



General Municipal Finance Information

Finance and Warrant Commission
December 1, 2021

General Information About Municipal Finance

- 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.
 - Annual Comprehensive Financial Report (ACFR) 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 Select Board , 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

FY23 Budget Overview and Timing

Key Dates

May 2, 2022	Annual Town Meeting, FY23 budget is voted.
February 1, 2022	By charter, Select Board required to present FY23 budget recommendation.
March 29-30, 2022	Finance and Warrant Commission public hearings on the budget.

Detail Timeline

Fall 2021	<ul style="list-style-type: none">• Presentation of prior year end close and update on financial information.• Five Year Capital Book Issued.
Fall through Jan 31	<ul style="list-style-type: none">• Select Board review overall and detailed budget requests.• Update on financial projections.
February 1, 2022	Select Board issues FY23 Budget recommendation
February 8, 2022	Overall budget, municipal and schools budget presentations to Fincom
March 15, 2022	Fincom subcommittee reports
March 29-30, 2022	Final public hearings in advance of Annual Town Meeting
May 2, 2022	Annual Town Meeting – budget presented and voted by Town Meeting.
Fall 2022	<ul style="list-style-type: none">• FY23 Property values finalized and approved by Department of Revenue• FY23 Tax Rate approved by the Department of Revenue

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

Tax Bill Impact

Operating Budget

Capital Assets

Long Term Liabilities

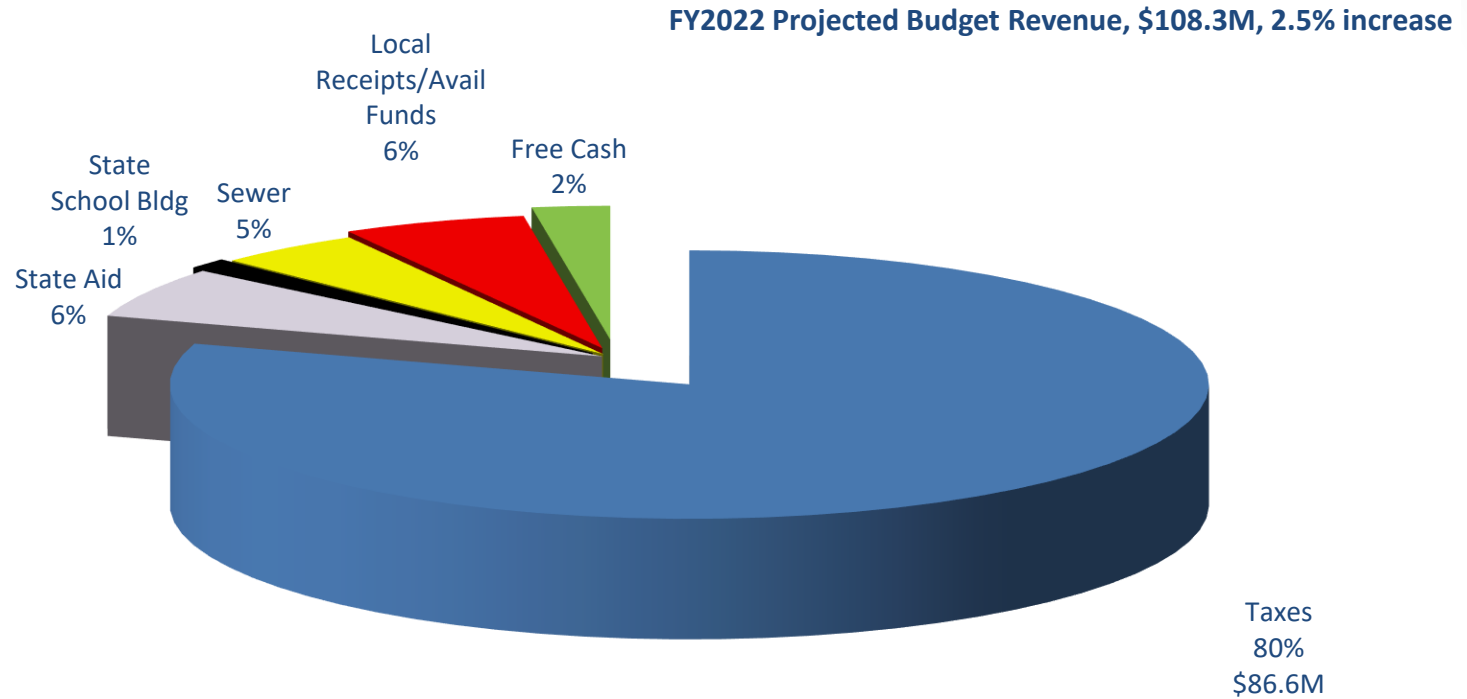
Reserve Accounts

Service Levels



Balance Many Needs

What Revenue Funds the Budget?

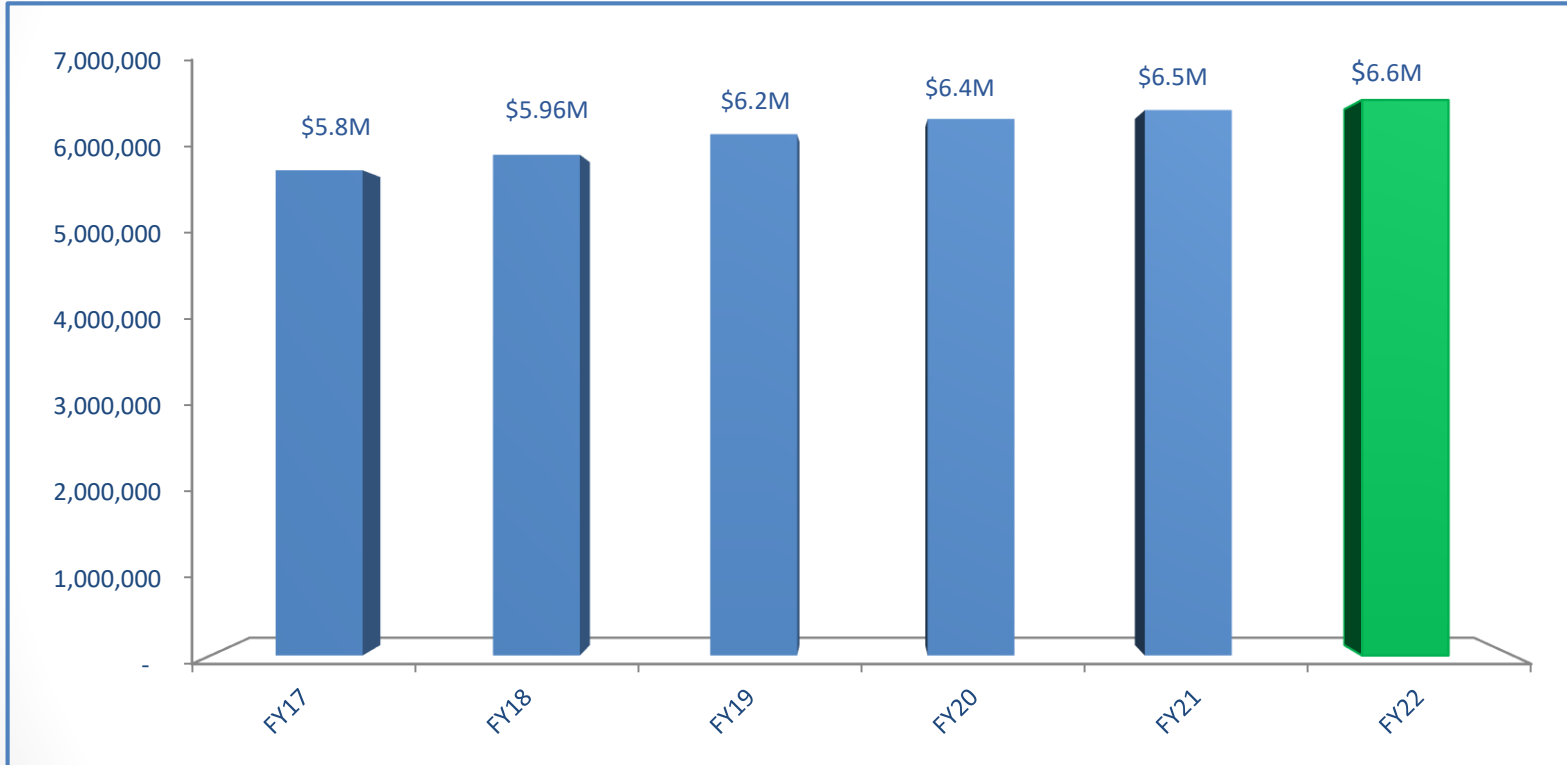


- Typical suburban community revenue chart
- Always a challenging financial model:
 - Main revenue source is restricted (Prop 2 ½)
 - Must balance tax bill impact

FY22 State Aid Revenue – No disruptions

FY21 State Aid - \$6.5M

- Approximately 6% of Total Revenue budget.
- Full payments received
- State aid steady– no mid year cuts or disruptions for several years, even with COVID.



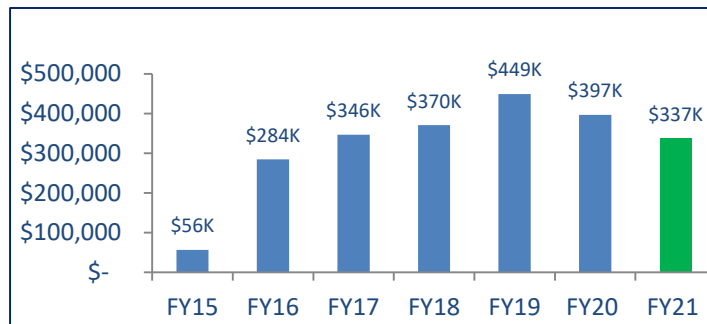
FY22 State Aid

- FY22 State Aid is set at \$6,622,672
 - A slight increase over FY21 State Aid

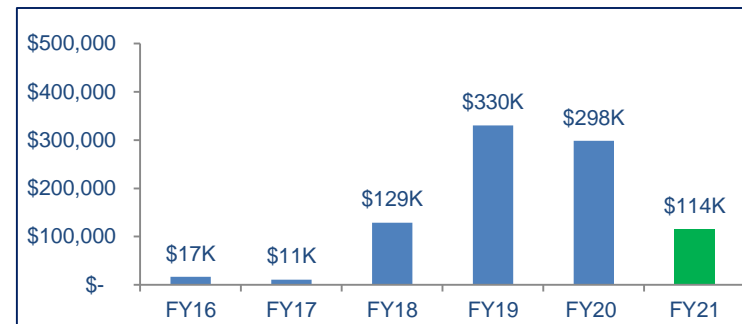
FY21 Meals and Hotels Tax Revenue – Fluctuations Due to COVID Impact

- At the November 2017 Town Meeting, the residents approved establishing a special purpose fund to hold all Hotel and Meals Tax revenue until appropriated by future Town Meetings.
- Not General Fund revenue
- Funds have been used for capital projects, not operating budgets.
- May 2021 Town Meeting appropriated \$1,060,000 in funds for Town Wide pool and field projects

Annual Meals Tax Revenue

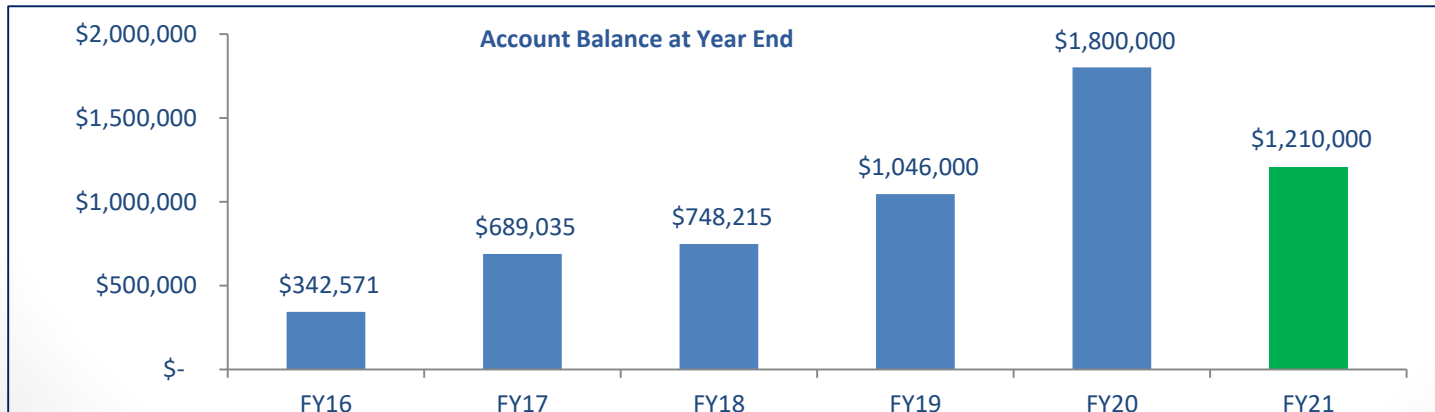


Annual Hotels Tax Revenue



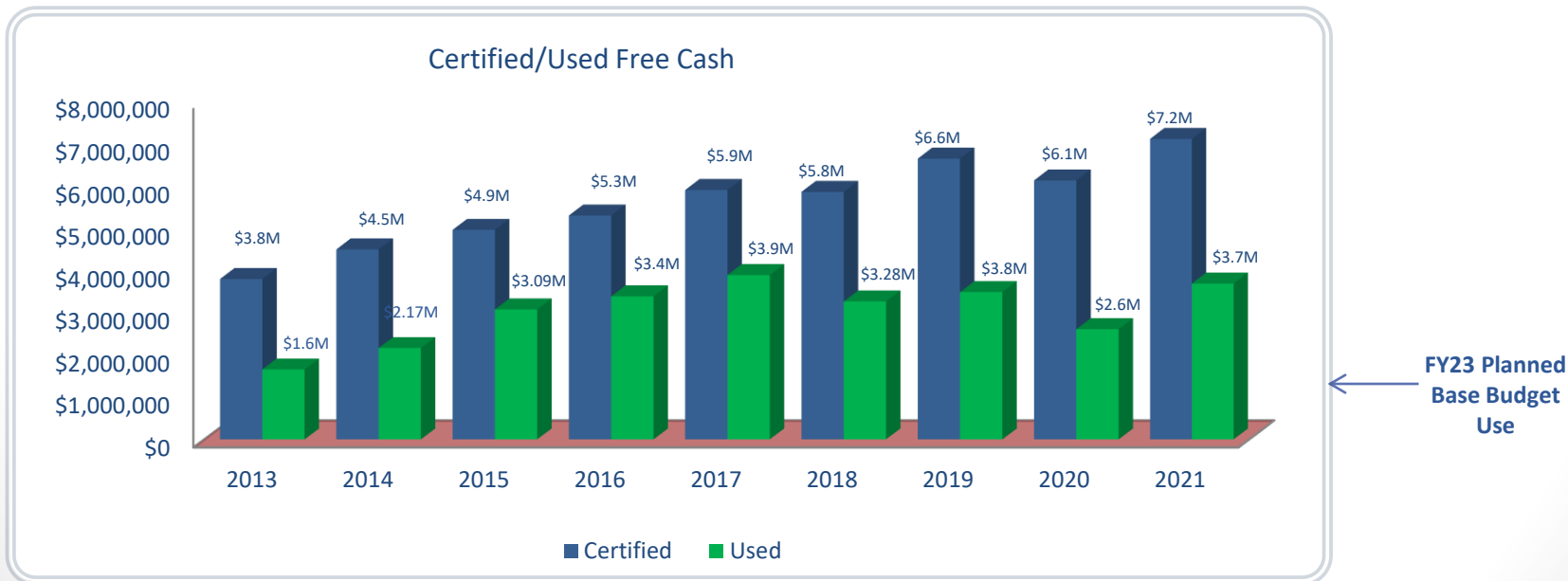
- State changed timing for businesses in FY21, so many not be final comparisons.
- Potential volatility is exactly why this revenue is not used for operating budgets.

Account Balance at Year End



Free Cash Certification

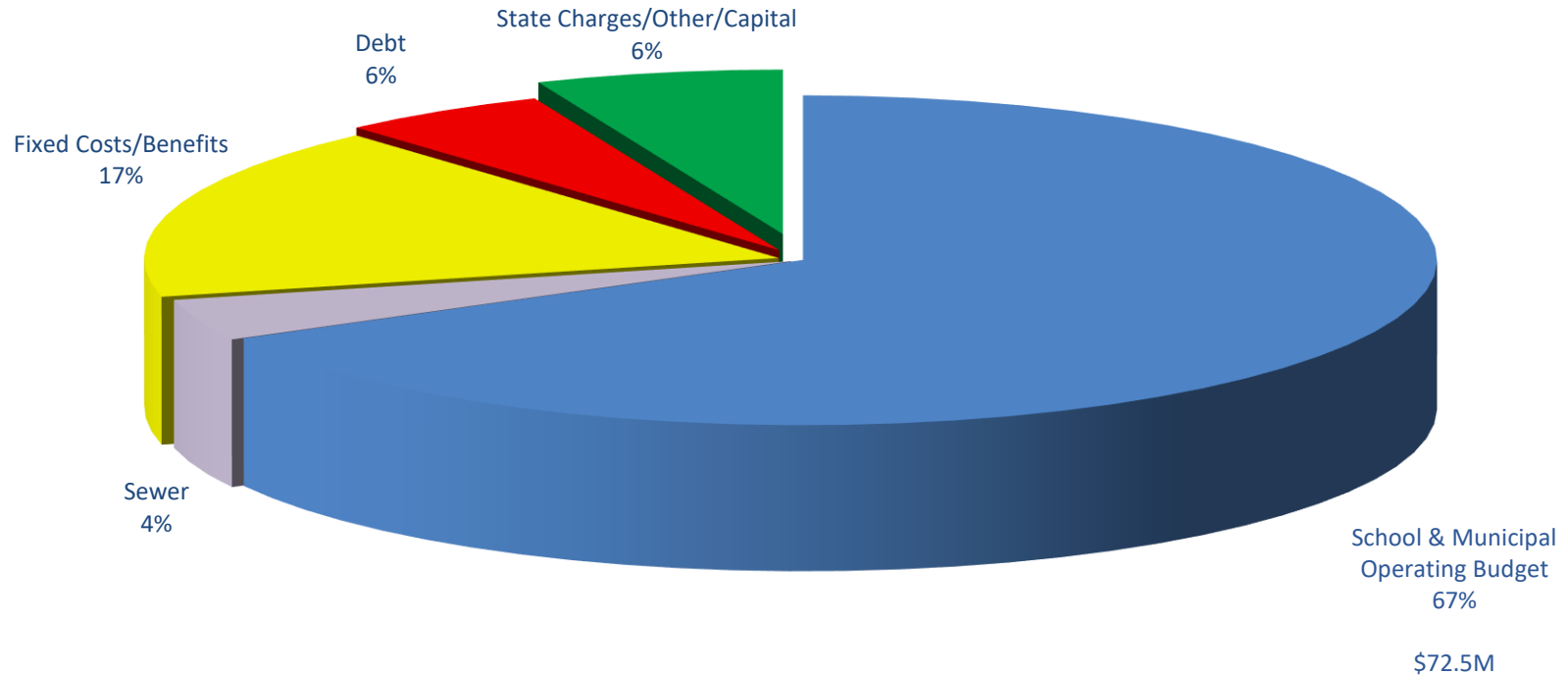
- DOR Certified Free Cash as of July 1, 2021 is \$7,264,563, in line with prior years.
- Disciplined use of free cash balance.
 - Not applied to operating budgets. Not using full allowance.
 - In line with Financial Policy, apply higher amounts to capital needs, not operating budget.
 - Good FY21 budget to actual results, strong management of COVID impact
- FY22 current budget was funded by \$2,627,650 of free cash :
 - \$2,321,650 for school and municipal capital (this is \$1M less than FY21)
 - \$125,000 for Stabilization
 - \$181,000 for Town Meeting Article - Snow & Ice (\$150K) and Street Acceptance (\$31K)



- Financial policy target approximately \$3.5M unallocated

FY22 Total Expenditures

FY2022 Expenditure Summary - \$108.3M, 2.5% increase



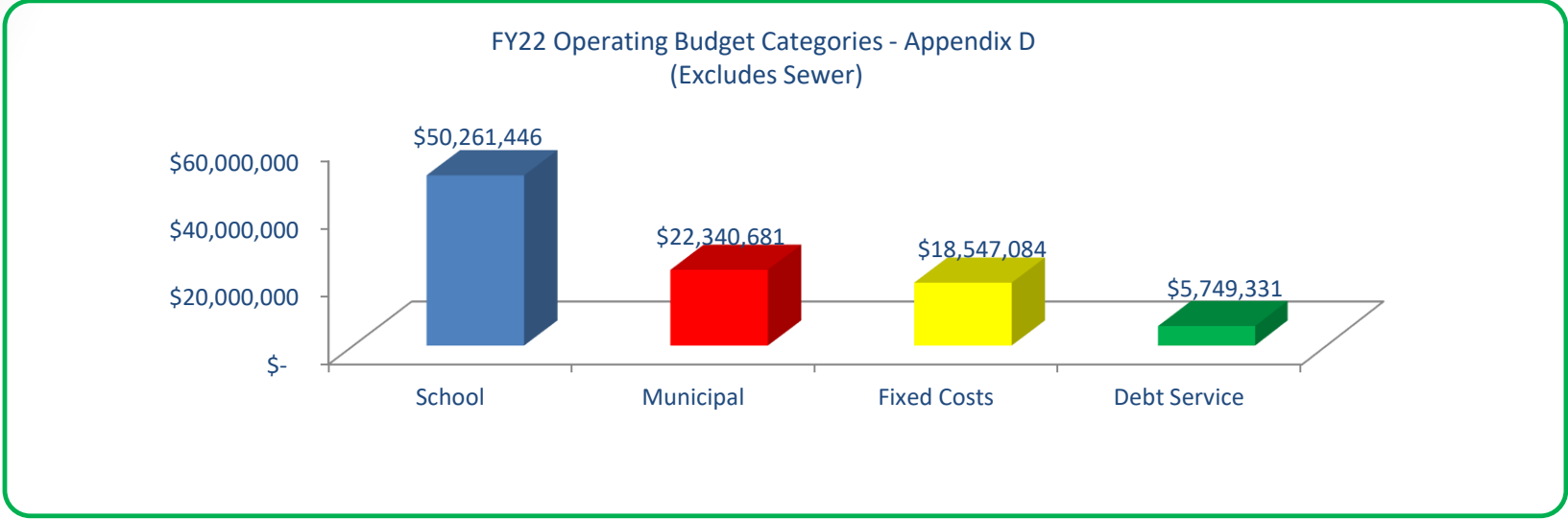
Operating Budgets

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

FY22 Budget - Provide for Consistent, Sustainable Funding

FY22 Approved Operating Budget - \$101.3M, 3.1% increase

Operating budget provides daily services to the community.



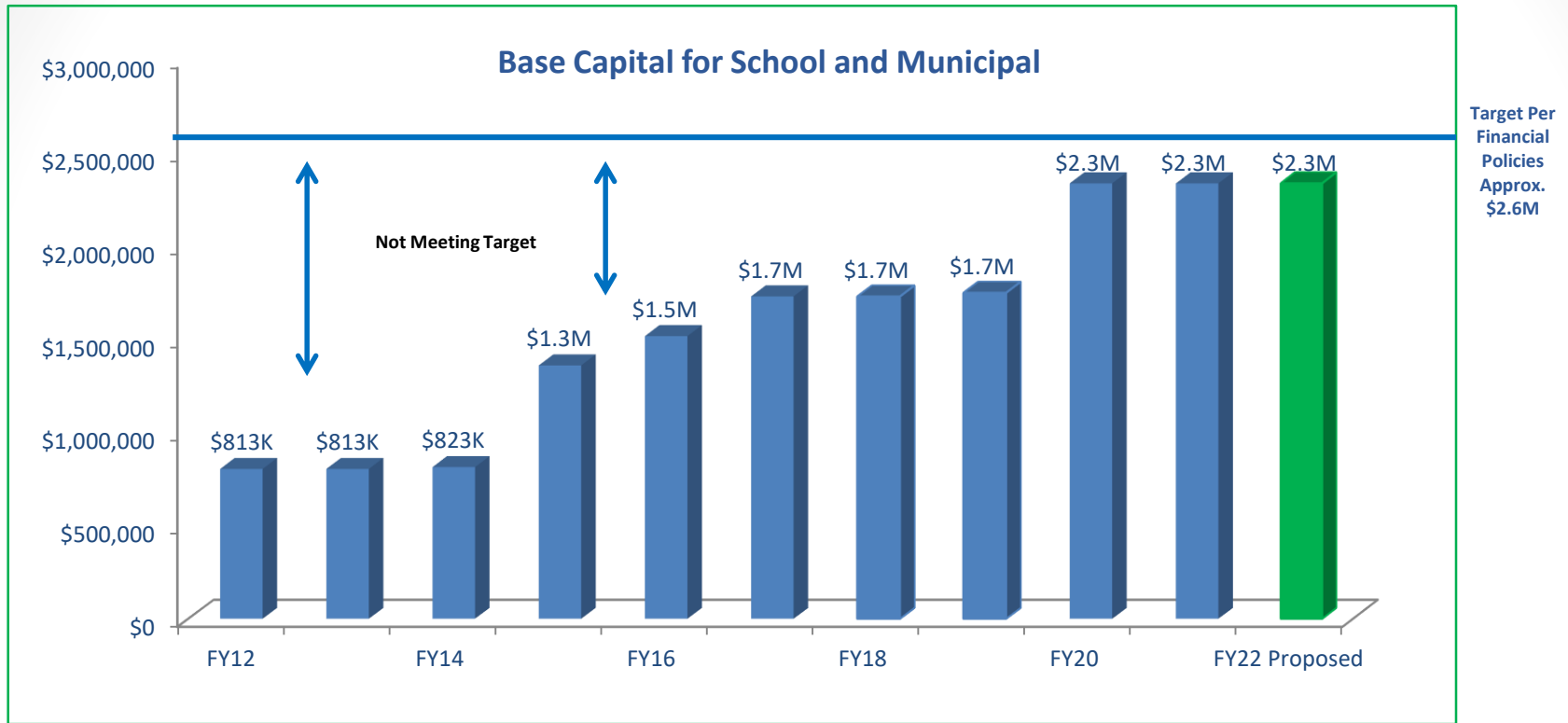
	FY16	FY17	FY18	FY19	FY20	FY21	FY22
School	5.3%	4.9%	3.4%	3.4%	3.5%	3.6%	3.44%
Municipal	5.2%	3.7%	3.6%	3.1%	3.5%	3.6%	3.17%

↑ ↑
Additional University Station Funding

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

Capital Budget - Important reinvestment in buildings, equipment and assets

- Important to maintain Town and School assets – buildings, infrastructure, and equipment.



FY22 continues improvement in ongoing capital funding.

- Could not meet policy target for many years during difficult economic budget cycles.
- The Town has made steady progress in increasing the ongoing capital budget.

Capital Budget – Additional Capital Article Beyond the Base

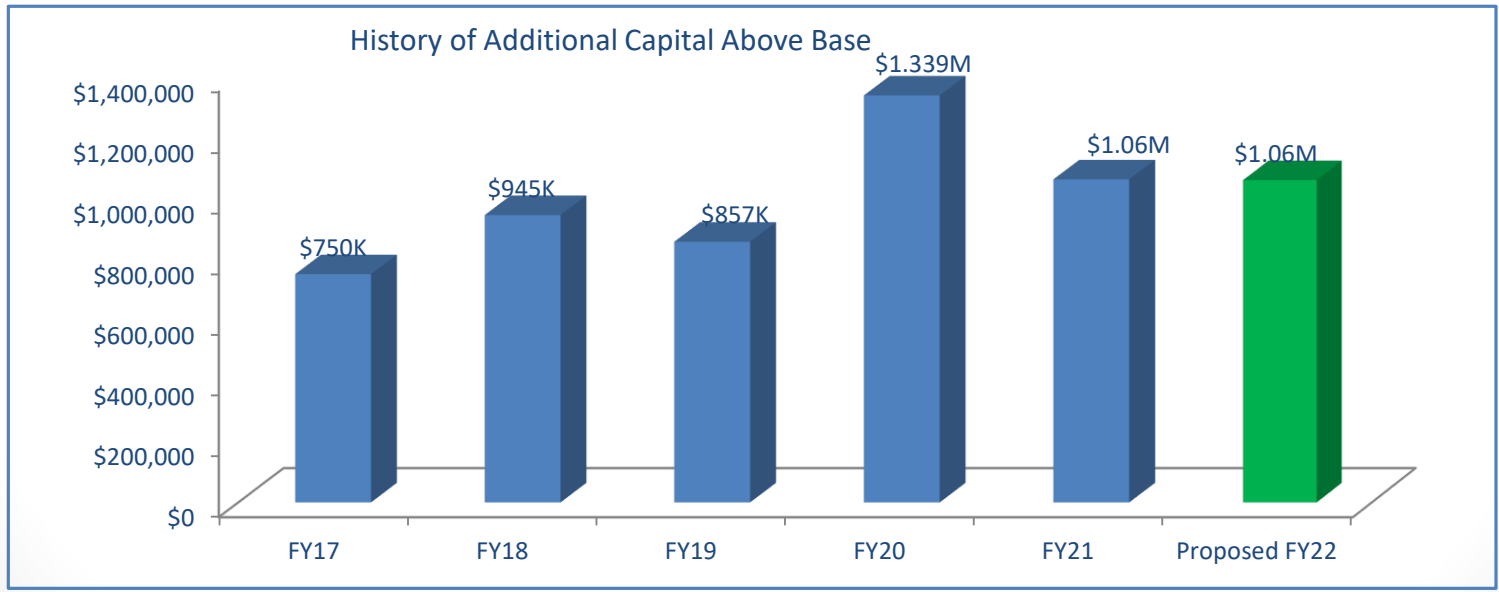
- Since FY17, the Town Meeting has approved an “additional” capital budget article
- Effort to fund:
 - Capital that has been deferred by years of not meeting financial goal
 - Larger items that do not easily fit within base capital budget articles:

Prior Years

- School IT network
- High School Tennis Court Lighting
- Thurston/Senior Center HVAC

FY22 Proposed

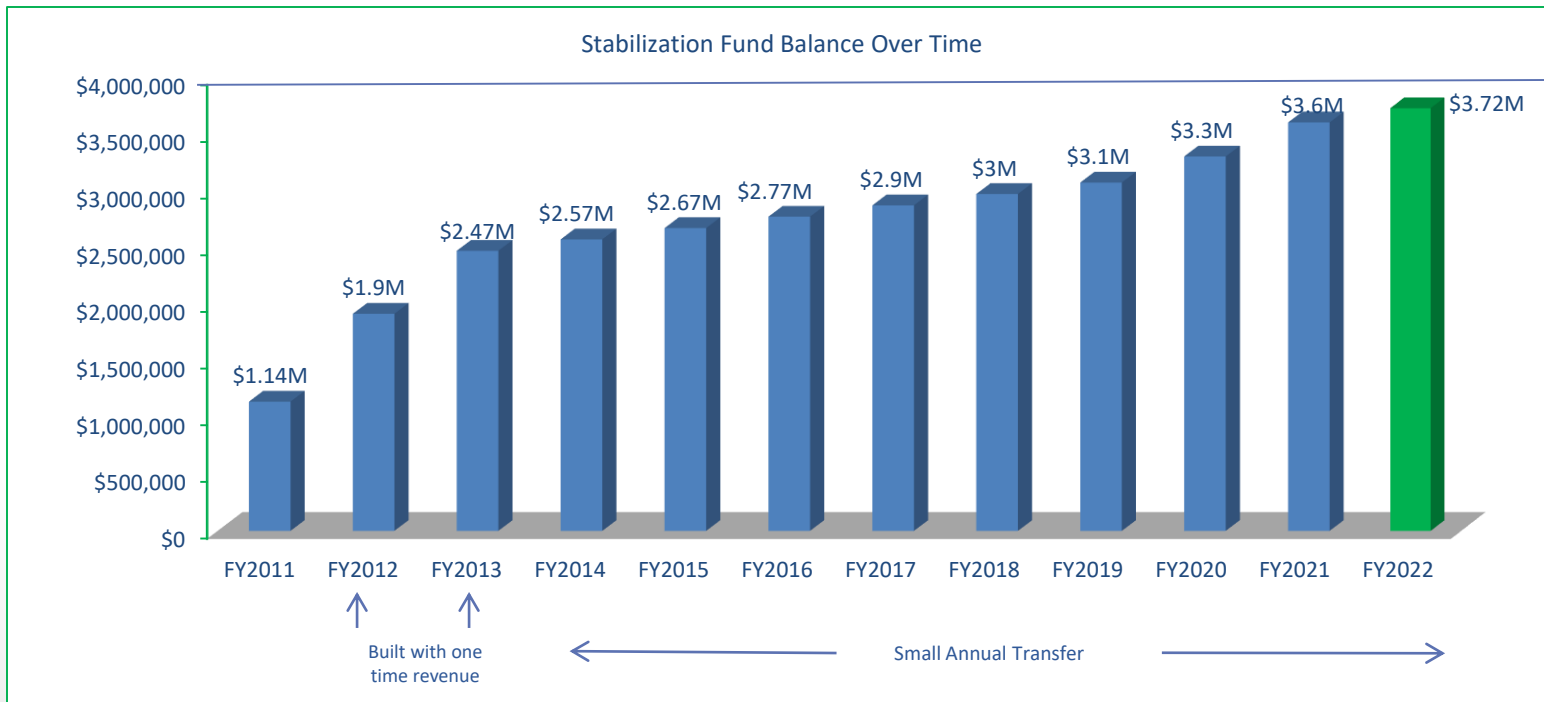
- H.S. Multipurpose Turf Field Replacement \$750K
- Pool repairs \$310K



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

FY22 Stabilization Fund - Meeting Target

- The Stabilization Fund is the Town's main reserve account.
- Protects the Town against emergencies.
- Very important for credit rating (AAA).
- Did not need to use during COVID:
 - Outside COVID funding
 - No cuts to State Aid



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.

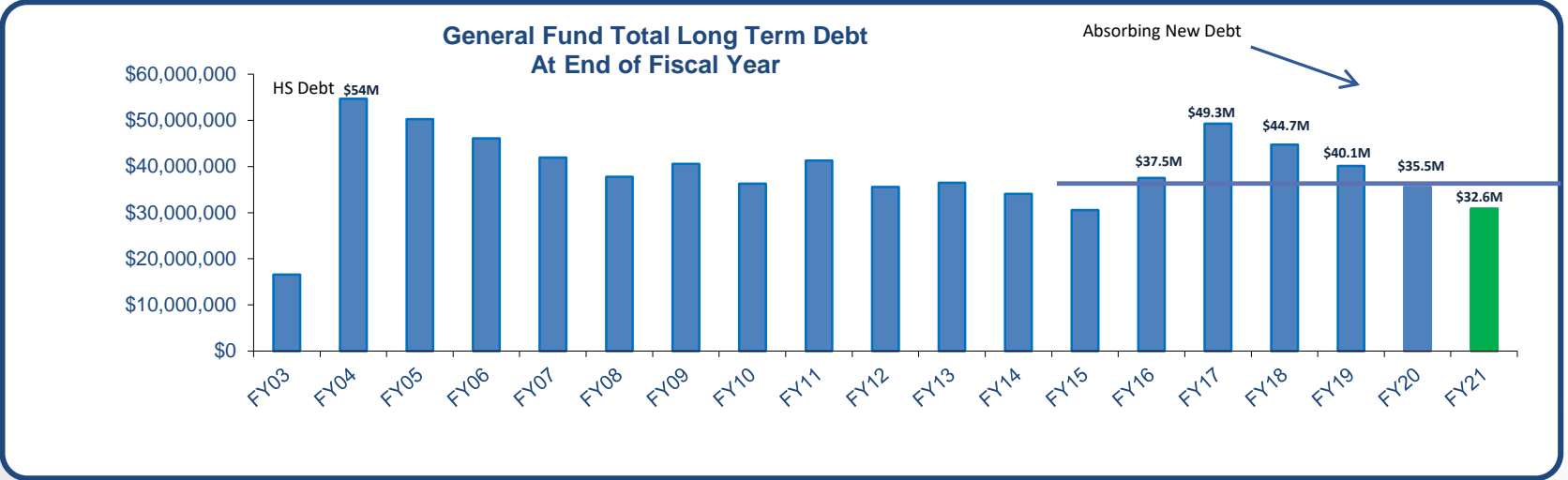
Town Debt – Utilized Favorable Borrowing Climate

Favorable Borrowing Climate

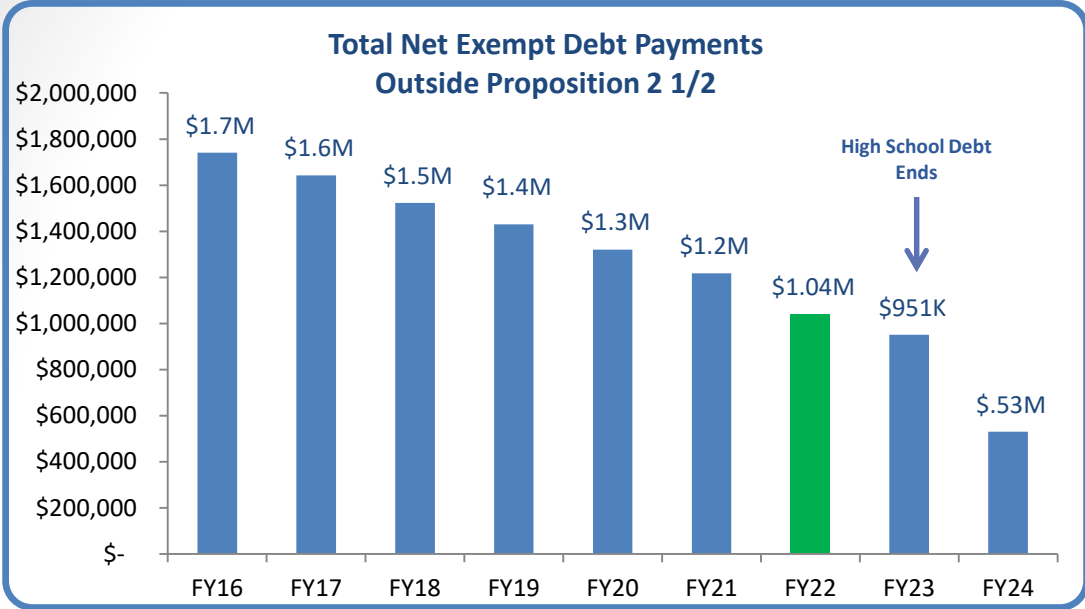
- Very strong credit ratings.
 - Standard & Poor’s AAA.
 - Moody’s AA1
- Excellent interest rate environment.
- Portion of recent bond sales replaced debt dropping off

Recent Bond Sales

- Bond sold March 2021
 - \$7.715M, 8-20 year term, 1.148%
 - Also, completed refinance of older bonds, savings of \$1.12M achieved
 - \$4.45M BAN sale, 1 year term, .249%
- Bond sold August, 2016:
 - \$16.64M, 10-30 year term, 2.4%.

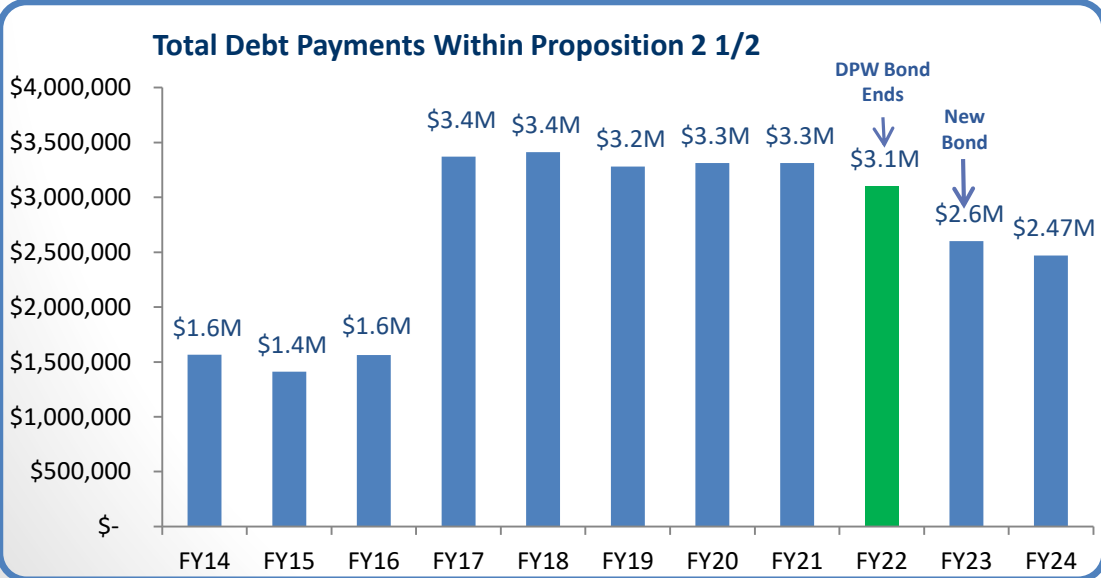


Utilize Rollover of Debt to Fund Future Projects



Debt outside of Proposition 2 ½

- High School and Library Bonds.
- Exact amount of debt COST, net of state school reimbursement, is raised in taxes.
- When bond ends, exempt taxes end.
- FY22: High School \$485K, Library \$563K.
- High School bond ends FY2023, Library FY2031.
- Library refinanced April, 2021,
 - Total Budget savings of \$759K



Debt within Proposition 2 ½

- \$4.6M, 10 year DPW bond for Roads, Equipment, and School Roofs, issued in 2012, is completed in 2022.
- This provides space for new \$4.65M road bond approved at 2020 Town Meeting within Proposition 2 ½ .

