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

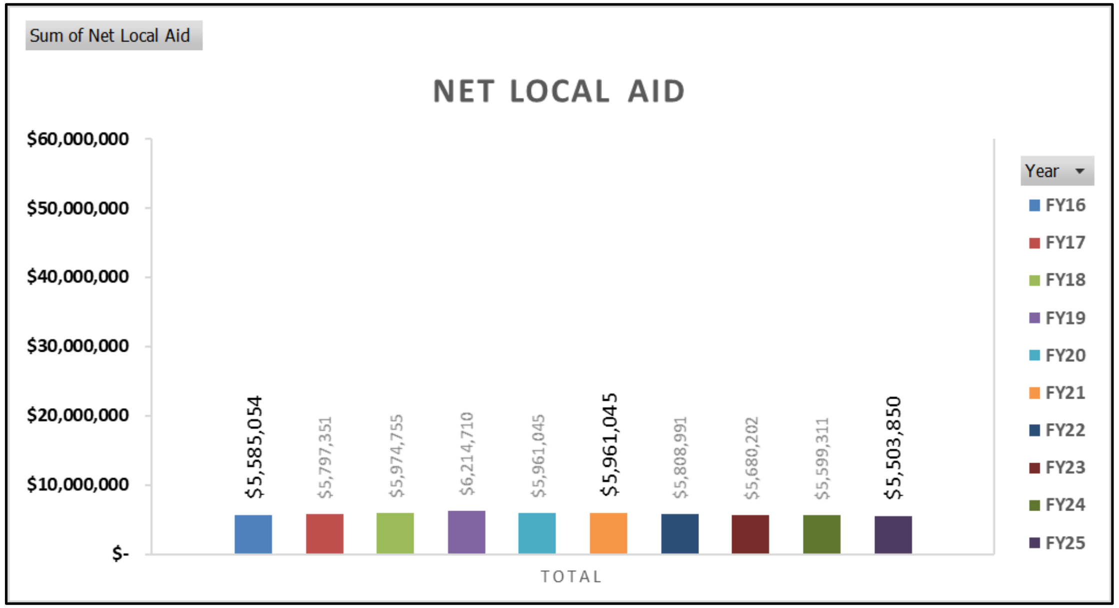
- Maynard can no longer balance its budget by cutting expenses only.
  - Further cuts to Town Departments will not reduce expenses enough to balance future budgets.
  - Maynard Public Schools cannot keep cutting expenses and provide the kind of education our communities' children need/deserve.
  - Maintenance 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 exclusion
    - $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

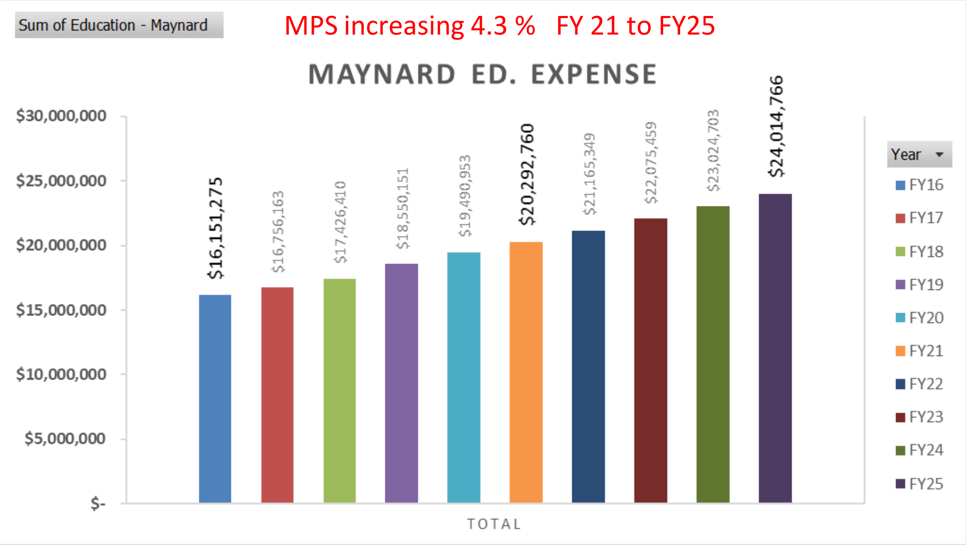


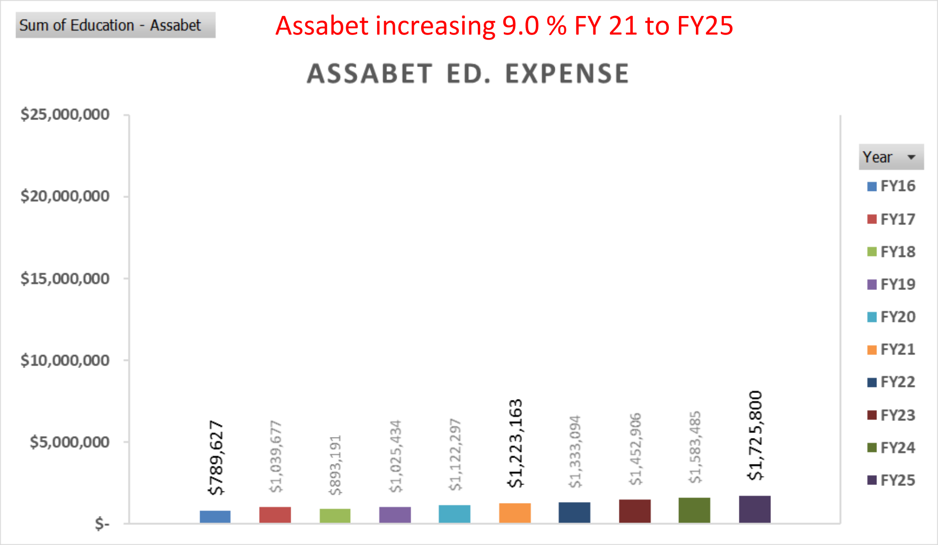
- Assumes charter school student outflow trend has peaked
  - Up ~30% annually last 3 years. Plan includes reversing trend for rising more slowly, but accounts for still growing from ~$1.0 to $1.9M in next 5 years.

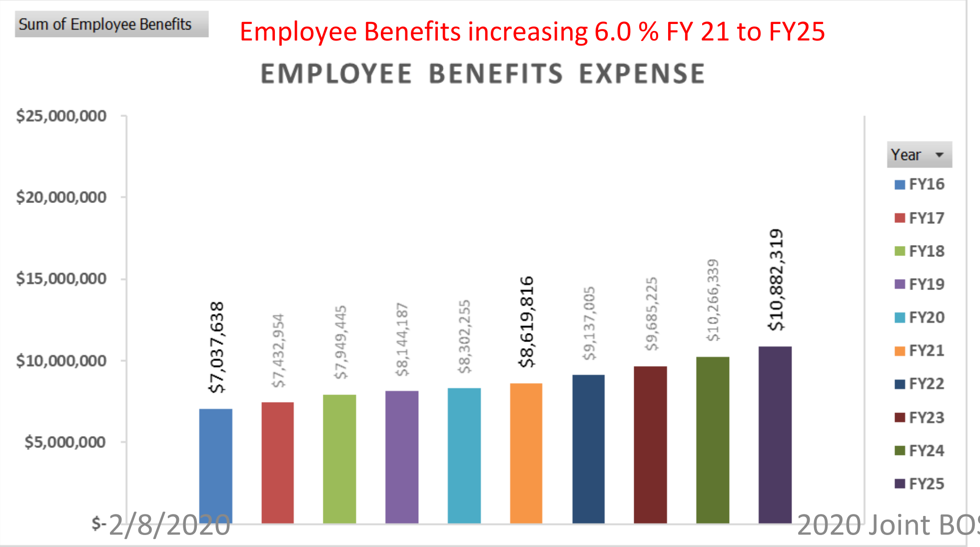
  Caution: Continued trend of 30% per year would be $3.2M by FY2025!

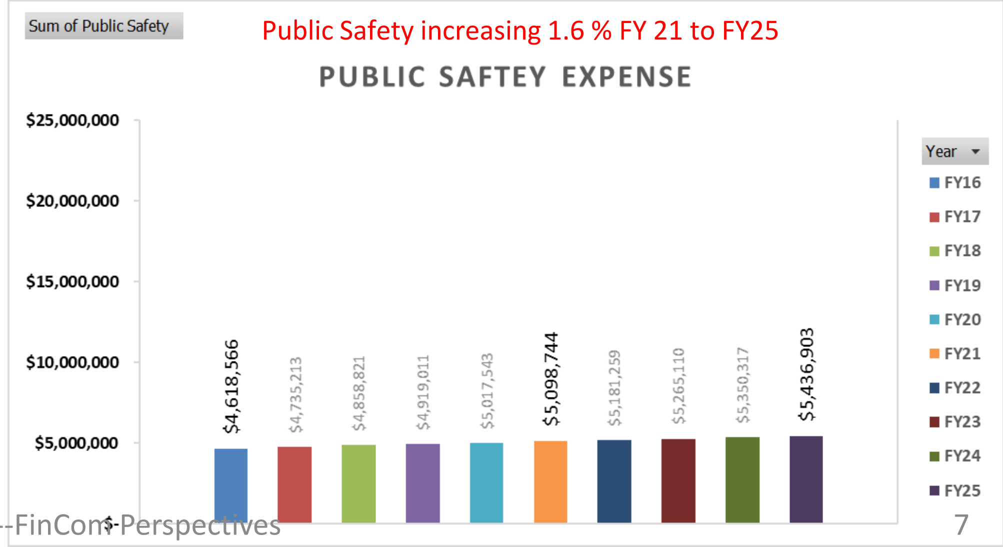
Scenario *D1* Assumptions (2 of 2)

Major expense budget drivers = 77% of FY21 budget



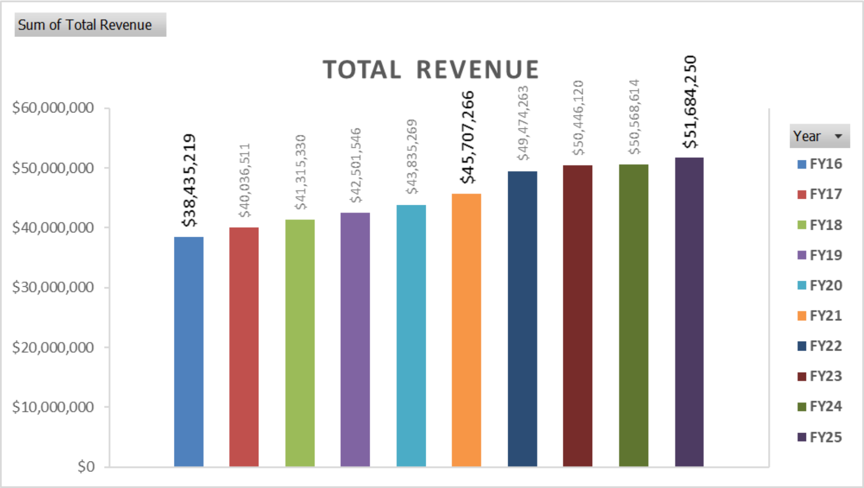


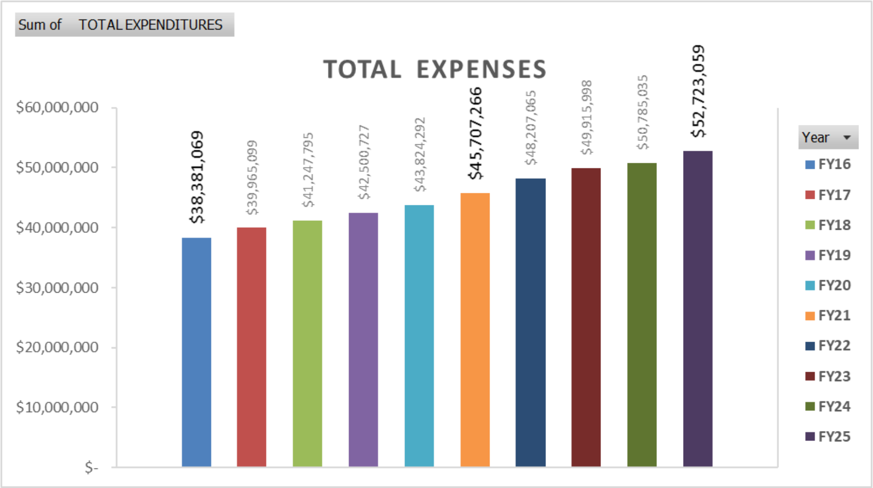


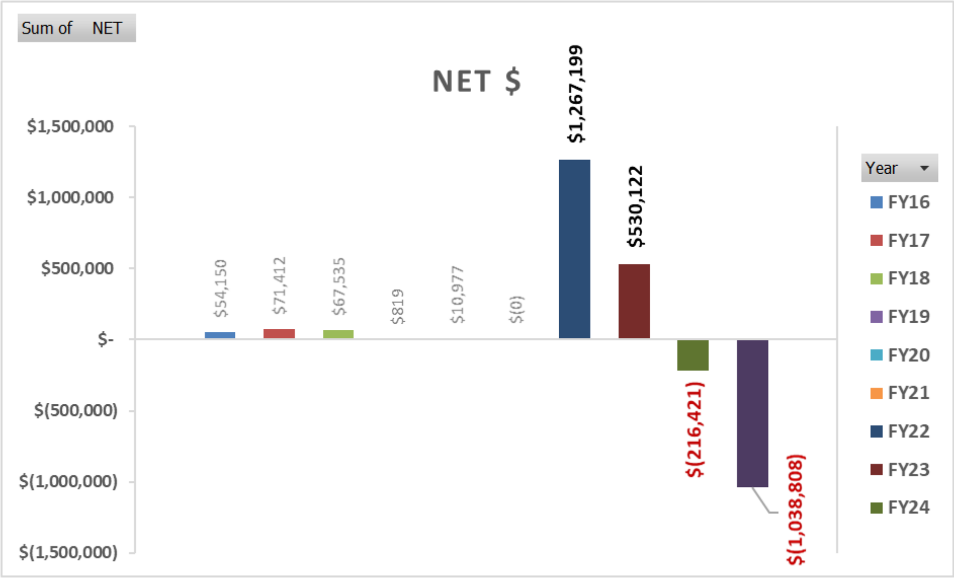


Scenario *D1*

Overall Revenue vs Expense Summary



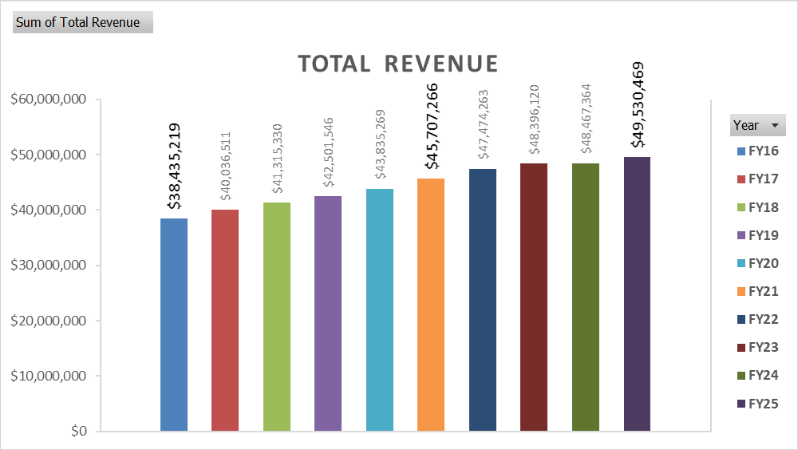


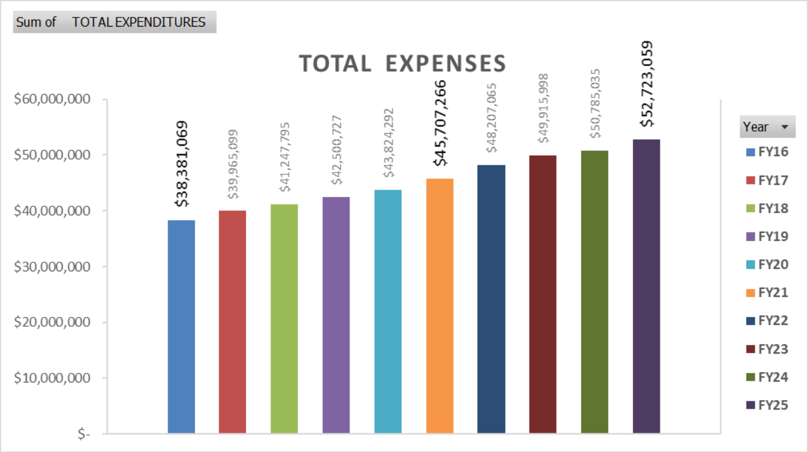


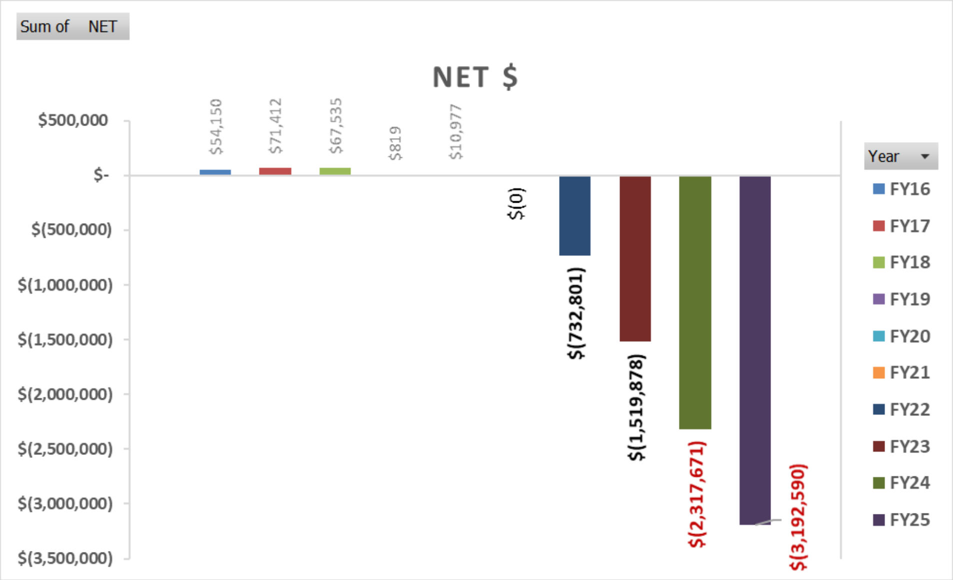
Proposal to consider:

- 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:



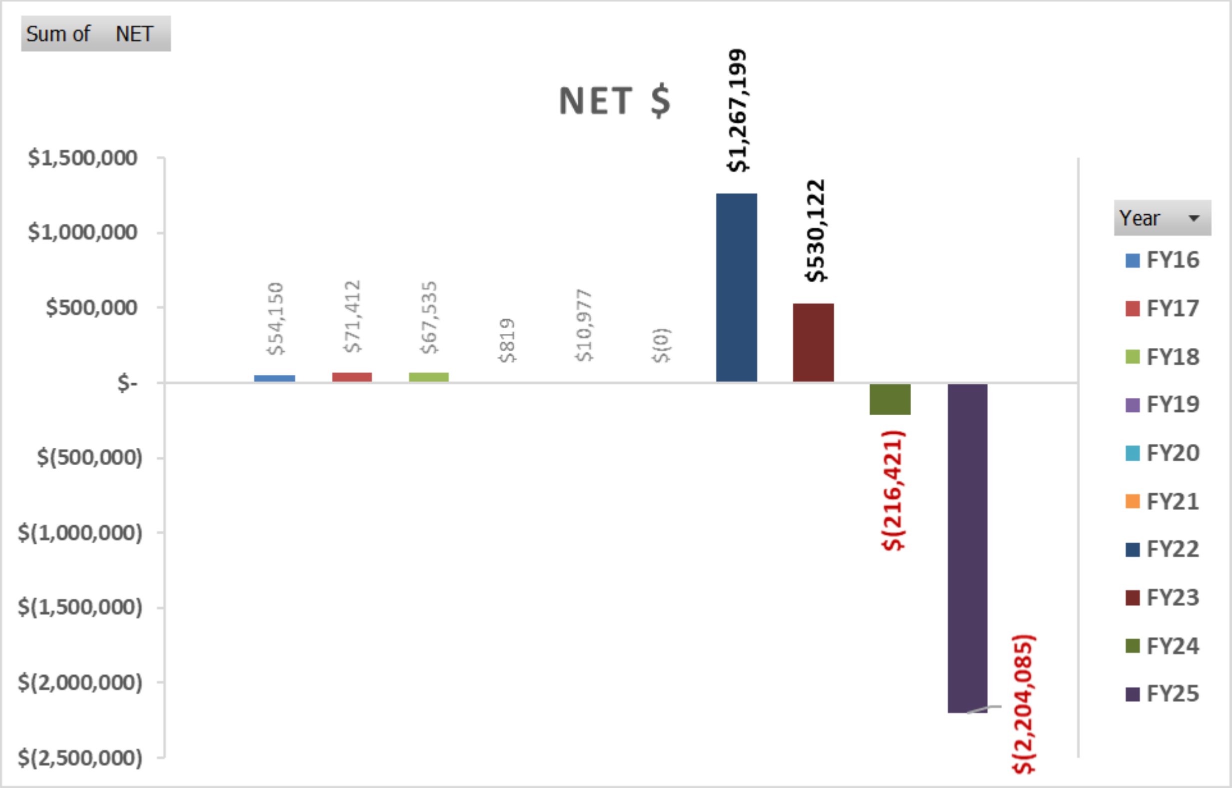




Difficult challenge to solve in next few years:

- 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 $18M debt exclusion for New GMS



- 30 year bond for new or reconstructed GMS estimated conservatively at $36M.
- (Maynard pays 50% as debt or ~ $18M starting FY25).
- Since excluded debt, operating budget doesn't change but tax bill goes up another $250 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 Pa	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 in last 5 years then add override impacts in next 5 years.

3		FY2021	FY2021	FY2022	FY2022	FY2023	FY2023	FY2024	FY2024	FY2025	FY2025
4	FINANCIAL MODEL - REV3 FY21 D1	% ADJ	Budget	% ADJ	Budget	% ADJ	Budget	% ADJ	Budget	% ADJ	Budget
5											
6											
75	**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
76	**Add override values**	$ 350	$ 8,794	$ 300	$ 9,077	$ 300	$ 9,424	$ 300	$ 9,783	$ 550	$ 10,407
77	**Total projected D1 Yearly Tax bill increase**	3.9%	8.3%		3.2%		3.8%		3.8%		6.4%
78			1 time MSBA study cap override line 62								If we bond $18M for new GMS in FY25
79			Added to debt exclusion FD and Roof lnes, 56 and 57 and tax increase due to $2M oop override								

Represents ***D1*** scenario, except FY25 represents ***D3*** additional tax bill increase, if new GMS is approved, and debt payments commence.

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