



TOWN OF WARREN, RHODE ISLAND

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Office of Town Manager

March 1, 2021

Warren Town Council
Town Hall
514 Main Street
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Re: Town Budget

Members of the Town Council:

In accordance with Section 18.11 of the Town Charter, I hereby submit the proposed budget for fiscal year (FY) 2020-2021. The Town Manager's budget represents a tax rate increase of 1.50% and a tax levy increase of 3.03%. Total municipal side expenditures are expected to decrease by 4.54%. These figures should be considered preliminary as two major items, the ratable tax base and the Town's contribution to the Bristol Warren Regional School District (BWRSD), are undetermined.

The School Committee has approved a budget for review by the Joint Finance Committee (JFC) including a 3% increase in overall budget, which includes a 3.1% increase in contributions from Bristol and Warren (from \$40,275,133 to \$41,521,972). If approved, this would translate to a 6.85% increase in Warren's contribution (a total of \$13,063,484 in operations and \$206,425 in debt service). Dr. Jonathan Brice, the Superintendent of the BWRSD indicated in his February 26, 2021 memorandum to the Joint Finance Committee that more budget detail would be forthcoming prior to March 5, 2021. State aid to the district is expected to decline significantly, as indicated in the preliminary figures released by the RI Department of Education (RIDE) in November 2020:

DRAFT FY20-21 Formula Aid (11/2020)

	FY20-21 Final	FY21-22 Proposed	\$ Change	% Change
Bristol	\$5,365,824	\$4,852,340	(\$513,484)	↓9.57%
Warren	\$7,264,802	\$6,493,383	(\$771,419)	↓10.62%
Total BWRSD	\$12,630,626	\$11,345,723	(\$1,284,903)	↓10.17%

The actual figure for the Warren's contribution to the BWRSD will be approved by the Joint Finance Committee and inserted once it is finalized.

There is no proposed increase in the Sewer Use Fee or the Wastewater Management Fee. The slight increase and operating expenses can be absorbed through the fund balance remaining from the current fiscal year.

There is a considerable amount of missing information in this year's budget process, and many pending factors that could have a significant impact on the budget. These factors include:

- The Governor's proposed budget, which is usually released in January, is currently scheduled for release on March 11. This could be further delayed as Lt. Governor McKee transitions into the role of Governor. Any state aid figures included in my draft budget are estimates based on the currently available information. This primarily impacts Motor Vehicle aid and School Aid.
- Legislation has been introduced that would affect the calculation of the Formula Aid for the school budget. Typically, enrollment figures are updated in March and those numbers are used to calculate the formula aid. This year, the RI Department of Education (RIDE) has requested legislation, which has been introduced, which would disregard the current year's enrollment figures and instead use an average of the prior three years. This legislation would have a positive impact for the BWRSD, since local enrollment has been declining leading to a further decrease in state aid.
- The federal Consolidated Appropriations Act, 2021 was passed by Congress on December 21 and signed into law on December 27, 2020. This Act includes \$54 billion in funding for K-12 education. These funds have not yet been distributed and it is unknown what the impact will be on the local school budget.
- On Friday February 26, 2021, the US House of Representatives approved a \$1.9 trillion stimulus package, which includes funding for State and Local government as well as additional aid for K-12 schools. This package is currently under review by the US Senate. If approved, this funding would have a significant impact on the FY2021-2022 budget for both the town and the school district.
- Preliminary insurance costs have not been received. We have estimated in the draft budget based on experience, but the actual numbers could be higher or lower.

Based on the magnitude of uncertainty surrounding the items listed above, it is my recommendation to delay the budget approval process pending further information. I recommend proceeding with the review of department, boards & commissions, and grants & contributions requests. However, I do not recommend making any final decisions until there is more clarity on the foundations of the budget.

As with last three year's budget proposals, there are three principles that I have employed while formulating this proposed budget:

- 1.) Limit tax rate impacts while funding the necessary functions of government and providing excellent services to the community.
- 2.) Plan for future budgetary constraints by limiting ongoing expenses to the greatest extent possible.
- 3.) Utilize existing unrestricted reserves in a responsible manner to avoid additional debt.

An additional consideration this year was the devastating economic impact of the COVID pandemic on the finances of Warren's residents and business owners. Unemployment remains elevated and we have yet to understand the full impact on local businesses, some of which may never recover. Temporary measures, such as Commerce RI grants, PPP funds and eviction protection, have provided some assistance to those who are struggling. However, there will be long-term negative impacts that we must anticipate in the upcoming fiscal year.

Revenue

In general, the revenue estimates within the Manager's proposed budget are based on year-to-date receipts and conservative estimates. The most significant change in the revenue line items represents the statewide phase out of the motor vehicle excise tax. This budget assumes that the phase out plan approved by the General Assembly in 2018 will continue as planned with the Town being reimbursed for the value of the phased-out vehicle tax.

For the third year, an aspect of the Governor's proposed budget is the possible legalization of recreational marijuana (also referred to as "adult use marijuana"). Due to the uncertainty in the State's budget proposal, any potential revenues should not be relied upon for budgeting purposes and have not been included in this draft.

For the second year, we are anticipating future savings in the maintenance and operations of streetlights on State roads. As a result of litigation brought by the Town of Johnston and Mayor Joseph Polisena the RI Department of Transportation has agreed to take responsibility for the maintenance and electrical costs for streetlights located on State roads. For the Town of Warren, this cost has been estimated to be approximately \$65,000 per year. As was the case last year, RIDOT has not indicated a timeline for this transition and has indicated that it is waiting for National Grid to proceed. These savings have not been incorporated into the draft budget.

While the ratable tax base figures are only preliminary at this point (tangible tax returns are not due until mid-March and property inspections, assessment appeals and permit reviews are ongoing), initial estimates indicate that the real estate ratable base has increased by approximately \$20,000,000. This

represents an increase of approximately 1.52%. This value is the result of several newly occupied projects, including Phase 2 of the Tourister Mills project and the renovated Jade Plastics building on New Industrial Way.



Operations

Debt service continues to represent a significant line item within the operating budget. This year's payment totals over \$3.07 million, or approximately 20% of municipal operations spending. To experience a future stabilization of debt service spending, it is necessary to limit borrowing by funding capital through existing unrestricted reserves. As has been done for the last three fiscal years, this must be done in a manner that preserves a healthy unrestricted reserve balance so as not to risk the Town's bond rating or leave us unprepared for unexpected events. It is anticipated that this is the final year that we will be able to fund capital through unrestricted reserves.

Several operations line items are projected to increase, including labor related (contractual) costs and insurance. The USW (clerical/DPW/dispatch/animal control) collective bargaining agreement (CBA) is set to expire on June 30, 2021. Negotiations are expected to begin shortly. Insurance costs included in this draft budget are rough estimates only. We have not received any preliminary figures from our insurance carriers.

A significant increase (128%) is anticipated in the cost of employee attendance premiums. This estimate is based on the expected retirement of employees. It is anticipated that there will be staff members retiring in the upcoming fiscal year who will need to be compensated for accrued vacation and sick time per their employment agreements.

The Fire Department's budget request has increased to provide for an additional rescue on standby. Currently, one rescue is on standby 24 hours per day, 7 days per week. Second and third calls are manned by volunteers, who respond from home to answer the call. Due to the increased time that it takes to respond to calls due to COVID protocols and hospital requirements, we have been

experiencing an increase in the volume of second and third calls. The proposed budget would add funds to staff a second rescue during the most active times. The Fire Chief has requested a full-time (24/7) second rescue in his budget request. However, due to the current financial constraints I am proposing a more limited increase. The other significant Fire Department increase is in company fees. This increase is proposed to offset the losses experienced due to the inability of the companies to fundraise, including the cancelation of clambakes.

Overall recommended funding for grants and contributions is level. While in a perfect world every request could be granted, I have recommended some reductions in the requests received. I am recommending level funding the George Hale Library due to the significant amount of time that the library was closed in FY2021. It is expected that savings can be achieved to offset the requested increase. An increase is proposed for the Town's contribution to the East Bay Center. The East Bay Center's support of mental health services for the residents of Warren has been crucial during the past year, and it is my opinion that the increase is minimal and warranted compared with the services received. One recommended reduction pertains to the request from the American Indian Study Committee. The Committee has requested \$10,000 to purchase new signs at the entrances to town. While this is a worthy item, I cannot justify recommending this replacement in the current fiscal climate while the existing signs are in good repair.

Capital Expenditures


Proposed capital expenditures have been reduced by 45% from FY20-21. Many Department Head requests have been reduced or eliminated to enable the Town to fund capital out of unrestricted reserves for one more year and avoid adding debt in a very difficult year. Major capital requests that were eliminated include:

- funding for Phase 2 of the Town Wharf improvements,
- additional funding for the construction of a new Fire/Rescue station, and
- various recreation department requests for improvements to fields and facilities.

It should be noted that the Town has appropriated \$1 million to date for the new Fire/Rescue station; and it is my recommendation to utilize the funds on hand to complete design and engineering work necessary to bring a developed proposal to the voters for funding in a future year.

As always, I am available to answer any questions or address any concerns that you may have.

Sincerely,



Kate Michaud
Town Manager