

Town of New Shoreham
Overview of the FY 2017 Annual Operating & Capital Budget
As Presented to the Town Council by the Town Manager
March 7, 2016

Overview

The recommended FY 2017 budget provides for a 2.0% increase over the current year for a total Town of New Shoreham General Fund budget of \$13,368,518. The recommended budget represents a \$256,136 increase over the current year. In balancing the requests prioritization was given to:

- Funding of the New Shoreham Police Department to meet minimum operational requirements (\$101,096)
- Additional legal and expert funding to assist the Town with BIPCO's restructuring and rate case before the PUC
- Prioritization of tourist and seasonal amenities and necessities such as additional Rescue Squad funding, restroom maintenance, library seasonal staff, and new lockers at the Hospitality Center
- A requested increase in the school budget of \$56,940
- Continued support of Broadband access initiatives (Capital Tax/ Technology)

These additional expenditures are partially offset by:

- A recommended 2.2% increase in the tax levy totaling \$189,202
- Additional hotel and meals tax revenue of \$200,755 as a result of 1) the expansion of a 1% state tax to seasonal rentals and 2) continually higher annual sales
- A reduction of property insurance premiums by \$48,328 as a result of policy changes for Town properties located in Flood Zones
- Savings in wages and benefits as the Town sees significant change in its workforce, primarily as a result of retirements

Revenues

Taxes (Page 2)

The budget includes a 2.2% increase in the tax levy; State Law caps the levy increase at 4.0%. Each 1.0% change in the tax levy is a change of \$62,146 to the budget. As this is a revaluation year, any given property may see an increase greater or less than the 2.2% total. The collection rate is 98%, consistent

with recent history. The motor vehicle exemption is maintained at \$1,000 (\$500 state, \$500 local). Eliminating the \$500 local exemption potentially increases the tax levy by approximately \$5,400.

Licenses, Permits, Other Town Fees & Income (Pages 3-5)

There are no significant changes proposed to the Town's Schedule of Fees & Charges.

Adjustments to BUILDING PERMITS revenue and OTHER CLERK LICENSES/FEES and RECORDING FEES nearly offset one another.

RECREATION/EVENTS revenue (\$50,800) has been reduced \$24,945 from FY 2016. With personnel changes in the Recreation Department the proposed new triathlon and half-marathon will be implemented in calendar 2017 (FY 2018).

State Aid (Page 6)

Figures for State Aid are based on the proposed State Budget and are therefore subject to appropriation at the State level.

Increases in the Hotel and Meals taxes are driven by continually record breaking seasons, combined with the 1% state sales tax on seasonal rentals implemented 7/1/15. At this time, the Town has not seen revenue from this new program in order to validate the State's estimate of \$66,000 annually from the seasonal rental tax.

The State has proposed elimination of the Municipal Aid (\$3,975) for FY 2017.

Fund Balance and Reserves (Page 7)

This budget does not include the use of reserve funds. Currently, the Town's reserve fund balance represents 10.9% of budgeted expenditures. Our target ratio is 10%-15%. The Town will continue its goal of moderately improving its fund balance position until that target is reached.

The line item RESERVE/BILT NOTE represents the Block Island Land Trust reimbursement to the Town for Debt Service paid on its behalf (pages 7 & 21).

Expenditures

Salaries, Benefits & Staffing

The Town is currently negotiating with the two unions (New Shoreham Employees Association (NSEA) and IBPO Police). This budget incorporates a 2.5% wage increase as well as an increase of approximately 2% for premium co-share contributions. Any employees working outside of these two unions would follow the NSEA agreement.

Taking a broad view, town wages-benefits-taxes represent about 22% of the total budget. Seasonal wages represent another 2% of the total budget. These percentages have stayed nearly the same over the past eleven years.

There has been a fair amount of change in the Town's workforce as the three positions introduced in the FY 2016 budget were staffed (Facilities Manager, Deputy Finance Director and Assistant Recreation Director). Four employees retired (with 2 additional anticipated) and 3 employees moved to other entities. There are a number of new faces in Town departments and many of the EDUCATION/TRAINING lines have been increased to encourage the further development of the Town's skilled workforce.

A 10% increase in health insurance rates is budgeted, for a net increase of just under \$42,068 (\$54,755 premium increase offset by larger employee contributions of \$12,687). We hope to have final rates mid-way through the budget process. The Town's recent weak experience could well lead to premium increases in excess of 10%. In that event, the Town also has \$33,723 available in the Trust's rate stabilization program, which can be used to defray any increases beyond those anticipated.

Four employees currently decline health coverage because they are covered under other (spouse or parent) Town plans. This results in annual savings but remains an area of expense exposure up to \$80,000 should individual circumstances change.

The Town budget currently supports 47 part- and full-time, year-round employees for a total of 40.8 FTEs. The Town also employs approximately 38 seasonal FTEs.

Retirement contributions

Municipal retirement contributions decrease slightly for FY17 from 8.01% to 7.81% and police retirement contributions increase from 23.45% to 24.21%. As a participant in the State retirement system, the Town also contributes 1% of wages to TIAA-CREF for municipal employees. At June 30, 2015 the municipal employees' plan was 100.7% funded; the Police plan was 70.3% funded.

Administration (Page 8)

Facilities Manager

This new position was filled in late October and Sam Bird has now reported to the Town Council twice. His focus has been to familiarize himself with the process both within the Town and at the School since the funding was designed for time divided 2/3 for the Town and 1/3 for the School.

On the Town side he has been working on the beach pavilion, Doctor's House, Ball O'Brien restrooms, Surf Hotel stairs, among others and at the school he has been sheparding the solar array project, the LED light installation and numerous maintenance issues. His intention is to ultimately review all Town buildings and organize maintenance schedules and needs for all.

Consultant – Other/PUC

These funds are in anticipation of the PUC activity related to the restructuring of BIPCO in the next year. The Town anticipates hiring consultants as needed to guide this process. The legal consultant and litigation lines reflect both anticipated PUC activity and potential followup on the fast ferry case.

Insurance

The budget includes a \$48,328 decrease in property insurance premiums. The Town is no longer required to participate in the national flood insurance program; flood coverage is now available through our general policy. Savings are slightly offset by a projected 10% increase in other property/liability premiums.

Deer Management

Funding is maintained at its current level in support of the current program. Current year (FY 2016) expenditures include \$31,050 for deer tail reimbursements and \$487.50 for deer tag reimbursements. All 100% of the deer tails have been funded through donations.

Finance (Page 9)

The Deputy Finance Director position was filled in July and staffing changes continue with the new Clerk to the Board of Assessor's scheduled to begin at the end of March.

Fire/ Rescue/ Emergency Management (Page 10)

Changing personnel in the Department allows for a reduction of the benefit line by \$9,488.

Police (Page 11)

The recommended Police budget includes funding for a part time Administrative Assistant (\$26,242 wages/benefits/taxes) as well as additional funds for more appropriate seasonal housing (\$20,000, an increase of \$9,000).

Not included but requested by the Chief is the staffing of a sixth Patrolman position (\$79,465).

As a result of ongoing discussions with the Town Council, the Police Department is also requesting an expansion of personnel and other related expenditures in order to address quality of life priorities expressed by the Council:

- Two additional seasonal reserve officers to augment traffic enforcement (\$24,114)
- Traffic enforcement vehicles and supplies (\$12,000)
- Noise enforcement personnel (\$4,306)
- Noise enforcement equipment training and equipment (\$4,000)

These items have not been included in the presented budget.

Highways & Maintenance (Page 12)

Staffing changes combined with the completion of equipment purchases during FY 2016 allow for a reduction of the Highways & Maintenance budget of \$26,101.

Harbors (Page 13)

An increase in seasonal wage levels to attract additional highly skilled staff (\$12,000) combined with additional resources allocated to improvements and maintenance of restrooms at the Hospitality Center, Old Harbor Dock and Smugglers contribute to a \$21,464 increase in the Harbors budget.

Building Official (Page 14)

Anticipated employee changes in the Building Department may necessitate additional training for incoming staff.

Recreation (Page 15)

The recommended Recreation program mirrors the changes proposed last year in conjunction with the addition of the Assistant Recreation Director with the exception of the second Triathlon and the half

marathon events. With two new personnel leading the Department, implementation of those events during summer 2016 may not be possible; if not, those or similar programs will be introduced during FY 2018.

Library (Page 16)

The Library Director and Board of Trustees have recommended hiring two seasonal staff to assist with the volume of summer patrons using the Library.

Ongoing reductions in electricity usage are expected to continue as the final phase of LED changeovers is completed.

GIS/Technology (Page 17)

GIS Consultant/Planner

In the current budget year the Town Council approved combining the position of Planner and GIS consultant and the Town hired an individual who was qualified in both aspects. The feedback has been that this is working very well. The emphasis has been more on the planning end of things in this year because much work was needed to bring the Comprehensive Plan to completion by the June 2016 date but GIS mapping and capabilities were recognized and utilized within this process extensively. This current year the budgets have remained at a total of \$80,000 but the split adds to the Planner line. It is difficult to separate the two functions but it is hoped that we can begin to champion the GIS capabilities more in this coming year.

IT Consultant

The increase in this line item reflects more hours, not an increase in hourly rate. This is not a full time on island position but our consultant serves the needs of the town agencies, including the Police Department, and has consistently been available 24/7 to support the Town's needs and has been called upon many times off hours to successfully solve problems that stem more from issues with Verizon and power outages than technology failures. In addition to the regular technology support rendered (all of which is listed in a separate attachment to the budget information), our consultant has assisted in securing a Fiber Use Agreement with National Grid for the dark fiber in the cable, worked with Tilson Engineering to support the RFI preparation and review with our Broadband working Group regarding high speed Internet, worked through obstacles to secure the installation of a T1 line needed at the Medical Center, worked with the State Police on communications links at the Police Department, spearheaded an audit of the town's phone lines and charges which resulted in savings, and organized the migration from Netsense to Microsoft online exchange email platform which will be occurring soon. In addition, the Recreation Department is currently training on RecPro and the new Town website has been in development this winter as time has allowed.

Boards & Commissions (Page 18)

Administrative Assistant, Building and Land Use

The Town Council originally approved this position to expand to 35 hours per week to meet the increased demands of the Building Department and Boards and Commissions. The increase was not workable for the individual that was in that position at the time. A new hire is coming on board next month and the position was advertised for the 35 hours/wk.

Planner

Discussed above under GIS/Technology.

Community Support (Page 19)

Block Island Health Services

Last budget season the Town set a goal of establishing and funding the full amount of BIHS's gap between annual revenues and expenditures (exclusive of non-recurring items) with the aim of establishing the 'true' level of community support required to maintain the Medical Center's current service model on an ongoing basis.

The funding request for FY 2017 decreases by \$5,000 as patient revenue and donations increase.

Block Island Volunteer Fire & Rescue

The recommended appropriation of \$101,500 considers expanded support for Rescue Payroll as well as the increased need for medical supplies. The request from BIVFR was \$127,100.

Block Island Early Learning Center

The request from BIELC was \$132,450, an increase of \$5,250 to cover increasing health insurance premiums. The recommendation is for level funding of \$127,200 while extending assistance to BIELC to review and reduce the costs of their health insurance program.

Senior Advisory Committee

The Senior Advisory request of \$16,200 was funded.

NAMI Block Island

NAMI-BI previously submitted a funding request to the Town Council of \$15,000 in support of their mental health case manager on Block Island. As the community strives for improved access to mental

health services, the recommendation is to appropriate \$2,500 in support of NAMI-BI's transition to a more formal structure – either as a standalone entity or as part of an umbrella organization (ie, BIHS).

School Support (Page 19)

The Block Island School requested appropriation of \$4,712,401 in support of the FY 2017 budget, an increase of 1.2%. School budget materials are also available on the School's website www.blockislandschool.net.

Capital Tax (Page 20)

The Planning Board's Capital Plan and recommended priorities are summarized in their attached memo dated January 21, 2016.

Projects recommended for funding in this budget include:

- Partial funding towards construction of stairs at the Mary D Park (\$32,500/ \$65,000 requested)
- Outboard and pump replacement for one pumpout boat (\$17,000) – may be grant matched to stretch further
- Replacement of the water line serving the Coast Guard Station (\$62,000)
- Replacement of the emergency generator at the Coast Guard Station (\$10,000)
- BIHS building improvements including parking lot improvements (\$11,000), Davidson House improvements (\$6,000) and engineering for better utilization of the basement and second floor of the medical building (\$5,000)
- School security upgrades (\$32,000) and oil burner booster (\$17,000 with less than two year payback)
- Police building air conditioning Phase II including the server room (\$6,200)
- Final phase of LED retrofitting (\$5,000) and full interior painting (\$8,000) at the Library
- Technology upgrades including
 - Planned equipment replacement (\$30,000)
 - Continued Broadband implementation funding (\$50,000)
 - Harbormaster marine software (\$8,500)
 - Continued ClerkBase program of historical Town Council, Planning Board and Zoning Board minutes (\$8,000 funded through HTA/Tech Fund)
- Generator replacement at North Light (\$12,000)
- Replacement of lockers at Hospitality Center(\$12,000)
- Grant match for LED retrofit at Town Hall (\$20,263 to match \$13,170 OER grant)

Debt Service (Page 21)

Prior year refunding of two bonds resulted in significant long term savings (approximately \$35,000 annually). These savings are partially offset by the anticipated first bond payments on the Doctor's House Renovation and the renovation of the Town Beach House.

Total Debt Service represents 16% of the total budget. Net Debt Service (net of reimbursements by BILT, School Housing Aid, Library Housing Aid and Thomas Property rents) represents 10% of the total budget.

In terms of industry benchmarks, the most common debt ratios are difficult to apply to the Town. The Town's debt burden is very low as a % of market value, very high on a per capita basis and very low on a per capita basis when including the seasonal population.

RIGL caps the amount each municipality's general obligation bonds that may be outstanding to 3% of assessed property values. The assessed value of the Town's properties at December 31, 2014 was \$1,659,960,152, limiting the amount of non-exempt general obligation bonds to \$49,798,805. At June 30, 2015, GO bonds outstanding totaled \$17,370,847, including amounts which are exempt from the cap.

The Planning Board and LCAS continue their work of evaluating the Town's infrastructure and developing recommendations for improvements. It is anticipated that those recommendations will include a significant amount of bond or other financing in the upcoming months and years.