



FY20 Budget Preview
Board of Selectmen Meeting
December 17, 2018

Pam Dukeman
Finance Director

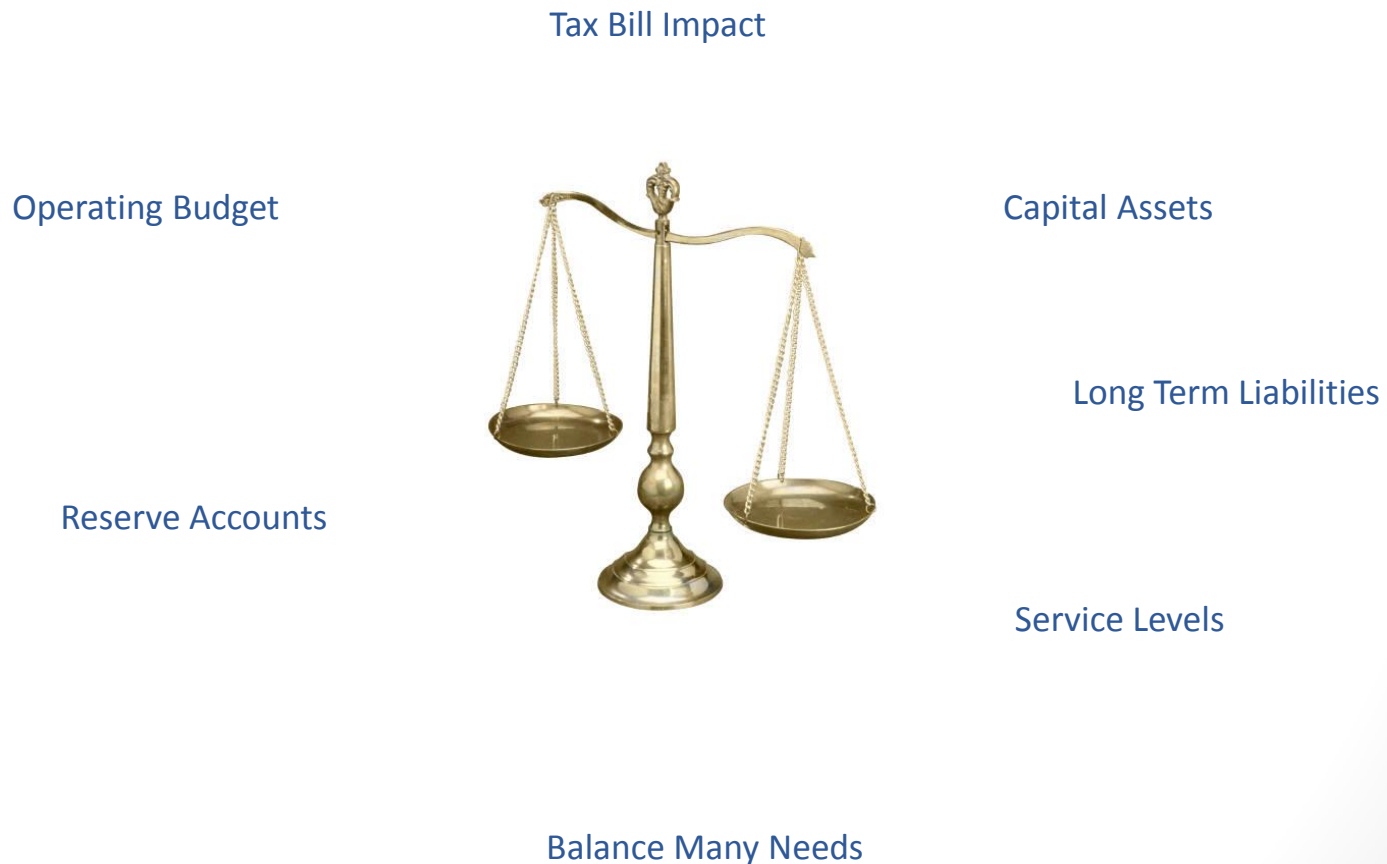
Agenda

- University Station Review
- FY20 Budget Preview
- FY20 Municipal Budget Update
- Next steps



What Does Our Revenue Pay For?

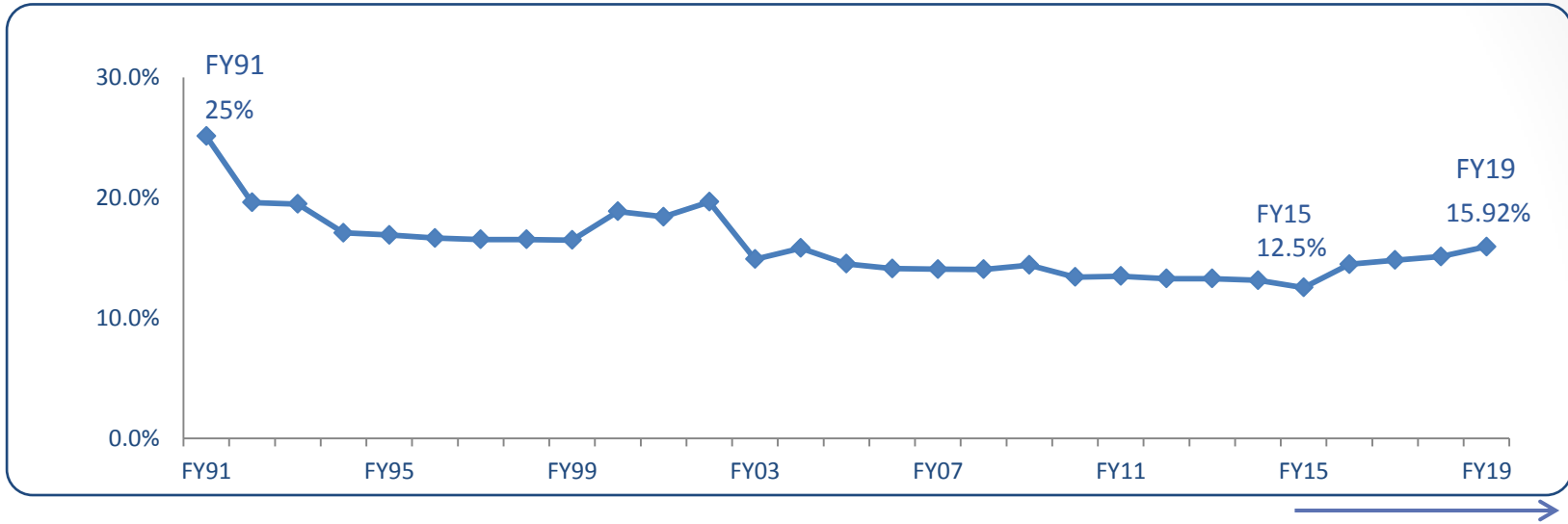
- Financial action must address multiple needs to provide for quality services and financial strength.



Town's Finances – Must Address Multiple Areas

Commercial Value Important to Town Finances

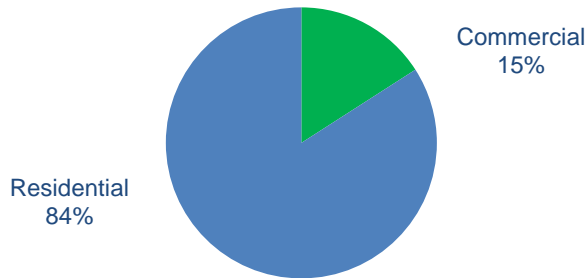
University Station has significantly helped overall finances:



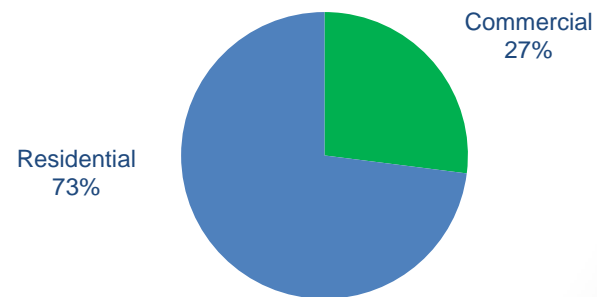
University Station comes on line

Commercial Value as % of Total Value

Total Value

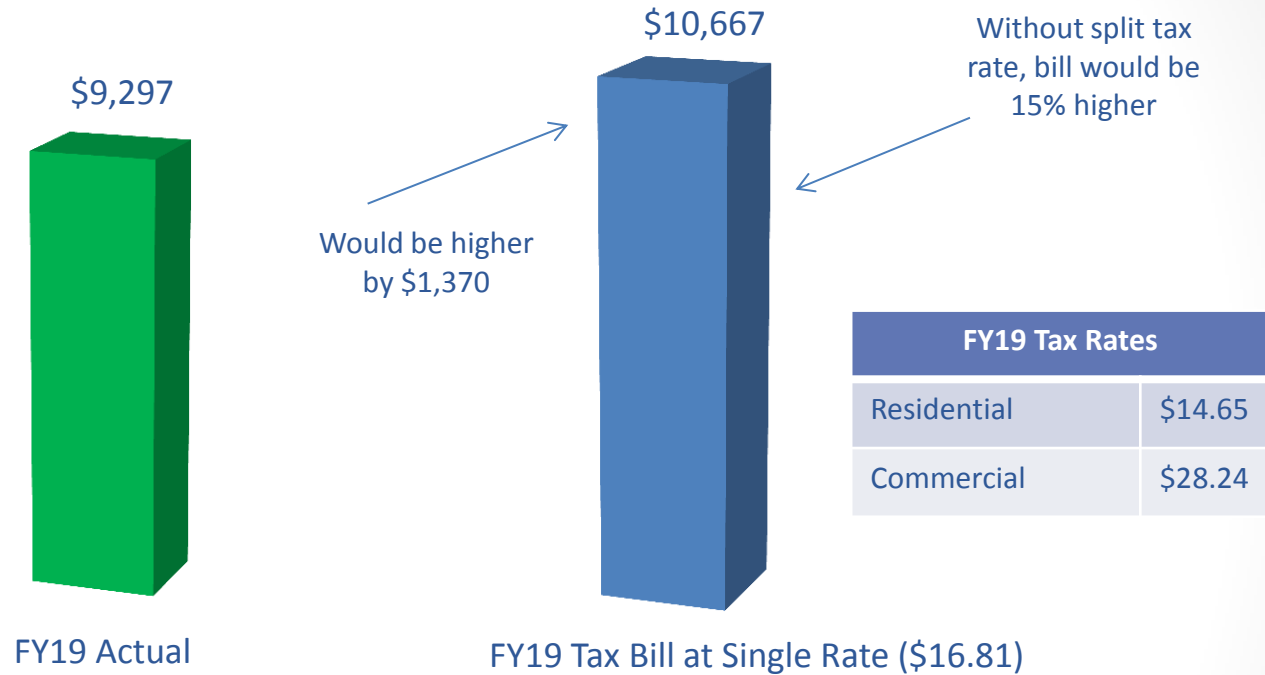


Taxes Paid



Commercial is 15.9% of value, but pays 26.7% of total taxes

Significant Savings to Homeowners from Split Tax Rate



The split tax rate provides significant tax relief for homeowners.

In FY19 that relief is \$1,370.

University Station



Commercial value can provide additional new growth revenue for the town

Plan for use of revenue:

- Direct costs to service the project
- Providing for sustainable growth for the school and municipal budgets above the limits of 2 ½%.
- Fund debt service for major capital projects within Prop 2 1/2.
- Helping to limit the tax bill increase.
- Funding the reserve accounts to maintain a AAA bond rating.
- Stabilize the split tax rate.

Estimated annual new tax revenue from initial impact study before start of project.

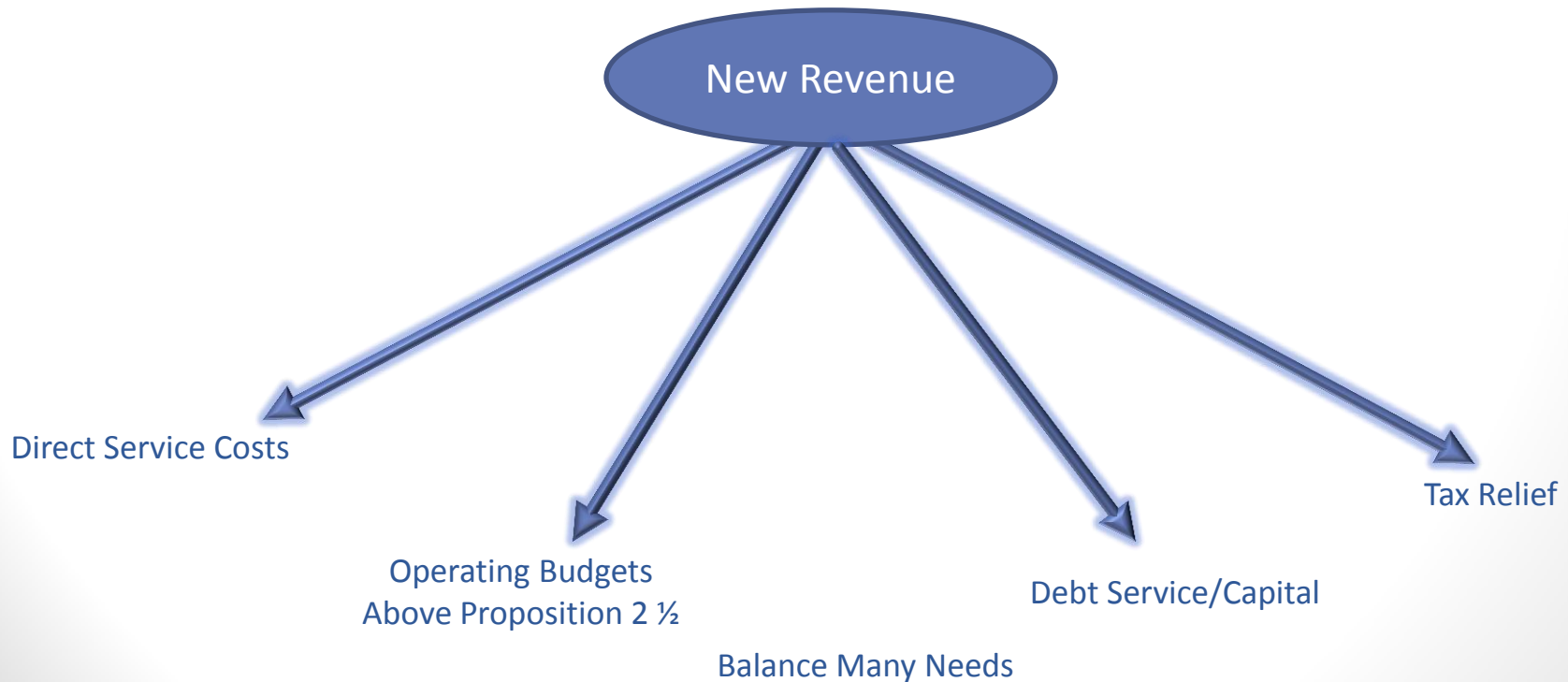
- | | |
|-----------------------------|-------------|
| • Increased new revenue - | \$5M |
| • Associated direct costs - | <u>\$2M</u> |
| • Public Safety | |
| • School Enrollment | |
| • Net new annual revenue - | \$3M |

University Station Revenue Allocation – Address Multiple Areas

- University Station has provided important new commercial tax revenue:

University Station New Growth Tax Revenue					
FY15	FY16	FY17	FY18	FY19	Total
\$565,000	\$3,242,307	\$1,171,730	\$179,000	\$276,000	\$5,434,037

This chart shows the additional tax revenue each year from the project. The annual revenue is now \$5.4M. As taxes on the property before development were approximately \$2M, the total current University Station development pays over \$7M in annual taxes.



University Station Revenue Significantly Helps Multiple Budget Areas

Operating Budgets: Support operating budgets outside the constraints of Proposition 2 ½

Total Increase in funding to Operating Budgets	\$2.6M
School	\$1.9M
Municipal	\$ 700K

Direct Service Costs: Provides for increases in service costs especially public safety

Total Funding for Direct Service Costs	\$1.35M
School	\$ 215K
Municipal	\$ 1.1M

Capital: Revenue to fund capital projects within Proposition 2 ½

One Time – Capital Fund	\$975,000
Debt Service – Police Bond	\$800,000

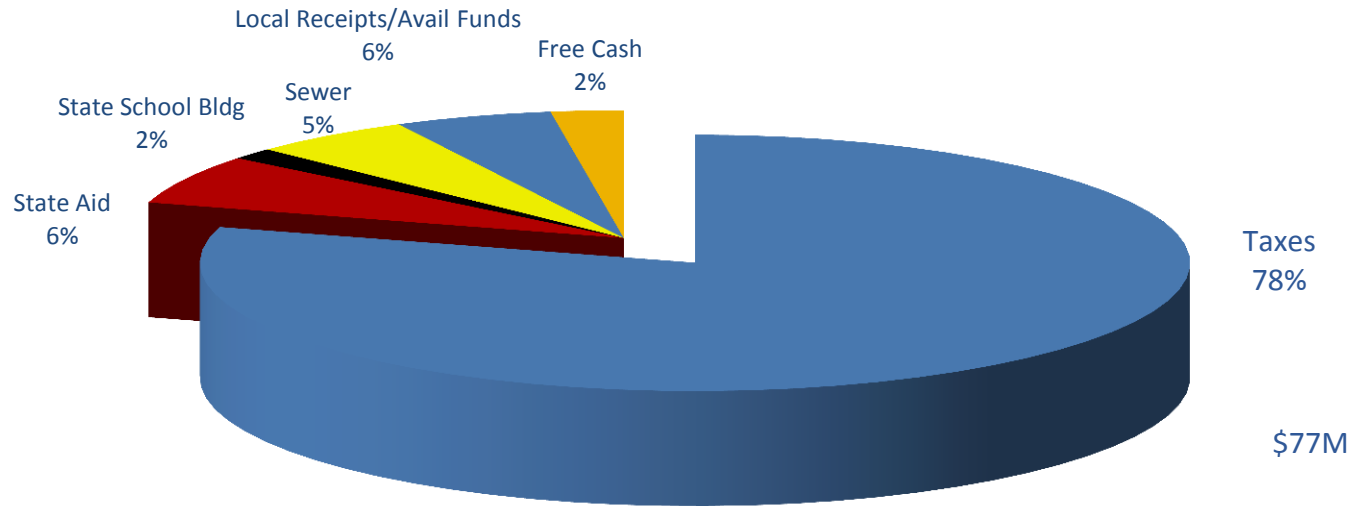
Tax Bill Relief: Apply revenue to subsidize tax bills for all residents

	FY16	FY17	FY18	FY19
Unused Tax Levy	\$500,000	\$670,000	\$279,000	\$555,000

Reaching Multiple Budget Areas

What Revenue Funds the Budget?

FY2019 Projected Budget Revenue - \$98M, 3% increase



- Typical suburban community revenue chart
- Always a challenging financial model:
 - Main revenue source is restricted (Prop 2 ½)
 - Must balance tax bill impact

Tax Revenue Calculation per Prop 2 1/2

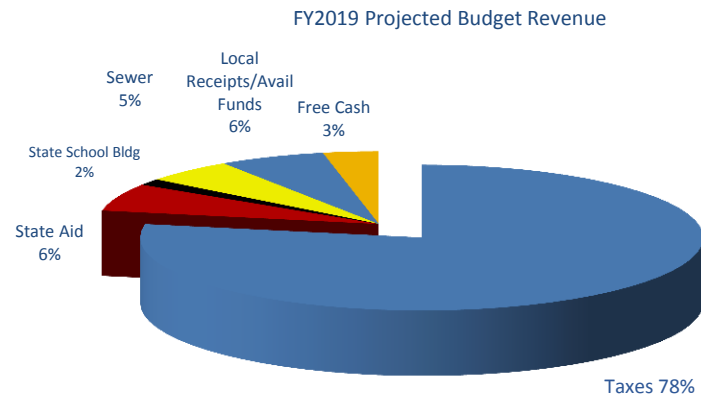
Tax Levy Calculation	FY2016	FY2017	FY2018	FY2019	Budget FY2020	
Prior Year Levy Limit	\$60,753,121	\$66,435,457	\$70,367,740	\$73,558,364	\$76,623,854	
Plus 2.5% Increase	\$1,518,828	\$1,660,886	\$1,759,194	\$1,838,959	\$1,915,596	Plus 2.5%
Plus New Growth**	\$921,201	\$1,099,667	\$1,252,430	\$950,531	\$450,000	New growth
New Tax Levy - University Station	\$3,242,307	\$1,171,730	\$179,000	\$276,000	\$125,000	Uni Station growth
General Overrides	\$0	\$0	\$0	\$0	\$0	General Override
Tax Levy Limit	\$66,435,457	\$70,367,740	\$73,558,364	\$76,623,854	\$79,114,450	
Exempt Debt*	\$1,740,624	\$1,642,706	\$1,523,690	\$1,429,505	\$1,320,986	Exempt Debt
Levy Capacity	\$68,176,081	\$72,010,446	\$75,082,054	\$78,053,359	\$80,435,436	← What we could tax
Actual Levy Assessed	\$67,637,558	\$70,500,803	\$74,005,710	\$76,955,697	\$79,755,436	What we actually tax
Excess Levy(Taxes not raised)	\$538,523	\$1,509,643	\$1,076,344	\$1,097,662	\$680,000	Unused tax levy

Unused Tax Levy Detail	FY2019	Budget FY2020
Unused University Station	\$555,000	\$680,000
Other New Growth Higher Than Budgeted	\$542,662	
Total Unused Levy	\$1,097,662	\$680,000

- No general override since 2007
- Exempt debt declines each year, High School bond ends in 2023

FY20 Preliminary Look - Revenue

- Real estate taxes – Utilize full non University Station Tax levy.
 - Total FY20 levy increase: \$2.9M
 - \$1.9M - 2 ½% growth.
 - \$450K estimate FY20 non University Station new growth.
 - \$542K unused non University Station tax levy from FY19 available.
- State aid – FY20 Projection – level fund for now.
 - Governor’s Budget due out January 23, 2019.
- Local receipts – FY20 Projected level fund.
 - Motor vehicle revenue was increased in FY18 by \$500K.
- Free cash current balance \$5.8M – should use carefully – continue with current allocation.
 - Utilize \$1.75M for capital, and \$100K for stabilization.
 - Utilize additional free cash for additional capital beyond base.



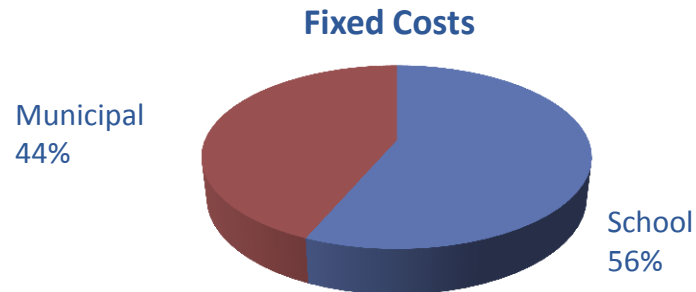
Initial Revenue increase approximately \$2.9M
Consistent with 5 year forecast

A Look at Fixed Costs – Current Year FY19

Fixed Costs – Employee Benefits Costs, Insurance/Reserve Accounts

Budget Provides For	
Employee Benefits Costs	\$13,242,045
Insurance/Reserve Accounts	\$1,384,777
Total FY19	\$14,626,822

	School	Municipal	Total
Fixed Employee Related Costs	\$7,331,789	\$5,910,256	\$13,242,045



Fixed Costs – Projected Increases in FY20

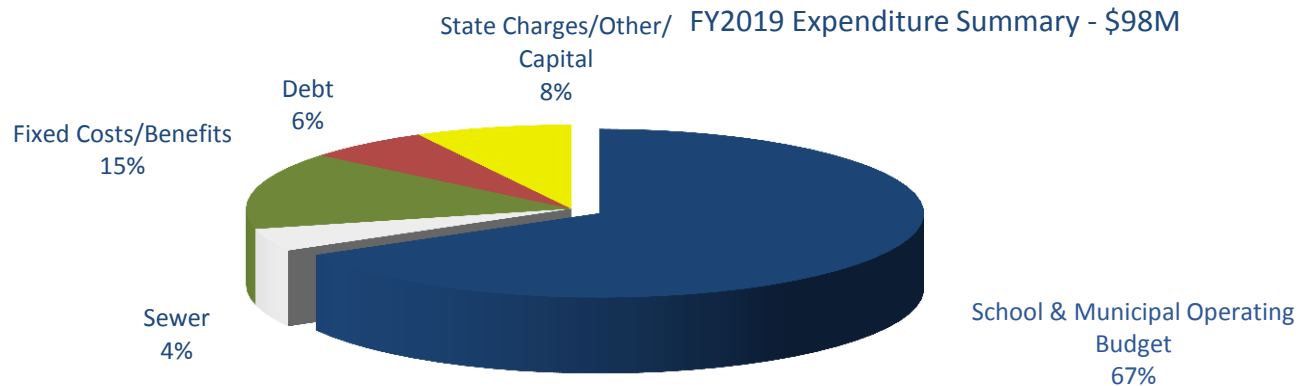
Fixed Costs – increase to total fixed costs budget (\$14.6M) - \$599K – approximately 4% including:

- Pension Assessment (\$5.4M) increase of approximately 7% over prior year final - \$80K.
 - Budget increase of 1.8%
 - Health Insurance increase of 5% - Estimate only. Approx \$295K.
 - Other fixed cost increases (insurance, Medicare, Payroll tax) 10% - Approx \$194K.
 - Comprehensive and Liability insurance increase Approx \$30K.
-
- Health Insurance Update
 - Group Insurance Commission (GIC) is working to contain growth in costs
 - GIC is looking at restricting plans to mitigate growth in costs
 - We will next update after GIC February meeting and final rates at their early March meeting.
 - Current health estimate is 5%

Largest Area of Spending is the Operating Budget

Operating Budgets

- Provide for core services to community
- Strive for operating budget stability for school and municipal budgets.
- Strive for sustainable budgets



- Each 1% increase for school and municipal budgets approximately \$657K:

- School (Budget \$44.9M) - \$449K.
- Municipal (Budget \$20.8M) - \$208K.

- 2.5% increase costs \$1.64M.
- 3% increase costs \$1.97M
- 4% increase costs \$2.62M.

FY20 Overall Projection – Available Revenue

Revenue

Increase in Tax Revenue

- Proposition 2 ½ formula \$2.9M
 - Taxes can increase:
 - Increase of 2 ½%
 - Add any new growth
 - Include unused tax levy from prior year available.

Expenditures

- Fixed cost increases school/municipal employee benefits (\$15.2M total) \$599K
 - Includes Health Insurance and Payroll taxes/Other
 - Increase in OPEB Fund/Other \$55K

Net Available for Operating Budgets/Other \$2.2M

Operating Budget Cost – Increase	Each 1%	\$657K
	2.5%	\$1.64M
	3%	\$1.97M

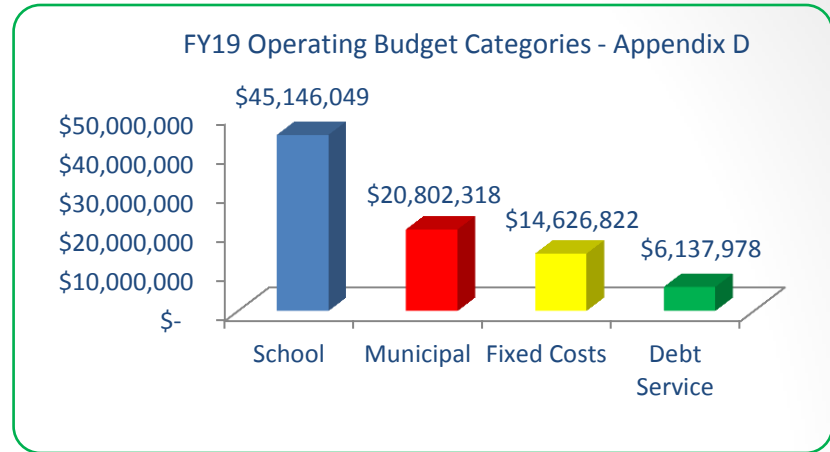
- Can fund approximately 3% increase to school and municipal operating budgets within Proposition 2 ½

FY20 Preliminary Overall Budget Summary

Preliminary Base Budget

Operating Budget

- School and Municipal Budget 3% increase.
 - In line with five year forecast
 - Provides consistency to operating budget
 - Important that operating budgets have moderate growth and are sustainable.



	Budget Increases				Proposed FY20
	FY16	FY17	FY18	FY19	
School	5.3%	4.9%	3.3%	3.4%	3%
Municipal	5.2%	3.7%	3.6%	3.1%	3%



3.8% with
Snow & Ice
Adjustment

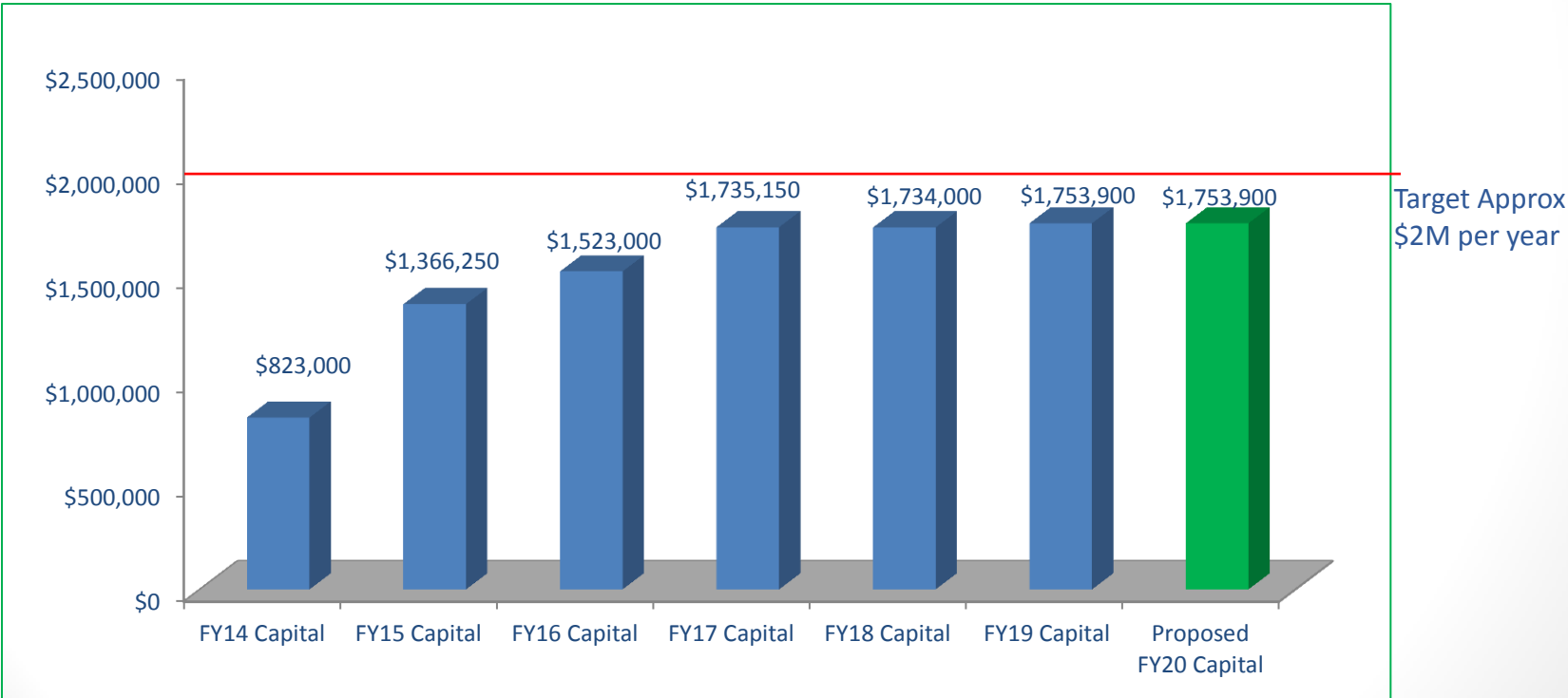


Additional University Station Funding

FY20 Preliminary Overall Budget Summary

Capital Budget

- Maintain base capital budget at FY19 Level \$1.75M
- Supplement capital with additional use of Free Cash



Additional Items to Consider

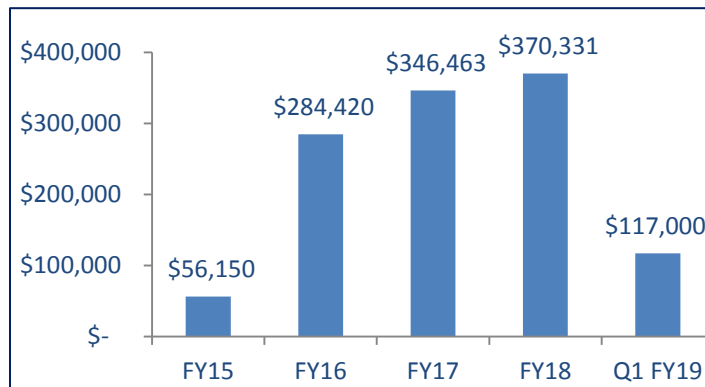
- University Station Revenue
 - Base budget does not yet include new University Station revenue.
 - University Station funding not yet applied to budget \$680K

Unused Total From Prior	\$555K
New Future Growth FY20	\$125K
- State Aid: Any additional Chapter 70?
- Meals/Hotels Tax – apply to capital?

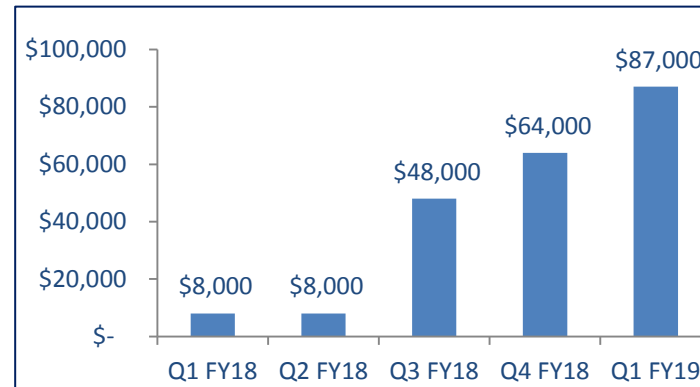
Meals and Hotels Tax

- Meals/Hotel Tax
 - Meals/Hotel tax revenue not yet applied to Capital budget
 - Current balance approximately \$952K
 - Could supplement capital budget needs

Meals Tax Revenue - Annual



Hotels Tax Revenue - Quarterly



Total Hotel Tax revenue received in FY18 was \$129K

Use of Funds

- May 2018 Town Meeting appropriated \$432K of funds for two town wide capital projects:
 - Lighting of the High School tennis courts
 - HVAC project at the High School pool
 - Both of these facilities receive extensive use by residents of all ages.

Balance in the Account

- The balance in the Hotel/Meals account as of September 30, 2018 is \$952K.
- Long Range Financial Planning Committee to review use/develop policy recommendation for Selectmen.

FY20 Overall Budget Summary

FY20 Proposed Base Budget Provides For:

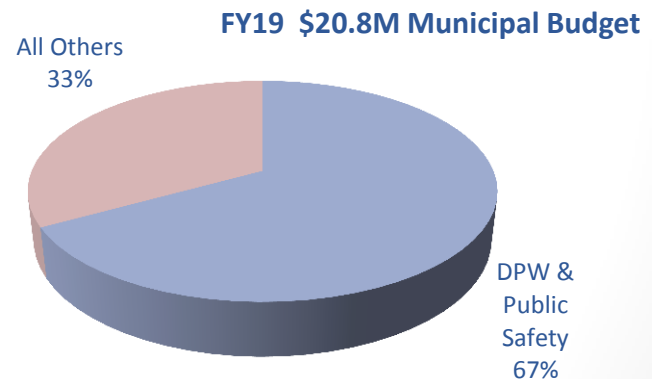
- ✓ Maintains high quality of services provided by Town and School departments (Approximately 3% increase)
- ✓ Continues high level of Capital Investment (\$1.75M)
 - Base
 - Additional funding to be determined
- ✓ Continues progress on OPEB liability (\$1.44M)
- ✓ Continues small funding to Stabilization (\$100K) to remain on track

FY20 Municipal Budget – Current Requests

Category	Current FY19 Budget	FY20 Municipal Budget Requested	\$ Change FY20 vs. FY19	% Change FY20 vs. FY19
Salaries	\$ 15,157,685	\$ 16,036,065	\$ 878,380	5.8%
Expenses	\$ 5,644,633	\$ 6,084,818	\$ 440,185	7.8%
Total	\$ 20,802,318	\$ 22,120,883	\$ 1,318,565	6.3%

Currently working on FY20 budget.

- The initial FY20 municipal base budget request
 - Increase of 6.3% over FY19
 - Includes contract salary increases
 - Does not include new positions
 - Includes increase to Building Maintenance
- Continue to review budget:
 - Requests for new positions.
 - Public safety staffing – police and fire – 5 positions
 - COA part time nurse position
 - Sewer Pump Station Operator
- Budget with additional positions: increase of 7.9%



Next Steps in Budget Cycle

- Review FY20 revenue allocation options with Board of Selectmen.
- Continue capital review with Long Range Planning Committee
- Continue ongoing discussions/review with Budget Steering
- Review municipal requests with Board of Selectmen – January 7 meeting.
 - Requested new positions.
- State aid preview at end of January.
- BOS proposed budget document February 1
 - Present budget to Fincom February 5.

