



# FY24 Budget Preview Select Board Meeting December 19, 2022

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# Financial Review And FY24 Budget

- ✓ Previous Board Meetings This Fall
  - Review FY22 Year End Close (October 11, 2022)
  - Review of Key Financial Items
    - Current Debt
    - OPEB liability status
    - Free Cash certification
    - Review Meals/Hotels Tax Revenue
  
- ✓ November 21 Meeting
  - Tax Classification Hearing
    - Approved tax shift commercial/residential
    - Reviewed residential bill
  
- ✓ FY22 Audit Completed
  
- Upcoming Meetings
  - Continued Overall Budget Updates
  - Continue review of FY24 revenue and expense projections
  - Review of Capital Budget requests
  - Review of municipal operating budget
  - Review and preparation of FY24 proposed budget (Feb 1)

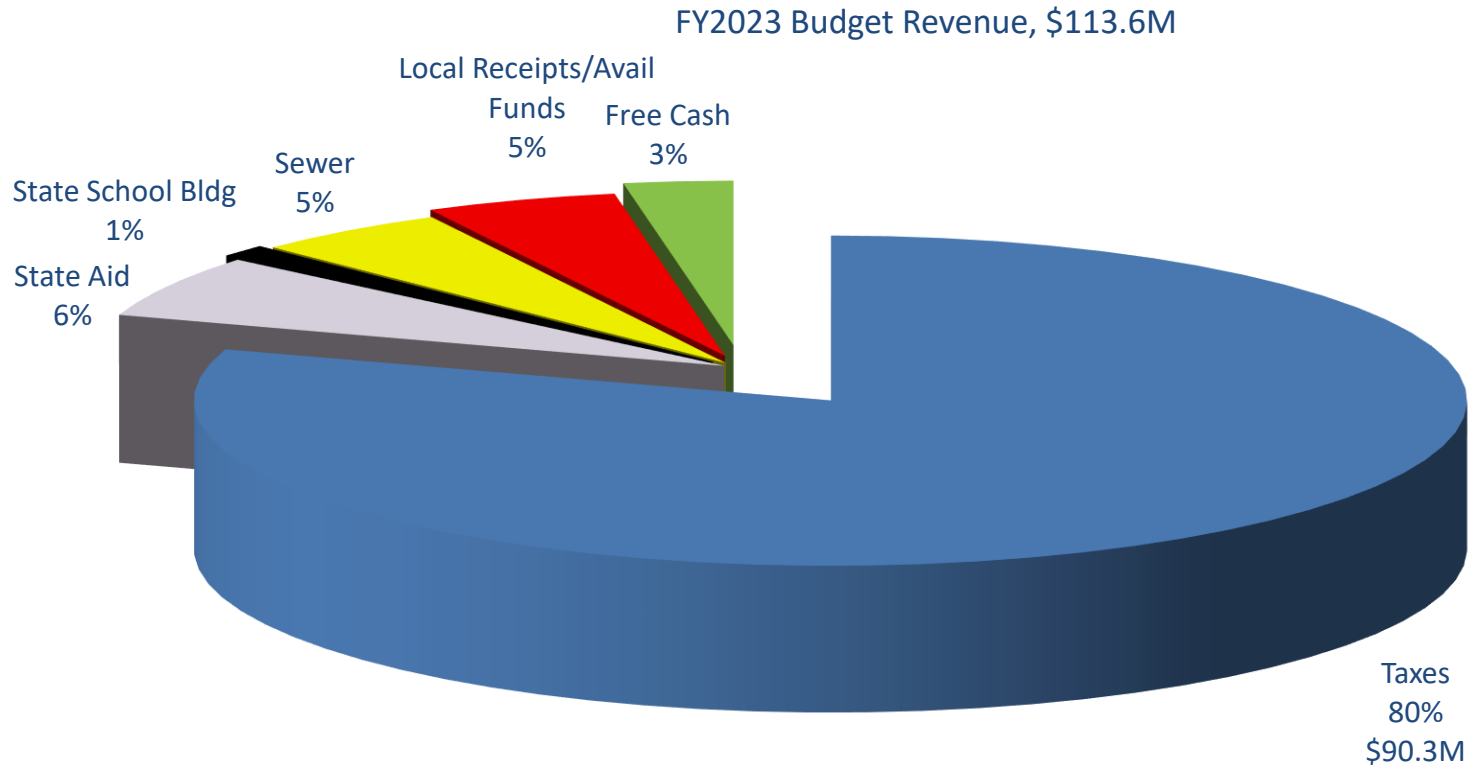


# FY24 Overall Budget Goals

FY24 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 (Municipal and Schools) \$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 to remain on track with policies
- Continue review of Fixed Costs estimates
- Continue discussion to incorporate future large capital items
- Balance Tax Bill Impact
- Develop an overall comprehensive budget plan.
- Current economic environment will make FY24 a challenging budget year.

# 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

# Tax Levy Calculation per Proposition 2 ½

Tax Levy Calculation	FY2020	FY2021	FY2022	FY2023	Budget FY2024	
Prior Year Levy Limit	\$76,623,854	\$79,703,916	\$83,076,625	\$86,718,329	\$90,010,426	
Plus 2.5% Increase	\$1,915,596	\$1,992,598	\$2,076,916	\$2,167,958	\$2,250,261	Plus 2.5%
Plus New Growth	\$661,466	\$889,111	\$1,356,788	\$1,017,139	\$450,000	Estimated New growth
New Tax Levy - University Station	\$503,000	\$491,000	\$208,000	\$107,000	\$100,000	Estimated Uni Station new growth
TIF*					\$180,000	Estimated one time TIF increase
General Overrides	\$0	\$0	\$0	\$0	\$0	General Override
<b>Tax Levy Limit</b>	<b>\$79,703,916</b>	<b>\$83,076,625</b>	<b>\$86,718,329</b>	<b>\$90,010,426</b>	<b>\$92,990,687</b>	
<b>Exempt Debt*</b>	<b>\$1,320,986</b>	<b>\$1,217,416</b>	<b>\$1,048,819</b>	<b>\$1,059,561</b>	<b>\$4,369,541</b>	Exempt Debt
<b>Levy Capacity</b>	<b>\$81,024,902</b>	<b>\$84,294,041</b>	<b>\$87,767,148</b>	<b>\$91,069,987</b>	<b>\$97,360,228</b>	What we could tax
Actual Levy Assessed	\$80,224,068	\$83,468,800	\$86,593,963	\$90,274,411	TBD	What we do tax (Not finalized)
Excess Levy(Taxes not raised )	\$800,834	\$825,241	\$1,173,185	\$795,576	TBD	Unused Tax Levy (Not finalized)

\* One time new growth increase due to TIF transition year

- The Town has not taxed to maximum capacity
- No general override since 2007
- Exempt debt typically declines each year, High School bond ends in 2023
- FY24 will be the first year for the Hanlon/Deerfield project construction bond payment

# FY24 Preliminary Look - Revenue

- Tax Levy

- Total FY24 levy available
  - \$2.2M – increase per 2.5%.
  - \$730K new growth estimate FY24 – includes TIF
  - \$795K available from prior year if full levy.

- State aid – FY24 Initial Projection – level funding at Final FY23.

- Governor’s budget typically at end of January, however with new administration, may be delayed.

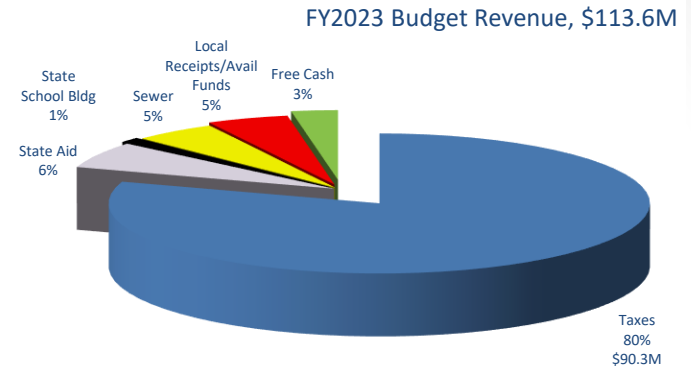
- Local receipts – FY24 Projection - level fund.

- Free cash current certification \$7.7M – should use conservatively.

- Make sure to continue with current allocation per finance policy.
- Utilize \$2.3M for base capital, and \$125K for stabilization.
- Utilize additional free cash for additional capital beyond base/miscellaneous articles.
- Maintain unallocated balance per policy of \$3.7M

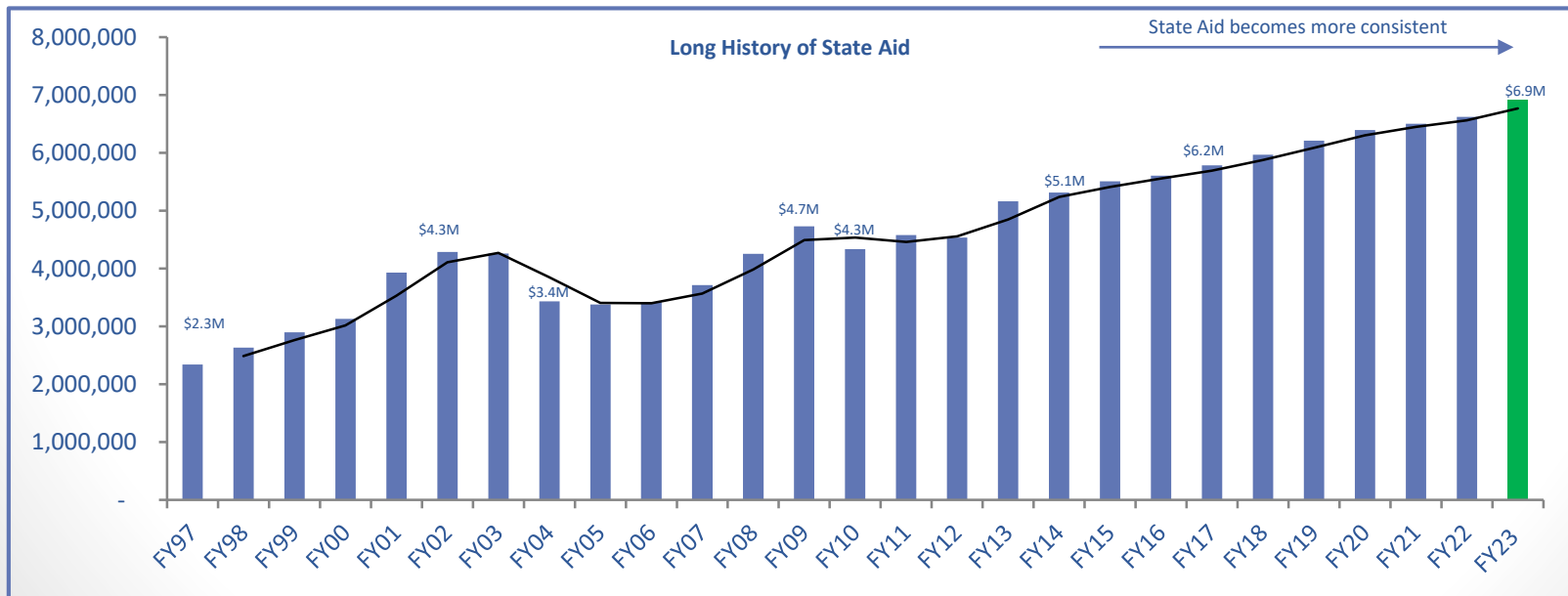
- Meals/Hotels Fund

- Current balance is \$1.475M
- \$650K used at May 2022 Town Meeting
- Available for capital projects



# State Aid Revenue – Consistent Revenue

- FY23 State Aid - \$6.9M, majority is Chapter 70 at \$5.7M
- Historically is approximately 6% of Total Revenue budget.
- State aid steady
  - No mid year cuts or disruptions for several years, even with COVID.
  - Full payments received
  - Received monthly
- With new administration State Aid number may be delayed for FY24.

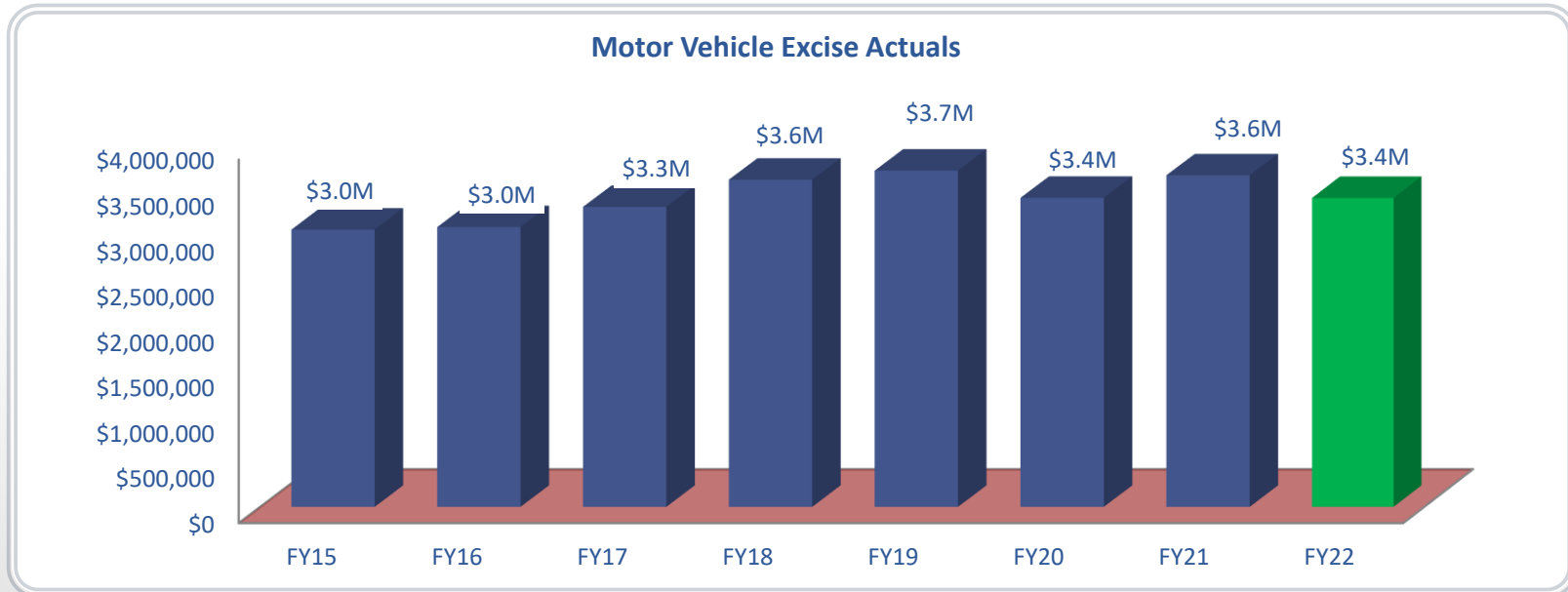


# FY22 Local Receipts Revenue – Consistent Results

## Local Receipts

- Total collections of \$5.8M, (prior year \$5.6M)
  - Exceeded budget by \$1.6M, (prior year \$1.4M)
  - Consistent collections
- Conservative budgeting provides cushion for economic downturn
- Local receipts categories include: Motor Vehicle Excise Tax, Permits, Fees and Licensing, and Investment income.
- Motor Vehicle Excise is largest category:
  - Motor vehicle - \$3.4M collections – slight decrease from \$3.6M in prior year.

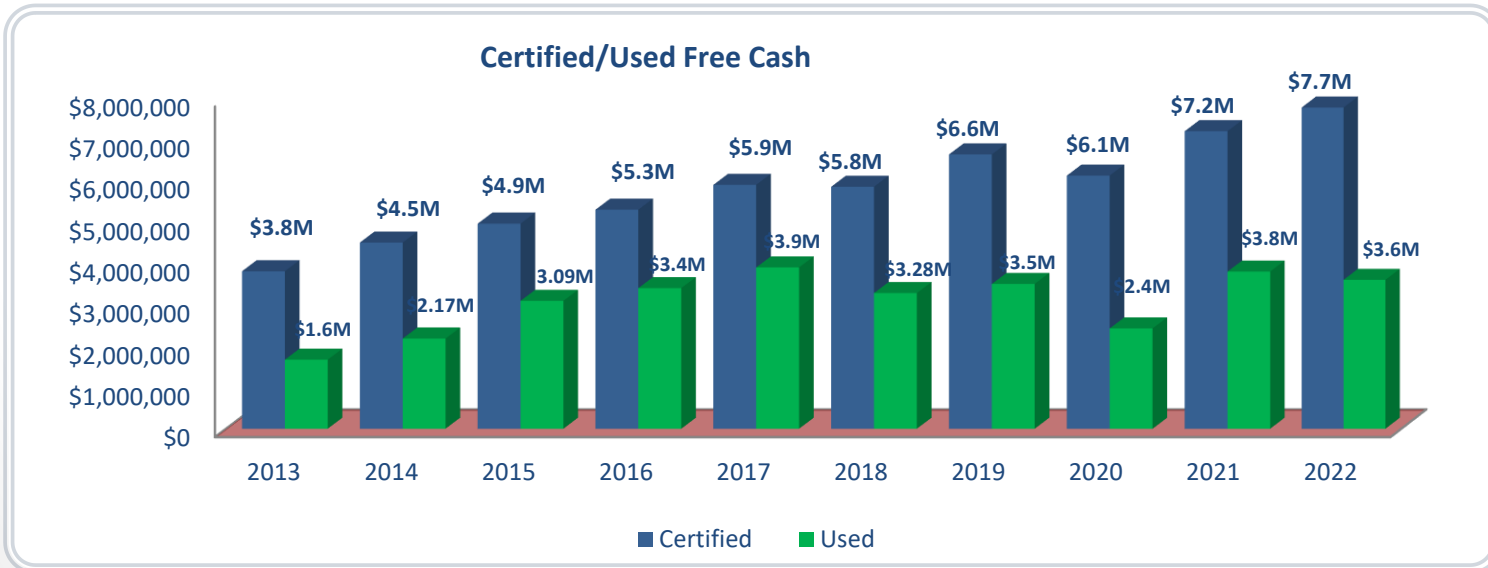
Year	Actual Total Local Receipts Collected
FY19	\$5.9M
FY20	\$5.6M
FY21	\$5.6M
FY22	\$5.8M





# Free Cash - Strong Position

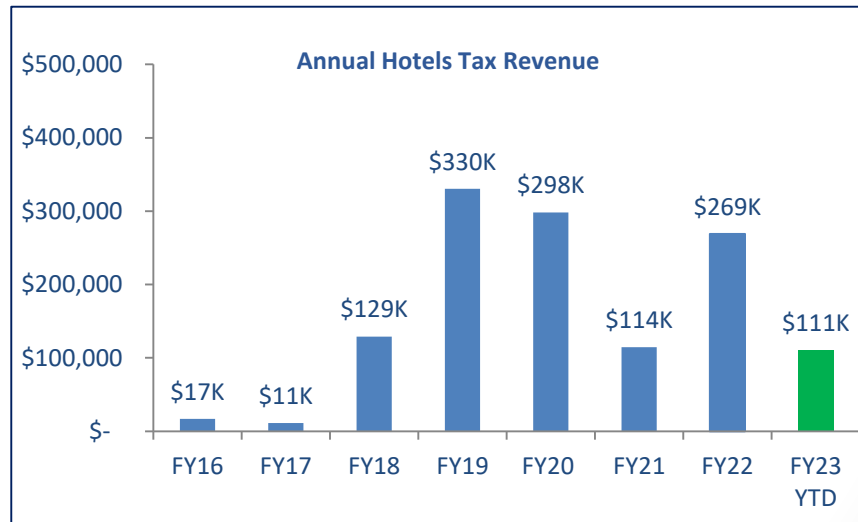
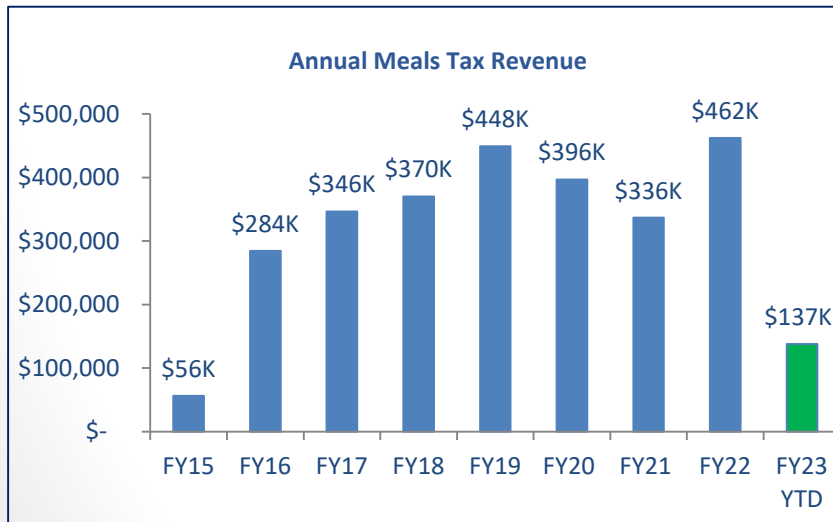
- DOR Certified Free Cash as of July 1, 2022 is \$7,772,702, in line with prior years.
- Disciplined use of free cash balance.
  - Not applied to operating budgets. Not using full allowance.
  - In line with Financial Policy, available amount used for capital needs, not operating budget.
  - Good FY22 budget to actual results, strong management of COVID impact.
- FY23 current budget was funded by \$3,833,250 of free cash :
  - \$2,373,250 for school and municipal capital
  - \$125,000 for Stabilization Fund
  - \$1,335,000 for Town Meeting Articles - Snow & Ice (\$335K), Aid to the Elderly (\$300K), and purchase of American Legion property (\$700K)



- Financial policy target approximately \$3.7M unallocated
- Plan to continue conservative usage of Free Cash for the FY24 budget

# FY22 Meals and Hotels Tax Revenue – Separate Account

- 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 by Town Meeting for capital projects, not operating budgets.
- May 2022 Town Meeting appropriated \$650,000 in funds for FY23 Town Wide projects, including:
  - Recreation - School Street Playground Refurbishment \$60,000
  - Fire - Self Contained Breathing Apparatus System Upgrade \$215,000
  - DPW - Library Parking Lot \$75,000
  - Schools - Network Project \$300,000



- Potential volatility is exactly why this revenue is not used for operating budgets.
- Disrupted during COVID – now returning to pre COVID levels
- Balance in account at 11/30/22 - \$1.475M
- Receipts are received quarterly, only one quarter has been received thus far in FY23

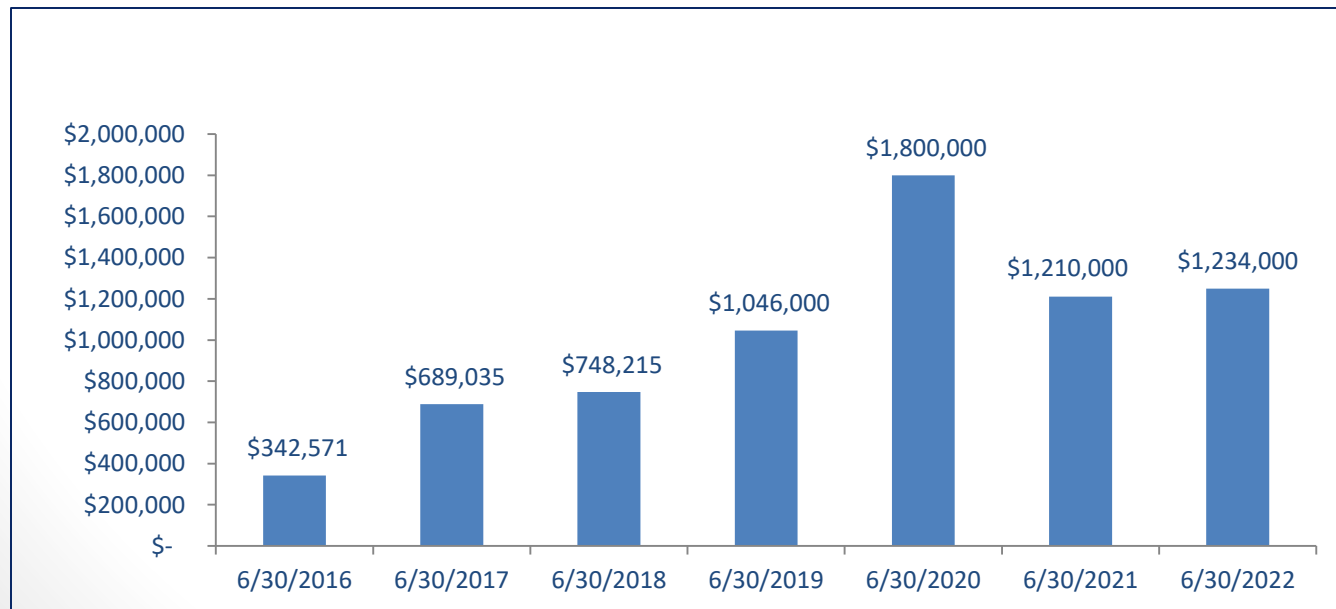
# Meals and Hotels Tax

## Most Recent Quarterly Receipts

	Meals	Hotels
6/30/21	\$85,213	\$27,921
9/30/21	\$112,419	\$54,637
12/31/21	\$119,050	\$81,954
3/31/22	\$114,352	\$60,515
6/30/22	\$116,228	\$71,669
9/30/22	\$137,818	\$110,950

## Balance in the Account

- The balance in the account as of November 30, 2022 is \$1.475M



# FY24 Preliminary Look - Expenditures

- The Largest area of expenditure is the School and Municipal Operating Budgets
  - Components of the Total Operating Budget include:

Expenditure Category	FY23 % of Total Operating Budget
School and Municipal Operating	66%
Fixed Costs/Benefits	18%
State Charges/Other/Capital	7%
Debt	5%
Sewer	4%

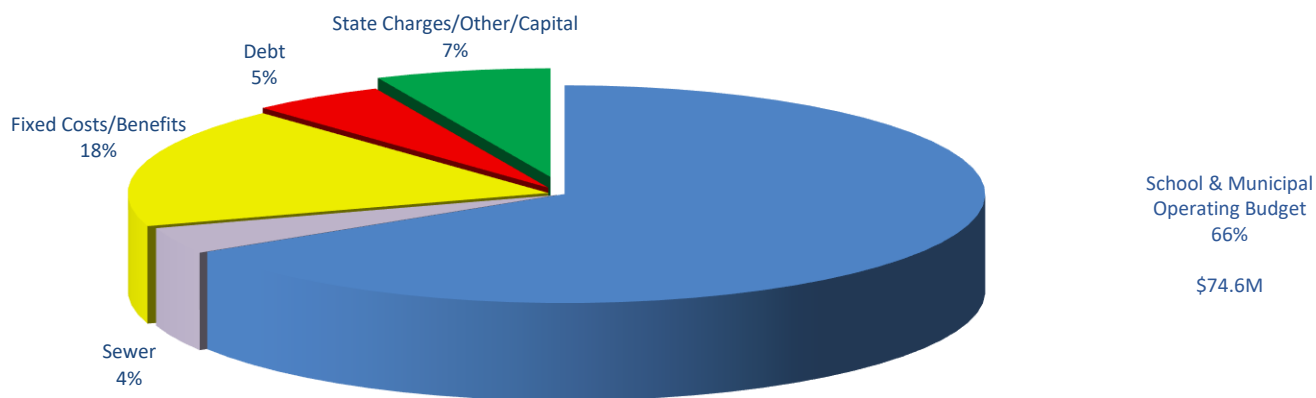
## Operating Budgets

- Provide for core services to community
  - 80% of operating budget is staffing.
- Strive for sustainable budgets
- Strive for operating budget stability for school and municipal budgets.

# Operating Budgets

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

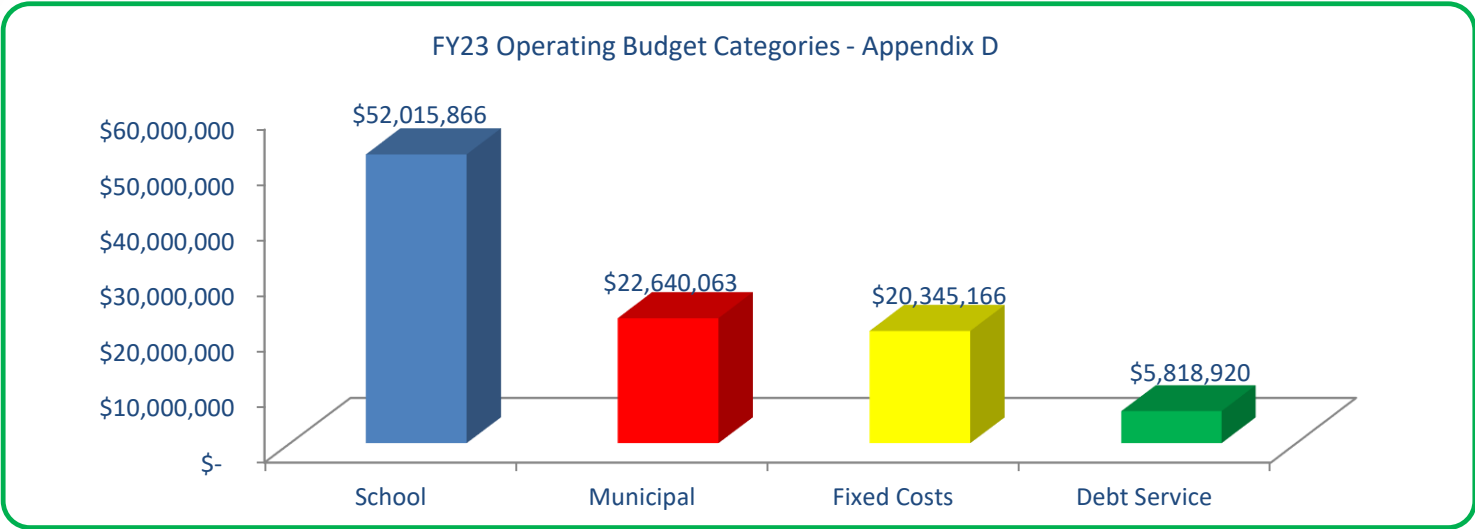
FY2023 Budgeted Expenditure Summary - \$113.6M



- Each 1% increase for school and municipal budgets is approximately \$746K:
  - School (Budget \$52M) - \$520K.
  - Municipal (Budget \$22.3M) - \$226K.
  
- 2.5% increase in costs \$1.86M.
- 3% increase in costs \$2.24M
- 4% increase in costs \$2.99M
- 5% increase in costs \$3.73M

# Operating Budget

Maintain high quality of services provided by Town and School departments



	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
School	5.3%	4.9%	3.4%	3.4%	3.5%	3.6%	3.44%	3.5%
Municipal	5.2%	3.7%	3.6%	3.1%	3.5%	3.6%	3.17%	3.7%

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Additional University Station Funding

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

# A Look at Fixed Costs/Shared Costs – Current Year FY23

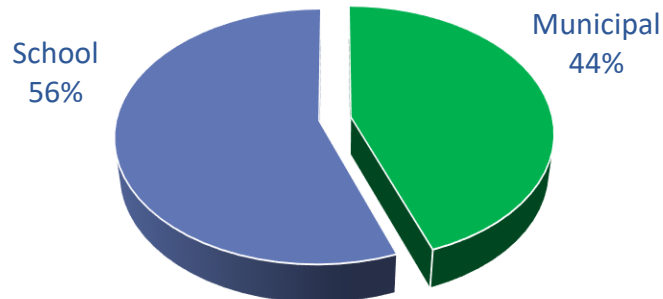
Fixed Costs – Employee Benefits Costs, Shared Costs/Trash/Reserve Accounts

- Fixed costs are approximately 19% of the Operating Budget

Budget Provides For	
Municipal and School Employee Benefits Costs	\$16,545,524
Municipal and School Insurance/Shared Accounts	\$829,640
Trash Services	\$1,694,500
Town Wide Reserves	<u>\$760,000</u>
<b>Total FY23</b>	<b>\$19,829,664</b>

	School	Municipal	Total
Fixed Employee Related Costs	\$9,210,743	\$7,334,781	\$16,545,524

**Employee Benefit Related Costs**



# Fixed Costs – Projected Increases in FY24

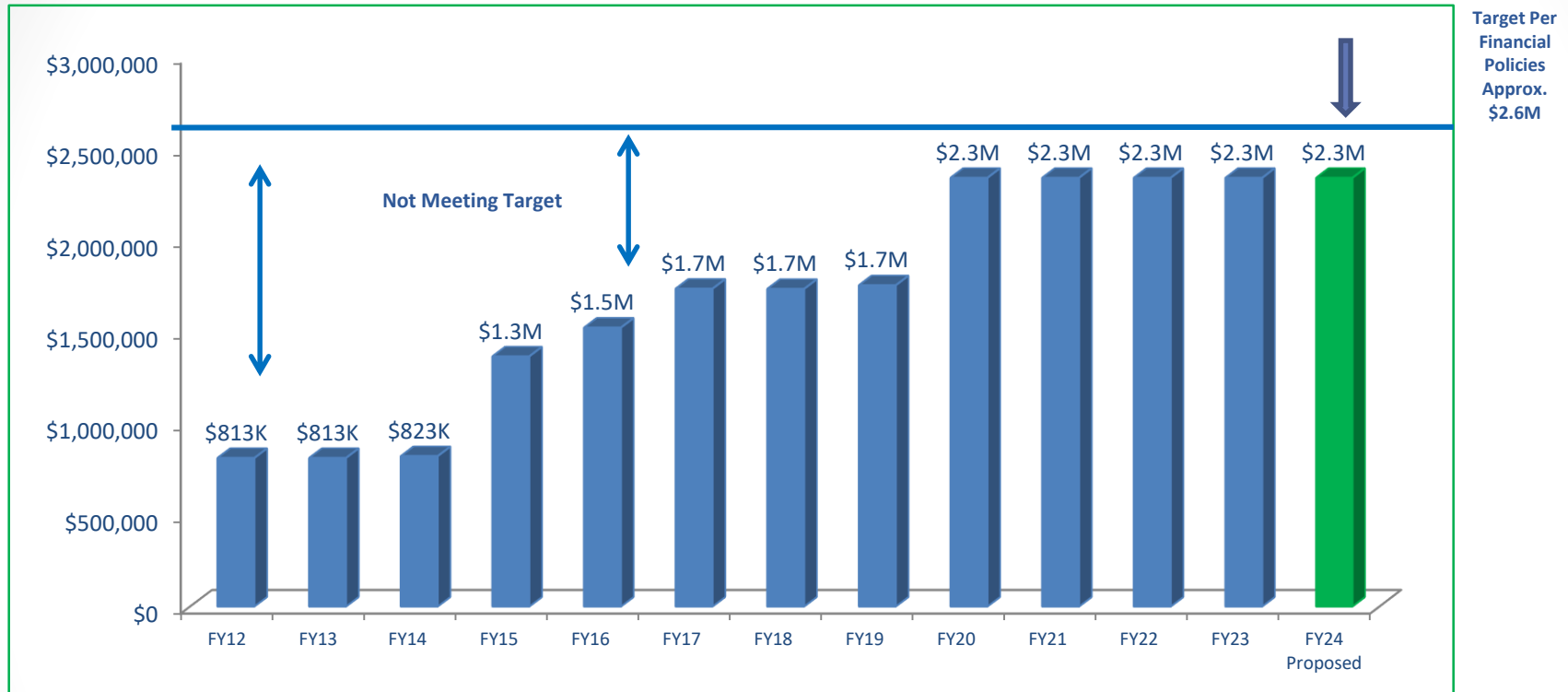
<u>Fixed Costs</u> – current <u>estimated</u> increase to total fixed costs budget - approx. 8%	<b>\$1.6M</b>
<ul style="list-style-type: none"><li>▪ Pension Assessment (\$7.2M) increase of 10% - Estimate only</li><li>▪ Have not received FY24 assessment for Norfolk County</li><li>▪ Previous year’s actual increases have been:<ul style="list-style-type: none"><li>▪ FY20 7%, FY21 7.1%, FY22 5.9%, FY23 7.2%</li></ul></li></ul>	<b>Approx \$650K</b>
<ul style="list-style-type: none"><li>▪ Health Insurance (current \$7.8M) increase of 8% - <u>Estimate only</u>.</li><li>▪ Current estimate only</li><li>▪ Group Insurance Commission (GIC) updates FY24 Information<ul style="list-style-type: none"><li>• Plan Description – February 2023 meeting</li><li>• Final Rates – March 2023 meeting</li></ul></li><li>▪ Previous year’s actual increases have been:<ul style="list-style-type: none"><li>▪ FY20 5%, FY21 5%, FY22 5%, FY23 7%</li></ul></li></ul>	<b>Approx \$580K</b>
<ul style="list-style-type: none"><li>▪ Trash (current \$1.8M) estimated increase of 8.5%</li></ul>	<b>Approx \$144K</b>
<ul style="list-style-type: none"><li>▪ Other fixed cost increases<ul style="list-style-type: none"><li>▪ Comprehensive insurance, 5%</li><li>▪ Medicare, 0%</li><li>▪ Payroll tax, 10%</li></ul></li></ul>	<b>Approx \$168K</b>
<ul style="list-style-type: none"><li>▪ OPEB Appropriation (current \$1.515M) increase per funding schedule</li></ul>	<b>Approx \$25K</b>
<ul style="list-style-type: none"><li>▪ Other Shared Costs – Increases in Town and School energy/sustainability and communications.</li></ul>	<b>\$233K</b>



# Capital Budget - Important reinvestment in buildings, equipment and assets

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

## Base Capital for School and Municipal



FY24 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

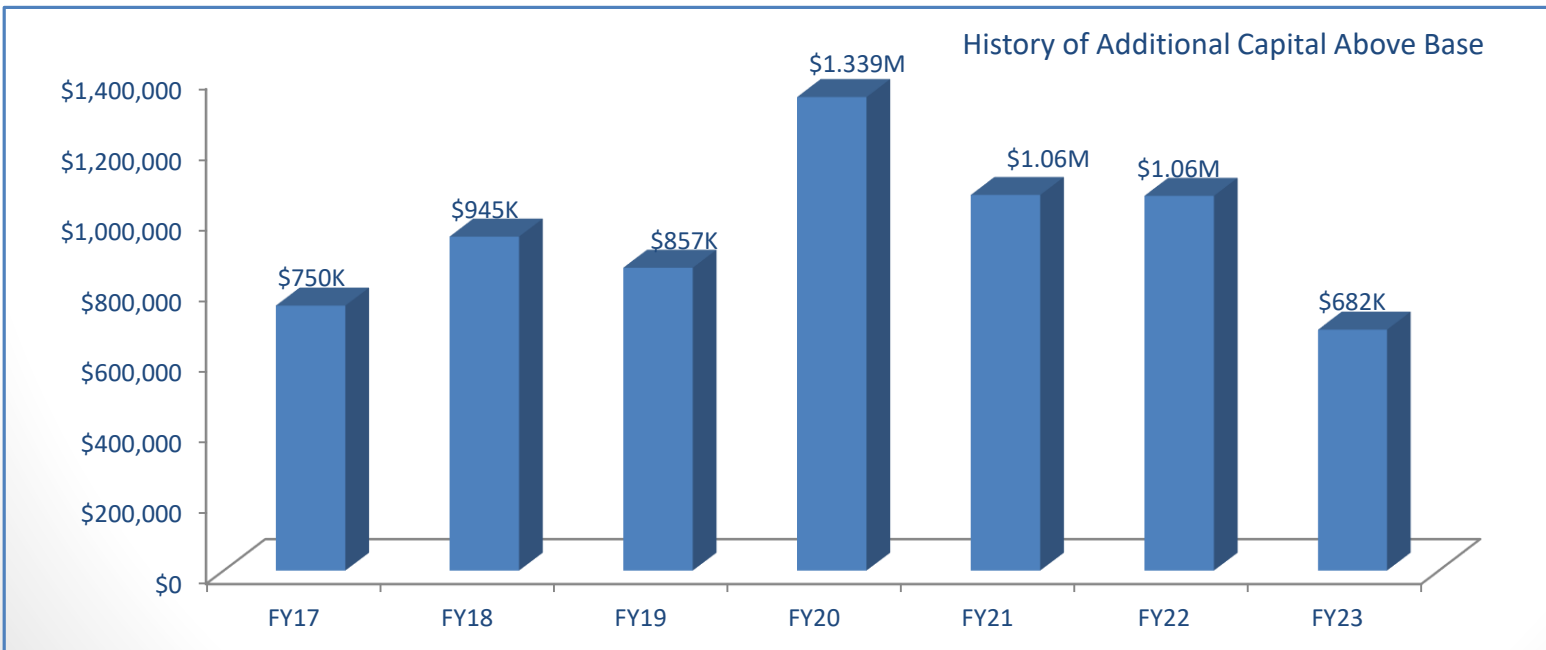
- School IT network
- High School Tennis Court Lighting
- Thurston/Senior Center HVAC

FY22

- H.S. Multipurpose Turf Field Replacement
- Pool repairs

FY23

- School Street Playground
- Schools Network Project
- Fire systems upgrade
- Library parking lot



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

# Next Steps in Budget Cycle

## January and February Meetings:

- Continue update and review of FY24 revenue projections.
  - Local Revenue Sources
  - FY24 State Budget
- Continue to review capital budget articles with Select Board
  - Ongoing Capital
  - Timing of larger projects being considered
- Review FY24 municipal budget requests
  - Base budget
  - Any Requested new positions/programs.
- FY24 State aid
  - Governor's budget typically at end of January, however with new administration, will be delayed.
- Select Board proposed budget document February 1, 2023
  - Municipal Budget Document
  - Overall Budget Summary
  - Initial Capital Articles
- Present proposed FY24 budget to Fincom February 14, 2023.



