



TOWN OF NORTH READING FISCAL YEAR 2025 AND BEYOND BUDGET PROJECTION / SCENARIOS

Information Session

May 9, 2024 at 7:30 PM

North Reading Middle/High School

Distance Learning Lab

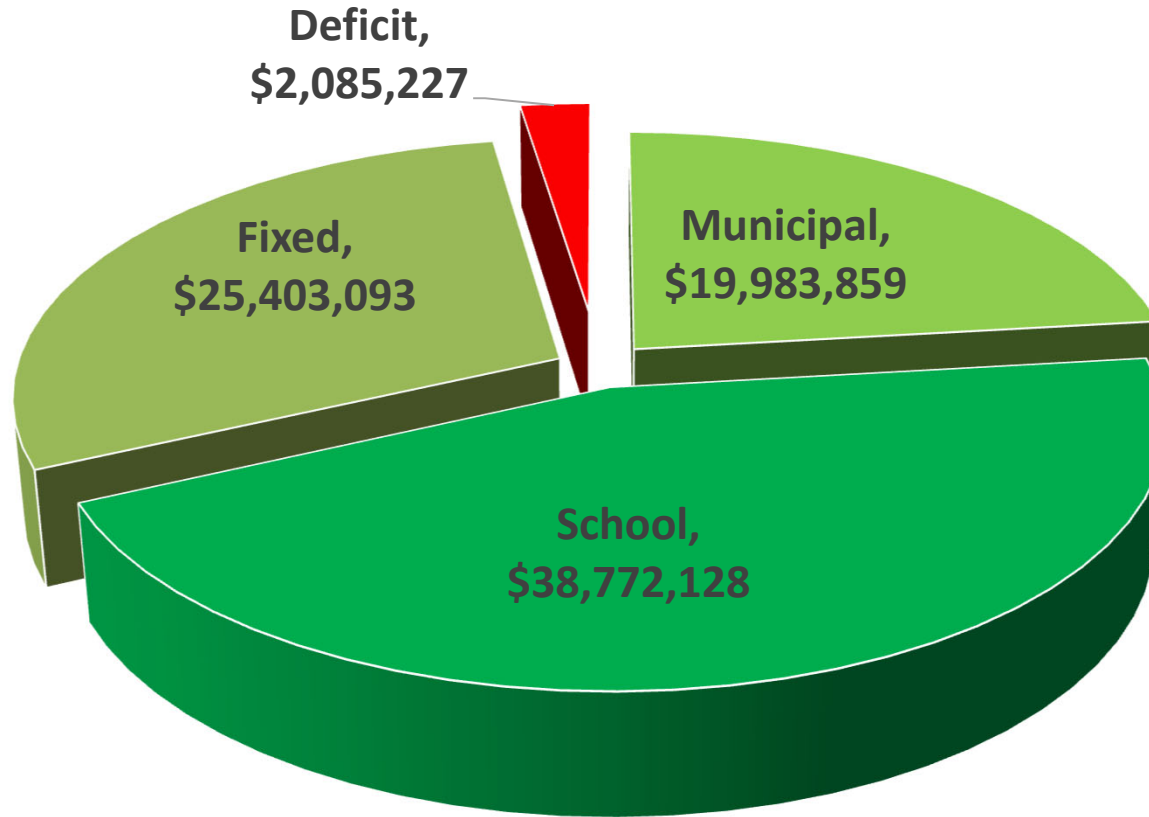
Budget Challenges

- Property Taxes account for \$58.5 million in revenue out of a total of \$82.7 million in General Fund expenditures for FY 2024. The rest is state aid, departmental revenue, excise tax, investment income, debt exclusion, transfers from other funds, etc.
- Property Taxes for existing buildings and developed land represent the Town's only source of revenue that is predictable over the long-term, and can grow by no more than 2.5% from one year to the next. New Growth (new buildings/renovations and development of land) increases property taxes above 2.5% each year but is not necessarily predictable over the long-term.
- Over a 20 year period, average cost increases exceeded revenues:
 - Fixed costs (health insurance, assessments, debt) increased 5% on average.
 - Municipal department (Police/Fire/DPW, Town Hall, etc.) salaries and expenses increase 3.3% on average.
 - School Department salaries and expenses increased 4.1% on average

Budget Challenges

- New Growth has been a stabilizing force in our budgets, going back to the development of subdivisions with larger homes on larger house lots in the 1990's, the construction of Edgewood Apartments at the former JT Berry property on Lowell Road in the 2000's, and now the construction of Martin's Landing condominiums at the JT Berry property from the 2010's to 2020's that is now concluding.
- More recently, conservative budgeting has allowed the Town to generate Free Cash that is left over from one year's budget and used to fund certain costs in the next year's budget.
- Our ability to present a balanced budget using funds left over from previous years is coming to an end as we are forced to decrease the amount of money in department budgets, and increase amount of the Town's revenue being spent. Both of these actions will result in reduced money for services in upcoming fiscal years.

FY 2025 Revenue Applied as Follows



A Reminder from June 12, 2023 Annual 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.

The Town's Options

- The Financial Planning Team has been managing the Town's budget in recent years, relying on New Growth and using Free Cash to stabilize the budget.
- Those solutions are running out, leaving the Town with the following options:
- **Reduce school and municipal services, and potentially our capital investments, to match our forecasted revenue.**
 - Impacts will be felt in the School Department this fiscal year, and in the municipal departments next fiscal year.
 - We will have to either further reduce school and municipal budgets to fund necessary capital investment, draw from available funds that are targeted for major projects, or defer projects such as the Chestnut Street bridge to another point in the future.
- **Increase property tax revenue in the form of a Proposition 2 ½ Override**

Slide 6

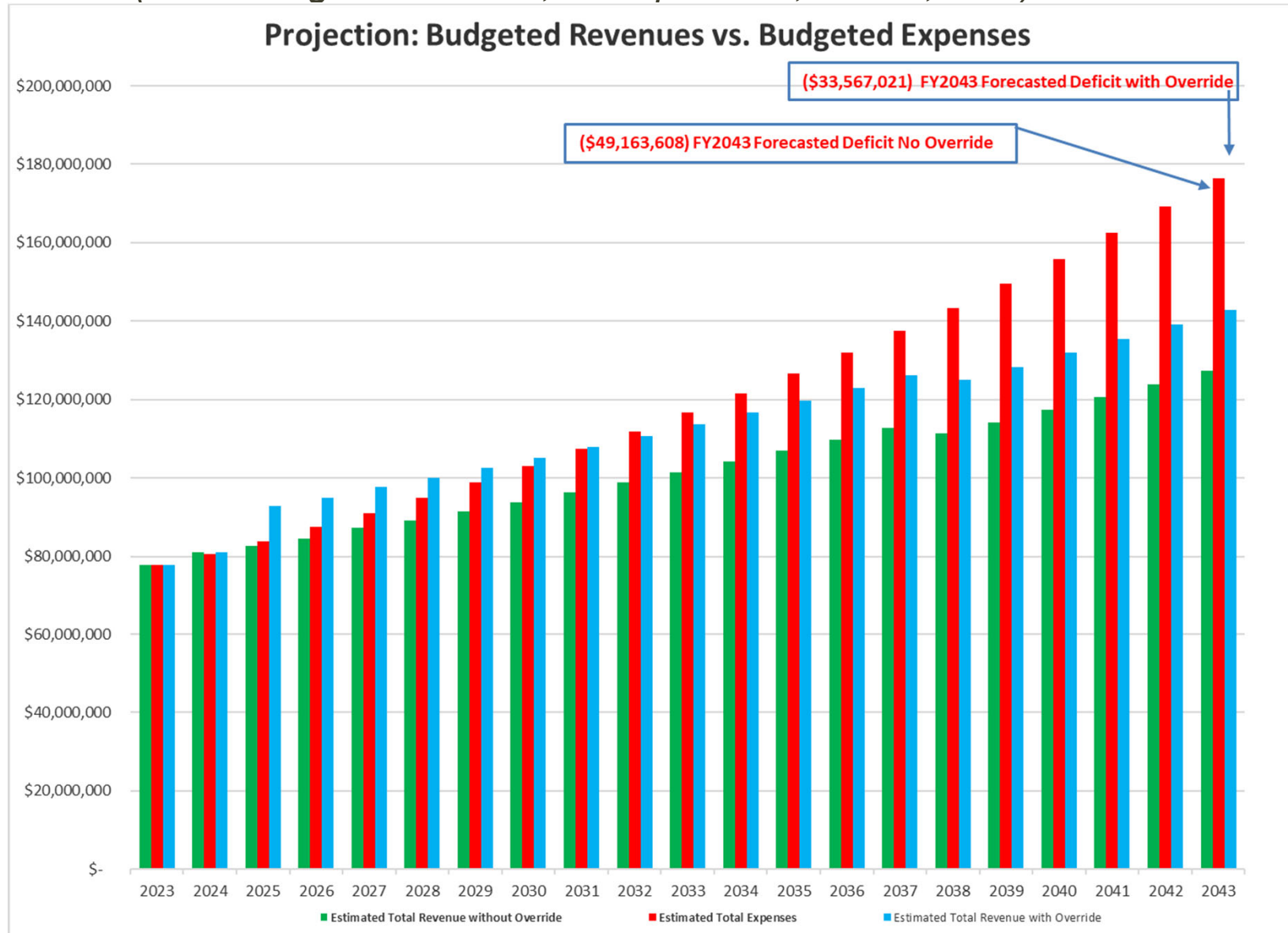
LG2

should be later in the presentation

Laurianne Galvin, 4/9/2024

Town's Financial 20 Year Projections

(based on **20 year historical growth**, current service levels)
 (fixed costs growth rate: **5%**, municipal: **3.3%**, schools, **4.1%**)



NORTH READING PUBLIC SCHOOLS BUDGET

FY'25 School Budget Proposals

Category	School Committee Voted Non-Override Budget	School Committee Voted Override Budget
Salary	\$32,105,216	\$33,262,727
Expenses	\$6,666,912	\$6,945,719
TOTAL	\$38,772,128	\$40,208,446
% Over FY'24	+3.9%	+7.7%
GAP	0	\$1,436,318
Impact:	Reduces 15.2 FTE	Adds: 4.0 FTE
Details:	List of the potential reductions and impact to services are included on following slides	<ul style="list-style-type: none"> Preserves 15.2 FTE level services budget \$1,200,507 of reductions Adds: \$235,811 0.6 FTE School Adjustment Counselor 1.0 FTE Academic Interventionist Includes a plan to continue to reduce the full day kindergarten tuition from \$2,500 to \$1,500 in FY'25.

FY' 25 School Budget Implications

Non-Override Budget

- Meets all contractual salary and operational expense obligations;
- Elimination of **15.2** positions;
- Higher class sizes and student/teacher caseload at all levels;
- Less breadth and depth of curriculum at secondary level;
- Reduced ability to address student health issues and nursing coverage;
- Less digital learning and technology staff for instruction and tech support;
- Less ability to address students in need of academic support;
- Less funding for classroom supplies and technology
- Less Custodial staff for cleaning services and coverage needs;
- Higher coach to student athlete ratio's
- Higher risk for budget overages and increased reliance on special revenue accounts (i.e. food service account);
- Increased user fees to families for the busing program.

Override Budget

- Meets all contractual salary and operational expense obligations;
- No reduction to current staffing levels;
- Maintains level services including current class size guidelines and student/teacher case loads at all levels;
- Maintains current nursing, technology, and custodial staffing levels;
- No reductions to athletic coaching positions;
- Maintains and enhances ability for district to address mental health concerns and issues for students at all levels;
- Maintains and enhances ability for the district to address students needs for academic support in Math and ELA;
- Reduction of the Full Day Kindergarten tuition from \$2,500 to \$1,500, continued phase-in plan to move to free FDK in the future.

FY' 25 School Budget Implications

Description	FTE	Amount	Impact Statement
Reduction of Elementary Classroom Teachers	3.0	240,000	Class Size Increase above Optimum levels for student learning
Reduction of MS/HS Classroom & Special Ed. Teachers / Educators	6.0	480,000	Class Size Increase above Optimum levels for student learning / increased caseloads
Reduction of District School Nursing Services	0.5	40,000	Reduced ability to address student health issues & coverage
Reduction of Technology Staffing & Support	0.5	32,500	Less digital learning & technology staffing available for tech support
Reduction of Academic Support Tutors Elementary Level	1.2	56,800	Reduced ability to address early intervention strategies in the areas of math and literacy
Reduction of Custodial Cleaning Staff	1.0	51,000	Less ability to address need for coverage and increased cleaning ratios
Reduction of Athletic Coaching Staff		20,000	Increased Coach/Student Athlete ratios less support and supervision in specific sports
Reduction of General Classroom Kindergarten Support	3.0	105,000	Less General Classroom paraprofessional support at Kindergarten level
Reduction of School & District Expense Budgets		35,207	Less funding for classroom supplies, materials, and technology
Reduction of Special Education / Transportation Increases		40,000	Increase risk for budget overages and underfunded line items
Shift Costs: Utilities, Custodial Cleaning Costs to Food Service Revolving (FSA) Account		60,000	Higher risk to budget if free lunch funding does not continue by the State
Increased User Fees to Families: Busing Program (\$500/\$800)		40,000	Increase user fee families and potential for less students participating in the busing program
Total Administration Proposed Reductions	15.2	1,200,507	

FY'26 & FY'27 School Budget Implications

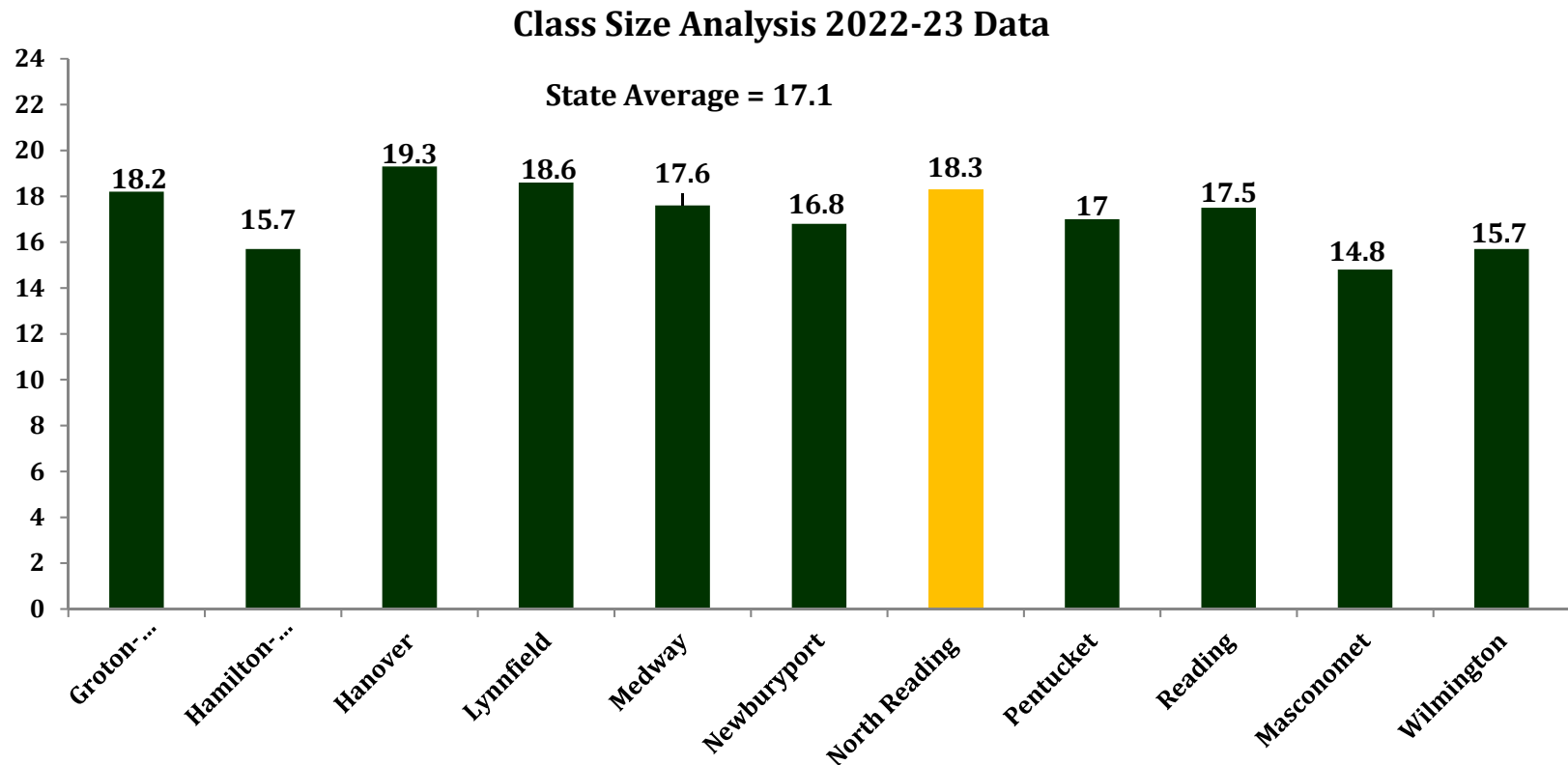
FY'26 & FY'27 Potential Reductions

- Elementary & Secondary Classroom Teachers
- Elementary & Secondary Special Ed. Teachers & Programs
- School Adjustment Counselors
- Administrative Coordinator Positions
- World Language Program
- Computer Science Program
- Tech/Engineering Program
- Art/Band & Chorus Program
- Digital Learning Program
- Athletic Program
- Performing Arts Program
- Busing/Transportation services reduced # of buses and ridership availability
- Custodial Services

FY'26 & FY'27 Override Budget

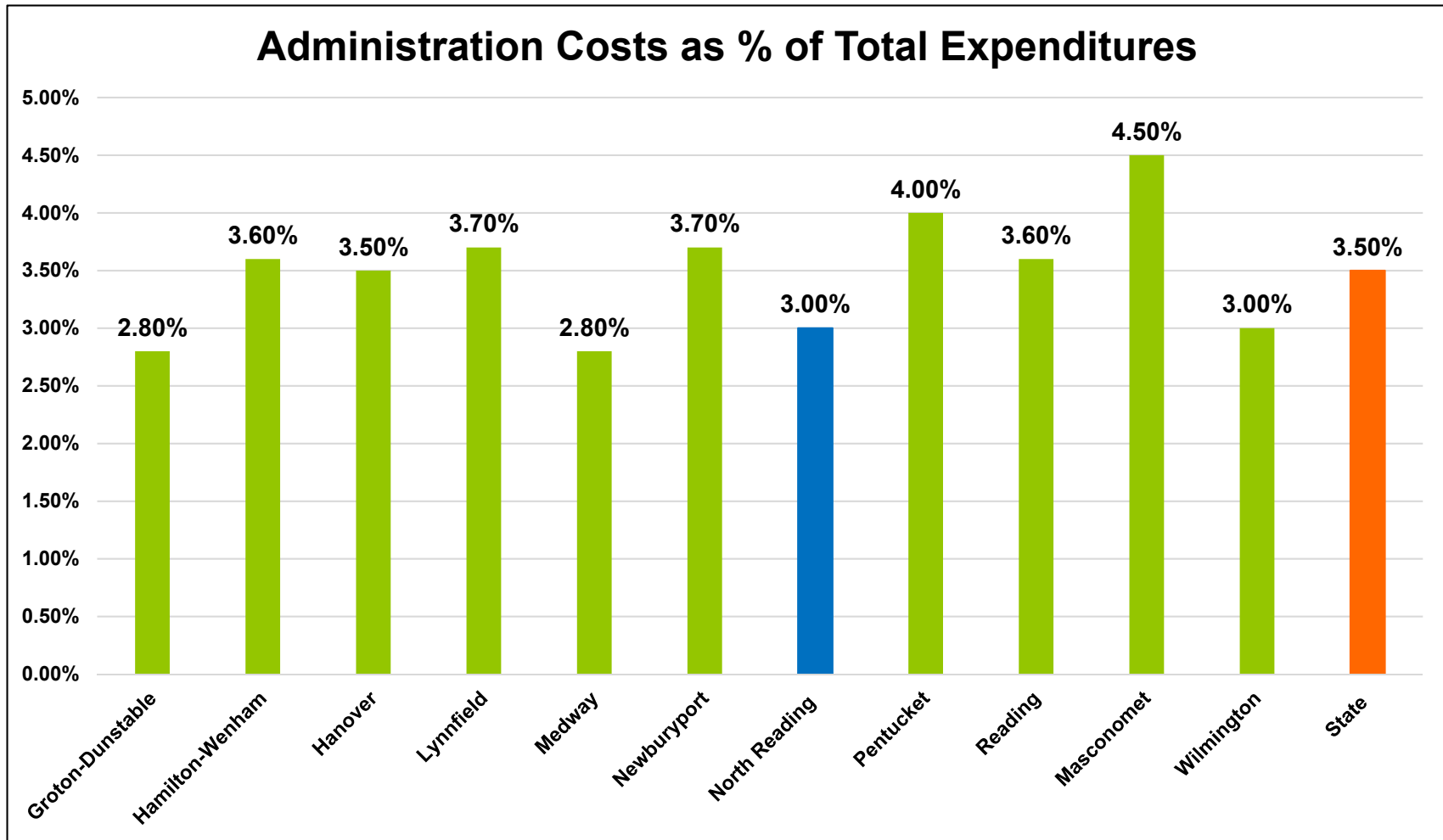
- Meets all contractual salary and operational expense obligations;
- No reduction to current staffing levels;
- Maintains level services including current class size guidelines and student/teacher case loads at all levels;
- Maintains current Nursing, technology, and custodial staffing levels;
- No reductions to athletic coaching positions or performing arts programs;
- Maintains and enhances ability for district to address mental health concerns and issues for students at all levels;
- Maintains and enhances ability for the district to address students needs for academic support in Math and ELA;
- Enhances Curriculum Leadership and support;
- Full Day Kindergarten tuition from \$1,500 to \$750 (FY'26) then from \$750 to \$0 (FY'27).

Class Size Comparison



North Reading ranks third highest in average class sizes (at all levels) of its peer communities at 18.3, and is greater than the state average of 17.1. North Reading has made progress of reducing this ratio over the last four fiscal years. This progress has been halted because North Reading's average class size increased by one whole student from last year. This increase is consistent with the state trend as the state average increased by about two students from the previous year.

Administration Cost Comparison



MUNICIPAL BUDGET

FY 2025 Municipal Budget

FY 2025 Municipal Revenue Available		\$ 20,023,860
FY 2025 Municipal Department Requests (including 4 addt'l firefighters)		\$ 21,075,168
Reductions:		
Town Administrator - <i>remove grant manager</i>		\$ (80,000)
Collector's - <i>reduce salaries related retirement/transitions</i>		\$ (15,145)
Information Technology - <i>reduce miscellaneous capital</i>		\$ (12,000)
Public Safety - <i>remove director position</i>		\$ (30,000)
Fire Department - <i>remove call academy training</i>		\$ (21,000)
Public Works - <i>remove business manager position</i>		\$ (45,000)
Public Works - <i>reduce lease and rentals</i>		\$ (8,000)
Reductions that impact free cash generation:		
	Reduce Police Overtime	\$ (80,000)
	Reduce Fire Overtime	\$ (50,000)
	Reduce Veteran's Benefits	\$ (100,000)
	Reduce Salary Pool	\$ (21,763)
	Reduce Fill-in Inspectors Code Enforcement	\$ (10,000)
	Reduce Town Building Maintenance	\$ (30,000)
	Reduce Fuel Budget	\$ (25,500)
	Reduce IT Capital	\$ (5,000)
	Reduce Fire Training&Education/Clothing	\$ (9,451)
	Reduce Board of Health Prof. Serv	\$ (10,000)
Funded from Free Cash/Ambulance Reserve		
	Police Department - <i>fund radar gun from free cash</i>	\$ (17,043)
	Fire Department - <i>fund forcible entry simulator from free cash \$9,000,</i>	\$ (9,000)
	Public Works - <i>fund Damon Tavern generator from free cash</i>	\$ (8,000)
	Fire Department - <i>Recruit Training, Paramedic Training, Incentives, and Coverage for new FF</i>	\$ (504,407)
	Total Reductions	\$ (1,091,309)
FY 2025 Modified Municipal Budget		\$ 19,983,859
	Fixed Costs for New FF	\$ 40,000
	Total Municipal FY 2025 Needs	\$ 20,023,859

Municipal Budget Impacts

- Many of the reductions on the preceding slide may not have a direct noticeable impact on residents, however the \$341,714 reduction in accounts that usually generate Free Cash will have a direct impact beginning next July.
- These funds were part of the Free Cash, or funding left over from prior years, that stabilized the Town budget and allowed the Town to avoid making reductions in the following year.
- In FY 2026, there will likely need to be further reductions that will impact the delivery of services:
 - **Reduction in workforce beyond positions that are currently vacant, resulting in deterioration or delays in the delivery of services to the public.**
 - **Further reduction in expense accounts, exposing us the Town to potentially underfunded departmental budgets.**

Proposition 2 ½ Override

- Total Request: \$10,000,000
- Resulting Revenue – 2 years @ 2.5% \$10,506,250

	Available Funds	Budgeted Needs:	Surplus/Deficit
3 Year Override Value	\$ 10,506,250.00		
3 Year Fixed Costs	\$ (3,850,000.00)		
Remaining Balance	\$ 6,656,250.00		
School Share at 66.89%	\$ 4,452,365.63	\$ 4,142,544	\$ 309,822
Municipal Share at 33.11%	\$ 2,203,884.38	\$ 2,586,954	\$ (383,070)
3 Year Net Balance	\$ 6,656,250.00	\$ 6,729,498	\$ (73,248)

A total of a \$10 million increase spread over three years is being presented to the Town.

- * - Using the Town’s current allocation formula, which is subject to change form year-to-year as conditions warrant and as voted by Town Meeting.

Slide 18

LG2

should be later in the presentation

Laurianne Galvin, 4/9/2024

\$10 million Override Summary

\$ 348,500	Chestnut Street Bridge Debt Service
\$ 348,500	Burroughs Road Debt Service
\$ 153,000	Fire Department Ladder Truck Debt Service
\$ 1,406,442	Maintain Current Municipal Budget / Services
\$ 3,398,244	Maintain Current School Budget / Services
<u>\$ 2,600,000</u>	<u>Recurring Fixed Costs</u>
\$ 8,254,686	Total To Maintain Services and Sound Financial Position
\$ 400,000	Future Capital Needs
\$ 1,180,512	New Municipal Initiatives
\$ 744,300	New School Initiatives

Proposition 2 ½ Override

- The average single family home valued at \$811,899 will see approximately a \$250 annual tax increase per year without an override. This is subject to change in accordance with market conditions, individual home improvements, overall Town property valuation, and other factors that annually affect property taxes.
- **The impact of a \$10 million override on the average single family home valued at \$811,899 would be a total of \$1,721.22 spread out over three years. After the third year, the override remains in place.**
- Total impact on the Tax Rate is \$2.12 per \$1,000 of valuation **over three years.**
- **To figure out how much it might mean for your property over three years, take the Assessed Value, divide it by 1,000, and multiply by \$2.12.**
- In the absence of an operating override, debt for the Chestnut and Burroughs Culverts as well as the Ladder Truck will likely need to be funded through a Debt Exclusion tax increase as soon as this fall.

Estimated Three Year Tax Bill Impact

Level Services Needs	2025	2026	2027	Total
Fixed Costs	\$ 800,000.00	\$ 2,092,000.00	\$ 958,000.00	\$ 3,850,000.00
Municipal	\$ 374,714.00	\$ 486,192.00	\$ 545,536.00	\$ 1,406,442.00
School	\$ 1,200,507.00	\$ 1,093,997.00	\$ 1,103,740.00	\$ 3,398,244.00
Less Levy Growth		\$ (250,000.00)	\$ (256,250.00)	\$ (506,250.00)
Total	\$ 2,375,221.00	\$ 3,422,189.00	\$ 2,351,026.00	\$ 8,148,436.00
Level Services Annual Impact on Average Home of \$811,899	\$ 405.95	\$ 592.69	\$ 405.95	\$ 1,404.59
Additional Needs	2025	2026	2027	Total
Fixed Costs	\$ -	\$ -	\$ -	\$ -
Municipal	\$ 232,945.00	\$ 271,556.17	\$ 676,010.88	\$ 1,180,512.05
School	\$ 277,061.00	\$ 232,582.08	\$ 234,656.68	\$ 744,299.75
Total	\$ 510,006.00	\$ 504,138.25	\$ 910,667.55	\$ 1,924,811.80
Additional Needs Annual Impact on Average Home of \$811,899	\$ 89.31	\$ 89.31	\$ 146.14	\$ 324.76
Combined Annual Impact on Average Home of \$811,899	\$ 495.26	\$ 682.00	\$ 552.09	\$ 1,729.35

Fixed Cost, School and Municipal Needs 2025 and Beyond

Need	3 Year Total	2025	2026	2027
Fixed Cost Needs:				
Capital Plan/Debt Service-Bridges, Ladder Truck, Extra Debt	\$ 1,250,000		\$ 842,000	\$ 408,000
Alternative to Debt Capital Stabilization transfer	\$ 1,600,000	\$ 800,000	\$ 800,000	
Snow and Ice Deficit	\$ 450,000		\$ 450,000	
Raise and Appropriate Transfer to Capital Improvement Stabilization	\$ 350,000			\$ 350,000
Retirements	\$ 200,000			\$ 200,000
TOTAL FIXED COST NEEDS	\$ 3,850,000	\$ 800,000	\$ 2,092,000	\$ 958,000
SCHOOL NEEDS				
Level Services Needs	\$ 3,398,244	\$ 1,200,507	\$ 1,093,997	\$ 1,103,740
Strategic Plan Needs	\$ 635,811	\$ 235,811	\$ 200,000	\$ 200,000
Employee Benefits for New Hires-3 year one, 2 year two, 2 year 3	\$ 108,489	\$ 41,250	\$ 32,582	\$ 34,657
TOTAL SCHOOL NEEDS	\$ 4,142,544	\$ 1,477,568	\$ 1,326,579	\$ 1,338,397
MUNICIPAL NEEDS				
Level Services Increase	\$ 1,064,728	\$ 33,000	\$ 486,192	\$ 545,536
Restore reductions that impact free cash generation:	\$ 341,714	\$ 341,714		
New Initiatives	\$ 979,272	\$ 199,300	\$ 219,207	\$ 560,765
Employee Benefits for New Hires-3 year one, 2 year two, 6 year 3	\$ 201,240	\$ 33,645	\$ 52,349	\$ 115,246
TOTAL MUNICIPAL NEEDS	\$ 2,586,954	\$ 607,659	\$ 757,748	\$ 1,221,547
TOTAL FIXED, SCHOOL and MUNICIPAL NEEDS	\$ 10,579,498	\$ 2,885,227	\$ 4,176,327	\$ 3,517,944

Current Cash Reserves

Account	Available Cash
Free Cash	\$ 3,365,160
Stabilization Fund	\$ 4,500,839
Capital Improvement Stabilization Fund	\$ 1,749,541
Water Infrastructure Stabilization Fund	\$ 2,608,208
Solid Waste Stabilization Fund	\$ 180,453
Water Retained Earnings	\$ 136,720
Cell Tower	\$ 805,410
Sale of Town Owned Land	\$16,713,480

Why not use other available funds?

- FY 2025 budgets have already been adjusted to rely on funds that generally would end up being left over at the end of the year.
- The Town has approximately \$15 million in funds from the sale of a portion of the former JT Berry property to Pulte Homes of New England (to construct Martins Landing). These funds are restricted and can be used for capital improvements and debt service only. Given the extent of potential major construction projects identified on the previous slide (totaling \$52 million), these funds may be necessary to stabilize the impact on taxpayers.
- The Town does have multiple stabilization and other funds that have specific purposes, including for capital improvements and for certain School Department costs. Using some or all of those funds, to the extent allowed, only delays the problem and does not resolve it.

Final Considerations...

- There are other projects that could impact taxes in the short- and long-term, however those projects require separate approval at Town Meeting and at the ballot in a Town election.
- The Town's collective leadership has identified the financial strain on the annual budget as urgent and is therefore proposing a Proposition 2 ½ Override (tax increase) to stabilize municipal and school services, and the Town's overall favorable financial standing.
- The decision to support or oppose an override is an individual voter's decision.
- **In the absence of additional tax revenue through an override, there will be direct adverse school and municipal service impacts over the next 18 months.**

Next Steps

- The Town meeting warrant will be mailed to all residences over the next two weeks.
- Spring Annual Town Meeting is Monday, June 10th. Registered voters who attend will be asked to vote on a Fiscal Year 2025 budget that is expected to include a balanced budget (with reductions mentioned in previous slides) and additional funding contingent on a Proposition 2 ½ override.
- A ballot vote (election) will take place on Tuesday, June 18th with early voting likely occurring the week before.
- Information is available online at www.northreadingma.gov under **FY 2025 Budget Central**

\$10 million Override Summary

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QUESTIONS AND ANSWERS