



OSC RECOMMENDATIONS & REVIEW

- WHAT WE'VE LEARNED

- NEXT STEPS

December 17, 2014



ORIGINAL EXPENDITURE PLAN

- April, 2014 Presentation to Advisory Cmte

<u>New \$ in School Budget (in millions)</u>				TOTAL IMPACT ON BASE
	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	
School Structural Deficit *	\$0.24	\$0.13	\$0.33	\$0.70
<u>Enrollment</u>	<u>\$0.68</u>	<u>\$0.86</u>	<u>\$0.77</u>	<u>\$2.31</u>
Sub-Total	\$0.93	\$0.98	\$1.10	\$3.01
Old Lincoln School	\$0.68	\$0.00	\$0.00	\$0.68
Pre-K Leases	\$0.55	\$0.00	\$0.00	\$0.55
Program Catch-Up	\$2.29	\$0.51	\$0.65	\$3.45
Enhancement	\$1.35	\$0.90	\$0.39	\$2.63
<u>Info Tech</u>	<u>\$0.80</u>	<u>\$0.57</u>	<u>\$0.60</u>	<u>\$1.97</u>
Sub-Total	\$5.67	\$1.97	\$1.64	\$9.27
TOTAL @ 1% Collective Barg	\$6.59	\$2.95	\$2.74	\$12.29
TOTAL @ 2% Collective Barg	\$7.32	\$3.69	\$3.50	\$14.50

- * Assumptions: (1) 1%/yr wage adjustment
(2) Net Steps = \$675K (FY16), \$700K (FY17), \$750K (FY18)
(3) SPED = \$750K (FY16), \$775K (FY17), \$800K (FY18)
(4) Health Insurance rate increase of 5%/yr (Schools consume ~54% of growth)
(5) \$225K/yr Inflation/misc increase
(6) ~\$400K/yr increase in State Aid (2.5%) (split 50/50 with Town)
(7) ~\$350K/yr increase in Local Receipts (1.5%) (split 50/50 with Town)
(8) Redevelopment of Red Cab (FY16+17) and 2 Br PI (FY17+18) (split 50/50 with Town)



RECOMMENDATIONS OF OSC

	Group 1	Group 2
Revenue		
Override (Operating)	\$5.0	\$7.9
Non-Tax Revenue	\$2.3	\$2.3
<u>Town Efficiencies</u>	<u>\$0.6</u>	<u>\$0.6</u>
Total New Revenue	\$7.9	\$10.7
Expenditures		
School Operations	\$7.9	\$10.7
Total New Expenditures	\$7.9	\$10.7

Equivalent to approx.
65% of the Original
Expenditure Plan

Equivalent to approx.
90% of the Original
Expenditure Plan



REVISED EXPENDITURE PLAN

- After Oct 7th School Superintendent Presentation to Selectmen

	<u>New \$ (in millions)</u>			TOTAL
	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	IMPACT
				ON BASE
School Structural Deficit	\$0.94	\$0.83	\$1.03	\$2.80
One-Time Funds	\$0.50	\$0.50	\$0.00	\$1.00
<u>Enrollment</u>	<u>\$0.68</u>	<u>\$0.86</u>	<u>\$0.77</u>	\$2.31
Sub-Total	\$2.13	\$2.18	\$1.80	\$6.11
Old Lincoln School	\$0.68	\$0.00	\$0.00	\$0.68
Pre-K Leases	\$0.55	\$0.00	\$0.00	\$0.55
Program Catch-Up	\$2.29	\$0.51	\$0.65	\$3.45
Enhancement	\$1.35	\$0.90	\$0.39	\$2.63
<u>Info Tech</u>	<u>\$0.80</u>	<u>\$0.57</u>	<u>\$0.60</u>	\$1.97
Sub-Total	\$5.67	\$1.97	\$1.64	\$9.27
TOTAL	\$7.79	\$4.15	\$3.44	\$15.39

Major Assumptions Changes: (1) 2%/yr wage adjustment

(2) Inclusion on School's One-Time Funds



EXPENDITURE PLAN AS OF 12/9/14

- Dec 9th Presentation to Selectmen

	<u>New \$ (in millions)</u>			TOTAL IMPACT ON BASE
	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	
School Structural Deficit	\$0.00	\$0.28	\$0.28	\$0.56
One-Time Funds	\$0.50	\$0.50	\$0.00	\$1.00
<u>Enrollment</u> ¹	<u>\$1.36</u>	<u>\$0.86</u>	<u>\$0.77</u>	<u>\$2.99</u>
Sub-Total	\$1.86	\$1.64	\$1.05	\$4.55
Program Catch-Up	\$2.29	\$0.51	\$0.65	\$3.45
Enhancement	\$1.35	\$0.90	\$0.39	\$2.63
<u>Info Tech</u>	<u>\$0.71</u>	<u>\$0.48</u>	<u>\$0.51</u>	<u>\$1.70</u>
Sub-Total	\$4.35	\$1.88	\$1.55	\$7.77
TOTAL	\$6.21	\$3.51	\$2.60	\$12.33

- Major Assumption Changes:
- (1) Health Insurance rate increase of 4%/yr
 - (2) \$850K increase in Ch. 70 Aid in FY16 and \$400K in FY17
 - (3) \$740K (3.3%) increase in Local Receipts in FY16; ~1%/yr (\$300K) thereafter
 - (4) Redevelopment of Red Cab (FY16-18), including add'l Lodging Excise Tax
 - (5) 2 Br PI Redevelopment (FY18-FY20)
 - (6) Town continues to absorb 50% of enrollment growth via T/S Partnership
 - (7) The \$550K for BEEP leases moved to CIP
 - (8) Revised Info Tech figures as provided by Schools

¹ Includes \$680K for OLS.



NON-TAX REVENUE & MUNI EFFICIENCIES

- Once the Selectmen determine the expenditure plan amount to fund, there are three ways to fund it:
 - Override
 - Non-Tax Revenues (\$2.3M)
 - Town Efficiencies (\$0.6M)
- For each \$1 of Non-Tax Revenue / Town Efficiencies not adopted, the amount of the Override increases and/or the expenditure plan decreases by the same \$1. For ex:
 - 90% Funding = \$11.1M
 - $\$11.1\text{M} - \$2.3\text{M} - \$0.6\text{M} = \8.2M Override
 - If only half of the Non-Tax Revenue is adopted, then the Override amount becomes \$9.35M ($\$2.3\text{M}/2 = \$1.15 + \8.2M)



NO OVERRIDE SCENARIO

- If Override were to not pass, \$1.36M of known costs remain to address enrollment:

<u>ITEM</u>	<u>AMT</u> <u>(in millions)</u>
Enrollment Growth	\$0.68
Old Lincoln School	\$0.68
TOTAL	\$1.36

- Town Administrator has proposed having the Town absorb 50% of these costs (\$680K)
- School Superintendent has expressed his plans for funding some of the “Catch-Up” costs even if the Override were to fail.
- Whatever amount he funds, the amount of cuts the School needs to enact increases by the same amount:
 - Ex: \$600K of Catch-Up is funded, leaving \$1.28M of cuts [\$680K (School’s share of enrollment) + \$600K]



DEBT EXCLUSION

- OSC suggested two options:
 - Group 1 Recommendation = Debt Exclusion for Devotion only, in an amount equal to the difference between the available amount allocated in the CIP (\$54M) and the then-updated share of \$77M ($\$77M - \$54M = \$23M$).
 - Group 2 Recommendation = increase Group 1's recommendation for Devotion in an amount equal to the Town's share of the Driscoll School/other projects ($\$35.8M + \$23M = \$58.8M$).

Project	Funding From (in millions):				Annual Debt Service from Debt Excl (est.)
	CIP	Debt Exclusion	MSBA	TOTAL	
Devotion	\$54.0	\$23.0	\$33.0	\$110.0	\$1.6 ← Group 1
Driscoll	\$0.0	\$35.8	\$19.3	\$55.0	\$2.5
TOTAL	\$54.0	\$58.8	\$52.3	\$165.0	\$4.1 ← Group 2

Notes: (1) Cost estimates are from the OSC's Capital Sub-Cmte
(2) Debt Service figures assume 25-yr terms and level debt service
(3) Full impact on tax bill of any Debt Exclusion will not be felt until the final phase of borrowing
(4) Assumes MSBA reimbursement rates of 30% for Devotion and 35% for Driscoll



UPDATED FIGURES BASED ON DEVOTION SCHOOL PROJECT "OPTION 1"

- In late-September, architects updated the cost to \$118.4M, with MSBA's effective reimbursement rate being 24%.

<u>Project</u>	<u>Funding From (in millions):</u>				<u>Annual Debt Service from Debt Excl (est.)</u>
	<u>CIP</u>	<u>Debt Exclusion</u>	<u>MSBA</u>	<u>TOTAL</u>	
Devotion	\$54.0	\$36.6	\$27.8	\$118.4	\$2.6 ← Group 1
Driscoll	\$0.0	\$35.8	\$19.3	\$55.0	\$2.5
TOTAL	\$54.0	\$72.3	\$47.1	\$173.4	\$5.1 ← Group 2

Notes: (1) Reflects updated Devotion cost estimate
(2) Debt Service figures assume 25-yr terms and level debt service
(3) Full impact on tax bill of any Debt Exclusion will not be felt until the final phase of borrowing
(4) Assumes MSBA reimbursement rates of 24% for Devotion and 35% for Driscoll



ADDITIONAL CIP CAPACITY REQUIRED FOR SHORT-TERM SPACE PLAN

- School Committee has reviewed numerous options for short-term space needs
- Plan to be discussed by School Committee on Dec 18th includes:
 - space rental at building near Pierce School
 - modular classrooms at the Baker School
 - on-going costs of approx. \$200K/yr
- Also recall that the Town Administrator is recommending that the \$550K of lease costs for BEEP space be included in the CIP rather than in the Operating budget
- In order to create capacity for the on-going costs of all of these lease/rental items (\$750K), the amount excluded for the Devotion School project would have to be increased
 - Recommending that the Devotion School Debt Exclusion be increased by \$8M (i.e., reduce the \$54M of CIP capacity to \$46M)



REVISED DEBT EXCLUSION

<u>Project</u>	<u>Funding From (in millions):</u>				<u>Annual Debt Service from Debt Excl (est.)</u>
	<u>CIP</u>	<u>Debt Exclusion</u>	<u>MSBA</u>	<u>TOTAL</u>	
Devotion	\$46.0	\$44.6	\$27.8	\$118.4	\$3.2

Notes: (1) Reflects updated Devotion cost estimate
(2) Debt Service figures assume 25-yr terms and level debt service
(3) Full impact on tax bill of any Debt Exclusion will not be felt until the final phase of borrowing
(4) Assumes MSBA reimbursement rates of 24% for Devotion and 35% for Driscoll

- This approach does not free-up CIP capacity to afford any significant K-8 project(s) that increase space
 - Any project (Baker expansion, Driscoll expansion, new 9th school, etc.) would require a separate Debt Exclusion
- Some capacity exists for a BHS project, but most likely will need some level of Debt Exclusion to support that project



TAX IMPACTS – OPERATING OVERRIDE

- Update using newly approved FY15 tax rates and values

Override Amount	\$12.33M (100%)		\$11.1M (90%)		\$8M (65%)	
Tax Impact on Median SF Home	\$724	6.8%	\$652	6.1%	\$471	4.4%
Tax Impact on Median Condo	\$220	6.8%	\$198	6.1%	\$143	4.4%
Tax Impact on Median Commercial Prop	\$1,587	6.8%	\$1,428	6.1%	\$1,031	4.4%

Assume \$2M from Non-Tax Revenues / Municipal Efficiencies

Override Amount	\$10.33M (100%)		\$9.1M (90%)		\$6M (65%)	
Tax Impact on Median SF Home	\$607	5.7%	\$535	5.0%	\$353	3.3%
Tax Impact on Median Condo	\$185	5.7%	\$163	5.0%	\$107	3.3%
Tax Impact on Median Commercial Prop	\$1,329	5.7%	\$1,171	5.0%	\$771	3.3%



TAX IMPACTS – DEBT EXCLUSION

- Update using newly approved FY15 tax rates and values

TAX IMPACT OF DEBT EXCLUSION (LEVEL DEBT SERVICE)

Project Cost	\$118,400,000	
MSBA Share (24%)	\$27,824,000	
Town Share - CIP	\$46,000,000	
Town Share - Debt Exclusion	\$44,576,000	
Term	25	
Interest Rate	5.00%	
Annual Debt Service	\$3,162,777	
Tax Impact on Median Single-Family Home	\$186	1.7%
Tax Impact on Median Condo	\$57	1.7%
Tax Impact on Median Commercial Prop	\$405	1.7%



Process for Placing an Override Question on the Ballot

- Only the Board of Selectmen has the authority to place an override question on the ballot.
- A general override question requires approval of a simple majority vote (3) of the Selectmen while a debt exclusion requires a $\frac{2}{3}$ vote (4). However, in either case a simple majority of the voters is required for passage.
- The Selectmen are required to specify the question(s) on the ballot no less than 35 days prior to the election, but in practice this does not provide sufficient time to integrate it into the budget process and to provide a period for public education and advocacy.



Menu vs. Pyramid Approach

- There can be multiple General Override questions on the same ballot. They are structured as a menu or in a cumulative (or pyramid) approach.
- The Menu approach include separate questions that are mutually exclusive (a la carte).
- The Pyramid Question is cumulative. More than one question can be posed and the highest dollar question that has received a majority vote of approval is the one that becomes effective.



Proposed Calendar

- **EARLY JANUARY, 2015**

Board of Selectmen convenes a Public Hearing

- **MID to LATE JANUARY, 2015**

Board of Selectmen adopts questions to appear on the Annual Town Election Ballot

- **FEBRUARY 17, 2015**

Town Administrator and School Superintendent submit their FY 2016 Budget proposals

- **FEBRUARY - MAY 5, 2015**

Private campaign

- **MAY 5, 2015**

Annual Town Election

- **MAY 26, 2015**

Town Meeting convenes