

## FISCAL YEAR 2024 BUDGET NARRATIVE

The combined Fiscal Year 2024 Town and Highway budget of \$1,837,273 (including voted appropriations) is 4.2% higher than Fiscal Year 2023's total budget of \$1,763,458. The Fiscal Year 2024 budget represents an increase compared to Fiscal Year 2023 (for the reasons explained below), and is 12.3% above the average combined budget for the last five years (Fiscal Years 2020 through 2024). If the voters approve all voted appropriations and re-appropriate a portion of the prior year's unassigned fund balances to offset current year taxes to be raised, the amount to be raised in taxes for Fiscal Year 2024 will be 5.6% higher than in Fiscal Year 2023 (\$1,127,488 versus \$1,067,927).

The General Fund finished Fiscal Year 2022 with an unassigned fund balance (sometimes referred to as a "surplus") of \$242,292 and the Highway Fund finished Fiscal Year 2022 with an unassigned fund balance of \$20,050. The unassigned fund balance in the General Fund is significantly larger compared to Fiscal Year 2021 and arose from \$232,610 in greater than budgeted revenues and \$9,682 in lower than budgeted expenditures. The unassigned fund balance in the Highway Fund arose from \$28,832 in greater than budgeted revenues and \$8,782 in greater than budgeted expenditures.

The primary drivers of the greater than budgeted General Fund revenue were collections of delinquent taxes and related interest and late payment penalties. These are not anticipated to be significant revenue sources going forward as recent collection efforts have substantially reduced the amount of delinquent taxes now outstanding. There were no significant drivers of the marginally lower than budgeted General Fund expenses. The primary drivers of the greater than budgeted Highway Fund revenue were unanticipated grants and state payments in lieu of grants. There were no significant drivers of the marginally greater than budgeted Highway Fund expenses.

Including all voted appropriations, the proposed Fiscal Year 2024 General Fund budget is 1.7% higher than the Fiscal Year 2023 budget (\$580,200 versus \$570,466) and 11.1% above the average General Fund budget for the last five years. The primary drivers of this year-over-year increase are generally increasing costs in the current high inflation macroeconomic climate, and specifically cost of living adjustments to staff salaries, fire department protective equipment, and law enforcement fees.

To offset these increased costs, the Selectboard proposes to apply \$145,376 of the Fiscal Year 2022 unassigned General Fund balance as revenue in Fiscal Year 2024. This is only a portion of the \$242,292 General Fund balance available to reduce current taxes to be raised. Due to the unprecedented size of the current fund balance and the likelihood that future fund balances will be significantly lower, the Selectboard believes it is prudent to retain some of the available fund balance in order to reduce the likelihood that significant municipal tax increases (and/or expenditure reductions) will be necessary to replace this non-recurring revenue source in future years.

The proposed Fiscal Year 2024 Highway Fund budget is 5.4% higher than the Fiscal Year 2023 budget (\$1,257,073 versus \$1,192,992) and 12.9% above the average Highway Fund budget for the last five years. The primary drivers of this year-over-year increase are generally increasing costs in the current high inflation macroeconomic climate, and specifically cost of living adjustments to Highway Team salaries, diesel costs, and increased funding of the highway vehicle reserve. These increases are offset in part by a reduction in the budget for salt purchases. To further offset these increased costs, the Selectboard proposes to apply the entire \$20,050 Fiscal Year 2022 unassigned Highway Fund balance as revenue in Fiscal Year 2024.

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Macroeconomic conditions during the last two years have been exceptionally difficult for everyone on a budget, including rural towns like Pomfret. Prices have risen at their fastest pace in forty years, particularly in nondiscretionary areas such as labor, fuel and equipment. Despite these challenges, the proposed Fiscal Year 2024 budget entails only a 4.2% increase in spending, substantially less than the inflation rate in 2022 (as measured by changes in the CPI).

This did not happen by accident. We thank each department, officer, appointee and board that draws tax dollars for carefully reviewing their needs and making difficult choices to create a responsible budget that serves the town and the taxpayers.

Emily Grube, Chair  
John Peters, Jr., Vice-chair  
Benjamin Brickner  
Steve Chamberlin  
Jonathan Harrington