

FY 2025 REVENUE/EXPENSE PLAN AS OF MARCH 8, 2024

Select Board Update

March 18, 2024

A Reminder from June 12, 2023 Town Meeting:

Looking to next year (FY 2025)...

- Ability to carry FY 2023 budget into FY 2024 was strained.
- Many municipal and school requests were not able to be funded
- Arriving at a balanced budget for FY 2024 was a difficult process for the Financial Planning Team
- FY 2024 required significant reliance on one-time funds for one-time costs that would ideally be funded from raise and appropriate (taxes/local receipts/state aid)
- While high amounts of Free Cash have allowed the Town to balance its budget in recent fiscal years, economic and other factors are likely to reduce the amount available in future years.

FY 2025 will be even more difficult. The community will face difficult discussions about its priorities, including what it can and cannot afford to do within the limits of Proposition 2 ½ and our other revenue streams.



SOURCES OF REVENUE:

Property Taxes:

		FY 2024 Actual Budget from Recap	FY 2025 Projected Budget based on Governor's 1
<u>PROPERTY TAXES:</u>			
Prior Year Adjusted Levy Limit	\$	53,386,821	\$ 56,205,453
Add 2.5%	\$	1,334,671	\$ 1,405,136
New Growth	\$	1,483,962	\$ 479,362
New Growth -104 Lowell Road- Martin's Landing			\$ 495,638
Adjusted Levy Limit	\$	56,205,453	\$ 58,585,589
Debt Exclusion -	\$	1,157,679	\$ 575,425
Debt Exclusion - High/Middle School	\$	4,873,765	\$ 4,897,486
Excess Levy Capacity	\$	(38,516)	
TOTAL PROPERTY TAXES	\$	62,198,381	\$ 64,058,500

State Aid:

		FY 2024 Actual Budget from Recap	FY 2025 Projected Budget based on Governor's 1
<u>STATE AID</u>			
Chapter 70		\$ 7,492,247	\$ 7,560,047
Unrestricted General Government Aid		\$ 2,122,634	\$ 2,186,313
Veterans' Benefits		\$ 88,249	\$ 82,945
Police Career Incentive		\$ -	\$ -
Exemptions: Blind, Elderly, Surv Sp		\$ 64,982	\$ 85,757
Charter Tuition Reimbursement		\$ 322	\$ 21,936
Public Libraries - Offset Receipt		\$ 30,780	\$ 31,601
State Owned Land		\$ 84,141	\$ 84,538
TOTAL CHERRY SHEET		\$ 9,883,355	\$ 10,053,137
SBAB Reimbursement		\$ 243,393	\$ -
TOTAL STATE AID		\$ 10,126,748	\$ 10,053,137

Local Receipts:

	FY 2024 Actual Budget from Recap	FY 2025 Projected Budget based on Governor's 1
ESTIMATED RECEIPTS:		
Motor Vehicle Excise	\$ 2,570,000	\$ 2,755,000
Penalties & Interest	\$ 205,000	\$ 225,000
Payment In Lieu Of Taxes	\$ 300,000	\$ 325,000
Trash Fee (in Municipal Revenue)	\$ -	\$ -
Fees	\$ 115,000	\$ 120,000
Cemetery	\$ 25,000	\$ 30,000
Departmental Revenue	\$ 40,000	\$ 45,000
Licenses & Permits	\$ 500,000	\$ 540,000
Fines & Forfeits	\$ 4,500	\$ 4,500
Investment Income	\$ 300,000	\$ 750,000
Invest Income - Sale of Town Land (Pulte)	\$ -	\$ -
Municipal Medicaid	\$ 30,000	\$ 30,000
Misc. Recurring- Meals Tax	\$ 240,000	\$ 200,000
Misc. Non-Recurring	\$ -	\$ -
TOTAL LOCAL RECEIPTS	\$ 4,329,500	\$ 5,024,500

Other Financing Sources and Total Revenue:

	FY 2024 Actual Budget from Recap	FY 2025 Projected Budget based on Governor's 1
<u>OTHER FINANCING SOURCES</u>		
Debt Service Stabilization Fund	\$ 1,266,768	\$ 1,679,189
Transfer From OPEB Trust	\$ -	\$ -
Debt Exclusion/Batch Premium	\$ 43,915	\$ 634
Transfer From Cell Tower Acct.	\$ 300,000	\$ 300,000
Transfer From PFA Stabilization	\$ 45,340	\$ 195,105
Health Insurance Trust Fund	\$ -	\$ -
Premium on Sale of Bonds	\$ -	\$ -
TOTAL OTHER FINANCING SOURCES	\$ 1,656,023	\$ 2,174,928
TOTAL GENERAL FUND REVENUE	\$ 78,310,651	\$ 81,311,065



Definition of free cash:

Free Cash is *not* free money. Free Cash is the state finance term for the portion of Undesignated Fund Balance at the end of the previous fiscal year certified as available for appropriation by the state Department of Revenue Division of Local Services. **More simply put, it generally reflects money that is left over from the previous year's Town budget.**



EXPENSES:

Shared Fixed Costs:

	FY 2024 Actual Budget from Recap	FY 2025 Projected Fixed Costs
<u>SHARED FIXED COSTS</u>		
Capital Improvement Plan (funded with free cash)	\$ -	\$ -
Essex Tech Regional School Assessment	\$ 145,000	\$ 148,625
Northeast Regional School Assessment	\$ 744,620	\$ 776,639
Additional Northeast Regional School Capital	\$ 53,713	\$ 154,984
Debt Service Non-Exempt	\$ 1,061,493	\$ 1,554,164
Debt Service Exempt	\$ 6,031,444	\$ 5,472,911
Debt Service Little School Roof	\$ 67,275	\$ 65,025
Debt Service - Short Term	\$ 138,000	\$ 60,000
State & County Charges	\$ 208,956	\$ 220,719
Cherry Sheet Offsets	\$ 30,780	\$ 30,048
Reserve for Abatements/Exemptions	\$ 381,171	\$ 450,000
Snow & Ice Deficit (funded with free cash)	\$ -	\$ -
School Retirements (funded with free cash)	\$ -	\$ -
Municipal Retirements (funded with free cash)	\$ -	\$ -
School General Liability Insurance	\$ 223,334	\$ 240,084
Municipal General Liability Insurance	\$ 318,612	\$ 342,508
Other Post Employment Benefits	\$ 375,000	\$ 425,000
PFA/Health Insurance Contingency	\$ 1,195,467	\$ 1,142,000
TOTAL SHARED FIXED COSTS	\$ 10,974,865	\$ 11,082,707

Allocated Fixed Costs:

	FY 2024 Actual Budget from Recap	FY 2025 Projected Fixed Costs
School County Retirement	\$ 2,259,921	\$ 2,408,267
Municipal County Retirement	\$ 2,950,872	\$ 3,144,573
School Worker's Compensation	\$ 168,352	\$ 183,963
Municipal Workers' Compensation	\$ 154,582	\$ 168,915
Municipal Employment Security	\$ 20,000	\$ 20,000
School Health Insurance	\$ 5,116,421	\$ 5,101,651
Municipal Health Insurance	\$ 1,987,669	\$ 2,188,200
School Life Insurance	\$ 13,071	\$ 13,202
Municipal Life Insurance	\$ 7,929	\$ 8,008
School Medicare	\$ 475,782	\$ 494,813
Municipal Medicare	\$ 200,045	\$ 208,047
Municipal Public Safety Disability	\$ 30,000	\$ 30,000
Retired Public Safety Disability	\$ -	\$ -
Municipal Uninsured Medical	\$ 25,000	\$ 25,000
	\$ 13,409,643	\$ 13,994,639

Net Revenue to be Shared by Municipal and School Departments:

	FY24 Actual Budget	FY25 Projected Budget
Total General Fund Revenue	\$ 78,310,652	\$ 81,311,065
Shared Fixed Costs	\$ 10,974,865	\$ 11,082,707
Net Revenue Available	\$ 67,335,787	\$ 70,228,359

Municipal Operations:

	FY24 Actual Budget	FY25 Projected Budget
Total Municipal Revenue Allocation	\$ 22,190,062	\$ 23,254,335
<u>Municipal Fixed Costs</u>		
Municipal County Retirement	\$ 2,950,872	\$ 3,144,573
Municipal Workers' Compensation	\$ 154,582	\$ 168,915
Municipal Employment Security	\$ 20,000	\$ 20,000
Municipal Health Insurance	\$ 1,987,669	\$ 2,188,200
Municipal Life Insurance	\$ 7,929	\$ 8,008
Municipal Medicare	\$ 200,045	\$ 208,047
Municipal Public Safety Disability	\$ 30,000	\$ 30,000
Municipal Uninsured Medical	\$ 25,000	\$ 25,000
Total Municipal Fixed Costs	\$ 5,376,096	\$ 5,792,744

Municipal Revenue Offsets and Net Balance:

	FY24 Actual Budget	FY25 Projected Budget
<u>Municipal Revenue Offsets</u>		
Trash Fee	\$ 1,250,000	\$ 1,250,000
Transfer From Solid Waste Stabilization	\$ -	\$ -
Transfer From Cemetery Acct.	\$ 25,000	\$ 25,000
Transfer From Perpetual Care	\$ -	\$ -
Transfer From Ambulance Reserve	\$ 700,000	\$ 700,000
Transfer From Water (Indirect)	\$ 524,267	\$ 537,374
Transfer From Recreation (Indirect)	\$ 1,283	\$ 1,283
Transfer From 104 Lowell Rd. Revolving Fund	\$ 26,000	\$ 26,000
Total Municipal Revenue Offsets	\$ 2,526,550	\$ 2,539,657
Net Municipal Revenue Available	\$ 19,340,400	\$ 20,001,248
Transfer available municipal revenue to schools	\$ (29,196)	
Free Cash	\$ 207,731	
Grand Total Municipal Revenue Available	\$ 19,518,934	\$ 20,001,248
Level Services Department Requests	\$ 19,519,286	\$ 20,246,436
Surplus/Deficit	\$ (352)	\$ (245,188)

School Operations:

	FY24 Actual Budget	FY25 Projected Budget
Total School Revenue Allocation	\$ 44,824,181	\$ 46,974,024
<u>School Fixed Costs</u>		
School County Retirement	\$ 2,259,921	\$ 2,408,267
School Worker's Compensation	\$ 168,352	\$ 183,963
School Health Insurance	\$ 5,116,421	\$ 5,101,651
School Life Insurance	\$ 13,071	\$ 13,202
School Medicare	\$ 475,782	\$ 494,813
Total School Fixed Costs	\$ 8,033,547	\$ 8,201,896
Net School Revenue Available	\$ 36,790,634	\$ 38,772,128
Transfer available municipal revenue to schools	\$ 28,961	
Free Cash	\$ 500,000	
Grand Total School Revenue Available	\$ 37,319,595	
LEVEL SERVICE Department Requests	\$ 37,319,595	\$ 39,973,778
Surplus/Deficit	\$ -	\$ (1,201,650)

Comparison of Prior Year Revenue Projections to Level Services Requests:

	2023	2024	2025
Total Municipal Operating Budget Revenue Available	\$ 18,825,779	\$ 19,169,277	\$ 20,001,248
LEVEL SERVICE Department Request	\$ 19,044,035	\$ 19,498,388	\$ 20,246,436
Surplus/Deficit	\$ (218,256)	\$ (329,111)	\$ (245,188)
Total School Operating Budget Revenue Available	\$ 35,474,330	\$ 36,438,179	\$ 38,772,128
LEVEL SERVICE Department Request	\$ 35,695,396	\$ 37,464,420	\$ 39,973,778
Surplus/Deficit	\$ (221,066)	\$ (1,026,241)	\$ (1,201,650)

Future Projection of Revenue vs. Expense:

	FY24 Actual Budget	FY25 Projected Budget	FY26 Projected Budget	FY27 Projected Budget
Total Municipal Revenue Available	19,340,516	20,001,248	19,365,862	19,502,505
Transfer available municipal revenue to schools	(28,961)			
Free Cash	207,731			
Total Municipal Operating Budget Revenue Availab	19,519,286	20,001,248	19,365,862	19,502,505
Level Services Department Requests	19,519,286	20,246,436	21,056,293	21,898,545
Surplus/Deficit	0	(245,188)	(1,690,432)	(2,396,041)
Total School Allocation	44,824,181	46,974,024	46,482,620	47,662,559
School County Retirement	2,259,921	2,408,267	2,564,804	2,731,516
School Worker's Compensation	168,352	183,963	191,321	198,974
School Health Insurance	5,116,421	5,101,651	5,535,291	6,005,791
School Life Insurance	13,071	13,202	13,334	13,467
School Medicare	475,782	494,813	514,606	535,190
Total School Fixed Costs	8,033,547	8,201,896	8,819,357	9,484,939
Total School Revenue Available	36,790,634	38,772,128	37,663,264	38,177,620
Transfer available municipal revenue to schools	28,961			
Free Cash	500,000			
Total School Operating Budget Revenue Available	37,319,595			
LEVEL SERVICE Department Requests	37,319,595	39,973,778	41,572,729	43,235,638
Surplus/Deficit	-	(1,201,650)	(3,909,466)	(5,058,018)

FY 2025 Municipal Budget

FY 2024 Municipal Budget		\$	19,569,387.00
FY 2024 Funded as One-Time		\$	207,731.00
Net FY 2024 Municipal Budget		\$	19,361,656.00
FY 2025 Municipal Department Requests		\$	21,402,361.00
FY 2025 Municipal Level Services Requests		\$	20,246,436.00
FY 2025 Municipal Revenue Available - Projected Budget		\$	20,001,248.00
FY 2025 Municipal Level Services Shortfall		\$	(245,188.00)
FY 2025 Municipal Shortfall to Fund 4 Additional Firefighters and Benefits		\$	(341,714.00)
TOTAL Shortfall		\$	(586,902.00)

FY 2025 Reductions to Meet Revenue

Town Administrator - <i>remove grant manager</i>	\$	(80,000.00)
Collector's - <i>reduce salaries related retirement/transitions</i>	\$	(15,145.00)
Information Technology - <i>reduce miscellaneous capital</i>	\$	(12,000.00)
Public Safety - <i>remove director position</i>	\$	(30,000.00)
Police Department - <i>fund radar gun from free cash</i>	\$	(17,043.00)
Fire Department - <i>fund forcible entry simulator from free cash \$9,000, remove call academy training \$21,000</i>	\$	(30,000.00)
Public Works - <i>remove duplicate lease and rentals \$8,000, remove business manager position \$45,000, fund Damon Tavern generator from free cash or revolving fund \$8,000</i>	\$	(61,000.00)
Reductions that impact free cash generation:	\$	(341,714.00)
	Reduce Police Overtime	
	Reduce Fire Overtime	
	Reduce Veteran's Benefits	
	Reduce Fill-in Inspectors Code Enforcement	
	Reduce Town Building Maintenance	
	Reduce Fuel Budget	
	Reduce IT Capital	
	Reduce Fire Training&Education/Clothing	
	Reduce Board of Health Prof. Serv	
	TOTAL	\$ (586,902.00)

Municipal Initiatives and Needs not Funded:

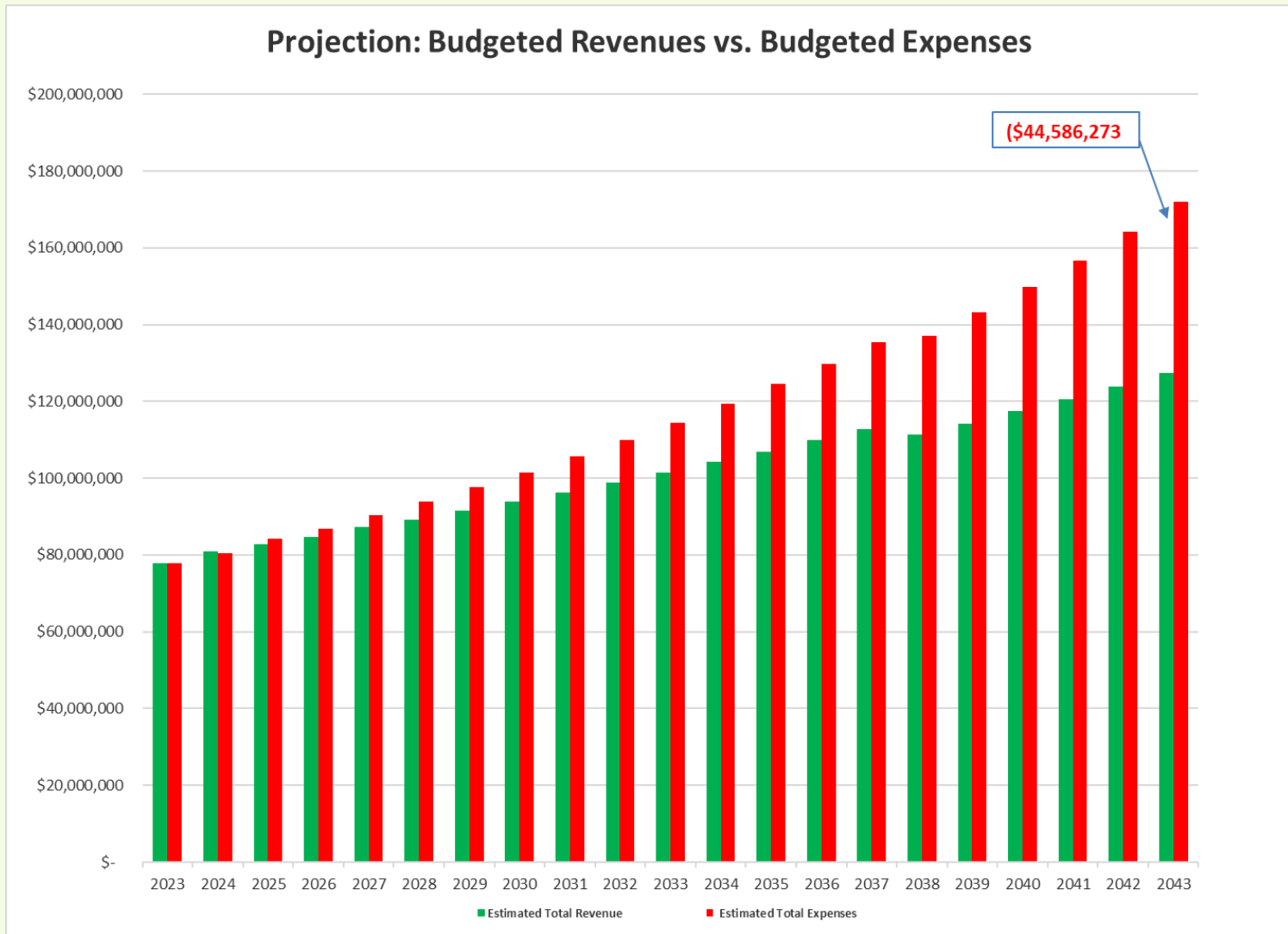
<u>Municipal Operating Costs</u>	
Elder Services - <i>Rental of auxillary space 5 days per week</i>	\$ 45,500
Elder Services - <i>Substitute Van Drivers</i>	\$ 15,288
Elder Services - <i>15 more hours of Outreach Assistant</i>	\$ 20,288
DPW - <i>Tree Maintenance Crew</i>	\$ 120,765
Youth Services - <i>Assistant Director</i>	\$ 25,000
Veterans - <i>Increase Admin Assistant Hours</i>	\$ 8,631
Library - <i>Small Capital</i>	\$ 5,000
Recreation - <i>Maintenance Craftsman</i>	\$ 53,800
Youth Substance Program - <i>grant expires at the end of 2026</i>	\$ 125,000
Town Administrator - <i>Senior Level Management Position</i>	\$ 150,000
Unforeseen Departmental Needs	\$ 100,000
<u>Fixed Costs</u>	
Means Tested Exemption for Seniors	\$ 400,000
Additional Town Center Sewer Operating Costs	\$ 75,000
Capital Plan/Debt Service	\$ 500,000
Annual Debt Capital Improvement Stabilization Transfer to Cover Debt Service - <i>due to budget reductions, free cash will not be generated to cover this transfer</i>	\$ 1,300,000

FY 2025 School Department Needs:

- On March 11th, Assistant Superintendent of Finance and Operations, Michael Connelly, presented the preliminary budget for FY25. Similar to prior years a modified level service budget was presented, which includes all of the positions and spending that would provide the same level of services for students that provided this year. In addition there are some new positions and initiatives that are included in the modified level services budget that are a part of the School Department's strategic plan, including the goal of eliminating the tuition associated with full day Kindergarten.
- The fiscal year 2025 recommended budget for the School Department is currently \$40,679,524. This represents a 9% or \$3,359,929 increase over fiscal year 2024 and is currently significantly greater than what the Town has available to fund both school and town budgets for fiscal year 2025. The budget gap to achieve the Superintendent's proposed recommended budget presented on March 11 is \$1,907,396. The budget gap to achieve a level services school budget is currently \$1,200,507.
- The School Department will be preparing both a budget that reconciles this gap and also one that includes an operating override and allows for the funding of our modified level services budget. It is important to note that although specific positions are listed in the budget documents for various purposes **there have been no decisions made about specific cuts to programs or positions at this time**. Over the next several weeks during the budget workshops and public hearing on April 8, 2024 the School Department will continue to discuss the cuts that need to be made to close the budget gaps and also communicate the importance of the positions and initiatives that are included in our modified level services budget.

Town's Financial Projections

(based on 20 year historical growth, current service levels, without sewer)
(fixed costs growth rate: 4.7%, municipal: 3.2%, schools, 4.04%)



Next Steps

- Financial Planning Team will continue to refine a recommended strategy for FY 2025 and beyond
- Capital Improvement Planning Committee continues to develop FY 2025 Capital plan
- School Committee budget hearing is scheduled for Monday, April 8th
- Potential joint Select Board / School Committee / Finance Committee meeting on Wednesday, April 10th
- Select Board is expected to sign Town Meeting warrant, including budget recommendations, on Monday, May 6th
- Town Meeting is Monday, June 10th