\$18,761	4.65%
Public Welfare/Health/ Animal Control	74,611	107,203	117,157	\$9,954	9.29%
<b>Operating Program Total</b>	<b>\$7,237,825</b>	<b>\$7,741,938</b>	<b>\$7,930,097</b>	<b>\$188,159</b>	<b>2.43%</b>
Debt Service	791,297	834,630	923,672	\$89,042	10.67%
School Debt Service	270,854	258,203	258,605	\$402	0.16%
Capital Program	1,252,216	1,407,000	1,244,000	(\$163,000)	-11.58%
School Capital	79,000	120,000	158,360	\$38,360	31.97%
School Fund Transfer	11,080,987	10,659,308	10,895,394	\$236,086	2.21%
<b>Expenditure Distribution Total</b>	<b>\$20,712,179</b>	<b>\$21,021,079</b>	<b>\$21,410,128</b>	<b>\$389,049</b>	<b>1.85%</b>

*rounding may distort totals*

The above expenditure distribution information indicates specific program areas that drive the funding requirements for the 2015-2016 fiscal year. Specifically, I would like to draw your attention to the following line items: Fire/EMS Operations that includes funding for the first full year of Advanced Life Support (ALS) services prompting a 15.77% increase, Town and School Debt Service requirements indicating an increase of \$89,442 or 7.56% that includes debt service payments funding equipment acquisition and a \$1.5 million dollar bond for the initial interest payments for the Fire Station Project and Pumper Truck acquisition, in addition to a \$1.5 million dollar bond for the proposed property acquisition of the PAC property at 138 Narragansett Avenue. The final item involves the requested School Fund transfer of an additional \$236,086 or 2.1%. These specific programs



inclusive of other operating challenges, such as the dramatic increase in electricity costs that are expected to increase by \$66,990 or 59.8% in FY2015-2016 alone, are the basis of this initial budget submittal.

This proposed budget was formulated with the professional dedication and commitment of the 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. I would like to thank each member of the senior management staff for their efforts and support in the budget development process. I would especially like to thank both Tina Collins and Debbie Shea for their dedication and support in assisting me in delivering this budget to you in a timely manner. Without the support of the professional staff of the Town, I would not have been able to prepare 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.