



Town of Maynard, Massachusetts
Finance Committee

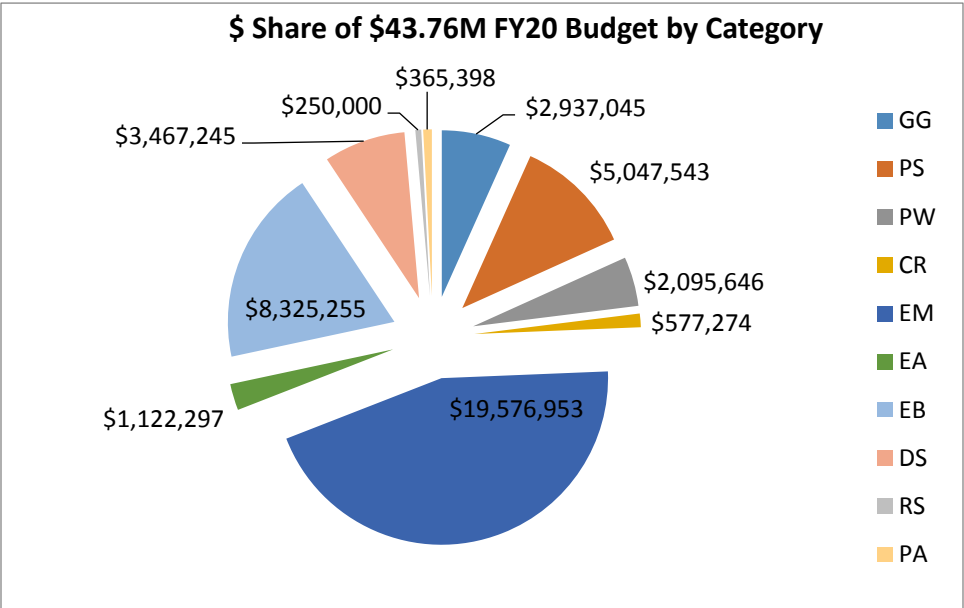
May 18, 2019

Current Status of Town Finances

The FinCom—in close collaboration with the Board of Selectmen, School Committee, Town Administrator, and other Town stakeholders—put together the following analysis, aimed at providing a clear, concise, and accessible context for the operating budget proposals for the coming fiscal year.

1. We have two potential large capital items, the Green Meadow Elementary School (GMES) roof for approximately \$2.1M and Fire Station for approximately \$15M. We don't currently have a way to pay for them outside of a debt override. GMES roof would add ~ \$66 per average household tax bill for a 10 year bond period, and the Fire Station would add ~ \$228 per average household for a 30 year bond period.
2. The Fiscal Year 2020 (FY20) budget is only balanced because of incremental new revenue from 129 Parker St totaling ~ \$500,000. We also eliminated the capital line item for \$85,000 and we're using \$50,000 of free cash for the operating budget. We had previously discussed allocating at least some of the new growth to capital projects. We're not doing that this year and in fact are not earmarking funding to a capital operating budget line. However, Free Cash from FY19 in warrant article 3 allocates \$263,000 to capital stabilization.
3. Free Cash (Article 3) also allocates \$610,000 to the FinCom Reserve fund for unforeseen and unbudgeted costs for Green Meadow school for required decontamination, remediation and abatement activities. Costs which cannot be covered by school budget transfers will be submitted to and reviewed by the Finance Committee to approve to pay from the above amount before the end of June. They must meet the criteria as unforeseen, extraordinary and unbudgeted costs for FY19. Unused amounts will be become FY20 Free Cash.
4. Net charter school choice cost is up 31% FY19 to FY20. We're effectively losing \$846,000 a year in state funding due to out of district charter school placements. While we avoid some costs because those students don't go to Maynard Public Schools, we have a lot of fixed costs that don't go away with less students.
5. We need more new revenue. As a town, we should keep this in mind as new developments are proposed. FinCom is recommending a more substantive and transparent tradeoff discussion to balance revenue growth with service needs, etc. and to work harder to welcome new economic development projects that fit with our developing Master Plan (see town website for details).

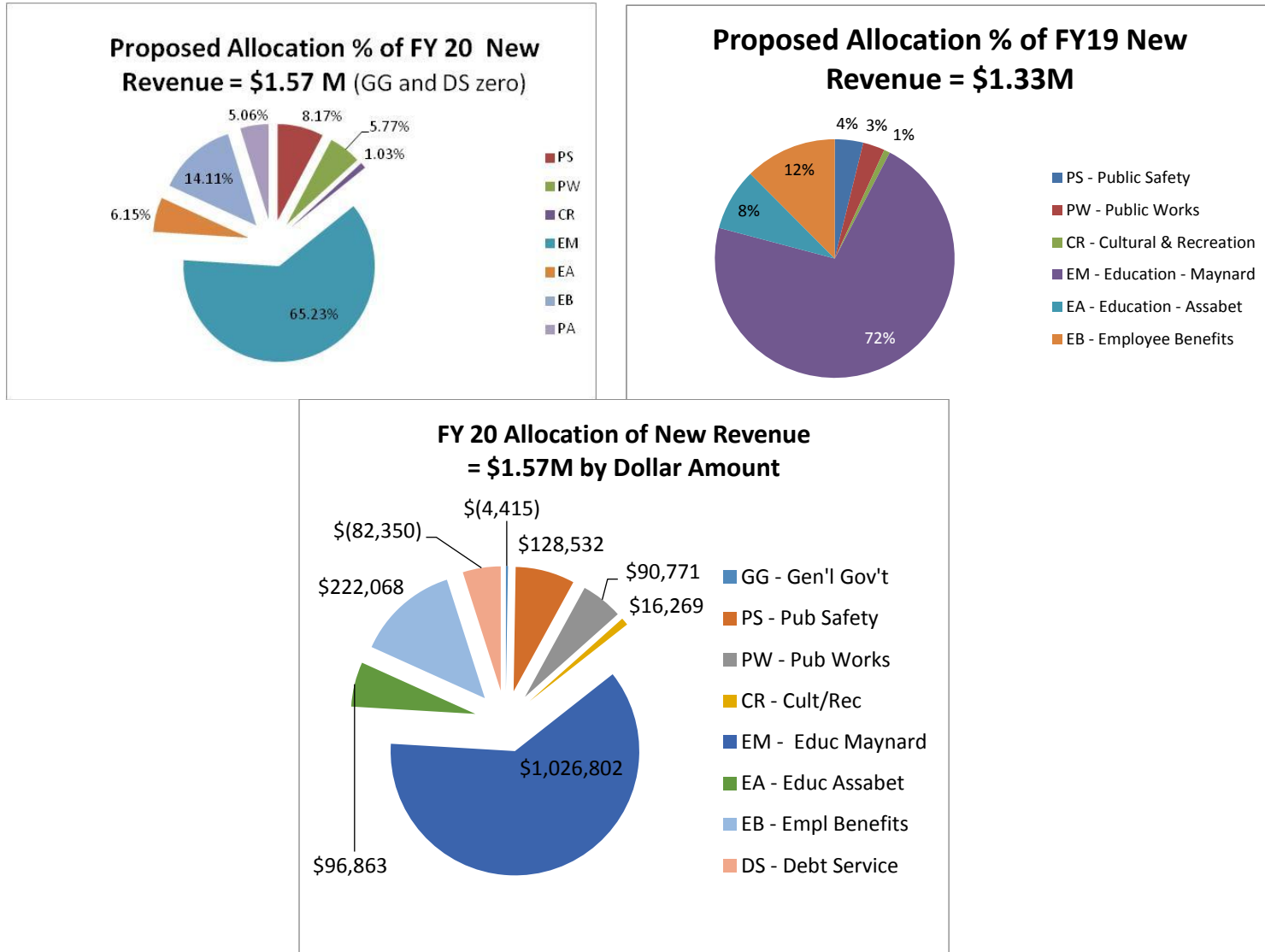
6. Total **FY2020 budget** request for this analysis is **\$43,764,656** representing a **3.63% increase over FY2019**. *(The budget request includes \$250,000 for the FinCom reserve fund and \$365,398 for PEG access).*



Key to Budget "Department" Categories:

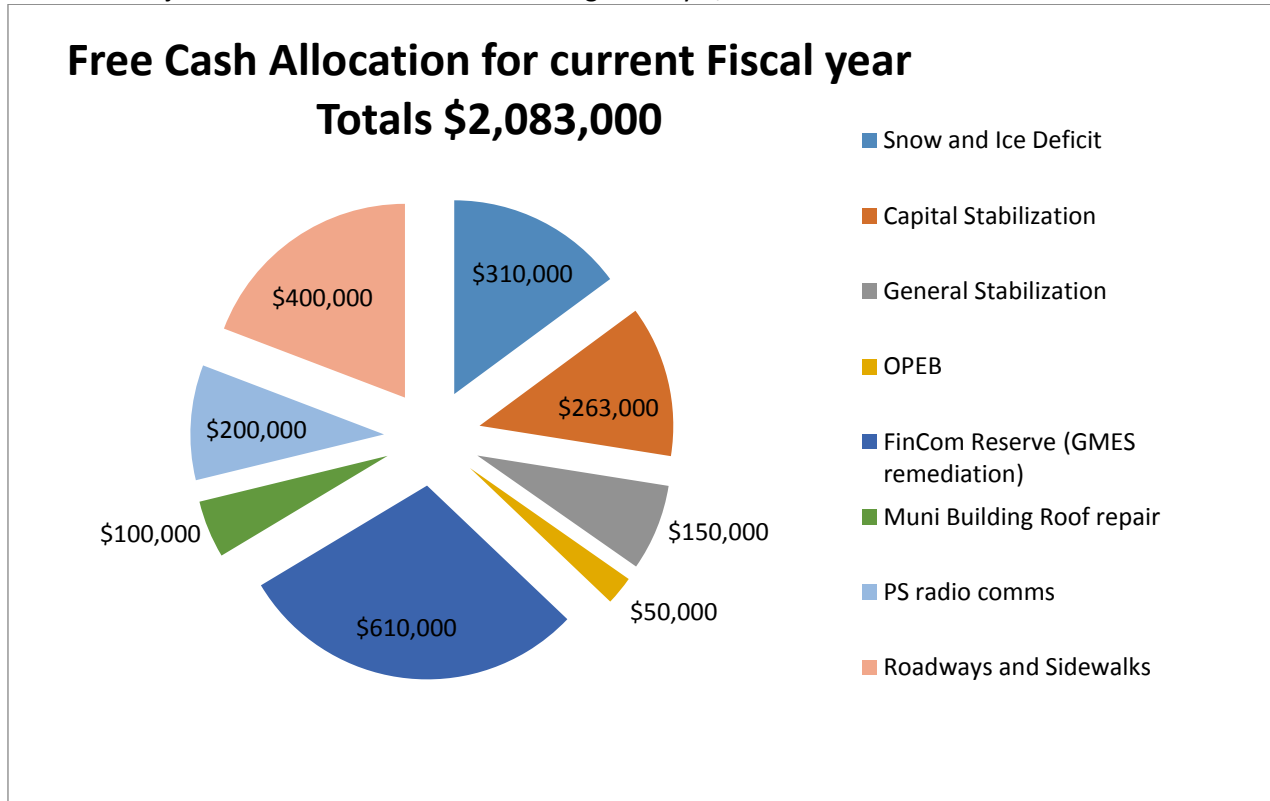
- (GG) **General Government**
- (PS) **Public Safety** *(i.e., Fire, Ambulance, Police, and Civilian Dispatch)*
- (EM) **Maynard Public Schools** *(not including ~ \$8M, covering town budget payments for employee benefits and other accommodated costs such as debt service etc)*
- (EA) **Assabet Valley Regional Technical School**
- (PW) **Public Works**
- (CR) **Culture and Recreation** *(including Library, Historical Commission)*
- (DS) **Debt Service**
- (EB) **Employee Benefits** *(Pensions and benefits for both Town and School employees)*
- (RS) **FinCom Reserve Fund**
- (PA) **PEG Access**

7. The FY20 Budget includes \$1.57M of new revenue. The “Proposed Allocation % of FY20 New Revenue” by Budget (figure below) shows that approximately 71% of new funding will go directly to educating students attending school in Maynard and at Assabet Valley Regional Technical High School. Approximately 15% of new funding will go to Public Safety, Public Works, and Culture and Recreation; two categories (General Government and Debt service) will receive no new funding in this budget and their budgets go down.



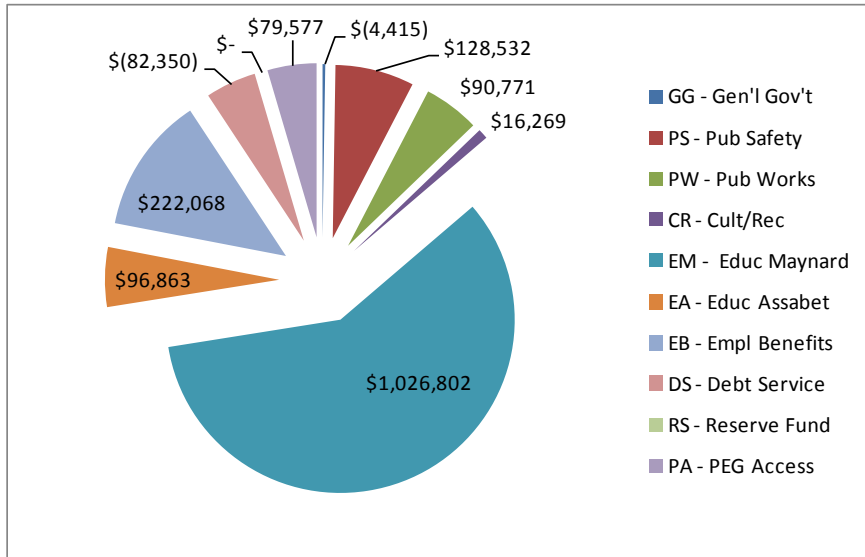
8. Free Cash allocation

The \$610,000 allocation of free cash for decontamination and abatement costs at Green Meadow Elementary School is set aside as incremental FinCom reserve funds for FY19 which still must go through the Request-for-Transfer process to assess compliance to the requirements that they **“... cover extraordinary or unforeseen expenditures”** that arise during the year. These must be approved for completed and invoiced work done by the end of this fiscal year. To be prepared for this process, the School administration and School Committee presented a summary of current work status and costs with initial justifications to the FinCom meeting on May 1, 2019.

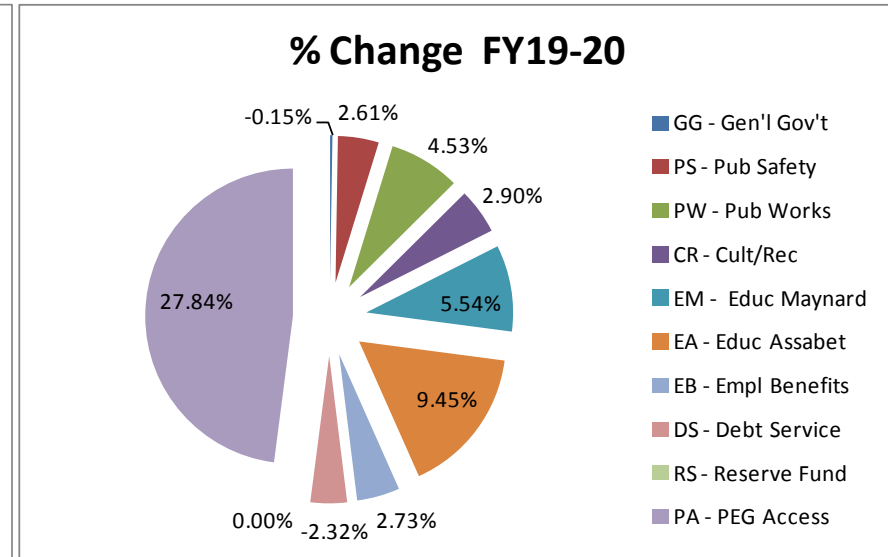


9. Figures below show the change in Department and major category Budget lines from FY2019 to FY2020 in dollar and percentage terms, with two categories showing a decrease (General Government and Debt Service). Again, the two Education-related Departments received the majority of new funding in dollar terms.

\$ Change for FY2019 to FY2020 by Budget Department



% Change for FY2019 to FY2020 by Budget Department



(Please note that the trends below are taken from FinCom assessments completed earlier this spring and so therefore do not match exactly the final budget FY20 numbers submitted at Annual Town Meeting, although the associated trends and assessments remain the same.)

10. Revenue estimate for FY20 includes \$250k overlay assessment on top of Operating budget of \$43,764,656.

	FY2020
FINANCIAL MODEL - REV11	Budget
	REV11
REAL ESTATE REVENUES	
Prior Year Levy Limit	\$ 29,049,744
Proposition 2.5% Increase	\$ 726,244
New Growth (Estimate)	\$ 730,000
	\$ 30,505,988
Debt Exclusions	\$ 2,246,149
TOTAL TAX REVENUE	\$ 32,752,137
Education - Chapter 70	\$ 5,442,941
Education - Charter School Reimbursement	\$ 274,827
Less: Assessments Charter School	\$ (1,120,825)
Less: Assessments School Choice	\$ (107,525)
General Government	\$ 1,749,569
Less: Assessments General Government	\$ (106,053)
FY2020 Net Local Aid Estimate (3.0% of prior year)	\$ -
NET LOCAL AID	\$ 6,132,934
TOTAL LOCAL RECEIPTS	\$ 2,644,169
School Construction Reimbursement	\$ 897,660
TOTAL BOND PREMIUM REIMBURSEMENT	\$ 59,090
TOTAL TRANSFERS FROM OTHER FUNDS	\$ 1,469,666
FREE CASH	\$ 50,000
TOTAL REVENUE	\$ 44,005,656

One implication of this data is that making reductions in non-education Budget Departments will not yield significant funding that could be shifted to Maynard Public Schools without severely affecting other important Town services.

Long-Term Financial Outlook

Maynard's long-term financial outlook demonstrates certain strengths, including disciplined spending. However, the Town's ability to raise taxes is limited by state law (Prop 2½), with a cap on total tax amount we can raise (called **the levy ceiling**). In light of Maynard's current levy ceiling, over-ride amounts—even if they were to be considered—are finite, and the Town cannot meet all requested needs this way.

The FinCom will continue to monitor and examine the following trends affecting the Town's finances:

- a. **Funding for Maynard Public Schools (MPS):** Due to limits on increases for property tax revenues (which are restricted by Prop 2½), the MPS continue to be funded at a level below level-service funding. Impacting that, among other constraints, is the significant growth trend in funding going out to other schools, particular charter schools.
- b. **Capital Projects:** The list of important capital projects needed by Maynard is long and will require significant investment every year to address in an appropriate and timely manner. This year the first new revenue anticipated from 129 Parker is largely being allocated to operating budget shortfall rather than addressing capital and maintenance priorities. FinCom believes this trend, where a heavy reliance on unpredictable free cash has been the historical means, must be changed with proactive and disciplined planning to avoid some of the high costs of repair and neglect. Our new town administrator intends to re-instate a citizen committee with subject matter expertise to begin to address this, but immediate policy guidelines and funding commitments and new revenue sources are clear near term requirements for success.
- c. **Water/Sewer Infrastructure:** Although not technically part of Maynard's operating budget, the adequacy of the Town's Water and Sewer Enterprise Funds is of paramount importance, and longer term investment is needed.
- d. **Increasing Tax Revenue through Growth:** There a number of proposed and planned development projects in Maynard that are expected to bring some additional revenues to the Town, adding to the tax base and shifting some of the tax revenue burden from current taxpayers.
- e. **Recreational Marijuana:** Within the next year or two, Maynard will likely begin seeing some sales tax revenue and community impact fees generated from the sale of recreational marijuana.

TREND OVERVIEW: 5 YEAR BUDGET HISTORY, FY2020 REQUESTS, AND 5 YEAR BUDGET PROJECTIONS:

The table below shows the historical funding of the standard 8 budget categories (with Fincom Reserve plus PEG Access added in 2017).

That is followed by a 5 year estimated projection of Revenue and Expenses based on trends and other projections. *This is a scenario planning tool for “what ifs” where much is fixed cost projection, but it does NOT represent budget owners requests. It allows us to see where major initiatives can be explored to target discipline and planned approaches that can sustain our commitment to services and balance our future budgets.*

Finally, this is followed by a pie chart showing how the Town’s budget has been spread across the eight customary Budget Departments fairly consistently over the past six budgets, FY2015 through FY2019

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
TOTAL EXPENSES						
General Government	\$ 2,413,416	\$ 2,753,869	\$ 2,887,684	\$ 2,996,058	\$ 2,941,460	\$ 2,937,045
Public Safety	\$ 4,517,304	\$ 4,618,566	\$ 4,735,213	\$ 4,858,821	\$ 4,919,011	\$ 5,047,543
Public Works	\$ 1,655,800	\$ 1,684,271	\$ 1,777,236	\$ 1,958,551	\$ 2,004,875	\$ 2,095,646
Cultural & Recreation	\$ 532,348	\$ 521,343	\$ 529,069	\$ 548,224	\$ 561,005	\$ 577,274
Education - Maynard	\$ 15,500,897	\$ 16,151,275	\$ 16,756,163	\$ 17,426,410	\$ 18,550,151	\$ 19,576,953
Education - Assabet	\$ 743,110	\$ 789,627	\$ 1,039,677	\$ 893,191	\$ 1,025,434	\$ 1,122,297
Employee Benefits	\$ 6,737,686	\$ 7,037,638	\$ 7,432,954	\$ 7,949,445	\$ 8,144,187	\$ 8,325,255
Debt Service	\$ 4,055,488	\$ 3,965,398	\$ 3,810,657	\$ 3,647,253	\$ 3,549,595	\$ 3,467,245
Reserve Fund	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 250,000	\$ 250,000
Peg Access	\$ -	\$ -	\$ 233,879	\$ 374,688	\$ 285,821	\$ 365,398
TOTAL EXPENSES MAYNARD	\$ 36,456,049	\$ 37,821,987	\$ 39,502,532	\$ 40,952,641	\$ 42,231,539	\$ 43,764,656
% YoY increase		3.7%	4.4%	3.7%	3.1%	3.6%

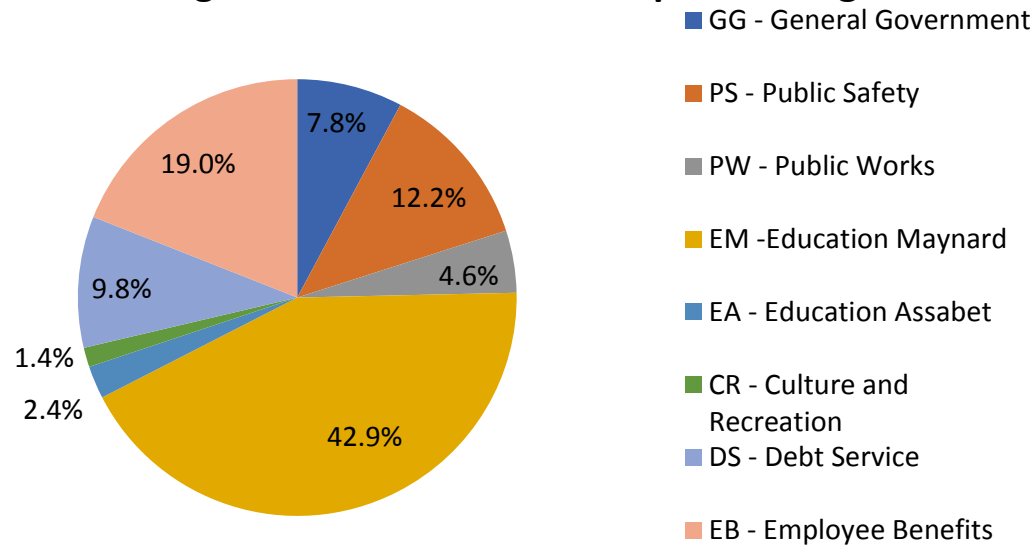
5 Year Revenue Projection

	FY2019	FY2020	FY2021	FY2021	FY2022	FY2022	FY2023	FY2023	FY2024	FY2024
FY 20 FINANCIAL MODEL - REV07	Budget	Budget	% ADJ	Budget	% ADJ	Budget	% ADJ	Budget	% ADJ	Budget
	Revised	REV07								
REAL ESTATE REVENUES										
Prior Year Levy Limit	28,058,307	29,049,744		30,505,988		31,868,637		33,265,353		34,396,987
Proposition 2.5% Increase	701,941	726,244	2.5%	762,650	2.5%	796,716	2.5%	831,634	2.5%	859,925
Override										
129 Parker New Growth		541,000		300,000		300,000				
New Growth (Estimate)	289,496	189,000		300,000		300,000		300,000		300,000
	29,049,744	30,505,988		31,868,637		33,265,353		34,396,987		35,556,912
Debt Exclusions	2,310,952	\$ 2,246,149		2,476,149		2,342,281		2,270,570		2,169,228
TOTAL TAX REVENUE	31,360,696	32,752,137		34,344,786		35,607,634		36,667,557		37,726,140
Education - Chapter 70	5,402,021	\$ 5,442,941	1.0%	5,402,021	1.0%	5,456,041	1.0%	5,510,602	1.0%	5,565,708
Education - Charter School Reimbursement	183,187	\$ 274,827	15.0%	183,187	15.0%	210,665	15.0%	242,265	15.0%	278,605
Less: Assessments Charter School	(854,236)	\$ (1,120,825)	25.0%	(1,401,031)	25.0%	(1,751,289)	25.0%	(2,189,111)	25.0%	(2,736,389)
Less: Assessments School Choice	(97,252)	\$ (107,525)	1.0%	(108,600)	1.0%	(109,686)	1.0%	(110,783)	1.0%	(111,891)
Free Cash		50,000								
General Government	1,688,427	\$ 1,749,569	3.0%	1,802,056	3.0%	1,856,118	3.0%	1,911,801	3.0%	1,969,155
Less: Assessments General Government	(107,437)	\$ (106,053)	10.0%	(116,658)	10.0%	(128,324)	10.0%	(141,157)	10.0%	(155,272)
Addit Local Aid	-	-	3.0%	185,488	3.0%	363,882	3.0%	540,804	3.0%	713,737
NET LOCAL AID	6,214,710	6,182,934		5,946,462		5,897,406		5,764,421		5,523,652
TOTAL LOCAL RECEIPTS	2,549,900	\$ 2,644,169	0.0%	2,644,169	0.0%	2,644,169	0.0%	2,644,169	0.0%	2,644,169
School Construction Reimbursement	897,660	\$ 897,660		897,660		897,660		897,660		-
TOTAL BOND PREMIUM REIMBURSEMENT	63,491	59,090		54,176		49,078		43,781		39,074
TOTAL TRANSFERS FROM OTHER FUNDS	1,415,089	\$ 1,469,666		1,377,235		1,384,559		1,392,066		1,399,761
TOTAL REVENUE	\$ 42,501,546	\$ 44,005,656		\$ 45,264,489		\$ 46,480,507		\$ 47,409,654		\$ 47,332,796
year over year revenue % delta		3.5%		2.9%		2.7%		2.0%		-0.2%

5 Year Expense Projection

	FY2019	FY2020	FY2021	FY2021	FY2022	FY2022	FY2023	FY2023	FY2024	FY2024
FY 20 FINANCIAL MODEL - REV07	Budget	Budget	% ADJ	Budget	% ADJ	Budget	% ADJ	Budget	% ADJ	Budget
	Revised	REV07								
EXPENSES										
General Government	2,856,205	\$ 2,937,045	2.0%	2,995,786	2.0%	3,055,702	2.0%	3,116,816	2.0%	3,179,152
Public Safety	4,919,011	\$ 5,047,543	2.0%	5,148,494	2.0%	5,251,464	2.0%	5,356,493	2.0%	5,463,623
Public Works	2,004,875	\$ 2,095,646	2.0%	2,137,559	2.0%	2,180,310	2.0%	2,223,916	2.0%	2,268,395
Culture and Recreation	561,005	\$ 577,274	2.0%	588,819	2.0%	600,596	2.0%	612,608	2.0%	624,860
Education - Maynard	18,550,151	\$ 19,576,953	4.2%	20,399,185	4.3%	21,276,350	4.3%	22,191,233	4.3%	23,145,456
Education - Assabet	1,025,434	\$ 1,122,297	6.0%	1,189,635	6.0%	1,261,013	6.0%	1,336,674	6.0%	1,416,874
Capital -Debt Serv Exempt w/GMS roof FY21	3,272,103	\$ 3,202,899		3,427,985		3,289,019		3,212,011		2,208,302
Capital - Debt Service Non Exempt	277,492	264,346		256,140		238,140		142,140		129,401
Capital - Fire Station				911,000		911,000		911,000		911,000
Capital - Non Debt	85,255	-		8,206		26,206		122,206		134,945
Employee Benefits	8,144,187	\$ 8,316,255	6.5%	8,856,812	6.5%	9,432,504	6.5%	10,045,617	6.5%	10,698,582
Reserve Fund	250,000	250,000		250,000		250,000		250,000		250,000
PEG Access (Offset by revenue in transfers)	285,821	\$ 365,398	2.5%	374,533	2.5%	383,896	2.5%	393,494	2.5%	403,331
TOTAL GENERAL FUND EXPENSES	42,231,539	43,755,656		46,544,154		48,156,200		49,914,207		50,833,921
year over year expense % delta		3.6%		6.4%		3.5%		3.7%		1.8%
Overlay - Assessment	269,188	250,000		250,000		250,000		250,000		250,000
TOTAL EXPENDITURES	42,500,727	44,005,656		46,794,154		48,406,200		50,164,207		51,083,921
NET	\$ 819	\$ (0)		\$ (1,632,998)		\$ (2,154,934)		\$ (3,118,586)		\$ (4,259,655)
\$ Change Year to Year				\$ (1,632,997)		\$ (521,936)		\$ (963,652)		\$ (1,141,069)

Average Historical % of Total Expense Budget



This exercise demonstrates that the Town will still not be able fund all budget needs without a greater increase in tax revenue, and that the Town will need to plan out when investments can be made within existing revenue constraints.

As new revenue becomes part of the base operating budget in the following fiscal year, the risk is new revenue growth remains flat. The 5 year projections show increasing deficits. This exercise demonstrates that the Town will still not be able fund all budget needs without a greater increase in tax revenue or other revenue sources, and that the Town will need to plan out when investments can be made within existing revenue constraints.

Plain and simply put, Maynard will need more revenue growth and/or changes to the Town’s budget expenditure model to make ends meet.