



TOWN OF HADLEY, MASSACHUSETTS

OFFICE OF THE FINANCE COMMITTEE

September 17, 2014

Select Board/ Administrator-

Finance Committee met Monday evening to review the current Special Town Meeting Draft Warrant and make our preliminary recommendations to the Select Board.

The Town Accountant's free cash estimate at this point is **\$691,000** (contingent on a \$20K state reimbursement arriving by September 30th, otherwise certified free cash will be reduced to \$671K). As per Finance Committee's earlier statements in the spring and again this fall, there are priority demands on the town's free cash that drastically reduce the amount available for any new spending. Finance Committee recognizes the following 5 items on the October 30, 2014 Special Town Meeting Warrant as the highest priority items for funding from free cash:

1. **\$72,558** additional amount needed to fund the Budget [STM Article 2] at the level previously voted at the Annual Town Meeting, due to revenue and expense adjustments as per Town Administrator's explanation in his August cover letter to the draft STM Warrant;
2. **\$31,909**, required to meet the town's obligation to balance last year's budget due to overruns in the police department budget [STM Article 1];
3. **\$164,888** for the Town's OPEB contribution [STM Article 2]. This is to meet the town's obligation to its retired employees as agreed to at the time they were hired/retired, in compliance with the town's ongoing OPEB policy; the town's annual contribution to OPEB at this level was a stated factor in its recent S&P bond rating upgrade;
4. **\$276,856** to be transferred to the Capital Stabilization Account [STM Article 3], in compliance with the town's ongoing policy regarding use of meals tax receipts; and

5. **\$84,688** to be transferred to the Stabilization Account [STM Article 4], to restore the balance to the early 2014 levels. The town's reserve balances were stated as another significant factor in the S&P bond rating upgrade.

The above expenditures **total \$630,809**, leaving **only \$60,101** (or \$40,101, depending on that \$20K payment) available for balancing the FY'16 budget at the 2015 Annual Town Meeting. Note that the amount of free cash used to balance the FY'15 budget at the 2014 Annual Town Meeting was \$133,231, plus the additional \$72,558 needed due to adjusted revenue estimates.

Finance Committee therefore recommends that all other budget increase requests in Article 2 be withdrawn by the Select Board prior to STM. Over the next few months the Select Board, Finance Committee and School Committee will be conducting FY'15 budget reviews, begin the FY'16 budget preparation and continue to work on 5-year revenue and budget projections. Further adjustments to the FY'15 budgets, if any, could be taken up at the Annual Town Meeting in May.

Inasmuch as the requests in Article 5-13 are capital requests and not to be funded from free cash, Finance Committee will await the recommendations of the CPA and/or Capital Planning Committee.

Finance Committee supports the fee increases in Articles 17 and 18.

Sincerely,

Linda Sanderson