Finance Committee Perspectives

Joint BOS/FinCom Budget Review

February 8, 2020

Topics for Discussion

- Expenses
- Revenues
- Balance Sheet
- Capital Priorities
- Path Forward

Context

- Maynard is a micro-urban community.
  - Infrastructures and service demands of a larger urban community.
  - Resource constraints greater than a larger urban community.
  - State Aid is less than what larger urban communities receive.

- Many long-term decisions/issues from the past:
  - Little or no opportunity for regionalization
  - Charter school tuition: Direct reduction of State Aid.

Expenses

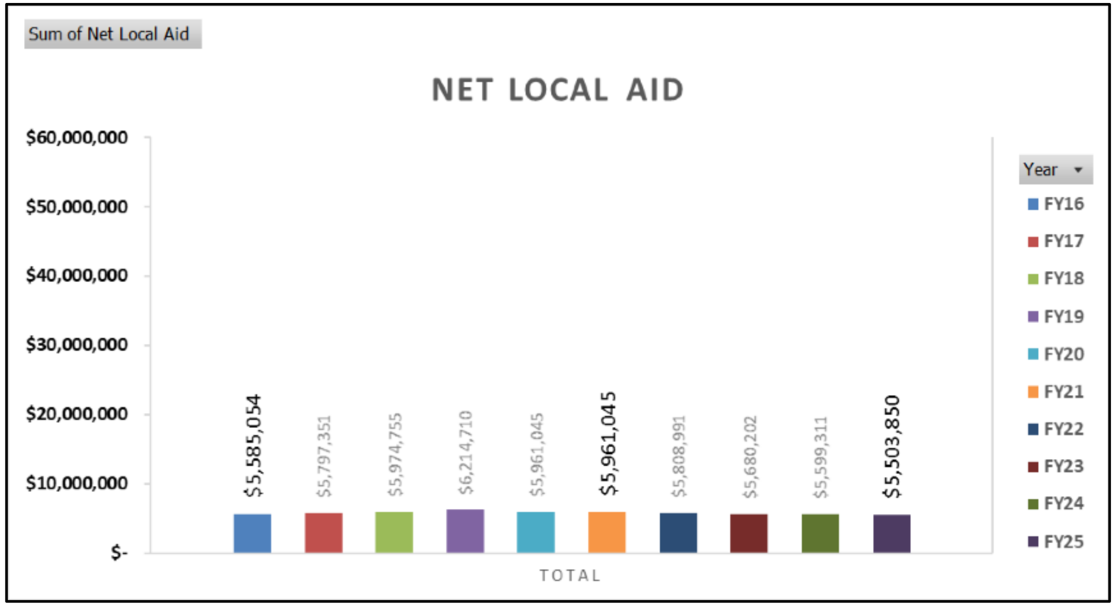
- Maynard can no longer balance its budget by cutting expenses only.
  - Further cuts to Town Departments will not reduce expenses enough to balance future budgets.
  - Maynard Public Schools cannot keep cutting expenses and provide the kind of education our communities' children need/deserve.
  - Maintenance of roads, buildings, and other infrastructure is inadequate due to lack of funding prioritization.
- Planned annual capital line item ("savings") not funded.
- Current trends result in:
  - $1.5M deficit in FY2023
  - $3.2M by FY2025, without an operational override (per *D1* vs. *D2* below)

Revenues – *Not keeping pace*

- Maynard must find additional revenues to fund expenses
  - State aid increases unlikely (as charter school tuition continues to rise).
  - In short term, overrides must be considered to fill gap due to stagnant growth and state aid.
    - Debt exclusions
    - $1M one-year capital override in FY2021 for study for proposed new GM School
    - $2M operational override in FY2022 “buys time” for two years (until FY2024).
- Longer term, “New Growth” opportunities, marijuana sales, sale of assets (for example, Coolidge School, old Fire Station, parcels of Maynard Golf Course) may reduce reliance on overrides.

Scenario *D1* Assumptions (1 of 2)

- $2M Override in FY2022
- ~Flat state and local aid; Chapter 70 annual increase 0.7% or ~$38k/year
- Adding ~$18M debt exclusion for Fire Station and GMS roof repair
- 1 time/1year capital override of $1M for GMS MSBA study

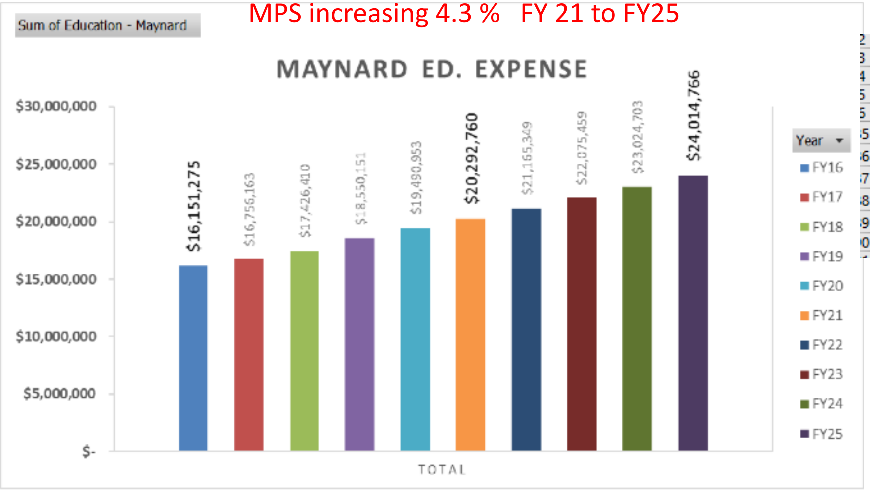


- Assumes charter school student outflow trend has peaked
  - Up ~30% annually last 3 years. Plan includes reversing trend for rising more slowly, but accounts for still growing from ~$1.0 to $1.9M in next 5 years.

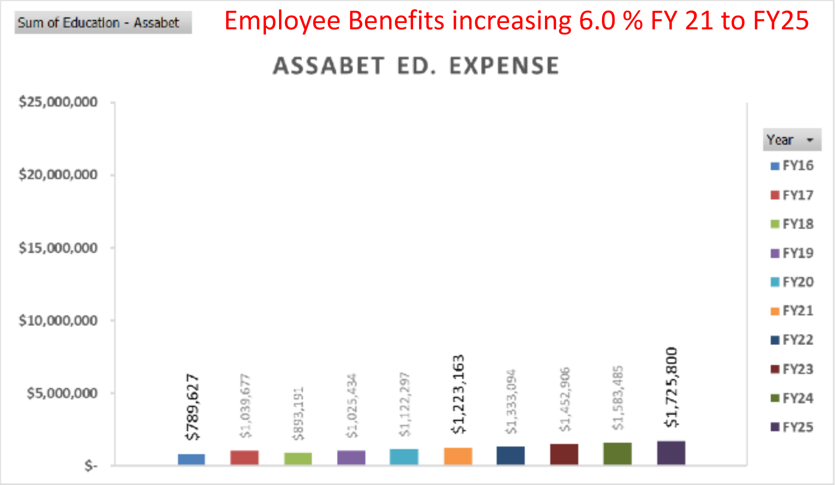
  Caution: Continued trend of 30% per year would be $3.2M by FY2025!

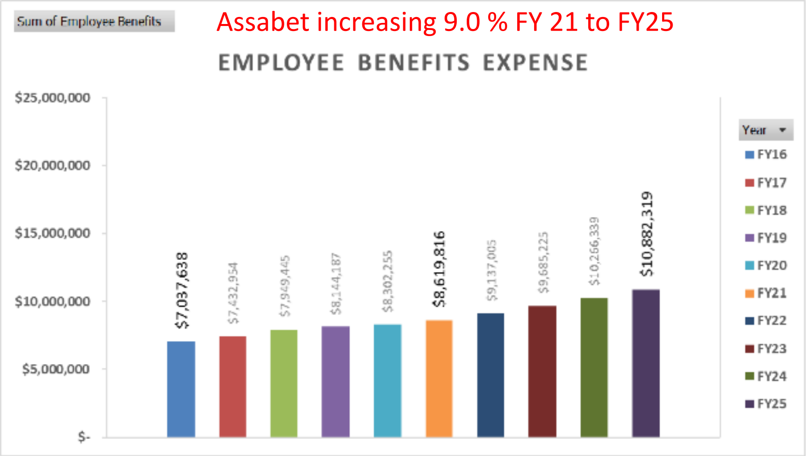
Scenario *D1* Assumptions (2 of 2)

Major expense budget drivers = 77% of FY21 budget



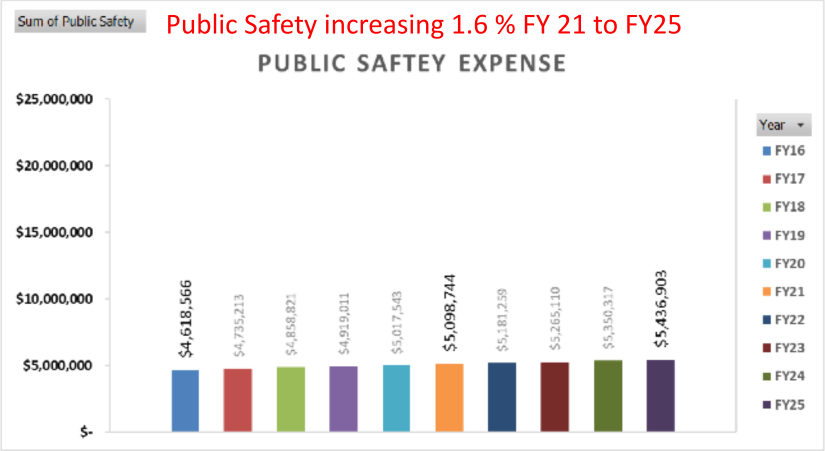
FINANCIAL MODEL - REV3 FY21 D3	FY2018 Budget	FY2019 Budget	FY2020 Budget REV5
ACCOMMODTAED COSTS (MPS portion)			
Employee Benefits	4,426,391	4,511,061	4,456,680
Long Term Debt (Principal & Interest)	2,900,822	2,838,730	2,780,196
All Other	1,529,330	1,550,548	1,713,656
	8,856,543	8,900,339	8,950,532





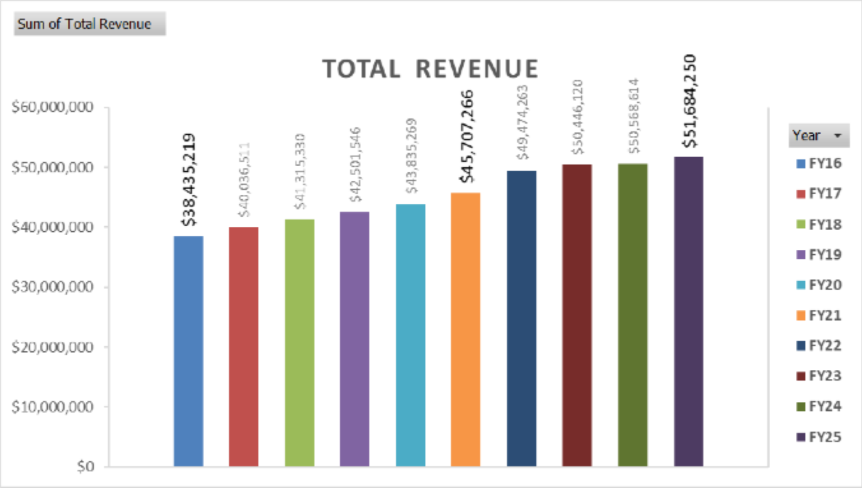
Other Depts increasing 1.6 % to 2.5% FY 21 to FY25

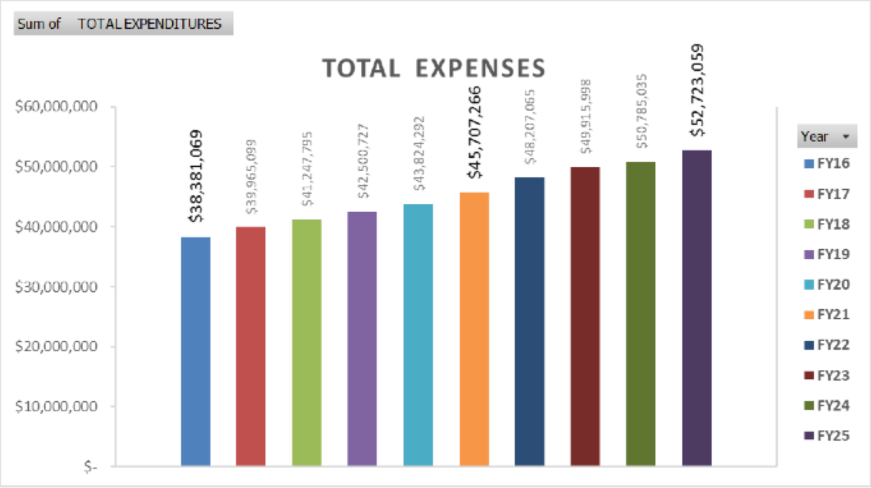
Debt has been decreasing, now will increase; need to show longer range impacts

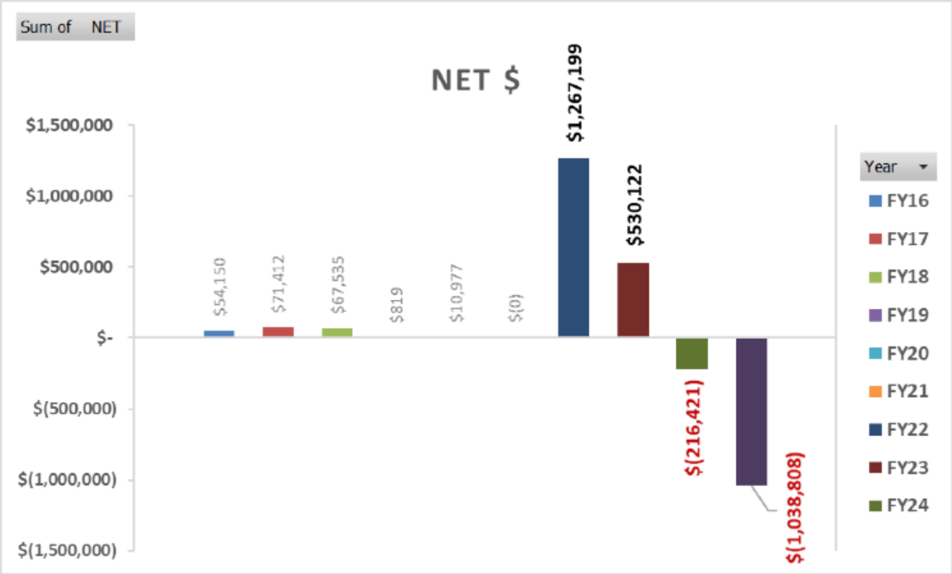


Scenario *D1*

Overall Revenue vs Expense Summary





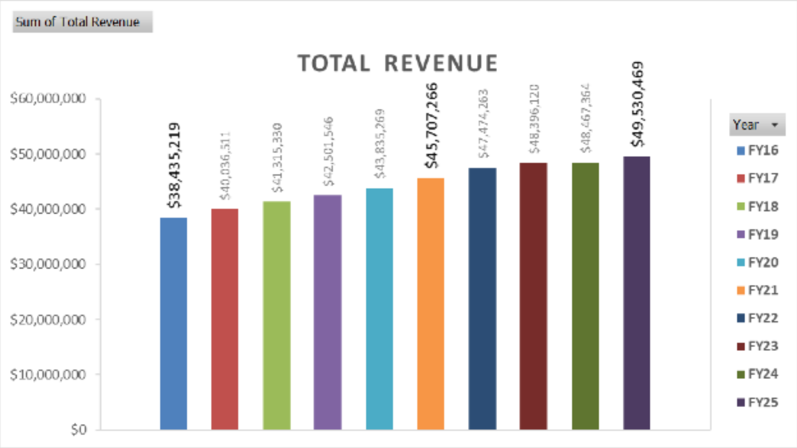


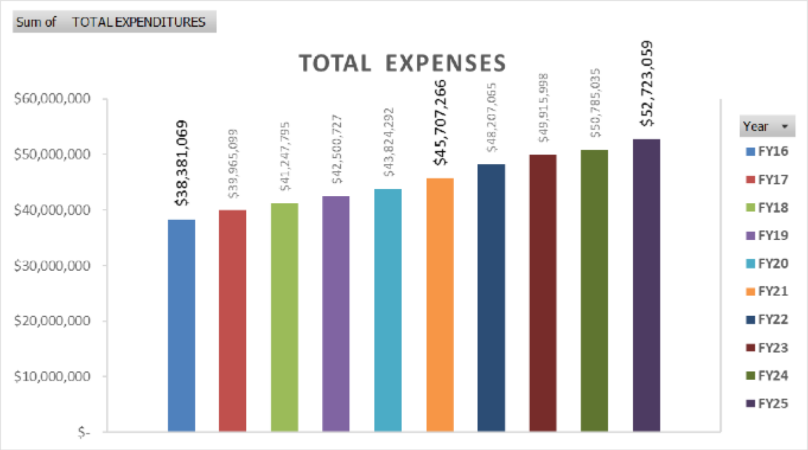
Proposal to consider:

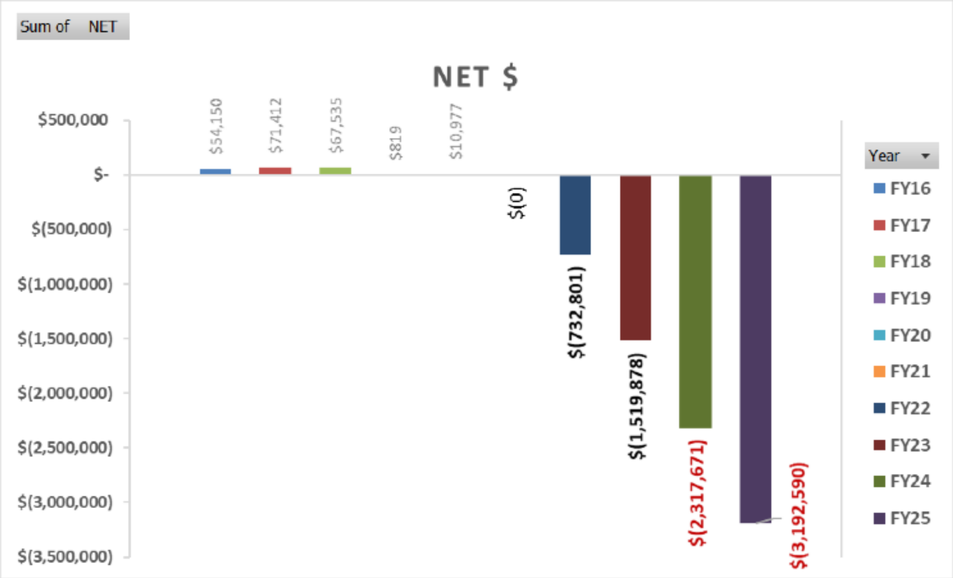
- Near term
  - Cover deficits with $2M override in FY22
  - Gauge tax impacts for above and added debt exclusions (see slide 11)
- By FY2025, cover ~1M remaining deficit with:
  - “Hard-won” new revenue
  - Disciplined expense growth
  - Saving/protecting funds for capital; maintenance and new projects

Scenario *D2* - Same assumptions as *D1* ….

But WITHOUT an operating Override of $2M in FY 2022 yields:



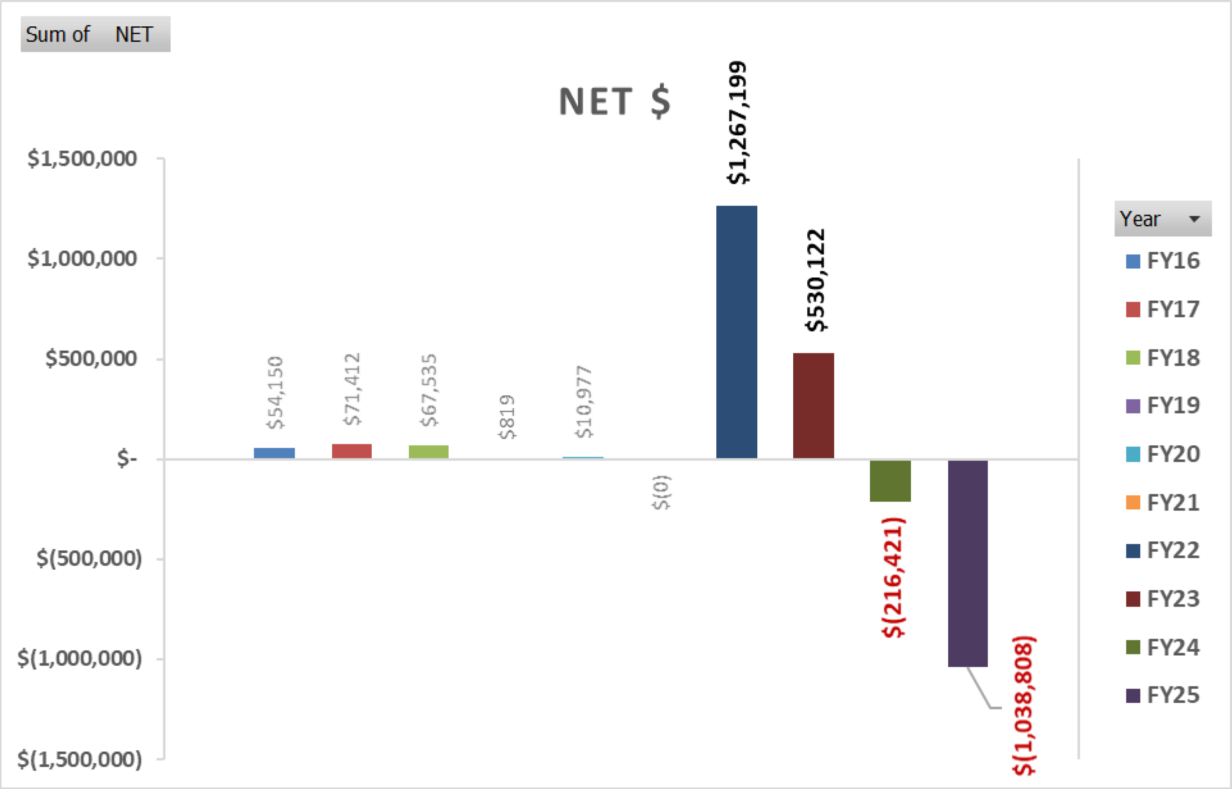




Difficult challenge to solve in next few years:

- Gauge tax impacts for added debt exclusions (Fire Station, GMS roof, and New GMS study).
- Not enough confidence in new growth (above "baked-in" $300k already assumed) to generate new revenue for this.
- Reminder: These deficits assume modest expense growth.

D3 Same assumptions as D1 but adding first payment of $20M debt exclusion for New GMS



- 30 year bond for new or reconstructed GMS estimated conservatively at $40M.
- (Maynard pays 50% as debt or ~ $20M starting FY25).
- Since excluded debt, operating budget doesn't change but tax bill goes up another $280 for 30 years.

10 Year tax bill trend (DLS history FY11 to FY20)

https://dlsgateway.dor.state.ma.us/reports/rdPage.aspx?rdReport=AverageSingleTaxBill.SingleFamTaxBill_Main

DOR Code	Municipality	Year	gle Family Va	gle Family Par	Single Famil	Family T	Rank**	YoY % Inc	
174	Maynard	2011	830,649,100	2,635	315,237	5,517	64		
174	Maynard	2012	823,517,500	2,642	311,702	5,751	66	4.2%	
174	Maynard	2013	803,926,800	2,644	304,057	6,096	61	6.0%	
174	Maynard	2014	763,742,700	2,654	287,770	6,414	57	5.2%	
174	Maynard	2015	796,732,900	2,661	299,411	6,680	58	4.1%	
174	Maynard	2016	872,832,200	2,665	327,517	6,960	58	4.2%	
174	Maynard	2017	874,863,800	2,671	327,542	7,209	58	3.6%	
174	Maynard	2018	878,774,700	2,674	328,637	7,440	59	3.2%	
174	Maynard	2019	985,202,900	2,674	368,438	7,752	55	4.2%	
174	Maynard	2020	1,052,908,400	2,675	393,611	8,124		4.8%	
								4.4%	Average last 10 ye

Assumes 3.9% average as in last 5 years then add override impacts in next 5 years.

Note: Taxes went up $1,444 from FY15 to FY20
Projection below with overrides yields $2,763 avg single family tax increase FY21 to FY21

1	NET Surplus (or deficit)		$ (0)		$ 1,267,199		$ 530,122		$ (216,421)		$ (1,038,808)			
2														
3		FY2021	FY2021	FY2022	FY2022	FY2023	FY2023	FY2024	FY2024	FY2025	FY2025	FY21 comments		
4	FINANCIAL MODEL - REV3 FY21 D3	% ADJ	Budget	% ADJ	Budget	% ADJ	Budget	% ADJ	Budget	% ADJ	Budget			
5														
6														
77	Single family avg tax bills prop 2.5 based	3.9%	$ 8,444	3.9%	8,777	3.9%	9,124	3.9%	9,483	3.9%	9,857			
78	Add override values	$ 272	$ 8,716	$ 750	$ 9,527	$ 750	$ 9,874	$ 750	$ 10,233	$1,030	$ 10,887			
79	Total projected D3 Yearly Tax bill increase %	3.9%	7.3%		9.3%		3.6%		3.6%		6.4%	If we bond 20M for new GMS in FY25 (scenario D3)		
80	Tax bill average increase YoY		$ 592		$ 811		$ 346		$ 360		$ 654	Single family avg tax bill increase ~	$ 2,763	in next 5 years FY21 to FY25
81			FY 2021 1-time MSBA study cap override of $500k line 64 adds ~$125 to tax bil									Single family avg tax bill increase ~	$ 1,756	FY16 to FY21
82			FY 2021: Baseline 3.9% over FY20 = $8,444 plus ~ $147 (initial payments Fire station and roof debt exclusion) Plus $125 (1-time cap override for $1m MSBA study) = $272 tax bump or 7.3% tax bill hike over FY 20											
83			FY2022: Baseline 3.9% over FY21 = $8,777 Added to debt exclusion FD and Roof, line 57 and 58 (~$250) and tax increase due to $2M op override (plus~ $500) for FY22 and beyond											
84			FY2025: Add half the cost of GM (~20M) debt payment of $280 to $750 = $1030 for 6.4% increase over FY2024. Total avg single family tax bill increase over next 5 years = ~$2,763											

Represents ***D3*** additional tax bill increase, *IF* new GMS is approved at $40M total cost and 50% state reimbursement, and debt payments commence FY25. See tax bill calculator references in Appendix

Scenario D3 Revenue Data

		FY2021 % ADJ	FY2021 Budget	FY2022 % ADJ	FY2022 Budget	FY2023 % ADJ	FY2023 Budget	FY2024 % ADJ	FY2024 Budget	FY2025 % ADJ	FY2025 Budget
1	NET Surplus (or deficit)		$ (0)		$ 1,267,199		$ 530,122		$ (216,421)		$ (1,038,808)
2											
3		FY2021	FY2021	FY2022	FY2022	FY2023	FY2023	FY2024	FY2024	FY2025	FY2025
4	FINANCIAL MODEL - REV3 FY21 D3	% ADJ	Budget	% ADJ	Budget	% ADJ	Budget	% ADJ	Budget	% ADJ	Budget
5											
6											
8	REAL ESTATE REVENUES										
9	Prior Year Levy Limit		30,432,490		31,713,302		35,106,134		36,283,788		37,490,882
10	Proposition 2.5% Increase	2.5%	760,812	2.5%	792,833	2.5%	877,653	2.5%	907,095	2.5%	937,272
11	Override				2,000,000						
12	129 Parker New Growth		248,000		300,000						
13	New Growth (Estimate)		272,000		300,000		300,000		300,000		300,000
14	Total Real Estate Revenue		31,713,302		35,106,134		36,283,788		37,490,882		38,728,155
15											
16	Debt Exclusions		2,178,366		2,112,281		2,040,570		1,939,228		1,917,053
17	Debt Exclusions - Fire Station		300,000		897,402		897,402		897,402		897,402
18	Debt Exclusion - GMES Roof		267,875		267,875		267,875		267,875		267,875
19	1 year capital override for new GMS study		500,000								
20	New GMS debt exclusion										1,165,277
21	TOTAL TAX REVENUE		34,459,543		38,383,692		39,489,635		40,595,387		41,810,485
22											
23	Education - Chapter 70		5,442,941		5,481,042		5,519,409		5,558,045		5,596,951
24	Education - Charter School Reimbursement		192,924		192,924		192,924		192,924		192,924
25	Less: Assessments Charter School	0.0%	(1,119,489)	20.0%	(1,343,387)	15.0%	(1,544,895)	10.0%	(1,699,384)	10.0%	(1,869,323)
26	Less: Assessments School Choice	0.0%	(198,847)	5.0%	(208,789)	5.0%	(219,229)	5.0%	(230,190)	5.0%	(241,700)
27											
28	General Government		1,749,569		1,798,557		1,848,917		1,900,686		1,953,905
29	Less: Assessments General Government		(106,053)		(111,356)		(116,923)		(122,770)		(128,908)
30											
31	Addit Local Aid	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
32	NET LOCAL AID		5,961,045		5,808,991		5,680,202		5,599,311		5,503,850
33											
34	TOTAL LOCAL RECEIPTS	3.0%	2,890,000	0.0%	2,890,000	0.0%	2,890,000	0.0%	2,890,000	0.0%	2,890,000
35											
36	School Construction Reimbursement		897,660		897,660		897,660		-		
37											
38	TOTAL BOND PREMIUM REIMBURSEMENT		54,176		49,078		43,781		39,074		35,074
39											
40	TOTAL TRANSFERS FROM OTHER FUNDS		1,444,842		1,444,842		1,444,842		1,444,842		1,444,842
41	Less: PEG and Ambulance shortfall				(100,000)		(278,828)		(288,299)		(298,006)
42	Free Cash										
43											
44	TOTAL REVENUE		$ 45,707,266		$ 49,474,263		$ 50,446,120		$ 50,568,614		$ 51,684,250
45	year over year revenue % delta		4.3%		8.2%		2.0%		0.2%		2.2%

Scenario D3 Expense Data

		FY2021 % ADJ	FY2021 Budget	FY2022 % ADJ	FY2022 Budget	FY2023 % ADJ	FY2023 Budget	FY2024 % ADJ	FY2024 Budget	FY2025 % ADJ	FY2025 Budget
2											
3											
4	FINANCIAL MODEL - REV3 FY21 D3										
5											
6											
46	**EXPENSES**										
47	General Government	1.5%	2,952,058	1.5%	2,996,222	1.5%	3,041,047	1.5%	3,086,542	1.5%	3,132,718
48	Public Safety	1.6%	5,098,744	1.6%	5,181,259	1.6%	5,265,110	1.6%	5,350,317	1.6%	5,436,903
49	Public Works	2.5%	2,135,089	2.5%	2,189,378	2.5%	2,245,048	2.5%	2,302,133	2.5%	2,360,670
50	Culture and Recreation	2.4%	590,844	2.4%	604,733	2.4%	618,948	2.4%	633,498	2.4%	648,390
51						0.0%		0.0%		-	
52	Education - Maynard	4.1%	20,292,760	*4.3%*	21,165,349	*4.3%*	22,075,459	*4.3%*	23,024,703	*4.3%*	24,014,766
53	Education - Assabet	9.0%	1,223,163	9.0%	1,333,094	9.0%	1,452,906	9.0%	1,583,485	9.0%	1,725,800
54	**Capital Line**				250,000		250,000		250,000		250,000
55	Capital - Debt Service Exempt w/ GMS roof Servi		3,698,078		3,059,019		2,982,011		1,978,302		1,952,070
56	Capital - Debt Service Non Exempt		256,140		238,140		142,140		129,401		129,190
57	Capital - Fire Station				897,402		897,402		897,402		897,402
58	Capital - GMES roof				267,875		267,875		267,875		267,875
59	Capital - Non Debt				18,000		114,000		126,739		126,950
60	Employee Benefits	3.8%	8,619,816	6.0%	9,137,005	6.0%	9,685,225	6.0%	10,266,339	6.0%	10,882,319
61	Reserve Fund		250,000		250,000		250,000		250,000		250,000
62	PEG Access (Offset partially by rev transfers)	2.5%	360,574	2.5%	369,588	2.5%	378,828	2.5%	388,299	2.5%	398,006
63	New GMS debt exclusion										1,165,277
64	1 year capital override for new GMS study		500,000								
65	**TOTAL GENERAL FUND EXPENSES**		45,477,266		47,957,065		49,665,998		50,535,035		52,473,059
66	year over year expense % delta		4.3%		5.5%		3.6%		1.7%		3.8%
67											
68	Overlay - Assessment		230,000		250,000		250,000		250,000		250,000
69	Sewer Shortfall										
70											
71	**TOTAL EXPENDITURES**		45,707,266		48,207,065		49,915,998		50,785,035		52,723,059
72											
73	**NET**	$	(0)	$	1,267,199	$	530,122	$	(216,421)	$	(1,038,808

Balance Sheet

- Stabilization Fund Balances (as of Dec 31 2019)
  - General $2.2M (5.2% of Operating Budget) – Stable trend
  - Capital $766K (1.8% of Operating Budget) – Lower than 2014-16
  - Water Enterprise $473K (22.1% of Operating Budget) – Lower than previous
    - Retained Earnings (Water) $399K (18.5% of Operating Budget) – Variable trend
  - Sewer Enterprise $191K (6.2% of Operating Budget) – Lower than pre-2016
    - Retained Earnings (Sewer) $1.1M (34.6% of Operating Budget) – Higher than previous

- Painful to fund, but deferring investments unfair to future tax/rate payers

Capital Priorities

- In the near term:
  - Proposed new fire station
  - Green Meadow roof (various options/cost)
- “On the horizon”: A long (and expensive) list
  - In plan: Proposed new Green Meadow School; Florida St. Bridge
  - Not yet in plan: Senior Center, Alumni Field bleachers
  - Many other priorities including replacements and preventive maintenance
- Water/sewer (supported by enterprise funds)
  - Water source/distribution
  - Wastewater collection/treatment
  - White Pond investment to meet growing water demands

Path Forward

- Increase revenue.
  - Make <u>sustainable</u> revenue growth a transparent and collaborative team effort
  - Double down on a unified campaign to find and prioritize funding for our joint vision rather than battling over smaller pieces of the budget pie
- Attention to Town Capital Priorities and realistic understanding of need to plan staged projects
  - Maintain debt levels at “healthy” amounts
  - Protect bond rating for future borrowing
  - New commitment to capital line item to maintain our assets, minimize debt, and slow tax rate increases
- Establish transparent, believable 5 year plan (and beyond), especially for capital
  - Target realistic funding so the perception of “unfairness” or neglect doesn’t demoralize us in this tough challenge ahead
  - Investigate tax assistance program/policy updates for those hit hardest by tax increases
- Meet twice more before ATM:
  - To add to gaps in the overall impacts include more definitive W/S and other capital priority plan
  - To adopt a unified vision… and then share in a public hearing

Appendix

Baseline to gauge deficit and tax bill impact magnitude over 5 year period

Budget driver highlights and lowlights

- Debt exclusion override for GMS roof (10 yr bond) and Firehouse (30 year bond) ***~$1M P&I 1st 10 years, full repayment starts FY22***
  - **Average Tax Bill impact - add ~$250 per year starting FY22 to 2 ½ %**
    - **Excluded means deficit does not rise**
- Debt Exclusion override for **new or reconstructed GMS** starting FY24?
  - **Average Tax Bill impact - add ~$250 per year starting FY25 to 2 ½ % impact**
    - **Based on $36M estimate with 50% MSBA match**
    - **Excluded means deficit does not rise**
- $250k capital operating budget line added to budget annually
  - Instead of reliance only on variable free cash
- Control increase more aggressively in charter school assessments
  - **33% in FY20**
    - **Reduce to 20% FY21** and FY22, then to **15 % FY 23** and **10 % FY 24, 0% in FY25?**
- Annual new growth flat at $300k per year (and this is above 10 year trend!)
- State and local Aid Flat
- MPS growth flat at 4.3% annually

Some approximations of tax bill impacts

Based on state tool and FY2020 data

Property Tax Impact Calculator FY2020

The Tax Impact Calculator is intended to help local officials analyze the impact on the local tax rate from hypothetical changes to the budget, including Proposition 2 ½ overrides, debt exclusions, and capital exclusions.

This calculator is effective for determining the impact of an expenditure based on current year data. In succeeding years, the results will vary with changes in a community's total assessed value, tax rate, and debt service structure.

Municipality: Maynard

Increase selected: $1,000,000

Total Levy: $32,663,640

	Residential & Open Space	CIP
Current Tax Rates:	$20.64	$27.89
Levy Percentages:	88.3003%	11.6997%
New amounts raised:	$883,003	$116,997
Tax rate impact of expenditure amount:	$0.63	$0.85

Value range and tax bill impact:	Assessed Value ($)	R&O tax bill impact ($)	CIP tax bill impact ($)
Average Single Family Residence:	**393,611**	**247.97**	
	250,000	157.50	212.50
	350,000	220.50	297.50
	450,000	283.50	382.50
	550,000	346.50	467.50
	650,000	409.50	552.50
	750,000	472.50	637.50
	850,000	535.50	722.50
	950,000	598.50	807.50
	1,050,000	661.50	892.50
	1,150,000	724.50	977.50
	1,250,000	787.50	1,062.50

Attached are some tax impacts.
Please remember the tax impacts are using the FY2020 tax rate and the FY2020 average tax value

$1,000,000 Tax impact $247.97

$20,000,000 Bond 30 Years
$1,121,752 annual level debt
Tax impact $279.46

$30,000,000 Bond level debt
$1,1682,629 annual level debt
Tax impact $417.23

$40,000,000 bomd 30 years
$2,243,505 annual level debt
Tax impact $558.93

Tax bill impact Fire Station and GMES roof

$18M bond - 30 year for Firehouse, 10 year for roof

Fire Station

Average Tax	Assessment		$368,438
Current	Average Tax	Bill	$7,752

No. of years	3.75% Amt to be Financed	Annual Repayment	Average Bill Tax Impact
25	15,000,000	934,975	232.12
30	15,000,000	841,314	206.33
35	15,000,000	776,598	191.59
25	16,000,000	997,307	246.85
30	16,000,000	897,402	221.06
35	16,000,000	828,371	206.33
25	17,000,000	1,059,639	261.59
30	17,000,000	953,490	235.80
35	17,000,000	880,144	217.38
25	18,000,000	1,121,970	276.33
30	18,000,000	1,009,577	250.54
35	18,000,000	931,918	232.12

Tax rate impact of expenditure amount:	$0.60	$0.83
Value range and tax bill impact:	Assessed Value ($)	R&O tax bill impact ($)
Average Single Family Residence:	**368,438**	**221.06**

GMES Roof Repair Impact

Municipality:	Maynard	
Increase selected:	$243,523	
Total Levy:	$31,359,563	

	Residential & Open Space	CIP	
Current Tax Rates:	$21.04	$28.86	
Levy Percentages:	86.1600%	13.8400	
New amounts raised:	$209,819	$33,70	
Tax rate impact of expenditure amount:	$0.16	$0.22	
Value range and tax bill Impact:	Assessed Value ($)	R&O tax bill impact ($)	CIP tax bill impact ($)
Average Single Family Residence:	**368,438**	**58.95**	
	250,000	40.00	55.00
	350,000	56.00	77.00
	450,000	72.00	99.00
	550,000	88.00	121.00
	650,000	104.00	143.00
	750,000	120.00	165.00
	850,000	136.00	187.00
	950,000	152.00	209.00
	1,050,000	168.00	231.00
	1,150,000	184.00	253.00
	1,250,000	200.00	275.00

Tax rate impact of expenditure amount:	$0.16	$0.22
Value range and tax bill Impact:	Assessed Value ($)	R&O tax bill impact ($)
Average Single Family Residence:	368,438	58.95

A proposal to add a capital line item to operating budget with guideline to grow it

- A percentage of Operating General Fund Budget will be targeted for an annual capital line item. The ultimate recommended target will be ~2% (1.9% would be ~ $875,000 for FY20) of the town's annual budget.
  - D1 and D2 target $250k annually (or ~ 0.6% of FY20 Op budget)
- Some portion or all of the yearly capital line item may be used, with Town meeting approval:
  - To directly purchase prioritized capital plan items
  - To augment debt servicing
  - For asset maintenance and replacement without borrowing or incurring debt
- If amounts budgeted in the capital line item of the operating budget or prior capital warrant articles remain unspent or uncommitted by the ATM, an article will be presented at the meeting – or at STM – to authorize movement of said unexpended funds to the Capital Stabilization Fund.

FY 21 Capital Funding capacity proposal for Jan 1, 2020

- Adopt $250k line item (Not done)
- Estimate $650,000 annual certified Free Cash
  - Less anticipated snow and ice ~$425,000 = $225k
  - Take half for capital = $112.5k (??)
  - Balance available for other typical free cash allocation (see previous slide)
- $250k line item + $112.5k yields…
  - **$362,500 capital funding available for FY21**
- **Not including debt exclusions for FS and GMS roof**

- With future retiring debt…
- $250k line item + $112.5k + retiring debt $120k in FY23 (per M Guzzo) yields…
  - $482.5k capital funding for FY23…
- Possibly more if Free Cash is higher

A Free Cash allocation guideline proposal

- Upon Certification of Free Cash by DOR each year, and after snow and ice deficit estimate is allocated (average $425k FY14-18):
  - ~ 50% of the remainder of said certified funds will be presented at the following ATM or STM (whichever occurs first) for **transfer to Capital Stabilization**.
  - ~20% will be proposed for transfer to General Stabilization
  - ~10% will fund post employment retirement benefits (OPEB)
  - And ~ **20% will be available for other priorities authorized by the Board of Selectmen, including tax reduction**.

All **Free Cash** is considered by DOR and best municipal practice as variable one-time revenues, so they can't directly fund operating budgets due to possibility of reduced or negative free cash in following years