



Budget Overview  
Finance and Warrant Commission  
December 4, 2018

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Finance Director

# General Information About Municipal Finance

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- Fiscal year is from July 1 – June 30
- Finances are overseen and regulated by the Department of Revenue
  - Approves tax rate
  - Required to report all revenue and expenditures annually.
  - Regulates revenue and expense treatment
    - i.e., Meals Tax, type of accounts, Town Meeting vote requirements etc.
  - Authorizes use of debt
  - Approves all Town values
  - Certifies Free Cash
- Annual Audit
  - Outside audit firm on site spring and fall each year.
  - Comprehensive Annual Financial Report (CAFR) produced each year.
  - Audit Committee
    - 3 member committee, comprised of appointed residents.
    - Report to the Board of Selectmen on audit results.
- Credit Rating
  - Current rating:
    - Moody's: Aa1, Standard & Poor's: AAA
  - Updated when debt is issued

# Available Budget and Finance Documents

## **Capital Book**

**Timing: Fall**

- Five year projection of capital needs for maintaining and upgrading school and municipal physical assets. Includes information on prior capital, assets and debt schedules.

## **Municipal Budget Detail**

**Timing: January**

- Summary of budget requests for Town wide Municipal departments

## **School Department Budget Detail**

**Timing: January**

- Summary of budget requests for School department

## **Overall Budget Summary**

**Timing: February 1**

- Contains overall budget recommendations by the Board of Selectmen, including revenue and expense projections. Also includes a summary from each detail book, Schools, Municipal and Capital

## **Town Meeting Warrant Book**

**Timing: April 1**

- Includes Operating Budget (Appendix D) and other financial articles to be voted by Town Meeting.
- Also includes substantial background financial information.

## **Comprehensive Annual Financial Report (CAFR)**

**Timing: December**

- Includes annual financial statements audited by outside firm. Also includes significant other supplemental financial information beyond basic financial reporting. Heavily used by ratings agencies.

All are posted on the Town website

# FY20 Budget Overview and Timing

## Key Dates

May 6, 2019	Annual Town Meeting, FY20 budget is voted.
February 1, 2019	By charter, Board of Selectmen required to present FY20 budget recommendation.
March 25, 2019	Finance and Warrant Commission public hearings on the budget.

## Detail Timeline

Early Fall 2018	<ul style="list-style-type: none"><li>• Presentation of prior year end close and update on financial information.</li><li>• Five Year Capital Book Issued.</li></ul>
Fall through Jan 31	<ul style="list-style-type: none"><li>• Board of Selectmen review overall and detailed budget requests.</li><li>• Update on financial projections.</li></ul>
February 1	Board of Selectmen issues FY20 Budget recommendation
February 5, 2019	Overall budget, municipal and schools budget presentations to Fincom
March 12, 2019	Fincom subcommittee reports
March 25-26, 2019	Final public hearings in advance of Annual Town Meeting
May 6, 2019	Annual Town Meeting – budget presented and voted by Town Meeting.
Fall 2019	<ul style="list-style-type: none"><li>• FY20 Property values finalized and approved by Department of Revenue</li><li>• FY20 Tax Rate approved by the Department of Revenue</li></ul>

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

Tax Bill Impact

Operating Budget

Capital Assets

Long Term Liabilities

Reserve Accounts

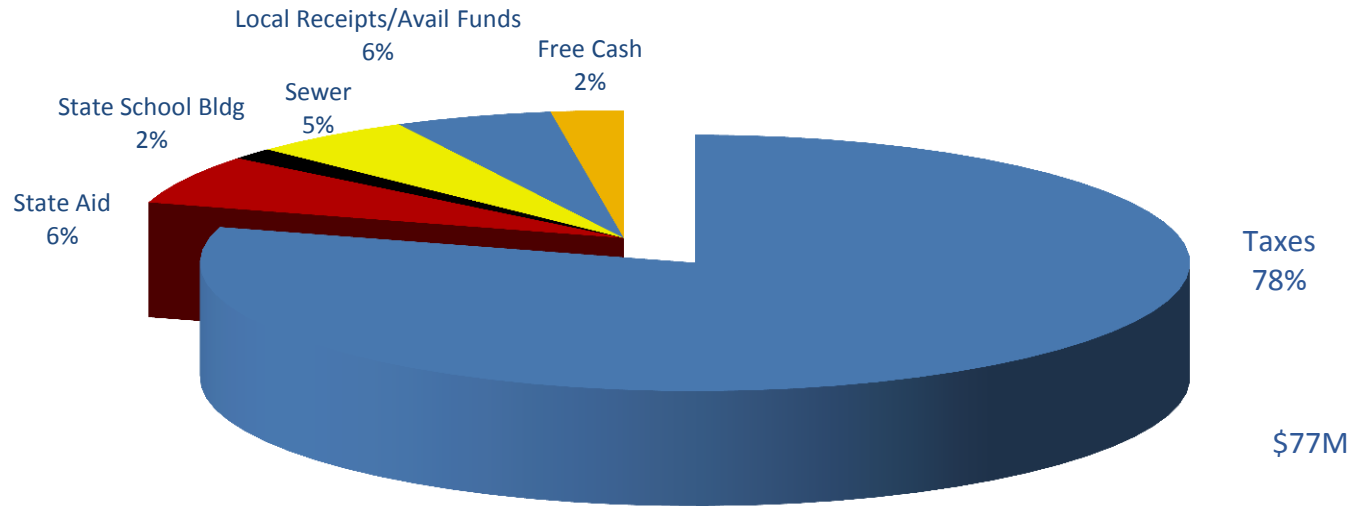
Service Levels



Balance Many Needs

# What Revenue Funds the Budget?

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

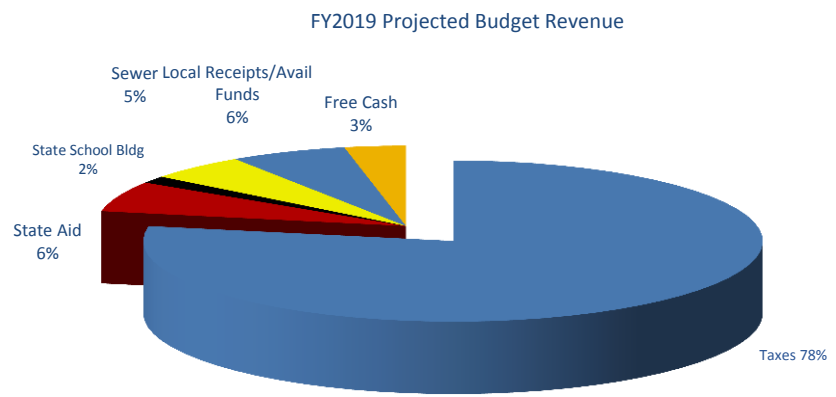


- Typical suburban community revenue chart
- Always a challenging financial model:
  - Main revenue source is restricted (Prop 2 ½)
  - Must balance tax bill impact

# The Town's main revenue source is property tax revenue. In Massachusetts, tax revenue is governed by Proposition 2 ½

## What is Proposition 2 ½?

- Limits the property taxes a community can charge.
- Total taxes can increase:
  - 2.5 %
  - New growth.
- A town may choose to “override” these limits.



There are Different types of Overrides

## General Override

- Additional funds for any purpose.
- Permanently increases levy limit.
- Placed on the ballot by a vote of the Board of Selectmen
- Must be passed by a majority of voters.

## Debt Exemption

- Pay for capital projects.
- Annual debt service added to tax levy.
- Not permanent, when bond ends, taxes end.

Detailed history of Town's override activity is included in the Budget Summary book and ATM Warrant book.

# Tax Revenue Calculation per Prop 2 1/2

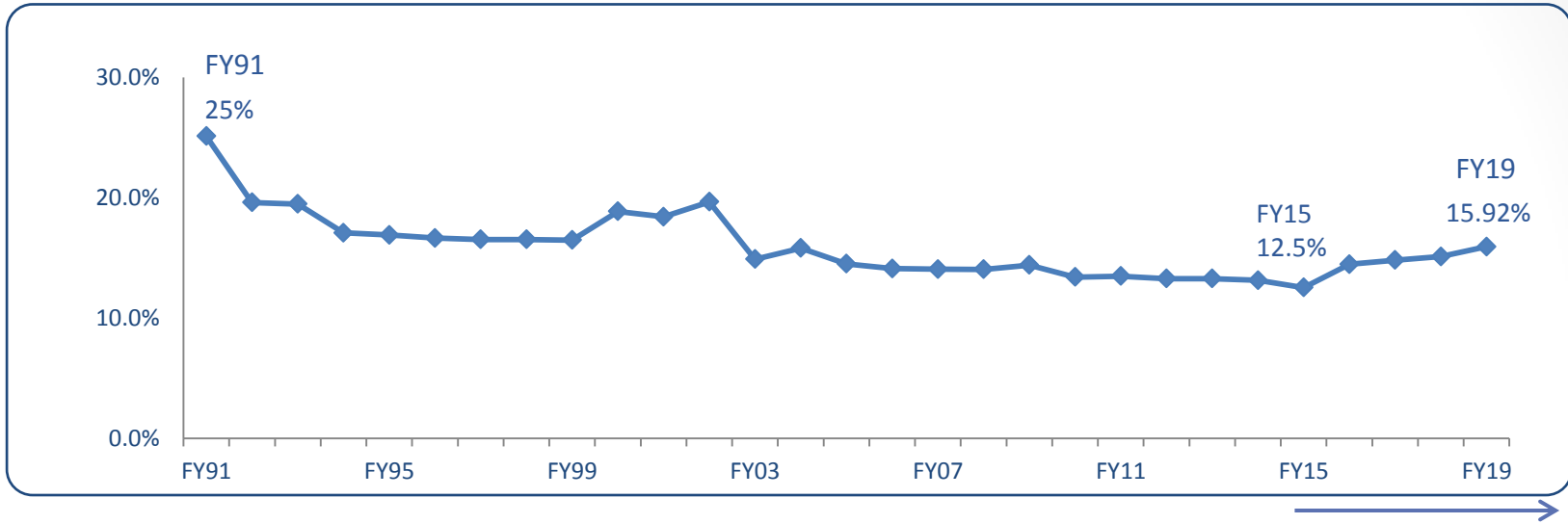
Tax Levy Calculation	FY2015	FY2016	FY2017	FY2018	Budget FY2019	
Prior Year Levy Limit	\$57,773,665	\$60,753,121	\$66,435,457	\$70,367,740	\$73,553,156	
Plus 2.5% Increase	\$1,444,342	\$1,518,828	\$1,660,886	\$1,759,194	\$1,838,829	Plus 2.5%
Plus New Growth	\$970,114	\$921,201	\$1,099,667	\$1,247,222	\$450,000	New growth
New Tax Levy - University Station	\$565,000	\$3,242,307	\$1,171,730	\$179,000	\$200,000	Uni Station growth
General Overrides	\$0	\$0	\$0	\$0	\$0	General Override
<b>Tax Levy Limit</b>	<b>\$60,753,121</b>	<b>\$66,435,457</b>	<b>\$70,367,740</b>	<b>\$73,553,156</b>	<b>\$76,041,985</b>	
<b>Exempt Debt</b>	<b>\$1,850,048</b>	<b>\$1,740,624</b>	<b>\$1,642,706</b>	<b>\$1,523,690</b>	<b>\$1,429,505</b>	Exempt Debt
<b>Levy Capacity</b>	<b>\$62,603,169</b>	<b>\$68,176,081</b>	<b>\$72,010,446</b>	<b>\$75,076,846</b>	<b>\$77,471,490</b>	What we could tax
Actual Levy Assessed	\$61,991,050	\$67,637,558	\$70,500,803	\$74,005,710	\$76,992,490	What we actually tax
Excess Levy(Taxes not raised )	\$612,119	\$538,523	\$1,509,643	\$1,071,136	\$479,000	Unused tax levy

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



# Commercial Value Important to Town Finances

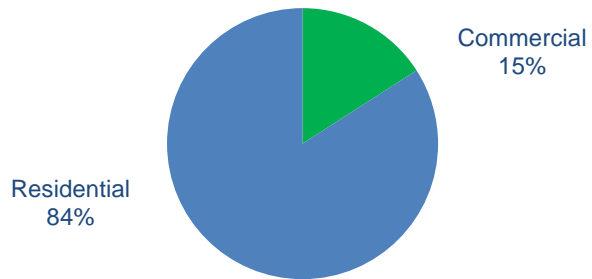
University Station has significantly helped overall finances:



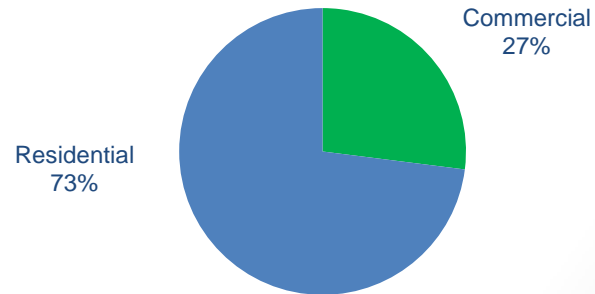
Commercial Value as % of Total Value

University Station comes on line

Total Value

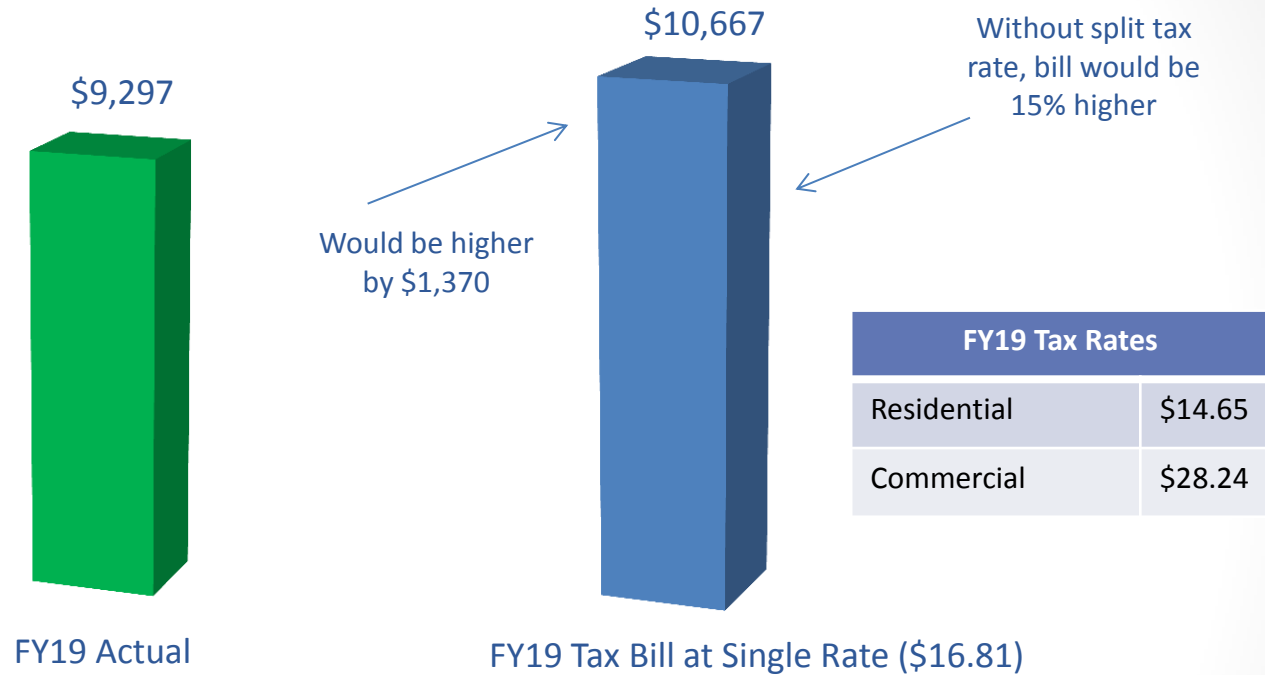


Taxes Paid



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

# Significant Savings to Homeowners from Split Tax Rate

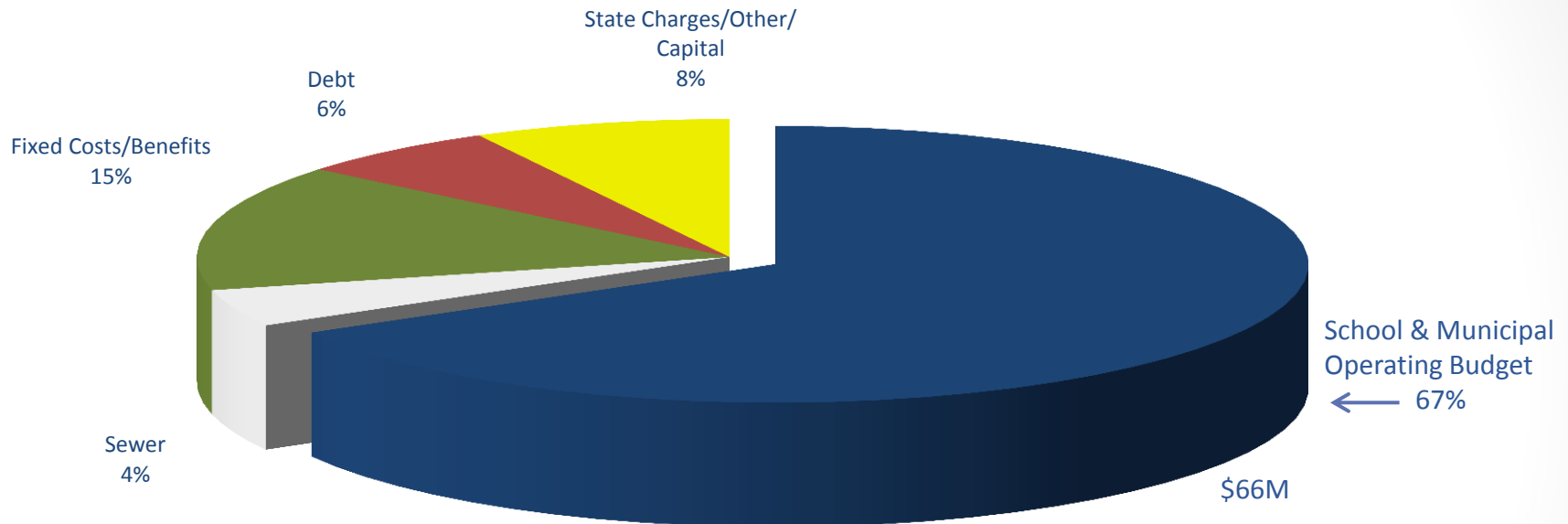


The split tax rate provides significant tax relief for homeowners.

In FY19 that relief is \$1,370.

# FY19 Total Expenditures

FY2019 Expenditure Summary - \$98M, 3% increase



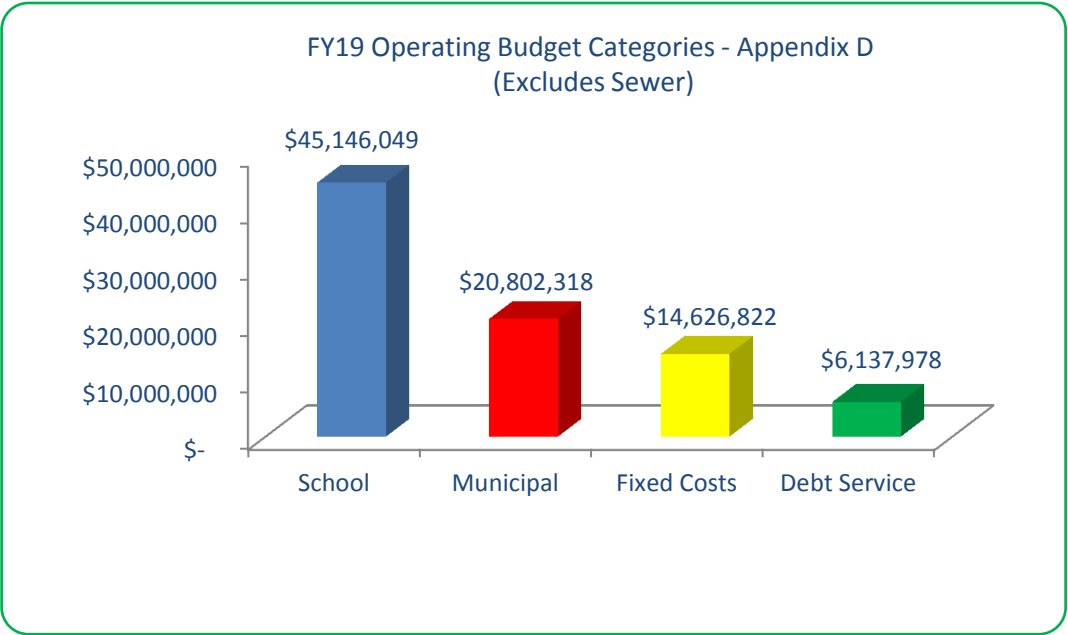
## Operating Budgets

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

# FY19 Budget - Provide for Consistent, Sustainable Funding

## FY19 Approved Operating Budget - \$91M

Operating budget provides daily services to the community.



	FY16	FY17	FY18	FY19
School	5.3%	4.9%	3.4%	3.4%
Municipal	5.2%	3.7%	3.6%	3.1%

(with Snow & Ice Adjustment, 3.8%)

↑      ↑

- Important that operating budget have moderate growth and are sustainable.

# How Does a Town Borrow Money?

- Authorization:
  - Town Meeting authorizes the borrowing of money for a specific project with a 2/3 vote.
  - State law governs:
    - What you can borrow for. (i.e., prohibits borrowing for operating expenses, prior deficits, etc.) and,
    - Length of term of borrowing.
  - If debt exemption project, also requires majority approval at ballot.
- Issuing Bonds
  - Town credit rating from rating agency
  - Town Treasurer conducts a public bond sale
    - Sale may be for multiple projects
    - May do short term first, before issuing long term.
  - At completion of sale, Town receives money and enters into a repayment schedule.
- Debt Service Payments
  - Principal and interest payments included each year in budget.

# Town Debt – Utilized Favorable Borrowing Climate

## Favorable Borrowing Climate

- Very strong credit ratings.
  - Standard & Poor’s AAA.
- Excellent interest rate environment.
- Old debt retirement.
  
- Portion of recent bond sales replaced debt dropping off
  - Next debt drop off 2023.

## Recent Bond Sales - \$30M since 2014

- Bond sold August, 2016:
  - \$16.64M, 10-30 year term, 2.4%.
- Bond sold August, 2015:
  - \$10.45M, 5-20 year term, 2.6%.
- Bond sold May, 2014:
  - \$2.97M, 10 year term, 1.6%.

