

FISCAL YEAR 2025 BUDGET NARRATIVE

The combined Fiscal Year 2025 Town and Highway budget of \$ 1,877,779 (including voted appropriations) is 2.2% higher than Fiscal Year 2024's total budget of \$1,837,273. The Fiscal Year 2025 budget represents an increase compared to Fiscal Year 2024 (for the reasons explained below), and is 9.3% above the average combined budget for the last five years (Fiscal Years 2021 through 2025). If the voters approve all voted appropriations and re-appropriate a portion of the prior year's unassigned fund General Fund balance to offset current year taxes to be raised, the amount to be raised in taxes for Fiscal Year 2025 will be 5.2% higher than in Fiscal Year 2024 (\$1,186,262 versus \$1,127,488).

The General Fund finished Fiscal Year 2023 with an unassigned fund balance (sometimes referred to as a "surplus") of \$197,862 and the Highway Fund finished Fiscal Year 2023 with an unassigned fund balance of minus \$20,050. The unassigned fund balance in the General Fund was budgeted to end Fiscal Year 2023 at \$96,916. The significantly larger than budgeted balance arose from \$92,576 in greater than budgeted revenues and \$8,370 in lower than budgeted expenditures. The unassigned fund balance in the Highway Fund (a negative amount) arose from \$6,742 in lower than budgeted revenues and \$16,613 in greater than budgeted expenditures. As required by the Rainy Day Reserve Funds Policy, \$3,305 was transferred from the Highway Rainy Day Reserve Fund to the Highway Fund at the end of Fiscal Year 2023 to offset a portion of the negative balance.

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 greater than budgeted General Fund expenses. Likewise, there were no significant drivers of the marginally lower than budgeted Highway Fund revenues. The primary drivers of the greater than budgeted Highway Fund expenses were payroll and related mandatory expenditures (the Town's share of the Social Security and Medicare payroll tax, for example).

Including all voted appropriations, the proposed Fiscal Year 2025 General Fund budget is 1.4% higher than the Fiscal Year 2024 budget (\$588,428 versus \$580,200) and 9.3% 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 equipment, and law enforcement and professional fees.

To offset these increased costs, the Selectboard proposes to apply \$118,717 of the Fiscal Year 2023 unassigned General Fund balance as revenue in Fiscal Year 2025. This is only a portion of the \$197,862 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 2025 Highway Fund budget is 2.6% higher than the Fiscal Year 2024 budget (\$1,289,351 versus \$1,257,073) and 9.3% 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, fuel costs, and equipment expenses.

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Macroeconomic conditions during the last three 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 2025 budget entails only a 2.2% increase in spending, less than the inflation rate in 2023 (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.

John Peters, Jr., Chair
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Steve Chamberlin
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