



TOWN OF HANOVER
550 HANOVER STREET, SUITE 29
HANOVER, MASSACHUSETTS 02339
781-826-5000 ext. 1084

Joe Colangelo
Town Manager

Memorandum

To: Board of Selectmen
From: Town Manager and Finance Director
Date: January 21, 2020
Re: FY2021 Budget Discussion Continued

With two (2) weeks to go until the Town Manager presents the Fiscal Year 2021 budget to the Board of Selectmen and Advisory Committee here are the 'major' issues yet to be decided...

- **"The Gap".** On January 6, 2020, "The Gap" was shown at \$2,365,944; as of January 21, 2020, "The Gap" has been reduced to \approx \$1,965,000.
 - The average Residential Property Tax Bill (RPTB) increase on January 6, 2020 was presented at \$630 or 7.2%; now that increase is \approx \$400 or 4.58%. As you may recall, the average annual increase over the past decade has been +/- \$475. This year's increase was \$429.
 - The expenditure increase from FY2020 to FY2021 on January 6, 2020 was 4.4%; as of January 21, 2020 the expenditure increase is at 3.86%. This compares to a 4.13% increase between FY2019 and FY2020.
- **Transfer Station.** Judging by the "non-official" feedback from the Board of Selectmen on January 13, 2020, the elimination of collecting construction & demolition (C&D) materials and enhanced security have been worked into the updated budget. Within the confines of an adopted budget, the elimination of C&D is a policy decision by the Board of Selectmen; enhanced security would fall under the purview of the Town Manager, ideally with backing from the Selectmen. Pursuant to feedback on January 13th, \$250,000 of (new) non-property tax revenue from a proposed sticker fee of \$50 (or any amount) has not been included in revenue projections for FY2021; therefore "The Gap" includes funding the transfer station in FY2021 per the status quo.
 - What are the Board of Selectmen's "final" thoughts on the sticker fee matter (for FY2021)?
 - What are the Board of Selectmen's "final" thoughts on increasing the per-item fees?
 - What are the Board of Selectmen's "final" thoughts on the elimination of C&D?
 - What are the Board of Selectmen's "final" thoughts on enhanced security?
- **Use of Free Cash.** On January 6, 2020, free cash in the amount of \approx \$1,700,000 was earmarked for capital projects and equipment purchases; \$0 was earmarked for use in the operating budget. On January 13, 2020, the non-binding feedback from the Board of Selectmen and the Advisory Committee indicated that an amount at least equivalent to the \$750,000 used in the FY2020 budget would be received positively. As of January 21, 2020, the capital budget now relies on free cash in the amount of \approx \$1,200,000; and \$750,000 is earmarked for the operating budget. The Department of Revenue (DOR) has not certified our free cash figure yet.



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- **Free Cash & Transfer Station.** Given the Advisory Committee's commentary in the 2019 Annual Town Meeting booklet, the work completed over the summer by an intern, and the initial *unanimous* support vocalized by the Advisory Committee for a transfer sticker fee of at least \$50, the \$250,000 proceeds from this fee were included in the 'initial' budget presentation from the Town Manager to support the increased expenditures for enhanced security and capital purchases for transfer station equipment. As of January 21, 2020, the Town Manager, Finance Director, and Public Works Director have not fully considered what our recommendation would be if the sticker fee is off the table.
- **Ambulance Receipts Plan.** Similarly to the FY2019 and FY2020 budgets, the FY2021 budget relies on \$1,200,000 in ambulance receipts. The FY2021 budget figures noted above assume that the ≈ \$700,000 fire department pumper will be purchased via lease financing with the proceeds above and beyond the annual \$1,200,000 used in the operating budget and expected from increased usage.
- **OPEB.** Currently, Hanover pays ≈ \$1,000,000 per year for health insurance for retirees and their surviving spouses. The town contributes its annual meals tax revenue to the OPEB Trust (≈\$380,000 per year). With the anticipated new restaurants forthcoming from Merchants Row, Hanover Crossing, etc. one should expect a healthy increase in this figure in the upcoming years. With a 2/3 vote of Town Meeting, a portion of the funds currently being deposited in the OPEB Trust could be used to help defray the \$1,000,000 annual expense. A reasonable amount to consider could be \$200,000. While this concept is not without drawbacks, it would provide property tax payers with some relief in FY2021 and possibly moving forward while guaranteeing positive annual contributions to the town's OPEB obligation.
- **Public, Educational, and Governmental (PEG) Television.** The new cable contracts approved by the Board of Selectmen last year increased our share of Comcast and Verizon's local revenue from 3% to 5%. Historically \$350,000 has been appropriated from PEG receipts for the operation of PEG (which is part of Community Services). The proposed FY2021 budget from the Town Manager suggests increasing this appropriation to \$475,000 which would more accurately reflect PEG's actual cost(s).
- **Full-Time Employees (FTEs).** As shown on January 6, 2020, the FY2021 budget, relative to the FY2020 budget, proposes a decrease of 4.5 FTEs (to go along with the reduction of 1.0 FTE between FY2019 and FY2020) in municipal operations. Further, on January 6, 2020, the Town Manager presented the concept of adding four (4) per-diem employees. The number of per-diem employees has now been reduced to two (2). A more accurate explanation of these cost savings and impacts to operations will be included in the February 3, 2020 budget presentation.
- **Other "Levers".** Reducing the 3% CPC surcharge, at this time, does not appear to have wide support. The issue regarding the split tax rate between residential, commercial, and industrial properties is not something that can be decided now or at the Annual Town Meeting. This is solely a decision point for the Board of Assessors and Board of Selectmen each November/December when setting the annual tax rate.