



Financial Update Select Board Meeting August 28, 2023

Stephanie McManus
Assistant Town Administrator/Finance Director

Budget Cycle

- There is significant activity on 3 fiscal years at the same time:
- **FY23 – Year End Close Out**
 - Free Cash certification – Completed in the fall with Department of Revenue (DOR)
 - Significant State reporting requirements – October.
 - Department of Revenue (DOR) and Department of Education (DOE).
 - FY23 Audit – On Site Audit completed in fall, FY23 Financials (ACFR) by 12/31/2023.
 - Audit Committee meets with auditors – reports to Select Board.
- **FY24 - Completion of Current Year Budget Process**
 - Finalize FY24 Property Values – October/November
 - Finalize and get DOR approval for all FY24 values, including final FY24 new tax growth.
 - FY24 Tax Rate - November
 - Select Board hold classification hearing, date in November TDB.
 - Set shift factor for residential/commercial split.
 - Submit FY24 tax rate for approval by Department of Revenue.
 - Actual FY24 tax bills mailed January 1, 2024 with final numbers.
- **FY25 – Begin Budget Process**

Financial Timeline – FY25 Budget Development

FY25 Budget – Key Dates

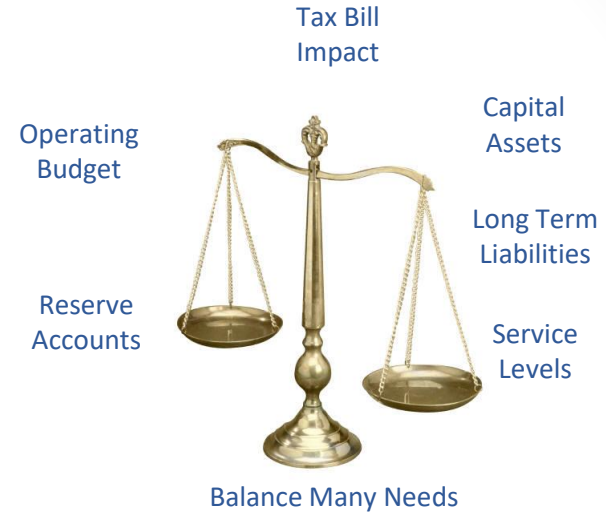
- May 6, 2024 – Annual Town Meeting, FY25 budget is voted.
- February 1, 2024 – By Charter, Select Board required to present FY25 budget recommendation.
- Fincom – From the Charter - “The Finance and Warrant Commission shall conduct 1 or more public meetings on the proposed operating budget at least 14 days prior to its submission at the Annual Town Meeting”
 - Budget presentation February Meeting
 - Public hearings beginning and end of March

Select Board Budget Development

- Fall through January 2024
 - Review overall and detailed operating and capital budget requests.
 - Update on financial projections.
 - Review of expenditures and revenue
- February 1 - Issues FY25 budget recommendation.
 - Continue review of revenue, expenses and outside assessments
- May 6, 2024 – Annual Town Meeting – budget presented by Select Board and voted by Town Meeting.

Select Board – Schedule of Financial Review

- Select Board – August 28th
 - Review FY23 Year End Close
 - Review of Key Financial Items
 - Free Cash, Current Reserve Balances
 - FY23 State Aid
 - Meals/Hotels Tax Revenue
- November Meeting
 - Tax Classification Hearing
 - Approve tax shift commercial/residential
 - Review residential bill
- Finance Director reviews this financial material with Fincom.
- Upcoming Select Board Meetings:
 - Select Board November and December Meetings
 - Preview FY25 budget
 - December and January Meetings
 - Continued Overall Budget Updates
 - Continue review of FY25 revenue and expense projections
 - Review of Capital Budget requests
 - Review of municipal operating budget
 - Review and preparation of FY25 proposed budget (Feb 1)
 - Present Budget to Fincom
 - February meeting



FY23 Year End Review

Overall Summary

- FY23 Year End Review
 - Revenue – FY23 revenue closed out successfully.
 - Real estate tax and motor vehicle revenue collections were on target and collections remained strong.
 - While Hotels and Meals tax revenue had been down due to COVID impact, this revenue has rebounded in FY23.
 - Expenditures - FY23 expenditures closed out successfully.
 - Departments largely remained within budget.
 - Any overages were able to be covered either by Select Board transfers or Town Meeting Articles 1 and 2.
- In summary, FY23 closed out successfully with revenue and expenditure results on track with prior years.

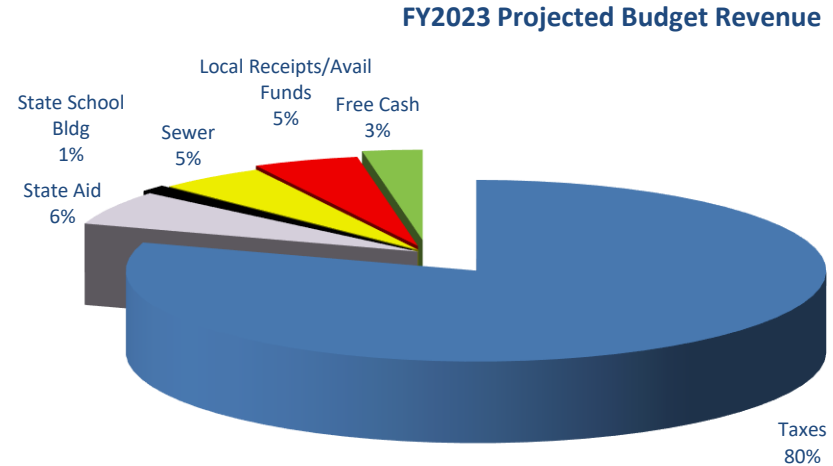
FY23 Revenue – Consistent Collections

Final FY23 Budget Revenue - \$113.6M

- As taxes are approximately 80% of revenue, most important component to our financial stability.

- Taxes - \$85.9M collected on time, 99%.

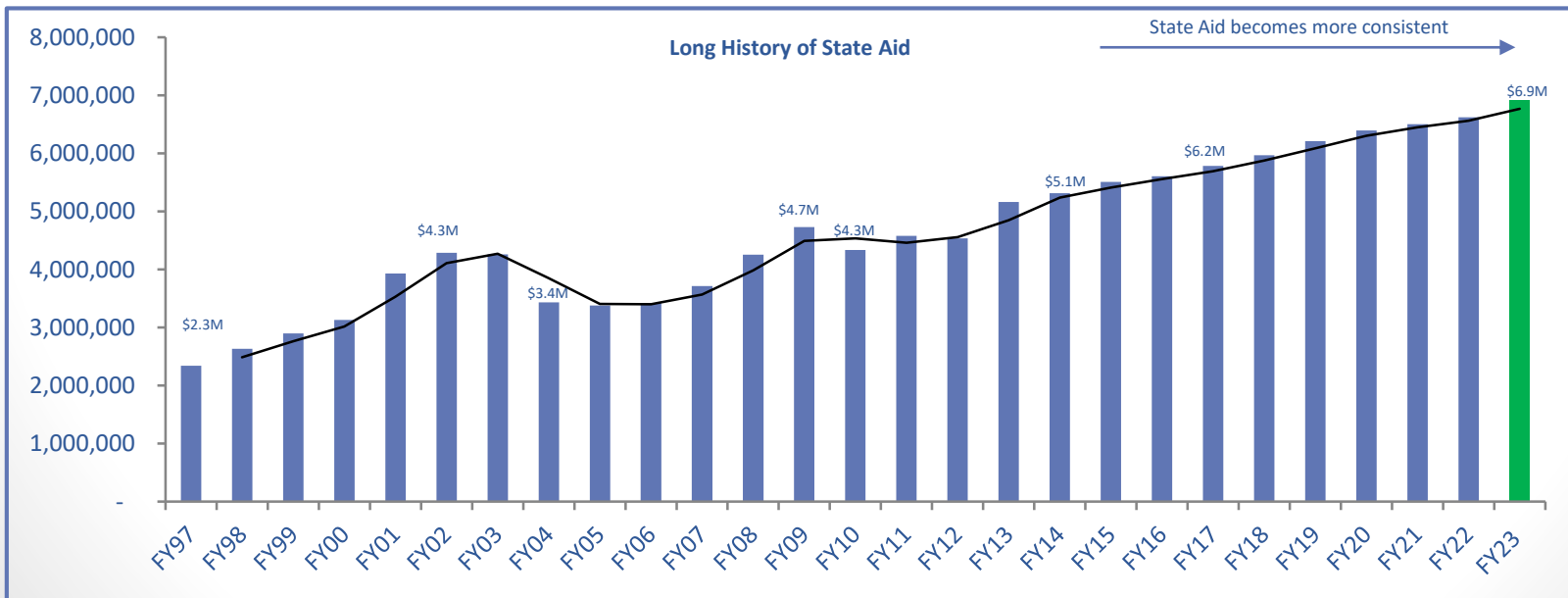
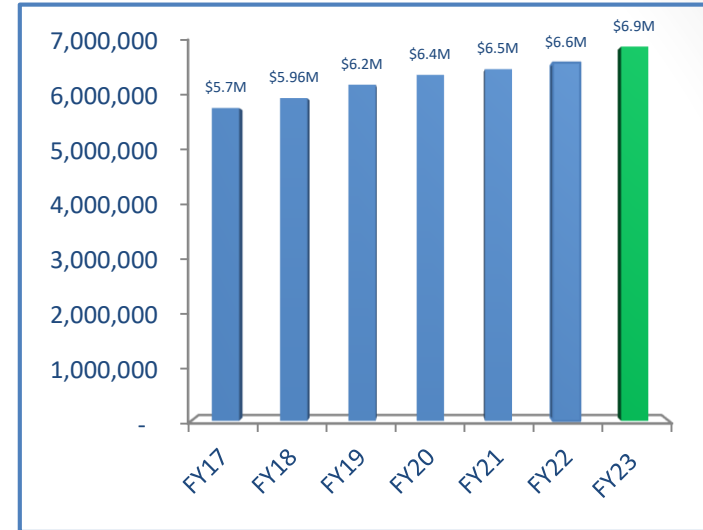
- Tax collections remain strong, consistent year to year results.
- Reliable source of revenue
- Standard collection rate for suburban community with owner occupied housing stock



- As of June 30, 2023:
 - Tax title \$246K, cumulative all years
 - Prior years: FY22 \$398K, FY21 \$727K, FY20 \$470K
 - Tax deferral \$504K, cumulative all years
 - Prior years: FY22 \$544K, FY21 \$573K, FY20 \$524K
 - Excellent program for our senior residents to delay tax payments until home is sold.

State Aid Revenue – Consistent Revenue

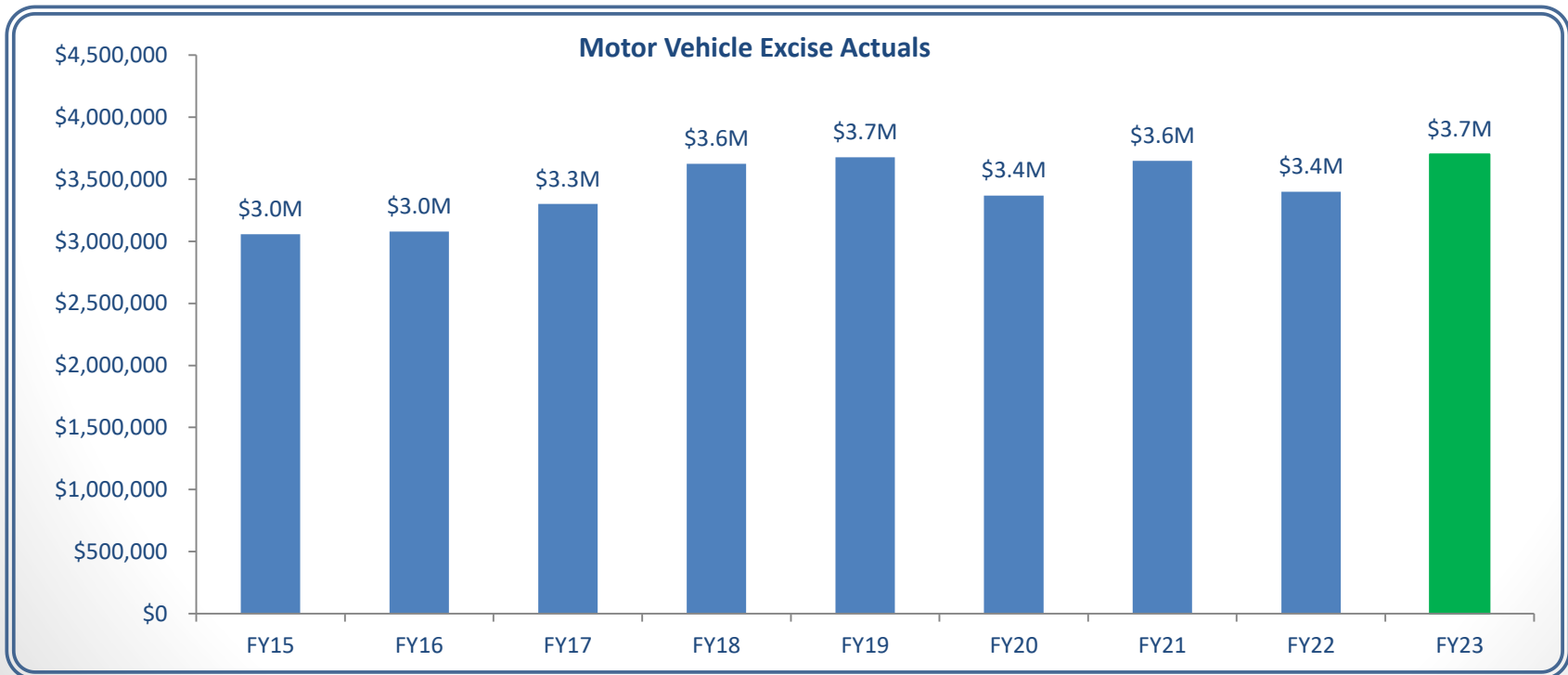
- FY23 State Aid - \$6.9M, majority is Chapter 70 at \$6M
- Approximately 6% of Total Revenue budget.
- State aid steady
 - No mid year cuts or disruptions for several years
 - Full payments received
 - Paid monthly



FY23 Local Receipts Revenue – Consistent Results

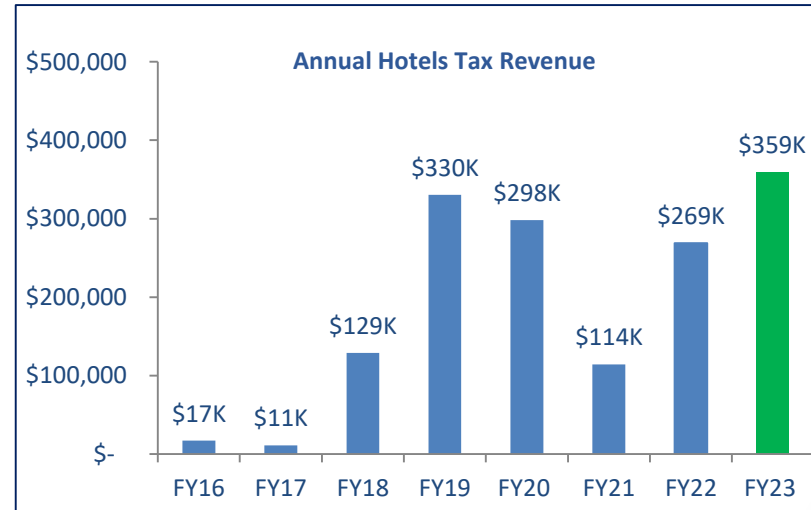
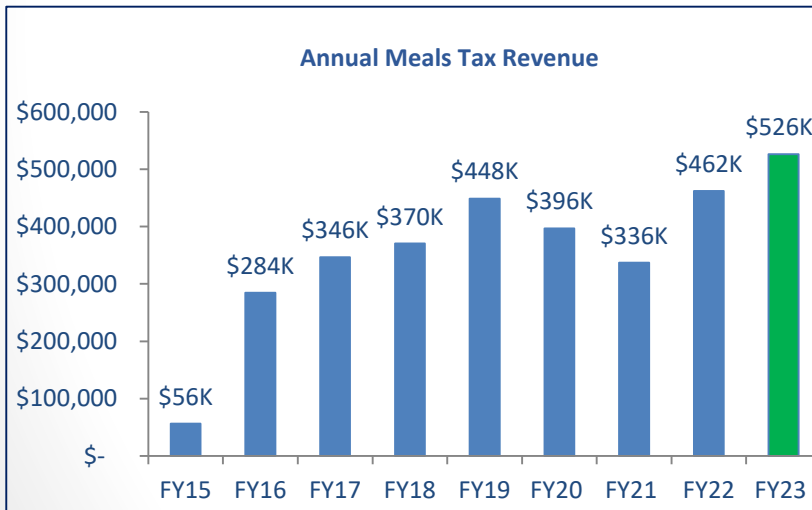
Local Receipts

- Total collections of \$8.7M, (prior year \$5.8M)
 - Exceeded budget by \$4.5M, (prior year \$1.6M)
 - Higher cash balance and interest rates drove increased investment income
 - Investment income \$1.9M in FY23, \$90K in FY22.
 - Not usual for this account – unique circumstances.
- Motor Vehicle Excise is largest category:
 - Motor vehicle - \$3.7M collections – increased from \$3.4M in prior year.
 - Conservative budgeting provides cushion for economic downturn



FY23 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 2023 Town Meeting appropriated \$1.1M in funds for Town Wide projects, including:
 - Backhoe/Loader \$175,000
 - Library Projects \$125,000
 - Schools Network Upgrade \$400,000
 - High School Auditorium Project \$400,000

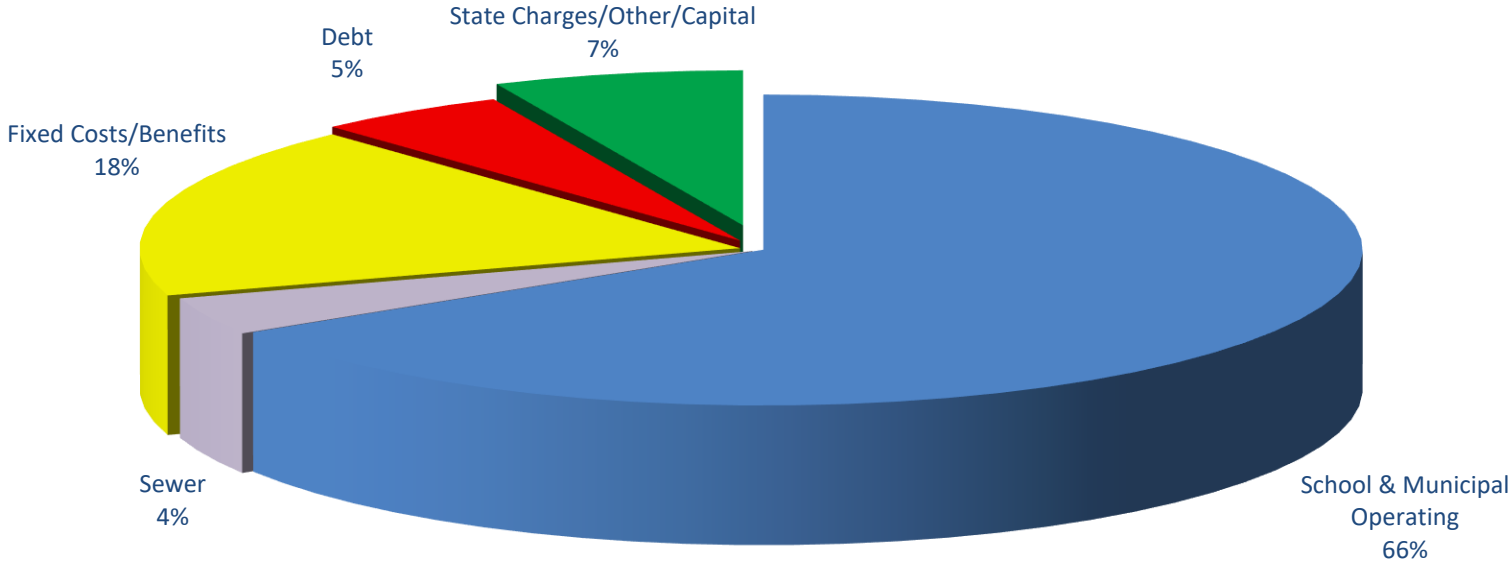


- Potential volatility is exactly why this revenue is not used for operating budgets.
- Balance in account at 6/30/23 - \$2.1M
 - Of this balance \$1.1M is reserved for the May 2023 Town Meeting approved projects listed above.

FY23 Town Meeting Operating Budget - \$105.3M

- FY23 closed out on track and financially smooth.
 - Departments worked hard to remain within budget.
 - Transfers/Supplements where needed.

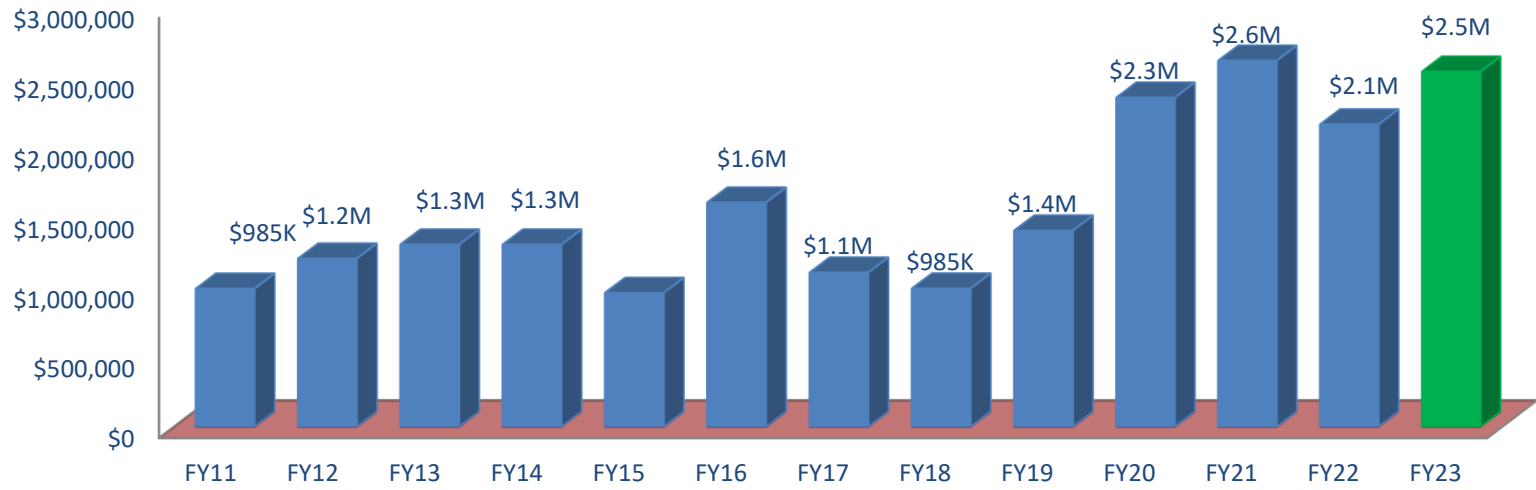
FY2023 Expenditure Summary



Final FY23 Expenditures – Positive Results

Not all budget is used each year

Operating Budget Expenditures Turn Back



FY23 Final General Fund Operating Budget - \$100.9M

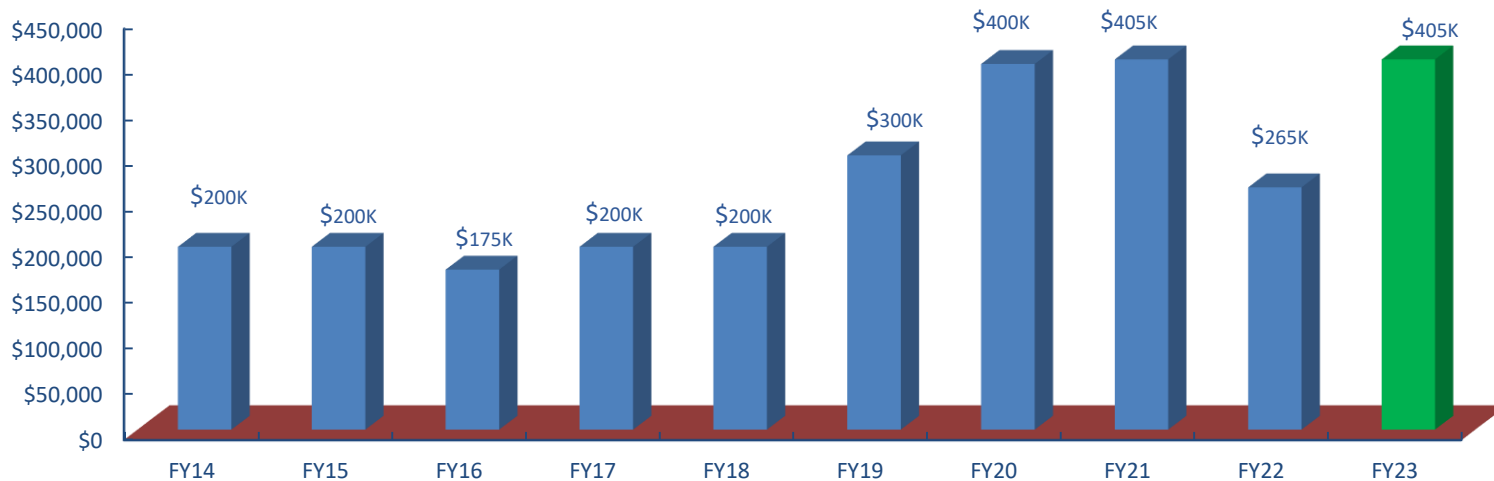
- Overall expenditures turn back - \$2.5M, approximately 2.5% of budget
 - Comparison turn back
 - FY22 \$2.1M or 2.2%
 - FY21 \$2.6M or 2.8%
 - FY20 \$2.3M or 2.6%
 - FY19 \$1.4M or 1.6%

Final FY23 Expenditures – Turn Back Details

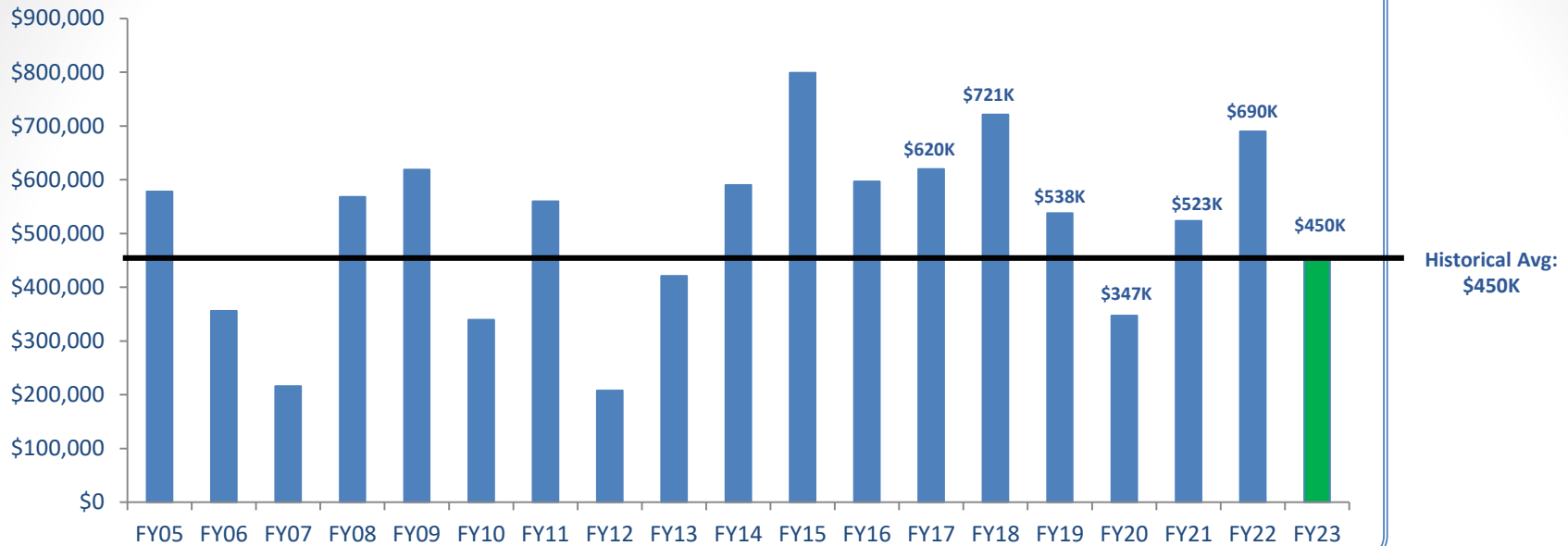
- Operating Budget Turnback – Approx \$2.5M or 2.2% of budget
 - Consistent Results.
- Turn back detail
 - Benefits/Fixed Costs \$1.4M.
 - Comparable to \$1.2M in FY22.
 - Appropriate margin for such a large and fluctuating budget.
 - Municipal - \$626K, (2.77%)
 - Compared to FY22 1.35%
 - Fincom Reserves budget \$405K turned back.

Turn Back	FY23	FY22
Municipal	\$626,352	\$310,778
School	\$20,307	\$5,251
Debt	\$0	\$13,097
Benefits	\$1,399,498	\$1,234,586
Reserves	\$454,080	\$428,074
Shared Costs	\$34,327	\$165,869
Snow & Ice	\$407	\$182
Total	\$2,534,971	\$2,157,837

Fincom Reserve Turn Back



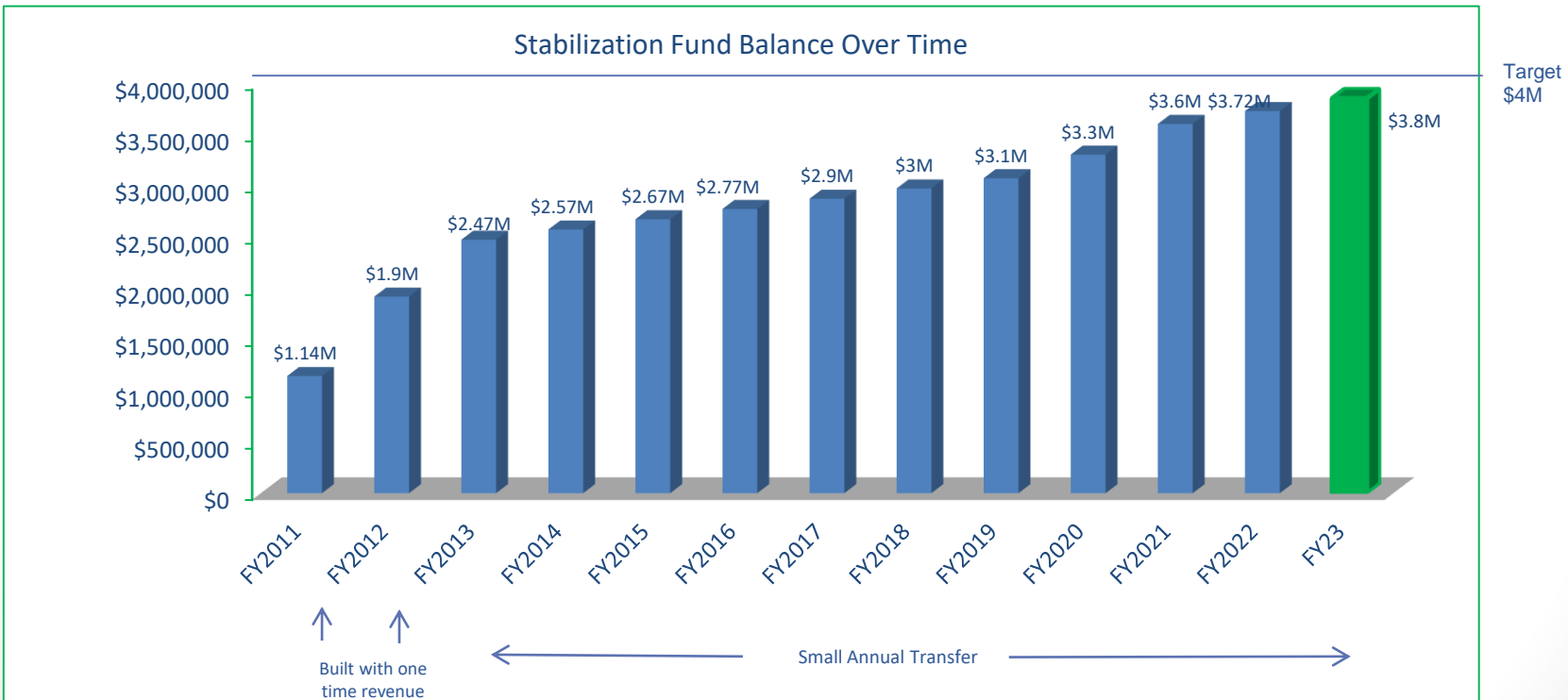
FY23 Snow and Ice Update



- Snow & Ice is the only budget that is legally allowed to be overspent.
 - Requires Town Administrator approval to overspend during the year.
 - Required to cover full cost or raise deficit on tax recap.
- In FY19 increased budget to \$450K (historical \$250K).
 - This increased budget has been very helpful in covering costs and easing strain on reserves.
- Total FY23 expenditures approximately \$450K.
 - No supplement needed at Town Meeting to original budget of \$450K.

FY23 Stabilization Fund – Close to 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



- Town Meeting has transferred \$125K per year from Free Cash
 - Consider increase to \$150K

Financial Forecasting – A Look Ahead

- Updated annually and presented at the start of the budget cycle to provide a framework.

	FY2023	FY2024	FY2025	FY2026	FY2027
	Per Recap	Budget	Projected	Projected	Projected
Appropriations					
Operating Budget -School	\$52,015,866	\$55,038,986	\$56,690,156	\$58,390,860	\$60,142,586
Operating Budget -Municipal	\$25,071,123	\$26,285,944	\$27,074,522	\$27,886,758	\$28,723,361
Benefits /Reserves/Comprehensive Ins	\$17,914,106	\$18,687,888	\$19,792,026	\$20,965,352	\$22,212,257
Sewer -Operating	\$4,463,674	\$4,486,128	\$4,518,162	\$4,717,578	\$5,663,169
Debt Service	\$5,818,920	\$7,709,245	\$7,353,348	\$7,237,798	\$6,801,936
Total Operating Budget (Appendix D)	\$105,283,689	\$112,208,191	\$115,428,214	\$119,198,346	\$123,543,309
Capital -Municipal/School	\$2,373,250	\$2,372,500	\$2,372,500	\$2,372,500	\$2,372,500
Capital -Sewer	\$700,000	\$1,260,000	\$700,000	\$700,000	\$700,000
Appropriation into Stabilization fund	\$125,000	\$125,000	\$150,000	\$175,000	\$200,000
Appropriation into Capital Stabilization fund	\$0	\$0	\$0	\$0	\$0
Appropriation to OPEB Trust	\$1,515,000	\$1,540,000	\$1,565,000	\$1,590,000	\$1,615,000
Misc Warrant Arts/Pr yr Art/Other Capital	\$2,209,000	\$2,143,000	\$35,280	\$37,044	\$37,044
Total Town Meeting Appropriations	\$112,205,939	\$119,648,691	\$120,250,994	\$124,072,890	\$128,467,853
Other Amounts to be Raised (not Voted at Town Meeting)					
State Charges/Offsets/Overlay/Snow	\$1,360,515	\$1,393,164	\$1,434,959	\$1,478,008	\$1,522,348
Total Appropriations	\$113,566,454	\$121,041,855	\$121,685,953	\$125,550,898	\$129,990,201
Financial Resources					
Total Property Taxes	\$90,274,411	\$97,160,227	\$99,779,098	\$102,609,734	\$105,513,724
State Aid	\$6,944,202	\$8,023,334	\$8,262,861	\$8,509,561	\$8,763,651
State School Building Assistance	\$1,401,276	\$0	\$0	\$0	\$0
Sewer Revenue	\$5,597,005	\$6,188,862	\$5,660,896	\$5,860,312	\$6,805,903
Local Receipts	\$4,195,857	\$4,195,857	\$4,195,857	\$4,195,857	\$4,195,857
Free cash for Capital/Stabilization	\$2,498,250	\$2,497,500	\$2,522,500	\$2,547,500	\$2,572,500
Available Funds - Ongoing	\$446,453	\$428,075	\$428,075	\$428,075	\$428,075
Free cash for Misc Artls, Additl Capital	\$1,335,000	\$798,000	\$0	\$0	\$0
Available Funds - Prior yr/Misc Articles	\$874,000	\$1,750,000	\$593,250	\$622,913	\$654,058
Total Revenues	\$113,566,454	\$121,041,855	\$121,442,536	\$124,773,952	\$128,933,768
Total Revenue less appropriations	\$0	\$0	(\$243,417)	(\$776,946)	(\$1,056,433)

Assumptions, Tied to individual sheet tabs:

Operating Budget Growth - School
Each 1% - approx \$520K
Operating Budget Growth - Municipal
Each 1% - approx \$250K

1.03 Current Debt Service -Per current schedules - new school debt will be exempt
Health Ins Budget Annual Growth 1.06
OPEB Appropriation -Current plus \$25k/yr increase \$25,000
1.03 Pension Assessment Annual Growth 1.07
State Aid Annual Growth 1.03

 **Assumptions**

Tax Levy Calculation per Prop 2 ½ - FY24 Budget

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	New growth
New Tax Levy - University Station TIF*	\$503,000	\$491,000	\$208,000	\$107,000	\$100,000	Uni Station growth
General Overrides	\$0	\$0	\$0	\$0	\$0	General Override
Tax Levy Limit	\$79,703,916	\$83,076,625	\$86,718,329	\$90,010,426	\$92,990,687	
Exempt Debt*	\$1,320,986	\$1,217,416	\$1,048,819	\$1,059,561	\$4,369,541	Exempt Debt
Levy Capacity	\$81,024,902	\$84,294,041	\$87,767,148	\$91,069,987	\$97,360,228	What we could tax
Actual Levy Assessed	\$80,224,068	\$83,468,800	\$86,593,963	\$90,274,411	\$97,160,228	What we do tax
Excess Levy(Taxes not raised)	\$800,834	\$825,241	\$1,173,185	\$795,576	\$200,000	Unused Tax Levy
Increase in Actual Levy (including new growth)	4.2%	4.0%	3.7%	4.3%	7.6%	
Increase in Levy without new growth	2.73%	2.32%	1.87%	2.95%	7.02%	

* One time growth due to TIF transition year.

- Proposition 2 ½ controls the total taxes a Town can raise.
- Exempt debt - the net principal and interest payment required each year for projects approved outside Prop 2 1/2.
- New Growth - This represents taxes from new residential and commercial development.
 - Estimate throughout the budget cycle.

Current Debt Status

Favorable Borrowing Climate

- Very strong credit ratings.
 - Standard & Poor's AAA.
- Good interest rate environment.
- Portion of recent bond sales replaced debt dropping off

Recent Bond Sales

- Long Term Bond sold March 2022
 - \$7.1M, terms 10-30 years
 - Net interest rate 2.27%
- Long Term Bond sold July 2022
 - \$56.5M, 30 year term
 - Net interest rate 3.7%

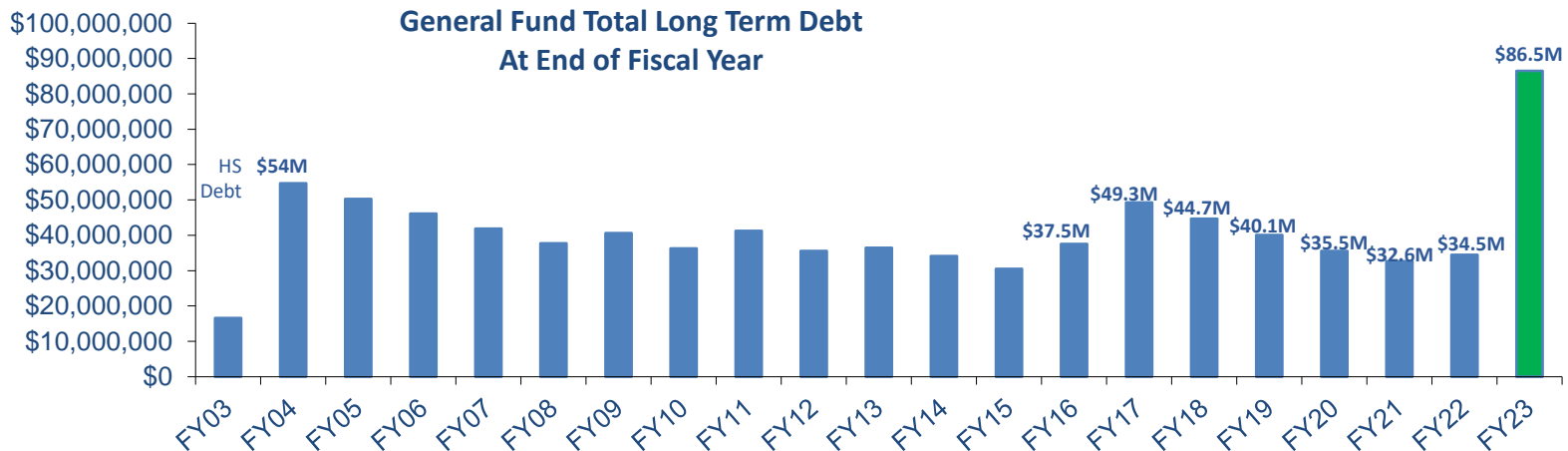
Recent Short Term Note Sales

- \$1.225M BAN sale April 2023
 - term of 1 year
 - Net interest rate 3.08%

Current Debt Status as of 6.30.2023

Town Debt – Utilized Favorable Borrowing Climate

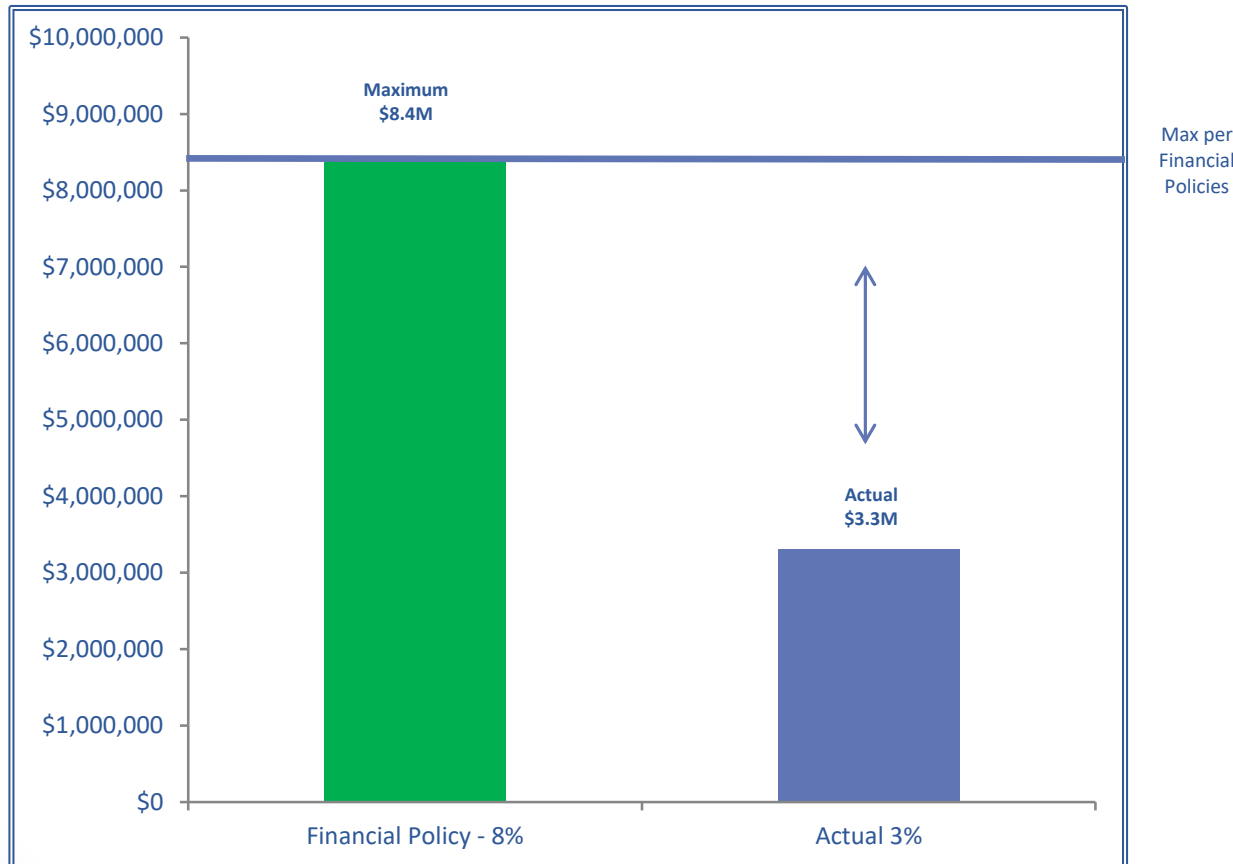
Debt Authorized, Not Yet Issued		
Hanlon/Deerfield New School Remaining Authorization balances:		
School MSBA Initial Phase	ATM 2018	\$ 202,889
Hanlon School “Bridge” Funding	ATM 2021	\$ 30,316
Construction	STM 2021	\$24,610,386
Total New Hanlon School – Borrowing expected to be reduced by future MSBA reimbursement (\$16.4M)		\$24,843,591
Conant Road Culvert Design	ATM 2022	\$ 200,000
Canton Street Sidewalk Design	ATM 2022	\$ 900,000
Cemetery Expansion Design	ATM 2022	\$125,000
Cemetery Expansion Construction	ATM 2023	\$1,500,000
Fire Ladder Truck	ATM 2023	\$1,850,000
Total		\$ 29,418,591



Current Debt Status

Debt Level – Well Within Guidelines

- Financial Policies – annual non-exempt debt payments should not exceed 8% of net general fund revenue.
- Debt levels are an important component of credit ratings. The Town holds a AAA rating.



Debt is well within guidelines

Next Steps in Budget Cycle

November 2023 – Tax Classification Hearing

- Determine Commercial/Residential Tax shift.
- Get tax rate approved by the DOR.

November through February Select Board Meetings:

- Continue update and review of FY25 revenue projections.
 - Local Revenue Sources.
 - FY25 State Budget.
 - Tax Levy calculation including FY24 new growth.
- Continue to review capital budget articles with Select Board
 - Ongoing Annual Capital.
 - Timing of larger projects being considered.
- Review FY25 municipal budget requests
 - Base budget.
 - Any Requested new positions/programs.
- FY25 State aid
 - Governor’s budget typically at end of January.
 - Preview at MMA meeting in January.
- BOS proposed budget document February 1, 2024
 - Municipal Budget Document.
 - Overall Budget Summary.
 - Capital Budget Articles.
- Present proposed FY25 budget to Fincom February 2024.

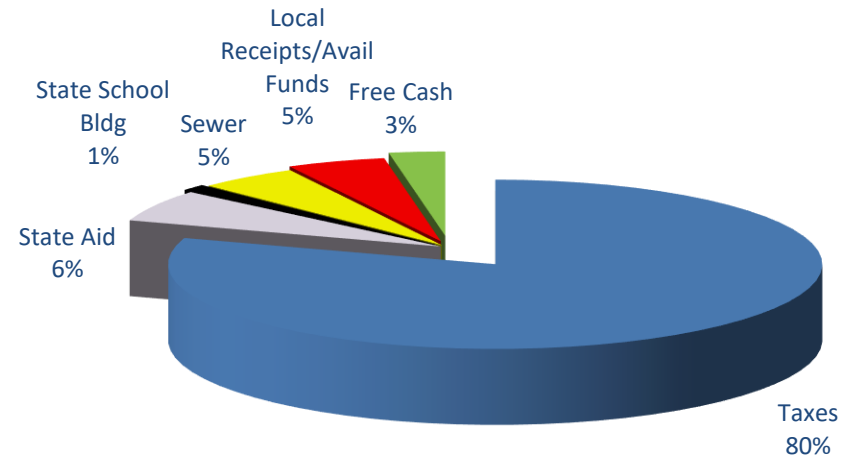




Structurally Sound Budgets

FY2023 Projected Budget Revenue

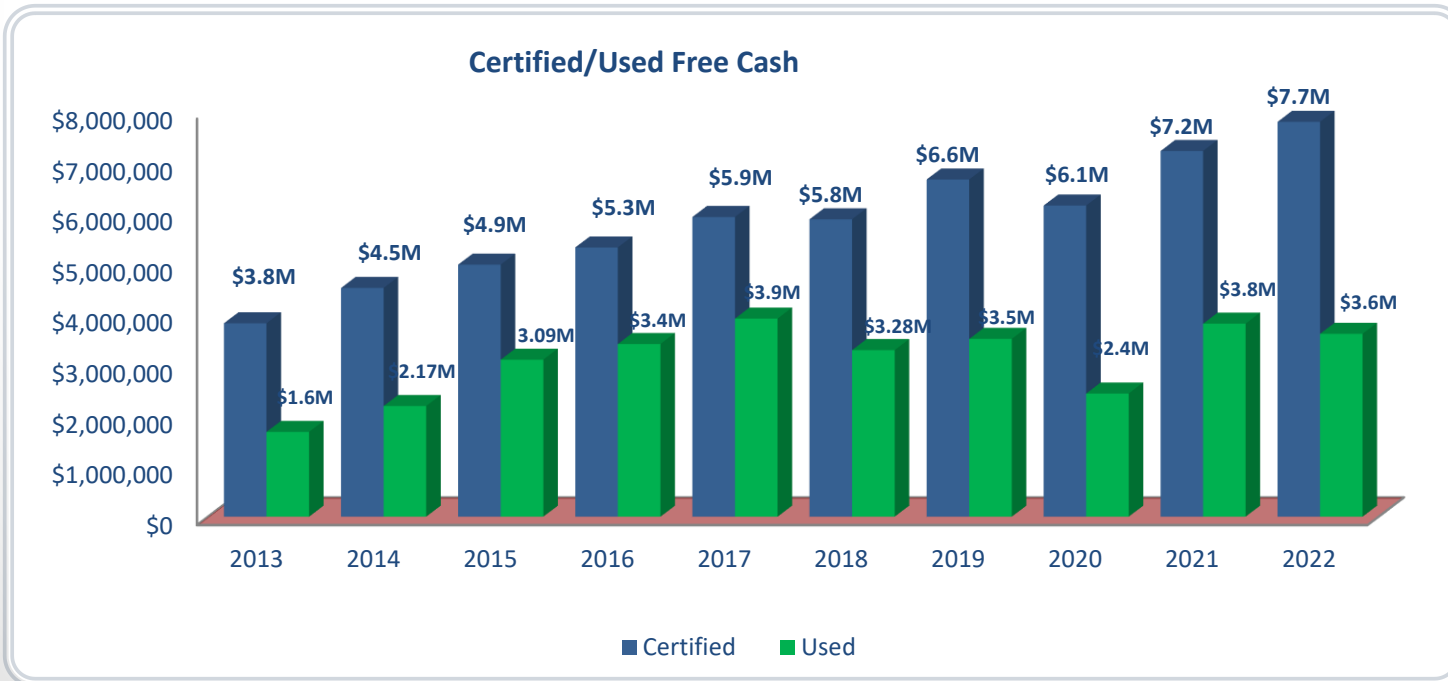
- DELETE SLIDE??
- The budgets as recommended by the Select Board and FinCom and approved by Town Meeting are well balanced.



- Town Meeting approves structurally sound budgets and prepares for a “Rainy Day”.
 - Structurally sound budgets, no one time subsidies.
 - Ongoing budgets funded by ongoing revenue sources.
 - Conservative revenue budgets – no inflation of revenue projections.
 - Meals/Hotels tax revenue to separate fund.
 - Purposefully building reserve accounts to target levels.
 - Finances are designed to maintain essential services during rainy day disruption.

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
 - \$1,335,000 for Town Meeting Articles - Snow & Ice (\$335K), Aid to the Elderly (\$300K), and purchase of American Legion property (\$700K)

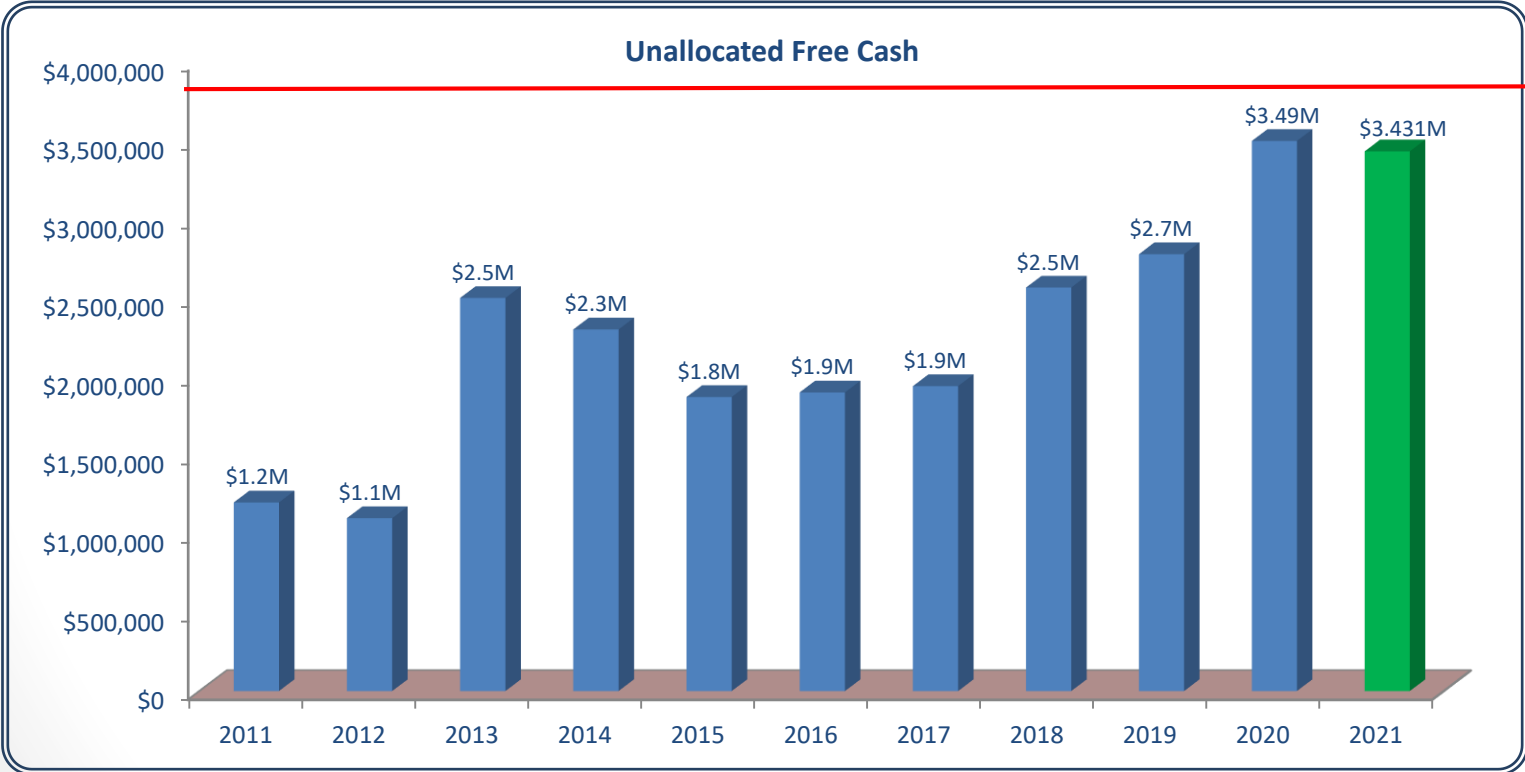


← FY24 Planned Base Budget Use

- Financial policy target approximately \$3.7M unallocated

Unallocated Free Cash – Can Meet Financial Goal

- Unallocated free cash target – approximately \$3.7M.
- This is an important component of the credit rating.
- Base use: \$125K Stabilization, \$2.3M capital.
- Additional amounts can be used toward extra capital, snow and ice, one time needs.
- Unallocated balance provides protection for the Town.



Target
\$3.7M

- Additional free cash beyond target has been used for: additional school and municipal capital.