

# Town/School Partnership

5/22/20

# Today's Agenda

## **1.) Updates**

- Federal Funding and other State/Federal Issues
- Reports from Select Board, School Committee and Advisory Committee

## **2.) Review of FY 2021 revenue projection and budget shortfall scenarios**

## **3.) Discussion of Budget Policy Issues**

- Funding of Override Plan (parking rates and trash fees)
- Long term liabilities (Pensions and OPEB)
- Use of Free Cash and/or Reserves
- Funding the Capital improvement Plan
- BFAC Recommendation on Stabilization Fund Deposit

## **4.) Town-School Revenue Allocation Formula**

## **5.) Timing and Process**

- Annual Town Meeting and November Special Town Meeting
- Other Business

# FY 2021 Major Assumptions

- \$35.8 million in Local Receipts (including Override Year 3 commitment for non-property tax revenue enhancement) reduced by \$9.4 million
  - \$750,000 Parking Meter Rate Increase has not been included in revised plan
  - \$1,850,000 Marijuana Excise Taxes is reduced to \$925,000
  - \$750,000 Trash Fee Increase to account for recycling costs and to mitigate increasing property tax subsidy. We are proposing a modest mid-year increase that will generate \$375,000
- \$ 22.8 million in State Aid reduced by \$3.3 million
- Federal funding limited to unbudgeted direct COVID-19 expenses. This could change!
- Compliance with all Free Cash and Reserves Policies (CIP etc.)
- \$2 million Free Cash Allocation to Stabilization Fund

# FY21 Revenue Scenarios

				Pre-covid debt exclusion adjustment		
				Scenario 1	Scenario 2	Scenario 3
<u>REVENUE SOURCE</u>	<u>FY2020 BUDGET</u>	<u>FY2021 BUDGET</u>	<u>FY2021 BUDGET</u>	<u>FY2021 REVISED</u>	<u>FY2021 REVISED</u>	<u>FY2021 REVISED</u>
Property Taxes *	238,487,745	251,527,496	254,898,615	254,898,615	254,898,615	254,898,615
Local Receipts	31,120,219	35,874,799	35,874,799	32,131,877	26,501,609	21,360,911
State Aid	22,386,947	22,792,220	22,792,220	20,568,070	19,455,995	18,343,919
Free Cash	9,081,257	11,791,952	11,791,952	11,791,952	11,791,952	11,791,952
Other Available Funds	3,349,771	4,471,538	4,471,538	4,471,538	4,471,538	4,471,538
<b>General Fund Revenues</b>	<b>304,425,939</b>	<b>326,458,005</b>	<b>329,829,123</b>	<b>323,862,052</b>	<b>317,119,708</b>	<b>310,866,935</b>
				Variance from Feb Financial Plan		
				Scenario 1	Scenario 2	Scenario 3
<u>REVENUE SOURCE</u>						
Property Taxes *				0	0	0
Local Receipts				(3,742,922)	(9,373,190)	(14,513,888)
State Aid				(2,224,150)	(3,336,225)	(4,448,301)
Free Cash				0	0	0
Other Available Funds				0	0	0
<b>General Fund Revenues</b>				<b>(5,967,072)</b>	<b>(12,709,415)</b>	<b>(18,962,189)</b>
				-1.8%	-3.9%	-5.8%

\* FY21 base adjusted for March bond sale. Revenue adjustment directly offset by debt service expense.

# Scenario 2 Assumptions Local Receipts

<u>REVENUE SOURCE</u>	FY2020	FY2021	Scenario 2		
	<u>BUDGET</u>	<u>BUDGET</u>	<u>REVISED</u>	<u>VARIANCE</u>	<u>% NOTE</u>
Motor Vehicle Excise	6,142,644	6,265,497	5,952,222	(313,275)	-5%
Local Option Taxes	3,460,310	5,243,495	2,621,748	(2,621,748)	-50% Hotel, Meals, Marijuana sales
Licenses and Permits	1,170,775	1,180,775	952,259	(228,516)	-19% Alcohol, Common Vic, Fire Prevention
Parking and Court Fines	3,300,000	3,300,000	1,650,000	(1,650,000)	-50%
General Government	4,564,268	5,317,930	5,052,033	(265,896)	-5% Building permits, Host Community
Interest Income	974,977	999,351	749,513	(249,838)	-25%
In Lieu of Tax Payments	1,010,509	1,530,719	1,377,647	(153,072)	-10%
Refuse Fees	2,850,000	3,598,654	3,224,327	(374,327)	-10% Assumes mid-year implementation
Departmental and Other	7,646,736	8,438,378	4,921,860	(3,516,518)	-42% Parking meters and other fees
Total	31,120,219	35,874,799	26,501,609	(9,373,190)	-26%

# Scenario 2 Assumptions State Aid

<u>REVENUE SOURCE</u>	<u>FY2020 BUDGET</u>	<u>FY2021 BUDGET</u>	<u>Scenario 2 REVISED</u>	<u>VARIANCE</u>	<u>%</u>
General Government Aid	6,825,378	6,996,757	5,947,243	(1,049,514)	-15%
School Aid	15,008,663	15,244,746	12,958,034	(2,286,712)	-15%
School Construction Aid	434,662	434,662	434,662	0	0
Tax Exemptions	29,174	30,028	30,028	0	0
Education Offset Items	89,070	86,027	86,027	0	0
Total	22,386,947	22,792,220	19,455,995	(3,336,225)	-15%

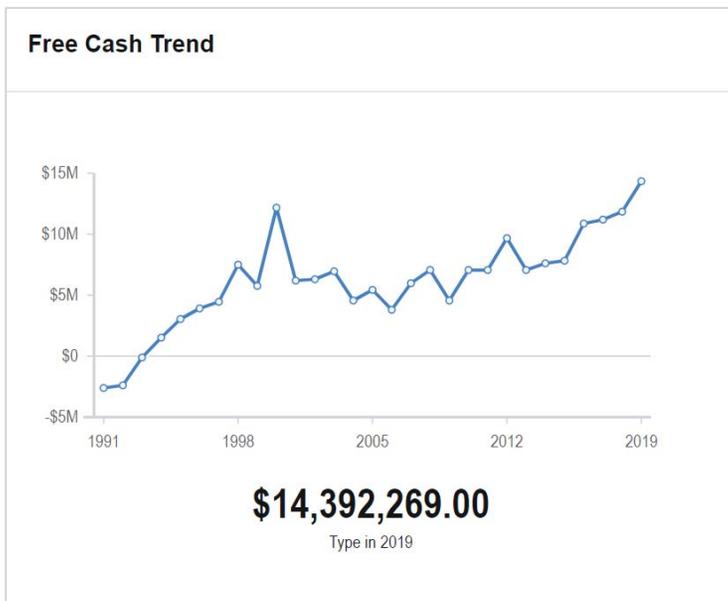
# Discussion of Budget Policy Issues

- Funding of Override Plan (parking rates and trash fees)
- Long term liabilities (Pensions and OPEB)
- Use of Free Cash and/or Reserves
- Funding the Capital improvement Plan
- BFAC Recommendation on Stabilization Fund Deposit

# Long term liabilities (Pensions and OPEB)

- Pension
  - FY21 Pension Appropriation = \$ 26,569,845
  - unfunded liability \$ **\$227.5** million.
  - 57.1% funded
  - Rate of return assumption is 7.2%
- OPEBs
  - FY21 OPEB Appropriation = \$4,431,980
  - Unfunded liability \$**236.9** million.
  - 16% funded
  - Rate of return assumption is 7.2%

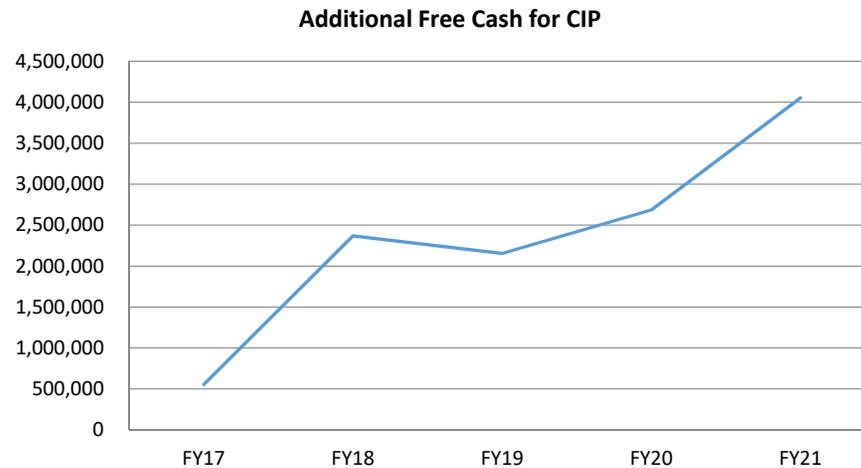
# Free Cash



<b>Free Cash Certification</b>		<b>\$14,392,269</b>
1. Operating Budget Reserve (25% of Operating Budget Reserve)		\$699,726
2. Fund Balance		\$4,600,000
a. Unreserved Fund Balance (left unappropriated)		\$2,600,000
b. Stabilization Fund (appropriated)		\$2,000,000
3. Liability Reserve (to get fund to 1% of Prior Yr Net Revenue)		\$50,529
4. Capital Improvements (to get to 7.5% of Prior Yr Net Revenue)		\$4,198,356
5. Affordable Housing Trust Fund (if Fund Balance below \$5M)		\$726,549
<b>Sub-Total</b>		<b>\$10,275,160</b>
<b>Amount available for Special Use (#6)</b>		<b>\$4,117,109</b>
<u>6. Special Use:</u>		
Additional CIP		\$4,117,110

# Free Cash funding for CIP history

	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>
Amt of Free Cash needed to get to 7.5%	3,865,141	3,690,016	3,823,305	4,034,241	4,263,430
Amt of Free Cash avail for CIP	4,420,965	6,058,567	5,977,194	6,719,184	8,315,948
Amt Over / (Below)	555,824	2,368,551	2,153,889	2,684,943	4,052,518



# Town-School Revenue Allocation Formula

	FY2020	FY2021		FY2021		
<u>REVENUE SOURCE</u>	<u>BUDGET</u>	<u>BUDGET</u>		<u>REVISED</u>	<u>Vs FY21</u>	<u>Submitted</u>
Property Taxes *	238,487,745	254,898,615		254,898,615	0	0.0%
Local Receipts	31,120,219	35,874,799		26,501,609	(9,373,190)	-26.1%
State Aid	22,386,947	22,792,220		19,455,995	(3,336,225)	-14.6%
Free Cash	9,081,257	11,791,952		11,791,952	0	0.0%
Other Available Funds	3,349,771	4,471,538		4,471,538	0	0.0%
<b>General Fund Revenues</b>	<b>304,425,937</b>	<b>329,829,123</b>		<b>317,119,708</b>	<b>(12,709,415)</b>	<b>-3.9%</b>
<u>EXPENDITURE CATEGORY</u>			<u>Target</u>	<u>Recommended</u>	<u>Reduction</u>	
Town Departments	78,990,815	81,681,032	25% (3,147,442)	76,634,815	(5,046,218)	-6.2%
Schools	117,385,105	123,361,137	37% (4,753,515)	117,080,529	(6,280,608)	-5.1%
Benefits	66,438,626	68,898,264	21% (2,654,880)	68,518,371		0.0%
Non-Departmental	4,108,594	7,430,475	2% (286,321)	7,144,154	(286,321)	-3.9%
Debt Service	18,828,262	25,763,034	8% (992,736)	25,204,624	(558,410)	-2.2%
Special Appropriations (CIP)	9,949,094	13,958,250	4% (537,858)	13,420,392	(537,858)	-3.9%
Non-Appropriated	8,725,441	8,736,930	3% (336,663)	8,736,930	0	0.0%
<b>Total expenditures</b>	<b>304,425,937</b>	<b>329,829,123</b>	<b>(12,709,415)</b>	<b>316,739,815</b>	<b>(12,709,415)</b>	<b>-3.9%</b>
<b>REVENUE NOTES:</b>		<b>EXPENDITURE NOTES:</b>				
1. No CAREs Act/Covid-related funding		1. Non-appropriated reduction redirected and split 50/50 Town and School				
2. Assumes no parking meter increase		2. Assumes cuts possible in CIP				
3. Assumes mid-year trash fee increase		3. \$558,410 represents surplus from March borrowing (2 projects used BANs, lower rates)				
		4. Difference between debt service target and \$558K redirected and split 50/50 T/S				
		5. If cuts in non-departmental not feasible reductions would need to be redirected and split 50/50 T/S				
		6. Assume can't be reduced premium split changed - target redirected and split 57/43 T/S (current benefit distribution)				

Actual surplus based on March borrowing

# Timing and Process

- Annual Town Meeting and November Special Town Meeting
- Other Business