Town Of Maynard

Annual Town Meeting

Finance Committee Update for Public Hearing

2020-06-08 Rev 10

Maynard is Resilient

- We have we 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

STATISTICS

Year Ending December 31, 1918

Valuation of town, April 1, 1918	$4,547,829.00
Population of town, census of 1915	6,770
Value of town, per pupil in av. mem.	$3,578.15
Total expenditure for school purposes	$42,980.10
Per pupil in average membership	$33.81
Tax rate per $1,000 of valuation	$21.50

R E P O R T 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.

REPORT OF THE SUPERINTENDENT OF SCHOOLS

To the School Committee, Maynard, Massachusetts.

Gentlemen:—

I herewith submit for your consideration my fourth annual report as your Superintendent of Schools.

THE EPIDEMIC

In addition to the losses of ordinary years through sickness, change of teachers, etc., we have to report, in common with towns throughout the country, the serious interference caused by the influenza epidemic, which compelled the closing of the schools for five weeks of the fall term. This has offset somewhat the advantages we had hoped to gain in the lower grades by having all schools on full time, as a result of the occupancy of the new Nason Street school; but with the plans adopted for making up part of the time lost and the more intensive work made possible by the spirit shown by teachers and pupils, as well as carefully considered plans for the work, it is very probable that, if we can avoid further interruptions, there will be little real loss of efficency for the year.

By combining the last three terms, which ordinarily are of eight weeks each for the high school and all but the last of the same length for the grades, with two vacations of a week each, into two terms, one of twelve weeks and the other of thirteen weeks, the grades will make up three weeks and the high school one week. By having sessions on Wednesday afternoons from January 8 to June 6, the high school will make

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 2 ½ - 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 <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

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)

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

DOR Code	Municipality	Year	gle Family Va	le 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 investment impacts in next 5 years.

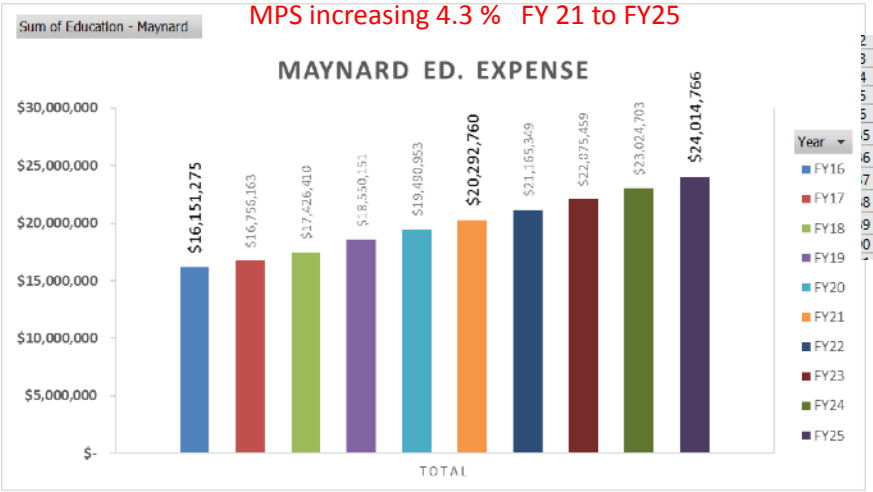
Note: Average single family taxes went up $1,444 from FY15 to FY20

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

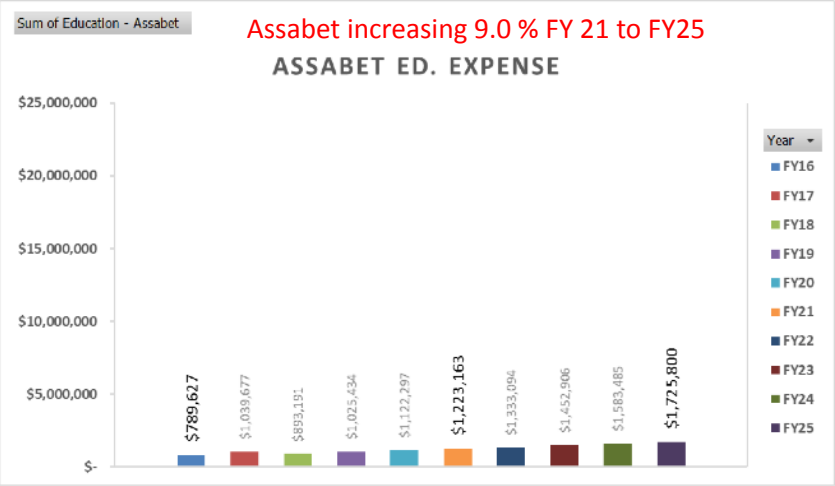
2											
3		FY2021	FY2021	FY2022	FY2022	FY2023	FY2023	FY2024	FY2024	FY2025	FY2025
4	FINANCIAL MODEL - REV3 FY21 D3	% ADJ	Budget	% ADJ	Budget	% ADJ	Budget	% ADJ	Budget	% ADJ	Budget
5											
6											
77	Single family avg tax bills prop 2.5 based	3.9%	$ 8,444	3.9%	8,777	3.9%	9,124	3.9%	9,483	3.9%	9,857

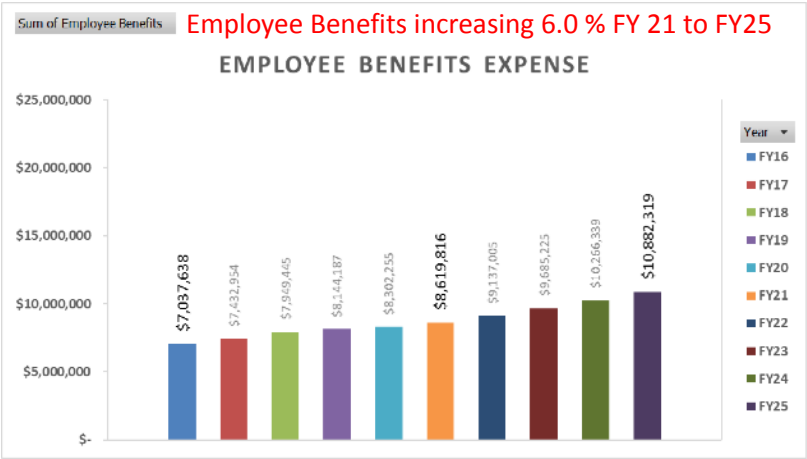
Scenario *D1* Assumptions

Major expense budget drivers = 77% of FY21 budget



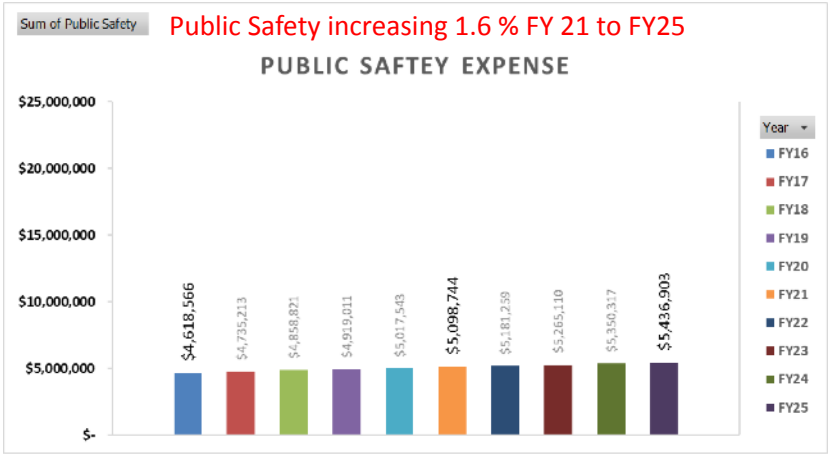
FINANCIAL MODEL - REV3 FY21 D3	FY2018 Budget	FY2019 Budget	FY2020 Budget REV5
ACCOMMODTAED COSTS (MPS portion)			
Employee Benefits	4,426,391	4,511,061	4,456,680
Long Term Debt (Principal & Interest)	2,900,822	2,838,730	2,780,196
All Other	1,529,330	1,550,548	1,713,656
	8,856,543	8,900,339	8,950,532



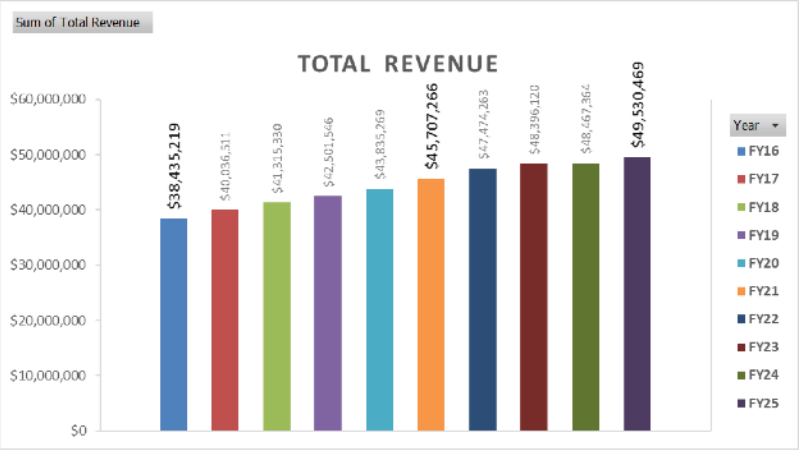


Other Depts increasing 1.6 % to 2.5% FY 21 to FY25

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



Budget Shortfall potential



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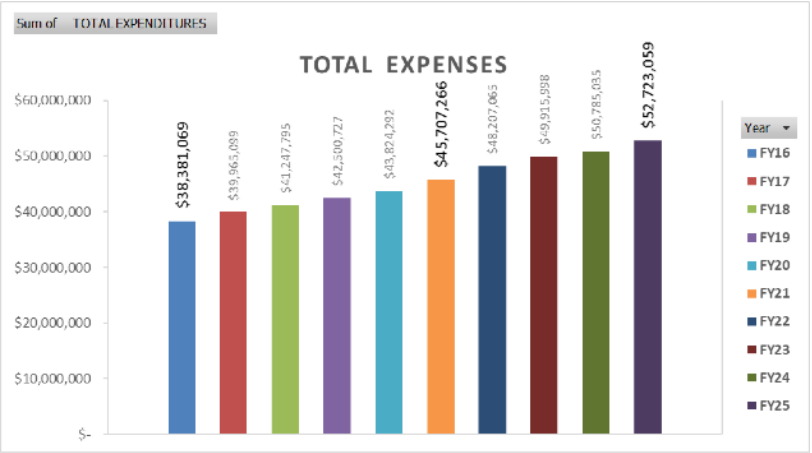

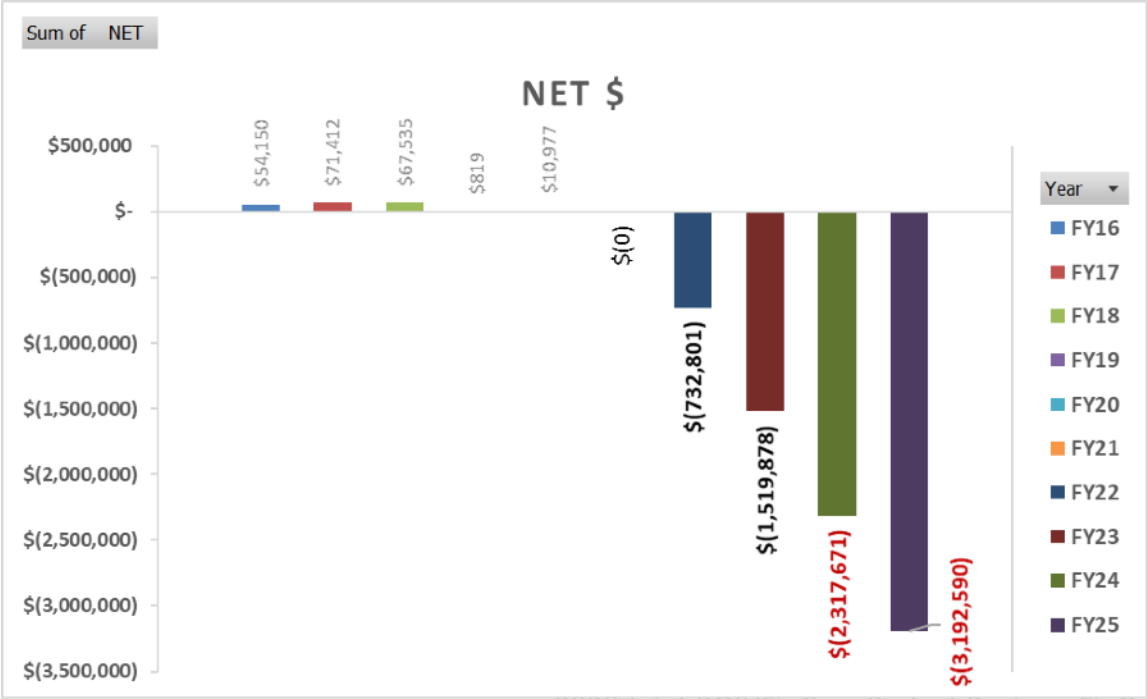

Difficult challenge to solve in next few years:

- 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

NET Surplus (or deficit)	$ 10,977		$ (267,875)		$ (732,801)		$ (1,519,878)		$ (2,317,671)		$ (3,192,590)
FINANCIAL MODEL - REV5 FY21 D1	FY2020 Budget	FY2021 % ADJ	FY2021 Budget	FY2022 % ADJ	FY2022 Budget	FY2023 % ADJ	FY2023 Budget	FY2024 % ADJ	FY2024 Budget	FY2025 % ADJ	FY2025 Budget
REAL ESTATE REVENUES											
Prior Year Levy Limit	29,049,744		30,432,490		31,713,302		33,106,134		34,233,788		35,389,632
Proposition 2.5% Increase	726,244	2.5%	760,812	2.5%	792,833	2.5%	827,653	2.5%	855,845	2.5%	884,741
129 Parker New Growth	541,000		248,000		300,000						
New Growth (Estimate)	115,502		272,000		300,000		300,000		300,000		300,000
Total Real Estate Revenue	**30,432,490**		**31,713,302**		**33,106,134**		**34,233,788**		**35,389,632**		**36,574,373**
Debt Exclusions	**2,246,149**		**2,178,366**		**2,112,281**		**2,040,570**		**1,939,228**		**1,917,053**
Debt Exclusions - Fire Station			300,000		897,402		897,402		897,402		897,402
Debt Exclusion - GMES Roof			72,000		72,000		72,000		72,000		72,000
1 year capital override for new GMS stu			500,000								
TOTAL TAX REVENUE	**32,678,639**		**34,263,668**		**36,187,817**		**37,243,760**		**38,298,262**		**39,460,828**
Education - Chapter 70	5,442,941		5,442,941		5,481,042		5,519,409		5,558,045		5,596,951
Education - Charter School Reimburseme	192,924		192,924		192,924		192,924		192,924		192,924
Less: Assessments Charter School	(1,119,489)	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)
Less: Assessments School Choice	(198,847)	0.0%	(198,847)	5.0%	(208,789)	5.0%	(219,229)	5.0%	(230,190)	5.0%	(241,700)
General Government	1,749,569		1,749,569		1,798,557		1,848,917		1,900,686		1,953,905
Less: Assessments General Governmer	(106,053)		(106,053)		(111,356)		(116,923)		(122,770)		(128,908)
Addit Local Aid	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
NET LOCAL AID	**5,961,045**		**5,961,045**		**5,808,991**		**5,680,202**		**5,599,311**		**5,503,850**
TOTAL LOCAL RECEIPTS	**2,719,169**	**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**
School Construction Reimbursement	897,660		897,660		897,660		897,660		-		
TOTAL BOND PREMIUM REIMBURSEMEN	**59,090**		**54,176**		**49,078**		**43,781**		**39,074**		**35,074**
TOTAL TRANSFERS FROM OTHER FUNI	1,469,666		1,444,842		1,444,842		1,444,842		1,444,842		1,444,842
Less: PEG and Ambulance shortfall					(100,000)		(278,828)		(288,299)		(298,006)
Free Cash	50,000										
TOTAL REVENUE	**$ 43,835,269**		**$ 45,511,391**		**$ 47,278,388**		**$ 48,200,245**		**$ 48,271,489**		**$ 49,334,594**
year over year revenue % delta	3.1%		3.8%		3.9%		*1.9%*		*0.1%*		*2.2%*

Model Summary FY21 Rev 3 D2 / DashBoard / Pivot Data Revenue / Pivot Data Expenses / Total revenue / Employee el

FY 20 to FY25 - Expense estimation

1	NET Surplus (or deficit)	$ 10,977		$ (267,875)		$ (732,801)		$ (1,519,878)		$ (2,317,671)		$ (3,192,590)
2	FINANCIAL MODEL - REV5 FY21 D1	FY2020	FY2021	FY2021	FY2022	FY2022	FY2023	FY2023	FY2024	FY2024	FY2025	FY2025
3		Budget	% ADJ	Budget	% ADJ	Budget	% ADJ	Budget	% ADJ	Budget	% ADJ	Budget
36	EXPENSES											
37	General Government	2,908,545	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
38	Public Safety	5,017,543	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
39	Public Works	2,082,146	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
40	Culture and Recreation	577,274	2.4%	590,844	2.4%	604,733	2.4%	618,948	2.4%	633,498	2.4%	648,390
41							0.0%		0.0%		-	
42	Education - Maynard	19,490,953	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
43	Education - Assabet	1,122,297	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
44	**Capital Line**					250,000		250,000		250,000		250,000
45	Capital - Debt Service Exempt w/ GMS	3,202,899		3,698,078		3,059,019		2,982,011		1,978,302		1,952,070
46	Capital - Debt Service Non Exempt	264,346		256,140		238,140		142,140		129,401		129,190
47	Capital - Fire Station					897,402		897,402		897,402		897,402
48	Capital - GMES roof			72,000		72,000		72,000		72,000		72,000
49	Capital - Non Debt	-				18,000		114,000		126,739		126,950
50	Employee Benefits	8,302,255	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
51	Reserve Fund	250,000		250,000		250,000		250,000		250,000		250,000
52	PEG Access (Offset partially by rev tran	365,398	2.5%	360,574	2.5%	369,588	2.5%	378,828	2.5%	388,299	2.5%	398,006
53	1 year capital override for new GMS stu			500,000								
54	TOTAL GENERAL FUND EXPENSES	43,583,656		45,549,266		47,761,190		49,470,123		50,339,160		52,277,184
55	year over year expense % delta	3.2%		4.5%		4.9%		3.6%		1.8%		3.8%
56												
57	Overlay - Assessment	240,636		230,000		250,000		250,000		250,000		250,000
58	Sewer Shortfall											
59												
60	TOTAL EXPENDITURES	43,824,292		45,779,266		48,011,190		49,720,123		50,589,160		52,527,184
61												
62	NET	$ 10,977		$ (267,875)		$ (732,801)		$ (1,519,878)		$ (2,317,671)		$ (3,192,590)
63												

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 % 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 for large capital investments 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 bond 30 years
$2,243,505 annual level debt
Tax impact $558.93