



FY22 Budget Preview Select Board Meeting December 7, 2020

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Financial Review And FY22 Budget



Previous Board Meetings This Fall

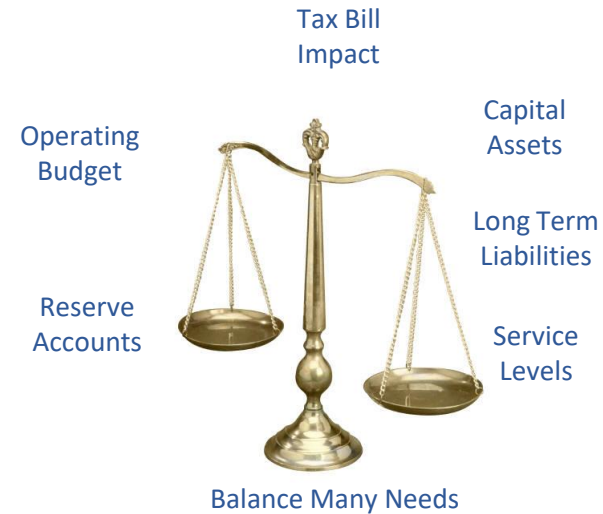
- Review FY20 Year End Close
- Review of Key Financial Items
 - COVID Financial Impact
 - FY21 State Aid
 - Decision on No Fall Town Meeting
 - Free Cash
- Review Meals/Hotels Tax Revenue
- COVID/FEMA Funding FY21



November 23 Meeting

- Tax Classification Hearing
 - Approve tax shift commercial/residential
 - Review residential bill

- December and January Meetings
 - Continued Overall Budget Updates
 - Continue review of FY22 revenue and expense projections
 - Review of Capital Budget requests
 - Review of municipal operating budget
 - Review and preparation of FY21 proposed budget (Feb 1)



Budgeting During COVID

Challenges to budget during this pandemic

- Town Meeting has approved structurally sound budgets
 - Finances are designed to maintain essential services during rainy day scenario
 - FY21 Balanced
 - Conservative Budget Estimates
 - FY21 State Aid level funded
 - No use of reserves needed to balance FY21 budget
 - FY20 smooth year end close
 - CARES/FEMA funding available

But we must begin the FY22 Budget Cycle

- Budget cycle to begin, update as necessary
- Items to consider
 - Continuation of CARES/FEMA Funding
 - FY22 State Budget
 - What services will remain changed in FY22?
 - Remote Learning?
 - Public Safety Impact?

FY22 Overall Budget Goals

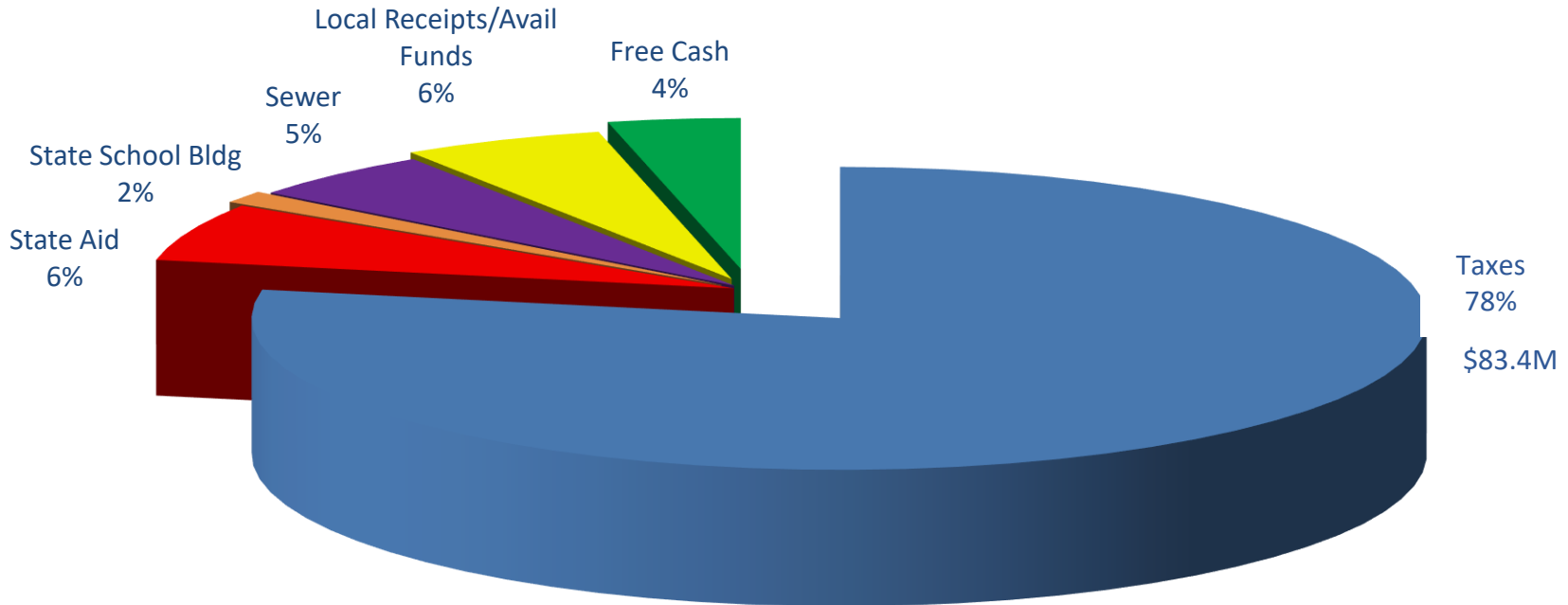
FY22 Overall Budget Seeks to Provide:

- Maintain high quality of Town and School services
 - Maintain moderate growth and sustainable operating budgets.
- Continue high level of Capital Investment
 - Important to maintain infrastructure and capital equipment
 - Base Capital \$2.3M
 - Continue efforts for additional funding beyond base for important projects
- Continue compliance with reserve and long term liabilities
 - Continue progress on OPEB liability
 - Continue small transfer to Stabilization (\$125K) to remain on track with policies
- Begin discussion to incorporate future large capital items
 - School building project
 - Other large capital funding
- Balance Tax Bill Impact
 - Capital within Proposition 2 ½
 - Use of Tax Levy
 - Timing of Debt Exemptions



What Revenue Funds the Budget?

FY2021 Projected Budget Revenue, \$105,761,242, 3.2% 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	FY2018	FY2019	FY2020	FY2021	FY2022	
Prior Year Levy Limit	\$70,367,740	\$73,558,364	\$76,623,854	\$79,703,916	\$83,076,625	
Plus 2.5% Increase	\$1,759,194	\$1,838,959	\$1,915,596	\$1,992,598	\$2,076,916	Plus 2.5%
Plus New Growth	\$1,252,430	\$950,531	\$661,466	\$889,111	\$450,000	New growth
New Tax Levy - University Station	\$179,000	\$276,000	\$503,000	\$491,000	\$100,000	Uni Station growth
General Overrides	\$0	\$0	\$0	\$0	\$0	General Override
Tax Levy Limit	\$73,558,364	\$76,623,854	\$79,703,916	\$83,076,625	\$85,703,540	
Exempt Debt	\$1,523,690	\$1,429,505	\$1,320,986	\$1,217,416	\$1,112,694	Exempt Debt
Levy Capacity	\$75,082,054	\$78,053,359	\$81,024,902	\$84,294,041	\$86,816,234	← What we could tax
Actual Levy Assessed	\$74,005,710	\$76,955,697	\$80,224,068	\$83,468,800	\$85,891,234	What we actually tax
Excess Levy(Taxes not raised)	\$1,076,344	\$1,097,662	\$800,834	\$825,241	\$925,000	Unused tax levy
Increase in Actual Levy (including new growth)	5.0%	4.0%	4.2%	4.0%	2.9%	
Increase in Levy without new growth	2.94%	2.33%	2.73%	2.32%	2.24%	

Unused Tax Levy Detail	FY2019	FY2020	FY2021	FY2022
Unused University Station new Growth	\$555,000	\$378,000	\$825,000	\$925,000
Other New Growth Higher Than Budgeted/Other	\$542,662	\$422,834	\$0	\$0
Total Unused Levy	\$1,097,662	\$800,834	\$825,000	\$925,000

- The Town has not taxed to maximum capacity
- No general override since 2007
- Exempt debt declines each year, High School bond ends in 2023

FY22 Preliminary Look - Revenue

- Real estate taxes – Utilize full non University Station Tax levy.

- Total FY22 levy increase: \$2.5M
 - \$2.1M - 2 ½% growth.
 - \$450K estimate FY22 non University Station new growth.
 - Board to review use of \$925K University Station

- State aid – FY22 Projection – 20% reduction to Final FY21 for now.

- Governor’s Budget due out January, 2021.
- Replace 20% reduction with use of Stabilization Fund \$1.3M
 - Current Stabilization balance is \$3.5M

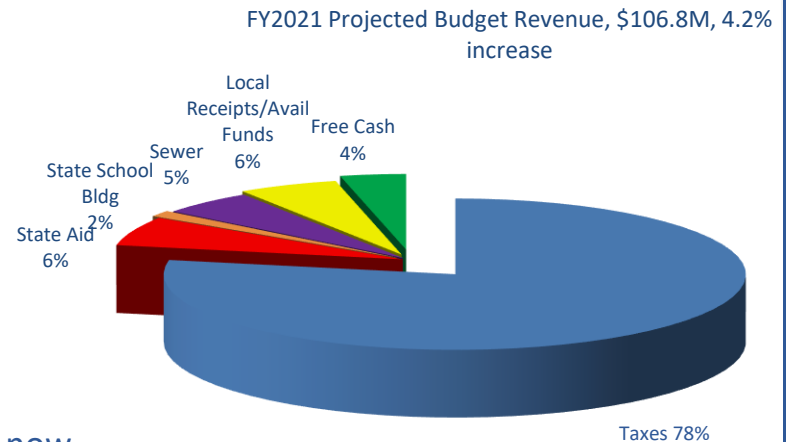
- Local receipts – FY22 Project level fund.

- Free cash current balance \$6.1M – should use carefully – continue with current allocation.

- Utilize \$2.4M for base capital, and \$125K for stabilization.
- Utilize additional free cash for additional capital beyond base.

- Meals/Hotels Fund

- No funding used at June 2020 Town Meeting
- Available for capital projects
- Current balance is \$1.9M



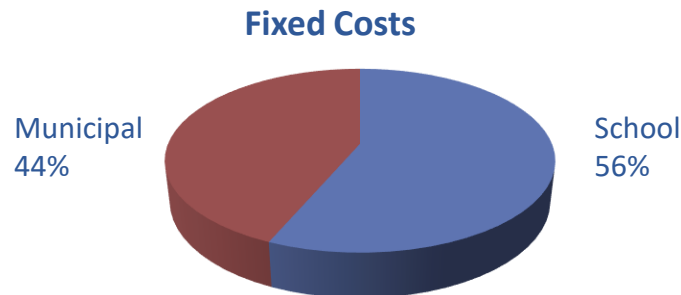
A Look at Fixed Costs – Current Year FY21

Fixed Costs – Employee Benefits Costs, Shared Costs/Trash/Reserve Accounts

- Fixed costs are approximately 18% of the Operating Budget

Budget Provides For	
Employee Benefits Costs	\$14,689,131
Insurance/Shared Accounts	\$660,850
Trash Services	\$1,538,200
Reserves	<u>\$725,000</u>
Total FY21	\$17,613,181

	School	Municipal	Total
Fixed Employee Related Costs	\$8,179,134	\$6,509,997	\$14,689,131



Fixed Costs – Projected Increases in FY22

Fixed Costs – current estimated increase to total fixed costs budget - approx. 6.9% \$1.2M

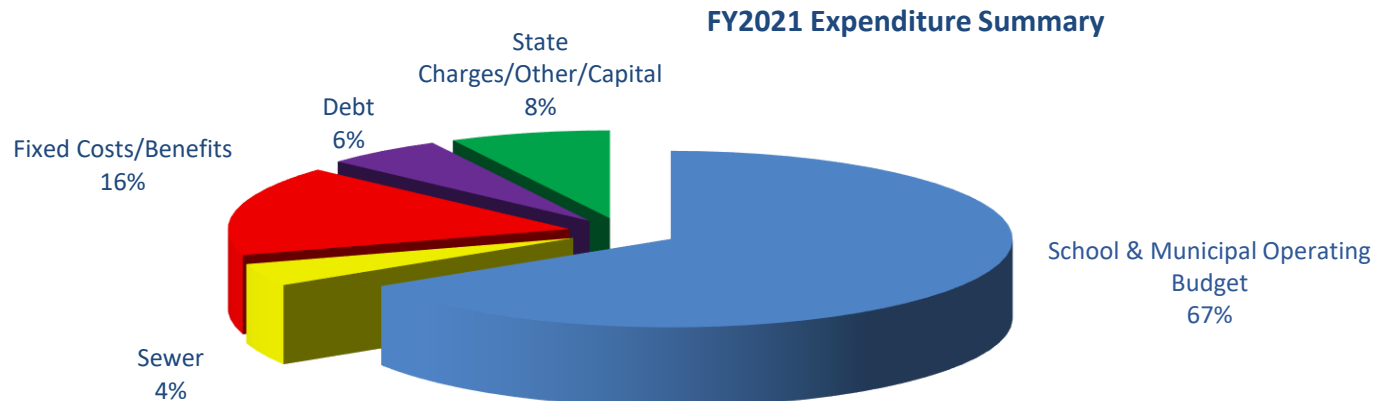
- Pension Assessment (current \$5.78M) increase of 10% \$578K
- Health Insurance (current \$6.5M) increase of 5% - Estimate only. Approx \$325K
- Other fixed cost increases (insurance, Medicare, Payroll tax) 5% - Approx \$152K
- OPEB Appropriation amount increase per funding schedule Approx \$25K
- Trash (current \$1.53M) increase of 10% - Estimate only Approx \$153K

- Health Insurance Update
 - Group Insurance Commission (GIC) updates FY22 Information
 - Plan Description – February 2021 meeting
 - Final Rates – March 2021 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 \$696K:
 - School (Budget \$48.5M) - \$480K.
 - Municipal (Budget \$21.6M) - \$216K.

- 2.5% increase costs \$1.74M.
- 3% increase costs \$2.08M
- 4% increase costs \$2.78M.

FY22 Overall Summary Projection

Expenditures

Fixed cost increases school/municipal employee benefits \$1.2M

- Includes Health Insurance and Payroll taxes/Other
- Increase in OPEB Fund/Other

Fixed salary obligations – within the operating budget \$

- School and Municipal Employees
 - Contractual COLA increases
 - Contractual step/other increases

Revenue

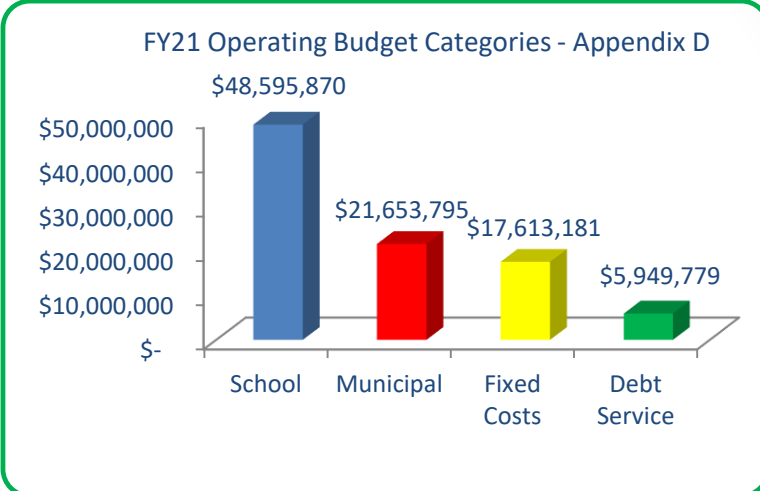
Increase in Tax Revenue

- Proposition 2 ½ formula \$2.5M
 - If apply University Station unused tax levy \$925,000

Operating Budget - Provide for Consistent, Sustainable Funding

Strive to maintain essential services

- School and Municipal Budget
 - In line with five year forecast
 - Provide consistency to operating budget
 - Important that operating budgets have moderate growth and are sustainable to maintain essential services.



	FY16	FY17	FY18	FY19	FY20	FY21
School	5.3%	4.9%	3.4%	3.4%	3.5%	3.6%
Municipal	5.2%	3.7%	3.6%	3.1%	3.5%	3.6%

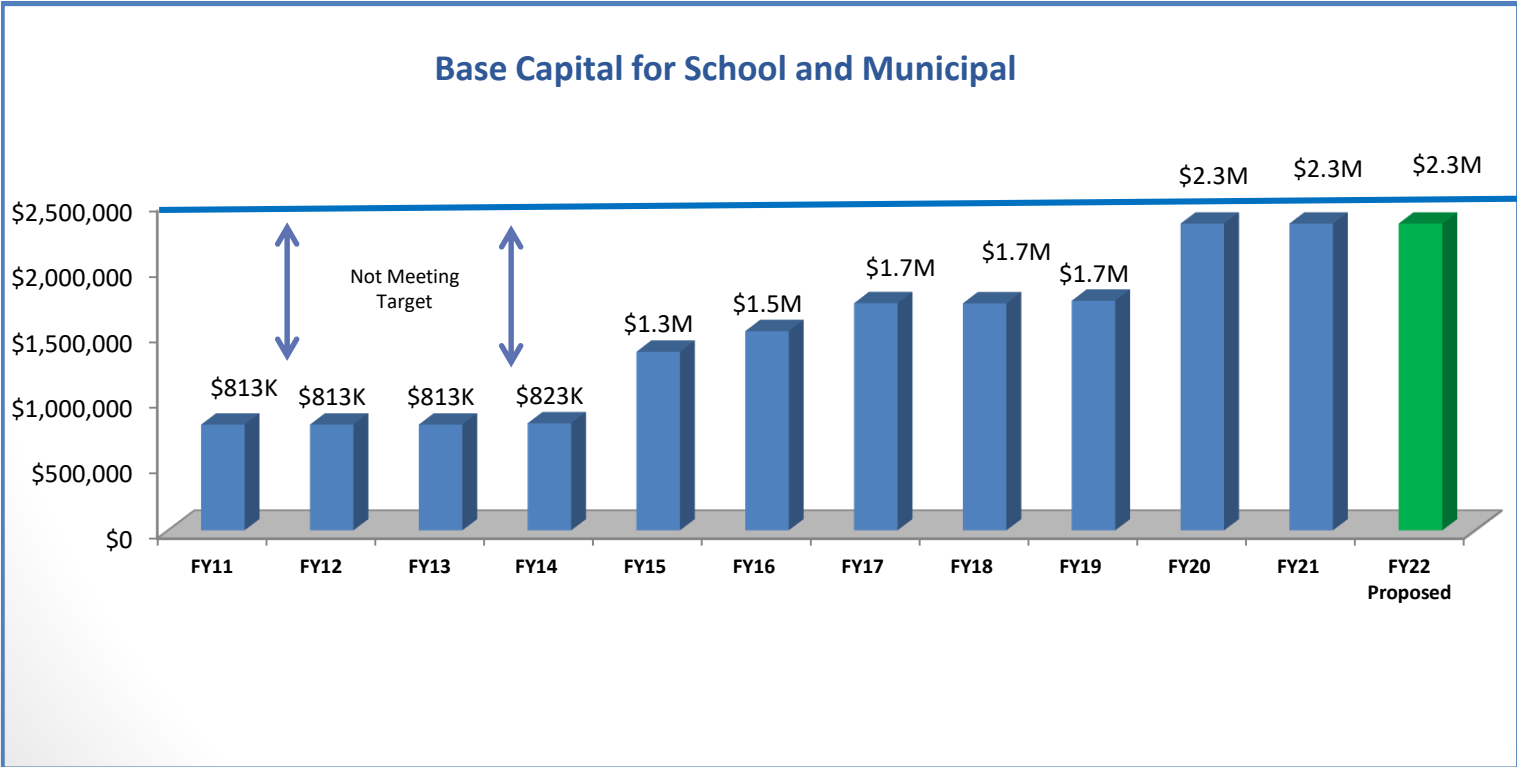
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Additional University Station Funding

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

FY22 Preliminary Overall Capital Budget

Capital Budget

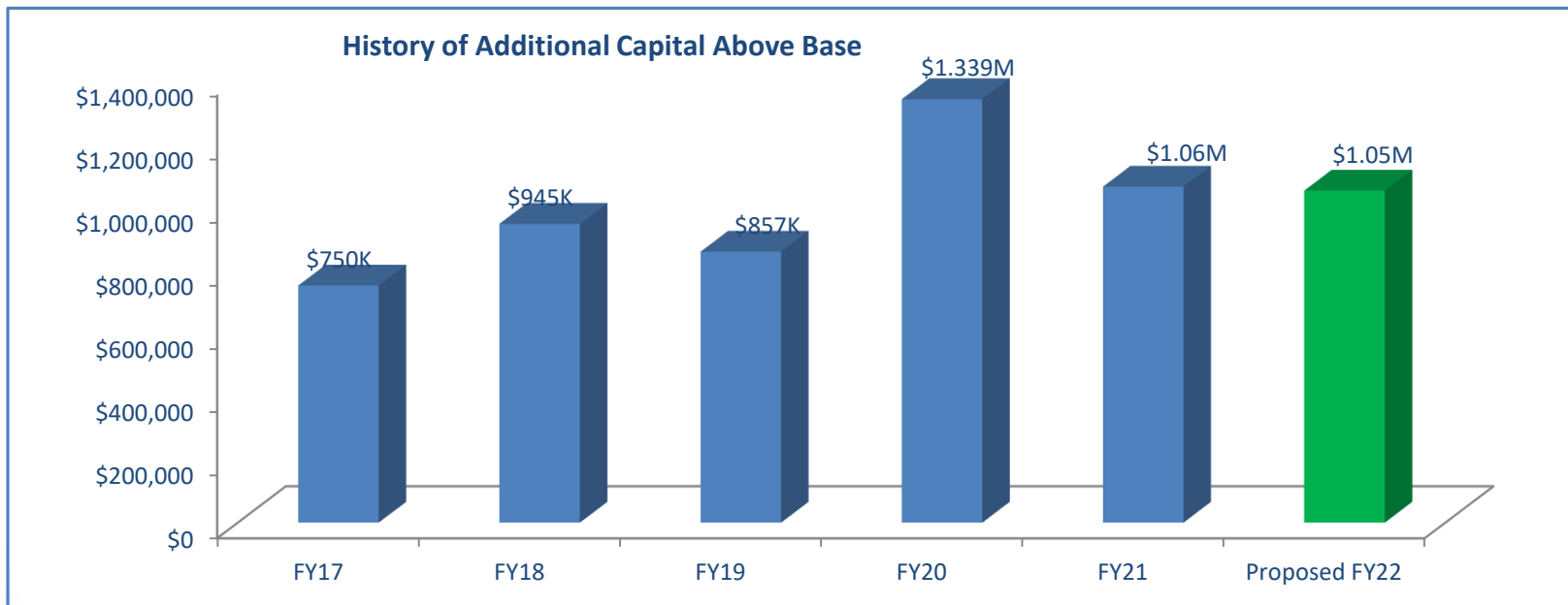
- Maintain base capital budget at FY21 Level \$2.3M
- Supplement capital with additional use of Free Cash/Meals Tax



Target Per
Financial
Policies
Approx.
\$2.4M

FY22 Preliminary Budget – Continue Additional Capital Article Beyond the Base

- Since FY17, the Town Meeting has approved an “additional” capital budget article beyond the main base articles.
- Effort to fund:
 - Capital that has been deferred by years of not meeting financial goal
 - Larger items that do not easily fit within base capital budget articles:



Addresses important capital needs with available funding, such as free cash and meals/hotels tax.

Items to consider in FY22:

Pool Repairs (deferred at June Town Meeting)	\$300,000
Practice Field Turf Replacement	<u>\$750,000</u>
	\$1,050,000

Next Steps in Budget Cycle

December and January Meetings:

- Continue update and review of FY22 revenue projections.
 - COVID Impact
 - Future COVID Funding
 - FY22 State Budget
- Continue to review capital budget articles with Select Board
 - Ongoing Capital
 - Timing of larger projects being considered
- Review FY22 municipal budget requests
 - Base budget
 - Any Requested new positions/programs.
- FY22 State aid
 - Governor's budget at end of January.
 - Preview at MMA meeting January 21st.
- BOS proposed budget document February 1, 2021
 - Municipal Budget Document
 - Overall Budget Summary
 - Initial Capital Articles
- Finance Director reviewed overall financial material with Fincom at their meeting October 19, 2020.
- Present proposed FY22 budget to Fincom February 9, 2021.



