

Financial Update  
Board of Selectmen Meeting  
January 20, 2016

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Finance Director

# Update Since Last Meeting

- January 9 Fincom meeting
- January 13 Budget Steering Committee meeting.
- January 13 Long Range Committee meeting.

Reviewed with each group:

- Overall budget areas
  - Meals tax update.
  - Hotel tax option.
  - Tax relief options.
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- FY17 preliminary and updated budget plan:
    - Revenue.
    - Expenditures.
  - University Station tax revenue.
  - FY17 capital budget.



# Town's Finances – Must Address Multiple Areas

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- Financial action must address multiple needs to provide for quality services and financial strength.



Board of Selectmen has worked hard to address all areas.

# FY17 Review

- At prior meetings, the Board of Selectmen reviewed FY15 results:
  - Revenue.
  - Expenditures.
- Reviewed University Station activity.
- Reviewed final FY16 budgets.
- Discussed FY17 budget considerations.
- Established the FY17 base budget plan.
  - Based on projected changes to FY16 revenue and expenditures.
- Reviewed an updated budget plan.

# University Station Revenue – FY17

- Potential Use:

Available FY17	\$2,670,000
Apply to operating budgets	
• To increase usual base of 2.5% to 4% increase:	
○ School	\$598,000
○ Municipal	<u>\$272,000</u>
	<b>\$870,000</b>
Allocate to debt	\$800,000
Tax relief – seniors	\$200,000
Save for future direct costs	\$800,000
<b>Total</b>	<b>\$2,670,000</b>

- Any operating budget increase over 4% would require a Proposition 2 ½ override.

Feedback from meetings:

- Favorable feedback on establishment of overall allocation.
  - Discussion to continue on amounts/percentage to each category.

# Operating Budget

- Increases to the operating budget become part of the base budget.
- Therefore the increases compound each year, as opposed to increases in capital budget or debt service or a reserve account.
- It is important that the operating budget is sustainable and that growth doesn't outpace revenue.

- Operating Budgets

- Provides for 2.5% increase to school and municipal operating budgets – provides budget stability:

- School budget \$39.8M
- Municipal budget \$18.1M Each 1% increase approximately \$580K.
- \$57.9M

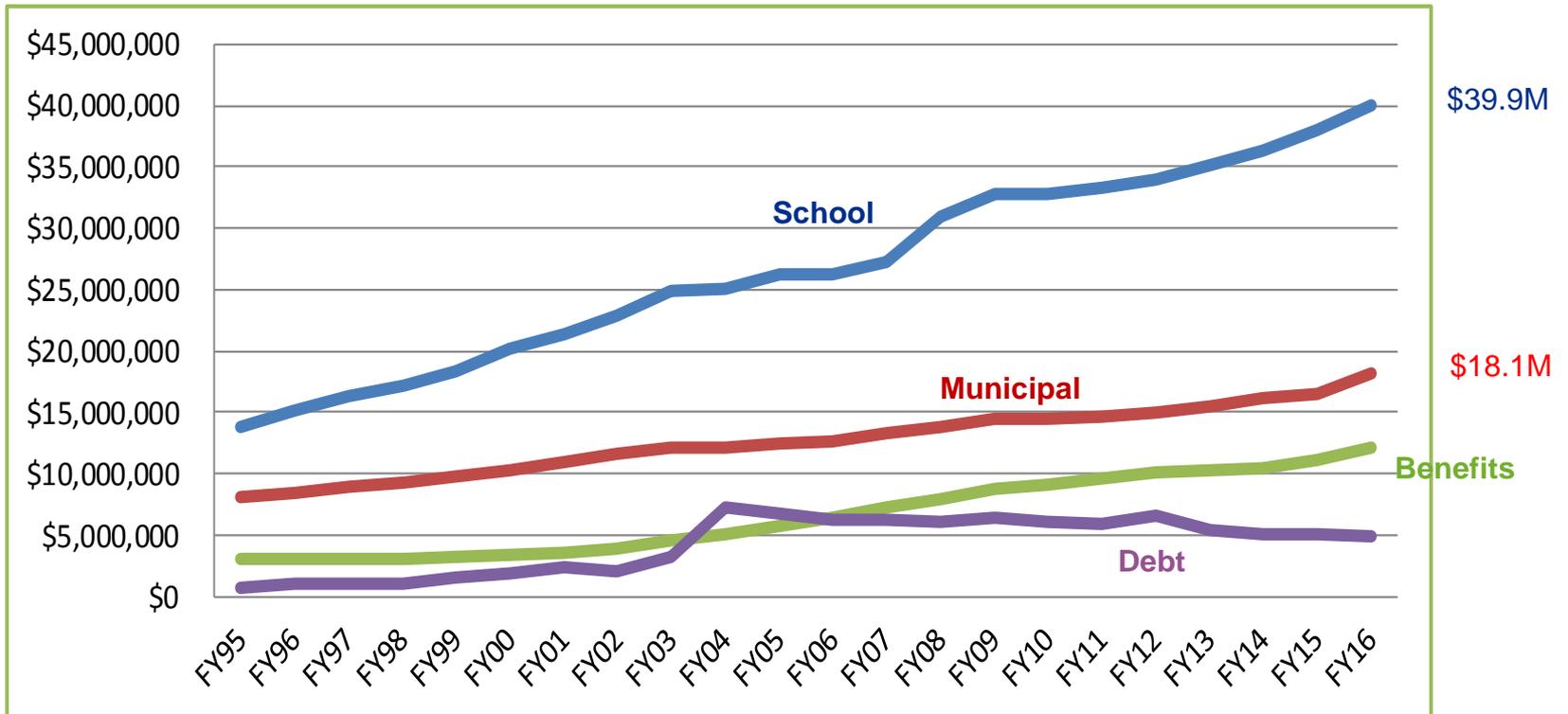
- 2.5% increase costs \$1.45M.

## Feedback from meetings with Fincom and Long Range Committee

- Continued concern with operating budget growth.
- Expressed concern that 4% increase to FY17 school and municipal operating budgets might be too high.
- Want to ensure sufficient revenue for other categories.

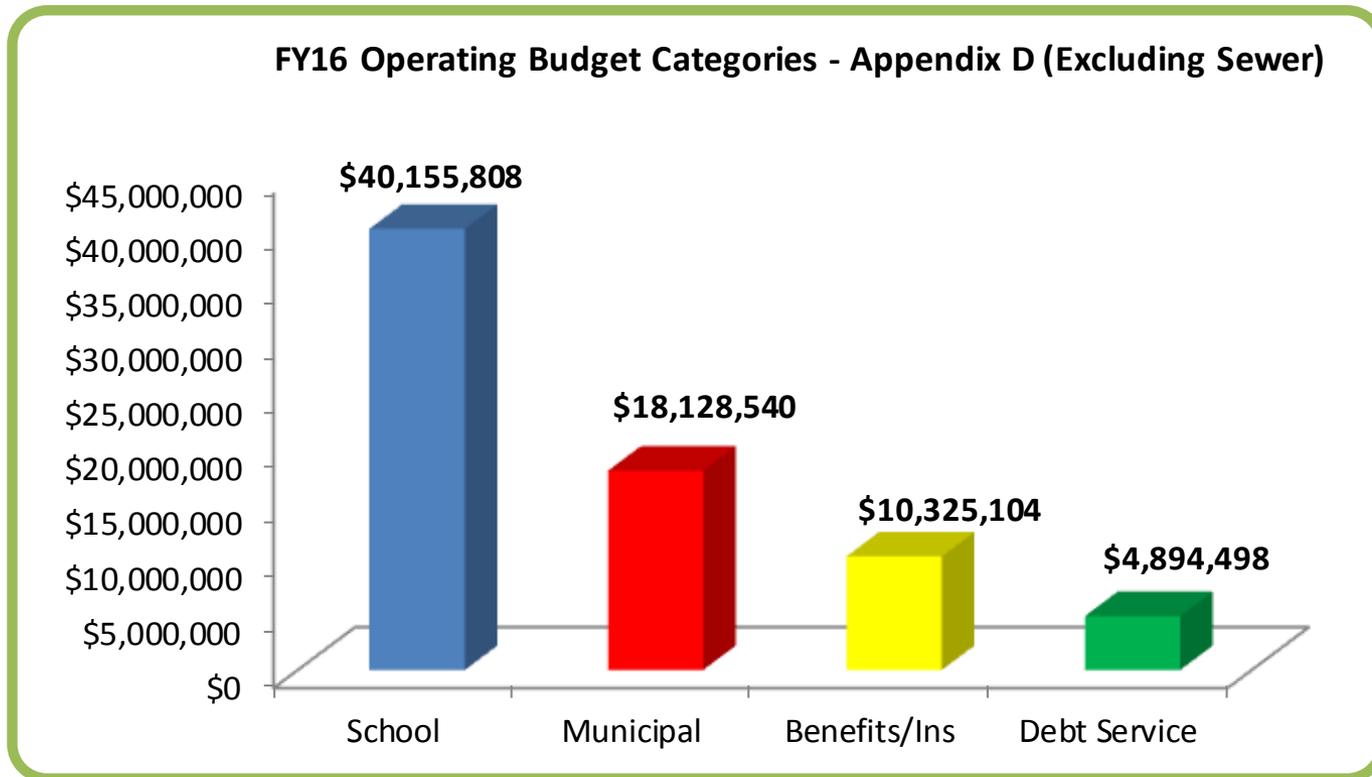
# A Look at the Budget History

Operating Budget Growth FY1995 – FY2016



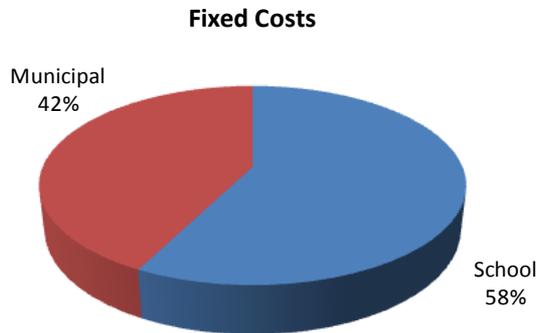
# A Look at the Operating Budget Categories

FY16 Operating Budget (without Sewer) - \$73,503,950



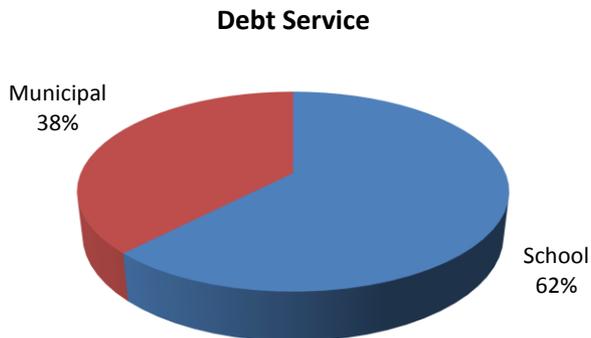
# A Look at Fixed Costs

## Fixed Costs – Health Insurance, Payroll Taxes, Other Benefits



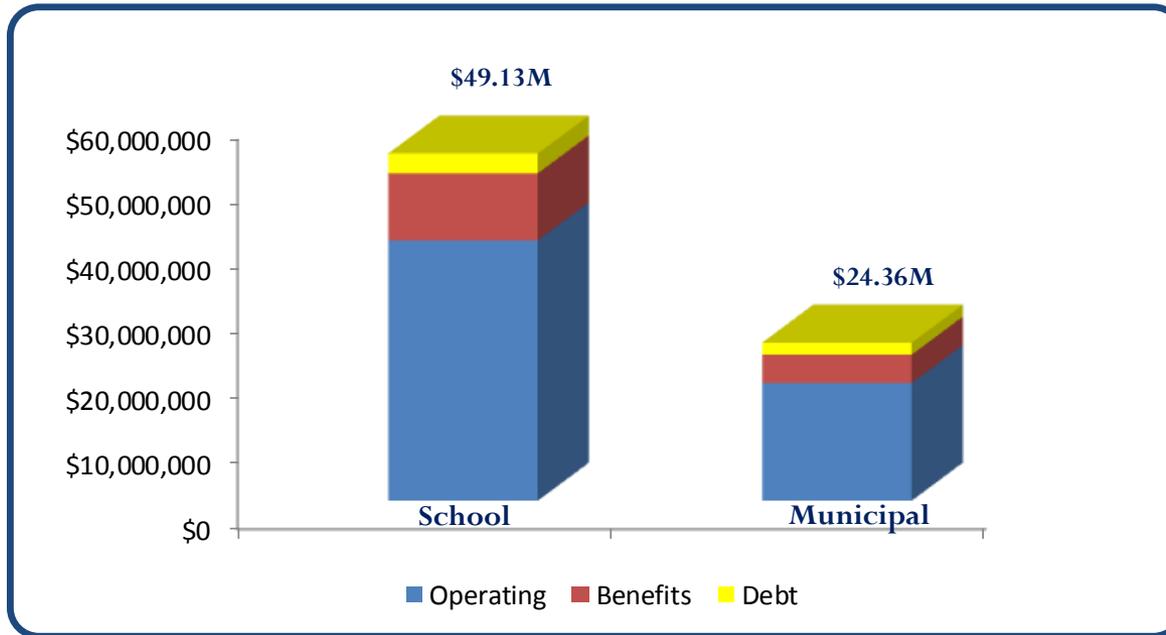
	School	Municipal	Total
Fixed Costs	\$5,937,082	\$4,388,022	\$10,325,104

## Debt Service Budget

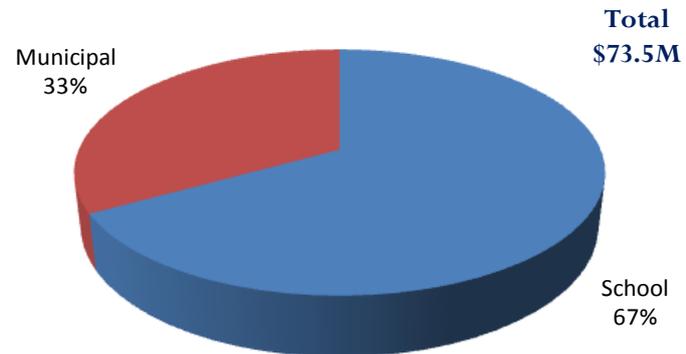


	School	Municipal	Total
Debt Service	\$3,043,560	\$1,850,938	\$4,894,498

# A Look at the Operating Budget Categories With Fixed Costs/Debt

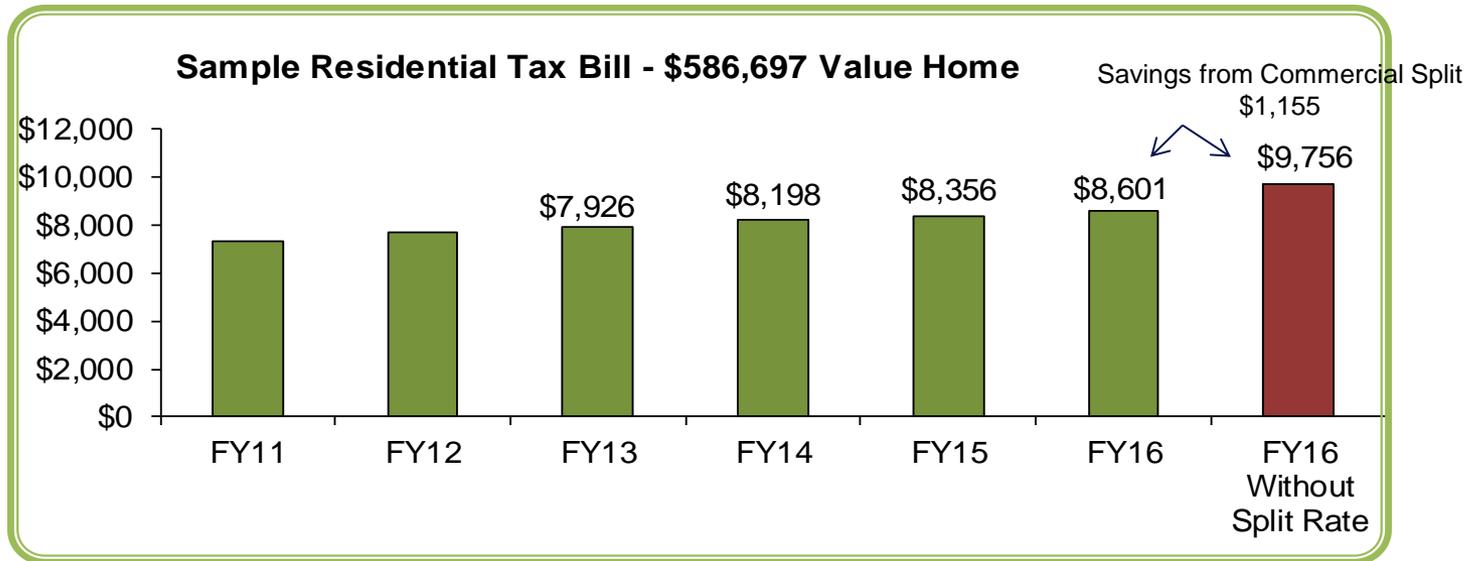


	School	Municipal
Operating	\$40,155,808	\$18,128,540
Benefits	\$5,937,082	\$4,388,022
<u>Debt</u>	<u>\$3,043,560</u>	<u>\$1,850,938</u>
<b>Total</b>	<b>\$49,136,450</b>	<b>\$24,367,500</b>



# Residential Tax Bill History

- Information included in:
  - Tax bill insert.
  - All budget books.
  - Town Meeting document.
  - Town web site.



- FY16:
  - Home had a 7% increase in value.
  - Tax bill increase of \$245, or 2.9%.
- Split tax rate: Residential - \$14.66, Commercial - \$28.27
  - Commercial property pays 24.5% of total taxes.
    - Increase from 21% in FY15.
  - Without split rate, this home would pay \$1,155, or 13% more.

# Tax Relief Discussion

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- Have been reviewing with Fincom and Long Range Committee the options available.
- General tax relief:
  - Not use full levy limit:
    - FY16 we had excess levy of \$539K.
    - If used, bill would have increased by \$69.
  - Pay for debt within Proposition 2 ½.
  - Commercial tax shift.
  - Apply free cash to tax rate – Town Meeting article.
    - Each \$100K appropriated provides approximately \$13 in annual tax savings to average home.
    - So \$500K appropriation provides approximately \$65 annual tax savings to average home.
    - Potential in future to replace free cash with meals tax/hotel tax received from University Station.
- Target senior population:
  - Town Meeting Home Rule Petition article to donate to Aid to the Elderly and Disabled.

# Capital Budget Update

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## Capital Budgets

- Similar to FY16, utilize free cash to increase capital above minimum level of \$823,000 by approximately \$700,000.
- Fund capital at FY16 level of \$1,523,000:
  - School - \$756,000
  - Municipal - \$767,000
- See separate handout of requested capital.
- January 27 – Long Range Committee to continue review and make recommendations.

# Initial FY17 Municipal Budget Request

<b>Category</b>	<b>Current FY16 Budget</b>	<b>FY17 Municipal Budget Requested</b>	<b>\$ Change FY17 vs. FY16</b>	<b>% Change FY17 vs. FY16</b>
Salaries	\$13,257,229	\$13,926,576	\$669,347	5.0%
Expenses	\$4,871,311	\$5,388,997	\$517,686	10.6%
<b>Total</b>	<b>\$18,128,540</b>	<b>\$19,315,573</b>	<b>\$1,187,033</b>	<b>6.5%</b>

- The initial municipal budget increase includes:
  - Contractual salary increases.
  - Various expense increases.
  - Some new requests for new positions/increased hours.
- Additional request for 6 firefighters (approx. \$380K) not included above.

The Board of Selectmen has instructed the Town Administrator and Finance Director to reduce the FY17 municipal budget request to no more than 4%.

# Next Steps

- January 21 – School Superintendent FY17 budget presentation to School Committee.
- State budget:
  - January 22 - Governor’s initial budget release at MMA meeting.
  - January 27 – official budget release.
- January 27 – Long Range Committee meeting.
  - Capital items reviewed for recommendation.
- February 1 – Board of Selectmen to update overall budget plan.
  - Initial proposed budget documents produced and distributed.

