

Budget Update

09.02.2025

Town of South Hadley



Prepared by Town & School Administration

Overview

1. The Problem
2. The Impact
3. The Plan

The Problem

Costs UP

- ⇒ health insurance
- ⇒ special education

Revenue DOWN

- ⇒ slow growth
- ⇒ flat/falling state aid

Compounds each year - \$2m additional deficit to keep SAME services

Problem - Structural Deficit

	<u>Town</u>	<u>School</u>
FY16	\$7,187,756	\$20,522,259
FY26	\$9,875,419	\$25,771,460
Inc/Yr	3.74%	2.56%



Balances if there is new growth and state aid increases, stable health insurance costs



Deficit if slow or no new growth and state aid, large increases in health insurance costs

FY2027 Forecast: 3m budget gap = 4.5m more expenses, 1.5 more income

<u>Expense</u>	<u>\$ change</u> <u>FY26 to FY27</u>	<u>% change</u> <u>FY26 to FY27</u>	<u>Income</u>	<u>\$ change</u> <u>FY26 to FY27</u>	<u>% change</u> <u>FY26 to FY27</u>
Town	\$96k	2%	Local Receipts	\$300k	9.5%
DPW	\$52k	3.2%	State Aid	-\$214k	-1%
Police	\$188k	4.5%	Available Funds	32k	2.2%
School	\$1.29m	5%	Enterprise	\$220k	3.6%
Debt	-\$105k	-2.7%	SHELD	\$165k	10%
Retirement	\$362k	7%	Taxation	\$1m	3%
Liability	\$30k	5%			
Medicare	\$52k	10%			
Health	\$2.3m	37%			
Enterprise	\$47k	3%			
Cherry Sheet	\$85k	2%			

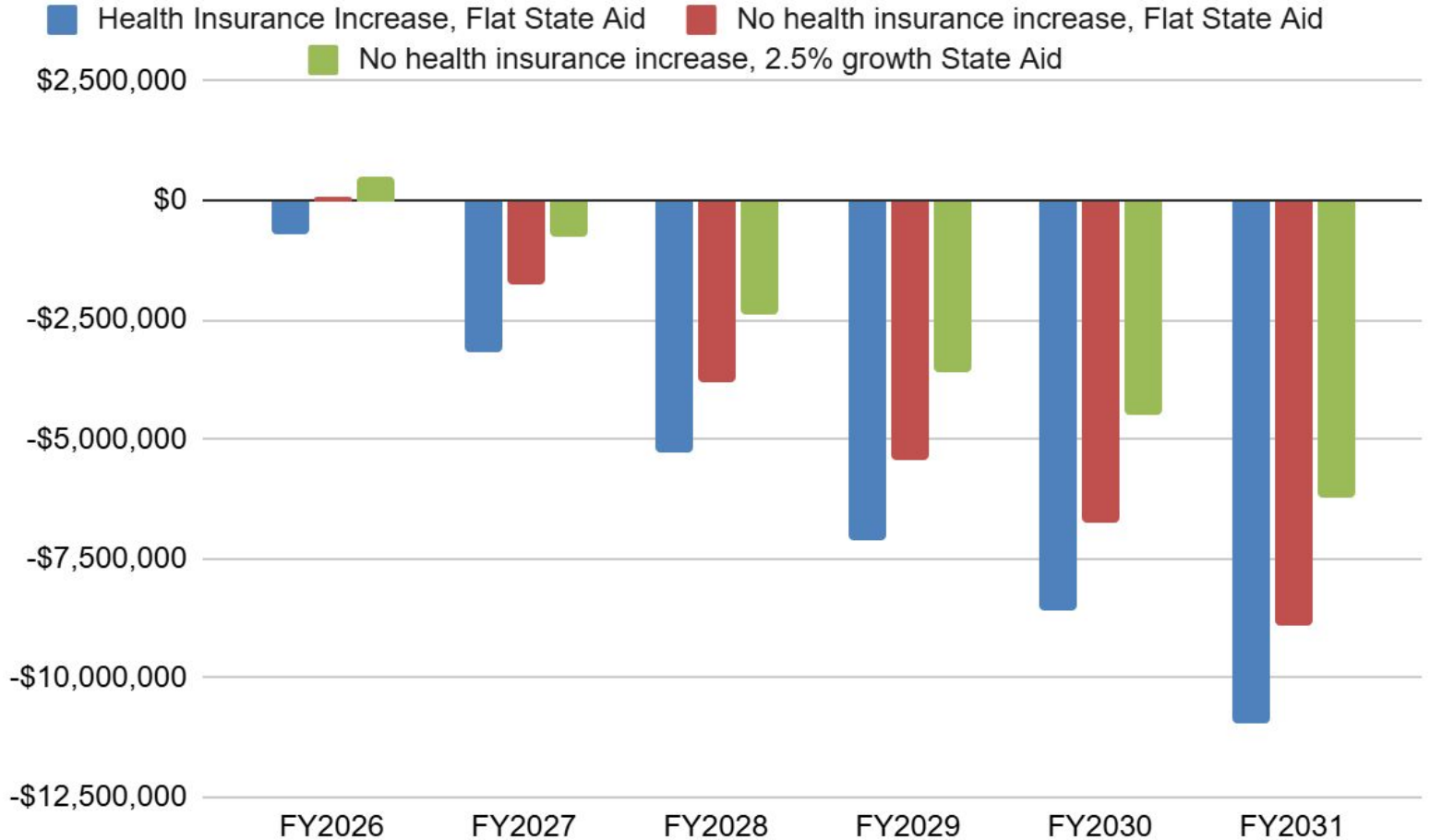
LEVEL SERVICE

Structural Deficits

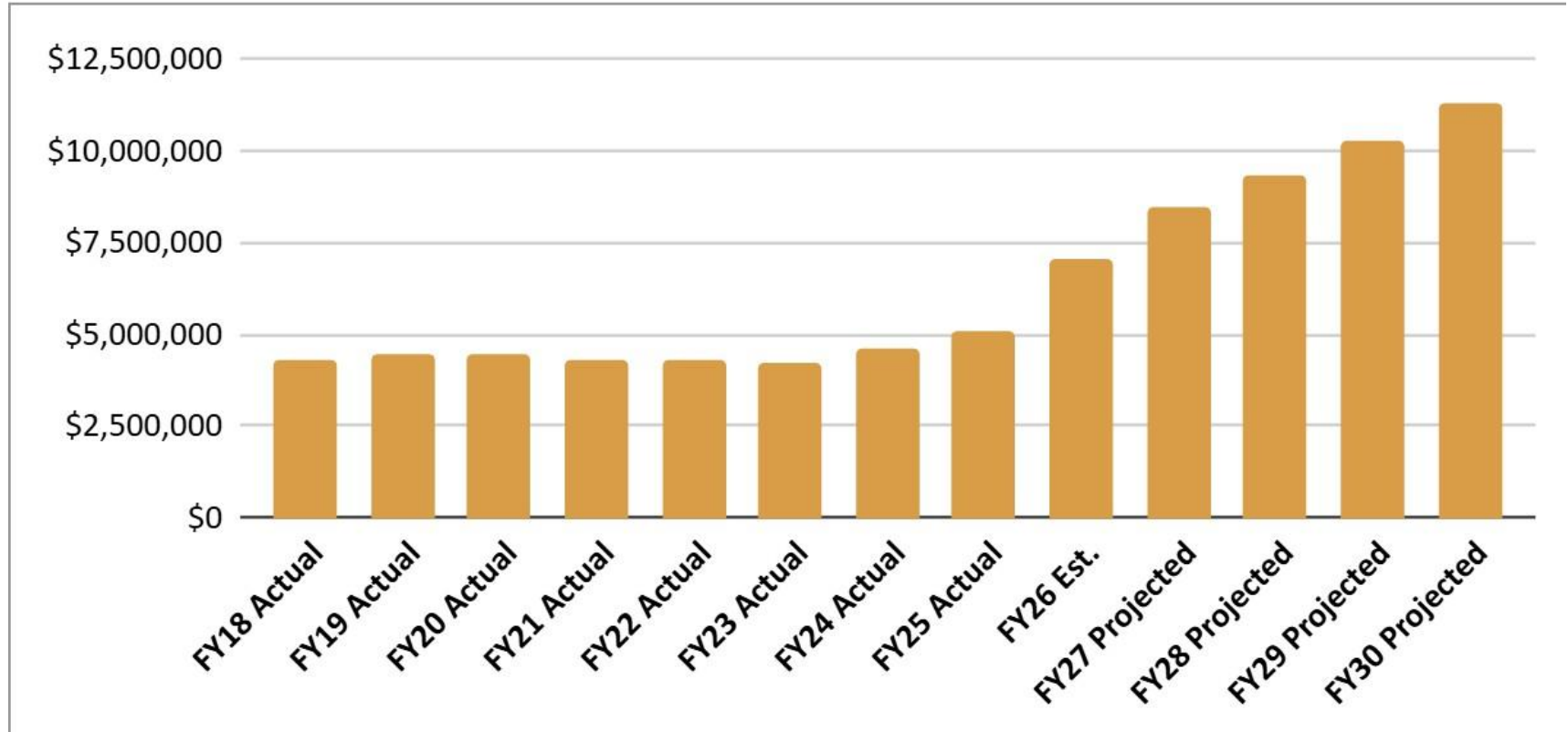
Blue =
CURRENT
DUE TO INC
HEALTH INS

Red =
BASED ON
FY26
APPROVED
BUDGET

Green =
BASED ON
FY25



Problem - Health Insurance Cost



Historic Health Insurance Costs

FY2018 \$4.27m FY2023 \$4.25m

Total 5 year change = \$16k decrease

Budget & Forecast based on 5% increase

FY2026 \$6.1m FY2031 \$7.9m

Total 5 year change = \$1.8m increase

Revised Budget & Forecast

FY2026 \$7.1m FY2031 \$12.4m

Total 5 year change = \$5.3m increase

Problem - Lack of Revenue & Structural Deficits

Balanced Budget:

- 0-5% health insurance increase
- 1-13% increase state aid
- \$250,000 or more in new growth

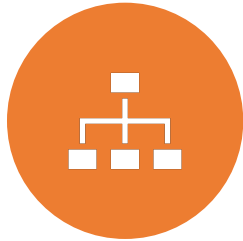
Structural Deficit:

- 10-40% health insurance increase
- 0 to decrease state aid
- \$150,000 or less in new growth

Problem - Cost of Living

- Town/School need to offer competitive wages to attract and retain staff
- Cost of living and inflation has been higher than 2.5% (the max increase for taxation)

Summary of School Cuts Over 10 years



ADMINISTRATION

- Curriculum Director
- Facility Director
- Assistant Principal - MESM



TEACHERS

- System-wide therapist
- Reading Specialist
- Professional Development Specialist
- Guidance Counselor - MESM
- 3.9 - Plains School Teachers
- 4.1 - Mosier School Teachers
- 9.6 - MESM School Teachers
- 5.5 - High School Teachers



SUPPORT STAFF

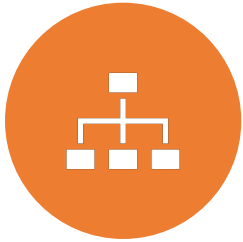
- Literacy and Math Tutor - Mosier
- 3 - Custodians district-wide
- Library Para reduction - Mosier and Plains



PROGRAMS

- Math and Reading Remediation Program - MESM
- AIC College Program - HS
- French Program - HS
- Elimination of a bus route

Summary of Town Cuts Over 10 years



TOWN HALL

- Clerical - Assessor, Collector/Treasurer, Inspectional
- Payroll - absorbed by others
- IT - from 2 to 1 staff



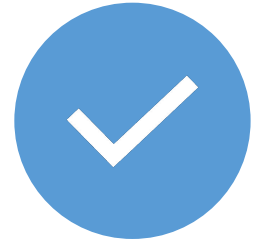
LIBRARY

- Custodial
- Gaylord - town picked up costs of staff



PUBLIC WORKS

- Tree warden - reduce from 1FTE to stipends
- Parks - reduce from 6 to 5
- Highway - reduce from 10 to 8
- Solid Waste - reduce from 3 to 2
- Admin - reduce from 3 to 1



HUMAN SERVICES

- Assistant COA Director
- Community Programs
- Custodial

Impact - Balancing FY2026

Approved May Town Meeting

- Layoff at Senior Center
- 19 teaching positions cut
- Additional busing fees
- Save \$1m by bringing special education transportation in house
- Reduction in custodial staff
- Reduction in extracurricular activities

Proposed November Town Meeting

- Cut another \$100k expenses
- \$30k in unfilled positions
- Use \$688k in free cash for operations (instead of capital)
- \$87k from Enterprise, SHELD portion of health insurance increase

If use of Free Cash not approved, there will be cuts to staff

Town Impact - Balancing FY27 & beyond

FY27 & FY28

- Library - reductions to staff hours, close Gaylord, lose accreditation
- Senior Center - 2 position, partial closure
- Town Hall - 9 positions affected, partial closure
- DPW - 4 positions
- Police - 4 positions

FY29 - FY31

- Library - reductions to staff hours, further closure of Main library
- Senior Center - positions and programs cut, further closure
- Town Hall - 5 additional positions affected
- DPW - 4 additional positions
- Police - 4 additional positions

School Impact - Balancing FY27 & beyond

FY27

- Administration - 3 positions
- Student Facing - 20 positions
- Cut sports
- Cut all extracurricular activities
- Reduction in electives at middle/high school
- Reduction in transportation options and/or increase in fees

FY28

- To be determined

FY2027 Forecast: Balanced = 2.2m more expenses (down from 4.5), 2.2 (up from 1.5) more income

<u>Expense</u>	<u>\$ change</u> <u>FY26 to FY27</u>	<u>% change</u> <u>FY26 to FY27</u>	<u>Income</u>	<u>\$ change</u> <u>FY26 to FY27</u>	<u>% change</u> <u>FY26 to FY27</u>
Town	-426k	9%	Local Receipts	\$500k	16%
DPW	-107	6.6% cut	State Aid	-\$214k	-1%
Police	-100K	2.5% cut	Available Funds *	700k	100%
School	-200K	1% cut	Enterprise	\$220k	3.6%
Debt	-\$105k	-2.7%	SHELD	\$165k	10%
Retirement	\$362k	7%	Taxation	\$1m	3%
Liability	\$30k	5%			
Medicare	\$52k	10%			
Health	\$2.3m	37%			
Enterprise	\$47k	3%			
Cherry Sheet	\$85k	2%			
OPEB*	-\$200k	-40%			

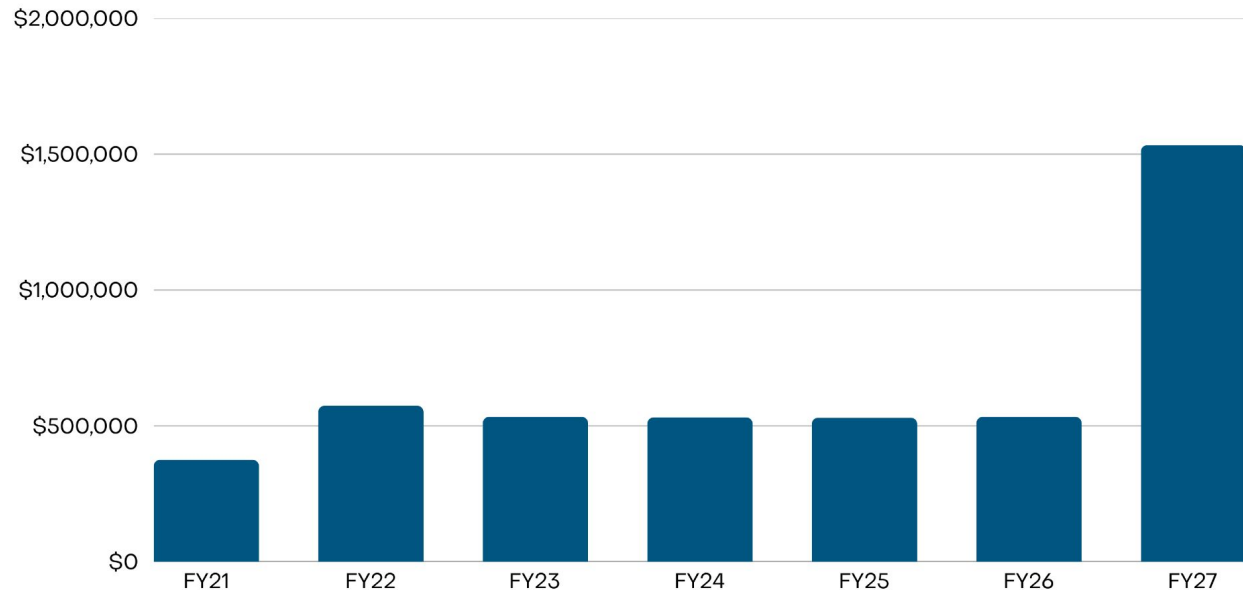
CUTS TO BALANCE

The Plan - Use Reserves

Use \$1.5m
per year for
operations
INSTEAD of
capital.

CLOSING THE GAP

USE OF RESERVES TO BALANCE BUDGET



The Plan - Tackle Unfunded Mandates

- www.mass.gov/info-details/learn-about-mandate-determinations
- Filed July 2025 - H.2285 Title: An Act creating a commission to study the effects of unfunded mandates on municipalities
- Example - Special Education: required cost of support is greater than per student aid and reimbursements

The Plan - fight for state/federal funding

- Status of state/federal grants that are not shown on the budget- millions for schools, six figures for health and public safety, millions in project funds
- Status of state aid South Hadley receives over \$15m per year - mid year cuts could happen if the state loses funding due to economy, loss federal funds
- Advocate for state/federal funds - AG just successfully fought freezing of \$107m in school funds for state

The Plan - Figure out Health Insurance Costs

1. Plan design changes
2. Compare choices
3. Negotiate with unions
4. Add to opt out incentive programs

= \$200k - \$400k off of \$2.3m increase

The Plan - Increase New Growth

1. Codify and appoint Affordable Housing Trust
2. Fund position for AHT and Redevelopment Authority
3. Propose and PASS zoning changes
4. Support areas like Rt 202/33
5. Work with college

= \$100k or more in New Growth

The Plan - Explore New Revenue Sources

1. Internal committee to review fees

= \$100k - \$250k increase to local receipts

2. Explore stormwater fee

= \$100k to offset 2 layoffs in DPW

The Plan - Use Stabilization Funds

1. Request Town Meeting appropriate funds from Senior Center Stabilization (~\$500k total) to fund part of Senior Center debt (\$527k in FY27).

= \$100k/year (funds to be exhausted in 5-6 years)

2. Use Ledges enterprise to subsidize Ledges debt

= \$150k reduction off \$343k used to cover debt

The Plan - Seek an Override to cover \$3m + deficit

The Use of Reserves, Tackling Health Insurance, Increasing Fees, Creating New Fees, Fighting to keep State/Federal Aid and Tackling unfunded mandates, Not funding Capital Projects, and Using Stabilization Funds = \$1.3m. ALL of the \$2m School/Town cuts/closures proposed are still on the table.

Override

1. Budget Task force is meeting every other Monday - will hold listening sessions and make recommendations
2. Possible vote at the 2026 April annual town election or SOONER if there is a special election
3. A \$3m override ask can range from \$10-100 increase for residents per month with the average household around \$50/month - will not restore any FY26 or prior cuts, will minimize cuts in FY27-28.

Around the Region

- Easthampton used over \$4m of their \$5m general stabilization fund to balance their FY26 budget. Unsure how they will cover the additional FY26 \$1m rise in health insurance
- Hadley is seeking a \$2.25m override this month
- Belchertown passed a \$2.9 override this spring. They will cuts and/or use one time funds to cover the additional FY26 \$1m in health insurance costs.
- Monson passed the use of an additional \$300k in free cash to balance the school budget
- Many other towns that didn't have the additional health insurance increase balanced their budgets by cutting operational and capital expenses, freezing or not filling positions

Feedback and Future Meetings

www.southhadley.org

Budget & Financial Info sections - videos, budgets, PP
Agenda Center - Meeting agendas & minutes

Questions

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