

**MUNICIPAL ACCOUNTABILITY REVIEW BOARD
MEMORANDUM**

To: Members of the Municipal Accountability Review Board
From: Julian Freund
Date: April 24, 2019
Subject: Town of Sprague FY 2020 Budget

Background

According to the MARB statute, the MARB has approval authority of certain elements of the annual budgets of Tier II municipalities. Assumptions regarding state revenues, property tax revenues and mill rates require MARB approval prior to budget approval by the local legislative body. The statute also provides MARB with an opportunity for review and comment on the budget prior to adoption by the local legislative body.

The budget currently under consideration by the Board of Finance is a working draft and will continue to be revised before going to the Town Annual Budget Meeting.

Budget Items Subject to MARB Approval

Mill Rate and Property Tax Revenues

Current Levy Tax Collections in the Sprague Board of Finance’s current working draft of the FY 2020 budget total \$5,409,384. This is an increase of \$174,612, or 3.3% over the FY 2019 budget. Grand List growth of 2% generates approximately \$100,000 of the new Current Levy revenue. The remainder of the increase is the result of a projected increase to mill rate. The current working draft of the budget includes a mill rate of 34.25, and increase of 1 mill, or 3%, over the current mill rate of 33.25.

Property tax collections in the current draft of the budget are based on a tax collection rate of 97.0% which has been the budgeted collection rate for several years. The accompanying table depicts the Town’s collection rates over the past 8 years.

Fiscal Year	Collection on Current Levy
2018	97.70%
2017	91.80%
2016	90.70%
2015	93.40%
2014	97.50%
2013	96.70%
2012	96.80%
2011	96.50%

After routinely achieving collection rates in the 96.5% to 97.5% range, collection rates declined to 90.7% and 91.8% in FY2016 and 2017 respectively. The Town attributes this largely to the 2014 foreclosure on the Fusion Papermill property and the resulting large write-off of unpaid taxes. For FY 2018, the collection rate on the current levy rebounded to 97.7%.

Collections on prior year taxes, interest and lien fees, and supplemental motor vehicle taxes are all budgeted at the same level as the current fiscal year. A modest increase in firefighter tax abatements (treated as a negative revenue item) is included in this category.

State Revenues

State Aid to municipalities comprises approximately 35% of the Town's General Fund revenues. Most sources of State Aid are budgeted in FY 2020 at the same level as in FY 2019. The exception is Education Cost Sharing which increases by \$42,661, or 1.6%, in the proposed budget. The budgeted amounts for State Aid are consistent with the levels of funding for aid to municipalities in the Governor's recommended budget. The Town has also included the newly proposed local contribution for teachers' pension costs in the amount of \$3,193 as a negative revenue in the FY 2020 budget.

Overall Budget Review

Revenues

The changes in property taxes and State Aid described above, in combination with virtually no changes to local and miscellaneous revenue sources results in an increase of \$205,960, or 2.3% in total Revenues. The only changes to these other revenue categories is a modest increase in projected interest income (+\$1,000) and a scheduled reduction in the transfer from the sewer authority as reimbursement for interest payment on a capital project (-\$3,694).

Expenditures

Overall expenditures increase by \$191,714, or 2.1% in the working draft of the FY 2020 budget. Total expenditures as currently reflected in the draft have changed little from the figures previously presented in the Town's proposed 5-Year Plan. Education expenditures which were presented as level funded in the proposed 5-Year Plan have been adjusted upward providing for a \$102,661, or 1.6%, increase in the draft budget.

Non-Education spending in the draft FY 2020 budget increases by \$89,053, or 3.1%, over the current year budget. This reflects an upward adjustment of \$26,187 from the previously presented 5-Year Plan. Among the more significant increases in Town operations, both year over year and in comparison to the 5-Year Plan, are Solid Waste Management (+\$9,973 vs FY 2019), Highway operations (+\$9,887) and the public Library (+\$8,488).

In addition, the Town's Debt Service requirements increase by \$16,813 in FY 2020, and contributions for Capital Non-Recurring items show an increase of \$16,500 (to a total of \$25,500 in FY 2020).

The Town participates in the State Partnership plan for employee health insurance. An increase of \$7,515, or 8.2%, is budgeted in FY 2020. The Town does not have a defined benefit pension plan. Certain employees are eligible to participate in a deferred compensation (sec. 457) plan. Employer contributions are budgeted at \$16,283 in FY 2020.