Town Of Maynard
Annual Town Meeting
Finance Committee Update
for Public Hearing

2020-06-08 Rev 10
Maynard is Resilient

• We have been through similar times and thrived when we met challenges as a community...
  • http://collection.maynardhistory.org/items/show/7488 - 1918
  • http://collection.maynardhistory.org/items/show/7489 - 1919

REPORT OF THE BOARD OF ASSESSORS
For the Year Ending December 31st, 1918

We regret that each year we are obliged to make the tax rate higher than the previous year to meet the obligations of the town. For this continuous increase in the burden of taxation the voters who make the appropriations at the town meeting are largely responsible.

Special thanks to David Griffin and the Maynard Historical Society for scanning the records and making them accessible.
FY21 proposed Operating Budget summary

- Article 13 presents a balanced FY21 budget without full knowledge of the impacts of COVID-19
- Includes conservative changes in revenue projections and department budgets relative to prior years
- This budget continues to underfund capital projects and education
- Town and Schools will monitor the budget carefully leading up to October 5th Special Town Meeting (STM), likely implementing cuts and/or use of General Stabilization to address shortfalls
- FinCom and Town leadership are engaged in multi-year planning, but this ATM is more focused on the immediate future due to funding uncertainty caused by COVID-19.
- There has been and continues to be a critical need to focus on generating more revenue sources to meet future town needs
Needed Capital/infrastructure project examples in the near term:

- In the next five years we will need to prioritize and invest in projects such as:
  - New Fire Station
    - Current funding proposal: Debt Exclusion override for ~15M bond results in ~$225 annual average residential tax bill increase for 30 year term
  - GMES school building study
    - Current funding proposal: Capital Exclusion override for ~$400k with equal match by MSBA, one-year $126 increase to average tax bill
  - GMES school renovation or replacement (based on study)
    - Current funding proposal: Debt Exclusion override for ~$20-25M bond/30 years results in ~$280 annual average residential tax bill increase
  - Water capacity improvements to help generate and sustain growth with Water/Sewer rate increase $67.20 for FY21 and future increases TBD
  - New Capital Committee is prioritizing others
One capital need that can’t wait...

- Article 14: $300,000 debt exclusion bond to repair part of Green Meadow School roof added to free cash $350,000 in Article 1 for the flat roof repair project.
  - The FinCom strongly recommends this investment in a critical town asset for a total cost estimate of $650k.

- Average Family tax bill (based $393,611 home valuation) currently is $8,124 for FY20
  - GMS roof debt payment adds ~ $16 to this average tax bill for 5 years

- **FY21** Property Taxes Impact (not including Covid-19 impacts):
  - Average annual 4% tax bill increase adds $313, plus $16 to fix roof = $8,437
The overall operating budget picture...

- New development growth helps somewhat ($100K to $600K annually), and increases levy beyond 2.5% annually (governed by Prop 2½ - See next slide)
  - Helps to keep pace with expenses and correction of a historically underfunded capital infrastructure plan, but...
    - Like most town budgets in Mass. education funding and continuous unfunded mandates, along with rising town-wide employee benefits, continue to be the biggest budget drivers... annually going well beyond 2.5%  
    - Increased efficiencies and incremental development-based revenue growth are not making up a growing gap for balancing budgets and needed infrastructure investment

- State and local aid has been flat and sometimes declining in recent years
  - Covid-19 will make this difficult situation quite a bit worse in the nearest term

- Like the pandemic itself, a sober look at how we recover will require data, patience, open-mindedness and a resilience that we possess as a community and need to hold fast to.
A note about Prop 2 ½ ...
And why tax bill can increase more than 2.5% on annual basis

Proposition 2½ excludes four cases from the limitation on tax levy increases:

- "New growth": The Act allows for new growth. So, for example, when a new house is built, the tax levy may increase by the amount of taxes collected from that house.
- And three types of exclusions granted by the majority those voting in a municipal referendum:
  - "Capital exclusion": Capital expenditure for the upcoming fiscal year;[7]
  - "Debt exclusion": For pre-1980 municipal debt or new debt issued for a designated purpose (e.g. bonds issued for a multi-year capital expense);[8] or
  - Water/sewer debt: For certain water and sewer system debt.[9]

[https://en.wikipedia.org/wiki/Proposition_2%C2%BD]
APPENDIX

Budget history and projections without COVID-19 Impact
Path Forward

• Increase revenue.
  • Make sustainable 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
Balance Sheets – Fund Balances

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


These numbers represent 5 year increases in tax bills WITHOUT new investments in infrastructure or education, etc

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

Note: Average single family taxes went up $1,444 from FY15 to FY20

<table>
<thead>
<tr>
<th>DOT Code</th>
<th>Municipality</th>
<th>Year</th>
<th>Single Family Value Family Tax</th>
<th>Single Family Tax</th>
<th>Rank**</th>
<th>YoY % Inc</th>
</tr>
</thead>
<tbody>
<tr>
<td>74</td>
<td>Maynard</td>
<td>2011</td>
<td>850,649,100</td>
<td>2,635</td>
<td>25127</td>
<td>5.517</td>
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<tr>
<td>74</td>
<td>Maynard</td>
<td>2012</td>
<td>823,517,500</td>
<td>2,642</td>
<td>311,702</td>
<td>5.751</td>
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<tr>
<td>74</td>
<td>Maynard</td>
<td>2013</td>
<td>803,926,800</td>
<td>2,644</td>
<td>304,057</td>
<td>6.096</td>
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<tr>
<td>74</td>
<td>Maynard</td>
<td>2014</td>
<td>763,742,700</td>
<td>2,654</td>
<td>287,770</td>
<td>6.414</td>
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<tr>
<td>74</td>
<td>Maynard</td>
<td>2015</td>
<td>796,732,900</td>
<td>2,661</td>
<td>299,411</td>
<td>6.680</td>
</tr>
<tr>
<td>74</td>
<td>Maynard</td>
<td>2016</td>
<td>872,832,200</td>
<td>2,665</td>
<td>327,517</td>
<td>6.960</td>
</tr>
<tr>
<td>74</td>
<td>Maynard</td>
<td>2017</td>
<td>874,863,800</td>
<td>2,671</td>
<td>327,542</td>
<td>7.209</td>
</tr>
<tr>
<td>74</td>
<td>Maynard</td>
<td>2018</td>
<td>878,774,700</td>
<td>2,674</td>
<td>328,637</td>
<td>7.440</td>
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<tr>
<td>74</td>
<td>Maynard</td>
<td>2019</td>
<td>985,202,900</td>
<td>2,674</td>
<td>368,438</td>
<td>7.752</td>
</tr>
<tr>
<td>74</td>
<td>Maynard</td>
<td>2020</td>
<td>1,052,908,400</td>
<td>2,675</td>
<td>393,611</td>
<td>8.124</td>
</tr>
</tbody>
</table>

4.4% average last 10 years

<table>
<thead>
<tr>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
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</thead>
<tbody>
<tr>
<td>% ADJ</td>
<td>Budget</td>
<td>% ADJ</td>
<td>Budget</td>
<td>% ADJ</td>
</tr>
<tr>
<td>3.9%</td>
<td>$8,444</td>
<td>3.9%</td>
<td>$8,777</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

FINANCIAL MODEL - REV3 FY21 D3

2/8/2020  2020 Joint BOS/FinCom Budget Review--FinCom Perspectives
Scenario **D1 Assumptions**

Major expense budget drivers = 77% of FY21 budget

- MPS increasing 4.3% FY 21 to FY25
- Assabet increasing 9.0% FY 21 to FY25
- Other Depts increasing 1.6% to 2.5% FY 21 to FY25
- Employee Benefits increasing 6.0% FY 21 to FY25

Debt has been decreasing, now will increase as we invest; need to show longer range impacts.
Budget Shortfall potential:

Difficult challenge to solve in next few years:

- Gauge tax impacts for added debt exclusions (Fire Station, GMS roof, and New GMS study) as excluded debt does NOT add to deficit.
- Not enough confidence in new growth (above “baked-in” $300k already assumed) to generate new revenue for this projected expense.
- **Reminder**: These deficits assume modest expense growth.
### FY 20 to FY25 - Revenue estimation

<table>
<thead>
<tr>
<th></th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
<th>FY 2024</th>
<th>FY 2025</th>
<th>FY 2026</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET Surplus (or deficit)</strong></td>
<td>$10,977</td>
<td>$(267,875)</td>
<td>$(732,801)</td>
<td>$(1,510,678)</td>
<td>$(2,317,871)</td>
<td>$(3,192,500)</td>
<td></td>
</tr>
<tr>
<td><strong>FINANCIAL MODEL - REV3 FY21 D1</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>REAL ESTATE REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proposition 2.5% Increase</td>
<td>726,244</td>
<td>760,812</td>
<td>752,633</td>
<td>827,653</td>
<td>865,845</td>
<td>884,741</td>
<td></td>
</tr>
<tr>
<td>129 Parker New Growth</td>
<td>541,000</td>
<td>248,000</td>
<td>300,000</td>
<td>300,000</td>
<td>300,000</td>
<td>300,000</td>
<td></td>
</tr>
<tr>
<td>New Growth (Estimate)</td>
<td>115,502</td>
<td>272,000</td>
<td>300,000</td>
<td>300,000</td>
<td>300,000</td>
<td>300,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total Real Estate Revenue</strong></td>
<td>30,432,490</td>
<td>31,713,302</td>
<td>33,106,134</td>
<td>34,233,788</td>
<td>35,389,632</td>
<td>36,574,373</td>
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<tr>
<td><strong>TOTAL TAX REVENUE</strong></td>
<td>32,676,639</td>
<td>34,263,669</td>
<td>36,167,817</td>
<td>37,243,760</td>
<td>36,258,262</td>
<td>38,450,828</td>
<td></td>
</tr>
<tr>
<td><strong>EDUCATION - Chapter 70</strong></td>
<td>5,442,041</td>
<td>5,442,041</td>
<td>5,481,042</td>
<td>5,619,409</td>
<td>5,588,045</td>
<td>5,596,051</td>
<td></td>
</tr>
<tr>
<td><strong>EDUCATION - Charter School Reimbursements</strong></td>
<td>192,924</td>
<td>192,924</td>
<td>192,924</td>
<td>192,924</td>
<td>192,924</td>
<td>192,924</td>
<td></td>
</tr>
<tr>
<td>Less: Assessments Charter School</td>
<td>(1,119,489)</td>
<td>(1,119,489)</td>
<td>(1,343,387)</td>
<td>(1,544,895)</td>
<td>(1,599,384)</td>
<td>(1,856,323)</td>
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<tr>
<td><strong>EDUCATION - School Choice</strong></td>
<td>(198,847)</td>
<td>(198,847)</td>
<td>(208,789)</td>
<td>(219,229)</td>
<td>(219,229)</td>
<td>(241,760)</td>
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<tr>
<td><strong>TOTAL LOCAL AID</strong></td>
<td>5,951,046</td>
<td>5,951,046</td>
<td>5,888,984</td>
<td>5,880,202</td>
<td>5,599,314</td>
<td>5,803,850</td>
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<tr>
<td><strong>TOTAL LOCAL RECEIPTS</strong></td>
<td>2,719,199</td>
<td>3,009,000</td>
<td>2,890,000</td>
<td>2,890,000</td>
<td>2,890,000</td>
<td>2,890,000</td>
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<tr>
<td><strong>TOTAL BOND PREMIUM REIMBURSEMENTS</strong></td>
<td>897,660</td>
<td>857,660</td>
<td>857,660</td>
<td>897,660</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL TRANSFERS FROM OTHER FUNDS</strong></td>
<td>1,408,000</td>
<td>1,444,042</td>
<td>1,444,042</td>
<td>1,444,042</td>
<td>1,444,042</td>
<td>1,444,042</td>
<td></td>
</tr>
<tr>
<td>Less: PEG and Ambulance shortfall</td>
<td>(100,000)</td>
<td>(278,628)</td>
<td>(268,299)</td>
<td>(268,006)</td>
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<td></td>
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<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td>$43,835,269</td>
<td>$45,511,391</td>
<td>$47,278,388</td>
<td>$48,200,245</td>
<td>$48,271,489</td>
<td>$49,334,594</td>
<td></td>
</tr>
</tbody>
</table>

Year over year revenue % change:
- FY20 vs FY21: 3.1%
- FY21 vs FY22: 3.8%
- FY22 vs FY23: 3.9%
- FY23 vs FY24: 1.9%
- FY24 vs FY25: 0.1%
- FY25 vs FY26: 2.2%
Above analysis includes proposed $250k capital operating budget line added to budget annually starting FY 22

Instead of reliance only on variable free cash
Baseline to gauge deficit and tax bill impact magnitude over next 5 years

Budget driver highlights and lowlights

- Debt exclusion override for GMS roof (5 yr bond) and Firehouse (30 year bond) \(~$900,000\) P&I 1st 5 years, full repayment starts FY22 through 2051
  - Average Tax Bill impact - add \(~$275\) per year starting FY22 to Prop 2 ½ governed (3.9%)
    - Excluded means Operating budget deficit does not rise, but taxes do

- Debt Exclusion override for new or reconstructed GMS starting FY24?
  - Average Tax Bill impact - add \(~$250\) per year starting FY25 to Prop 2 ½ impact
    - Based on $36M estimate with 50% MSBA match
    - Excluded means Operating budget deficit does not rise, but taxes do

- Above analysis includes proposed $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% FY23 and 10% FY24, 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 for large capital investments

Based on state tool and FY2020 data

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 bond 30 years

$2,243,505 annual level debt

Tax impact $558.93