



TOWN OF NORTH READING FISCAL YEAR 2025 AND BEYOND BUDGET PROJECTION

Update to the Select Board, Finance
Committee, School Committee, and Capital
Improvement Planning Committee

North Reading High School Distance
Learning Lab

April 10, 2024 at 7:00 PM

About Tonight's Meeting...

- The meeting is a public meeting but it is not a hearing. Members of the Select Board, School Committee, Finance Committee, and Capital Improvement Planning Committee will be receiving an update on the Town's Fiscal Year 2025 and Beyond Budget Projections. The board and committees are asked to call their respective meetings to order.
- Members of these committees are asked to write down questions and slide number references, and to ask them at the conclusion of the presentation. Once all of the elected and appointed officials have asked their questions and finished discussion, if time allows, members of the public may be able to ask questions.
- There will be information sessions for the public to ask questions on April 24th at 8:00 PM via webinar and May 9th at 7:30 PM in person.
- Information is available online at www.northreadingma.gov under "FY 2025 Budget Central"

About Tonight's Meeting...

- Seated at the front of the room facing the audience are members of the Town's Financial Planning Team, which is not a public body but is a collaboration of the Select Board, Finance Committee, and School Committee, as well as School and Municipal administration.
- Seated in the front row are the remaining members of the Select Board, Finance Committee, School Committee, and Capital Improvement Planning Committee.
- The committees and board have all posted a joint public meeting for this evening in accordance with the state Open Meeting Law.

Important Definitions:

- 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.**
- Proposition 2 ½:
 - State law that limits how much a city or town can increase property taxes per year
 - Increase in property taxes on all properties in town combined cannot be more than 2 ½ percent per year.
 - Individual properties will vary based on market factors.
 - The tax rate is per thousand dollars of valuation and it is directly associated with the value. If overall values go up, the rate comes down, and vice-versa, but the impact as a whole cannot exceed 2 ½ percent without a specific ballot vote of the Town.

Important Definitions:

- **Override:**
 - A vote to increase the amount of property tax revenue that may be raised over the 2 ½ percent limit. The increase remains in place each future year.
- **Debt Exclusion:**
 - A vote to increase property taxes above the 2 ½ percent limit during the period of time the Town is repaying a bond (loan) for a project. For example, the Middle/High School construction project was funded by debt exclusion with a grant from the state.
- **New Growth:**
 - The additional tax revenue generated by new construction, renovations and other increases in the property tax base during a calendar year. This is in addition to the 2 ½ percent growth on existing buildings and properties.

Important Definitions:

- Fixed costs:
 - For Town of North Reading budget purposes, fixed costs include:
 - State assessments
 - County Retirement System assessments
 - Health insurance
 - Regional Vocational/Technical/Agricultural school assessments
 - Debt service (loan repayments)
- Municipal costs:
 - Salaries and expenses for municipal departments such as Police, Fire, DPW, Town Hall, Library, etc.
- School costs:
 - Salaries and expenses for the School Department (North Reading Public Schools)
- Town Budget
 - The entire budget including fixed costs, municipal costs, and school costs. The Town also has three enterprises (Water, Golf, and Recreation) that are largely funded by user fees.

Budgets are constantly evolving...

- There are many revenue and expense components of the Town's budget.
- Some of these components are known in advance, some become known at different points leading up to Town Meeting, and some are not known until policy decisions are made by boards such as the Select Board and School Committee.
- You may note slight variance in some figures during tonight's discussion; this is a reflection of the evolving nature of the budget itself.
- Attendees at Town Meeting have the final say...all of the work done in advance of Town Meeting is intended to provide voters a plan that they may choose to approve or disapprove, however a budget must be in place by July 1st each year for the Town's departments to operate.

SCHOOL BUDGET

School Budget Proposals

Category	Balanced Budget	Level Services	Revised Budget Proposal
Salary	\$32,105,216	\$33,056,916	\$33,387,727
Expenses	\$6,666,912	\$6,915,719	\$6,945,719
TOTAL	\$38,772,128	\$39,972,635	\$40,333,446
% Over FY'24	+3.9%	+7.1	+8.1%
GAP	0	\$1,200,507	\$1,561,318
Impact:	Reduces 15.2 FTE	Adds: 2.4 FTE	Adds: 4.0 FTE
Details:	List of the potential reductions and impact to services are included on following slides	2.4 FTE Elementary grade level positions to address an increase in enrollment	Adds the 2.4 FTE grade level positions due to enrollment; As well as a 0.6 FTE School Adjustment Counselor and 1.0 FTE Academic Interventionist which are high priority positions in District's strategic plan; Includes a Free Full Day Kindergarten program

Long Term School Budget Implications

- Higher class sizes at all levels in particular in primary grades 1-2 which would be above optimum levels for student learning;
- Reduced depth and breadth of course options at the high school;
- Less staffing available for academic support and early intervention strategies to address areas of learning loss particular in areas of math and literacy;
- Less resources and staffing available for mental health and counseling support at all levels;
- Less digital learning & technology staffing available for technology instruction and IT help desk support;
- Less nursing services available for coverage needs and nursing services;
- Less cleaning staff available for coverage and higher cleaning areas per square foot area above recommended levels;
- Less Athletic Coaches for support and supervision in specific sports;
- Reduced expenses budgets for school resources and classroom materials;
- Lack of funds available for unforeseen building maintenance needs and equipment replacements;
- Potential for increased fees to families for programs like: athletics, transportation and tuition-based programs;

Long Term 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	4.0	320,000	Class Size Increase above Optimum levels for student learning
Reduction of District School Nursing Services	0.5	40,000	Reduced ability to address mental health issues across district
Reduction of School Adjustment Counselors	2.0	160,000	Reduced ability to address student health issues & coverage
Reduction of Technology Staffing & Support	0.5	32,500	Less digital learning & technology staffing available for technology instruction and IT help desk support (staff and student devices)
Reduction of Academic Support Tutors Elementary Level	1.2	56,800	Reduced ability to address early intervention strategies especially 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

Long Term School Budget Implications

Description	FTE	Amount	Impact Statement
Reduction of School & District Expense Budgets		30,207	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
Elimination of Secondary School Late Bus		15,000	Reduced opportunity for students to get extra help participate in after school activities
Shift Costs: Utilities, Custodial Cleaning Costs to Food Service Revolving (FSA) Account		50,000	Higher risk to budget if free lunch funding does not continue by the State
Increased User Fees to Families: Busing & Activities		40,000	Increase user fee families and potential for less students participating in the busing program and extra-curricular activities
Total Continued from Prior Slide	15.2	1,200,507	

MUNICIPAL BUDGET

FY 2025 Municipal Budget

FY 2024 Municipal Budget		\$	19,569,387
FY 2024 Funded as One-Time		\$	207,731
Net FY 2024 Municipal Budget		\$	19,361,656
FY 2025 Municipal Department Requests		\$	21,402,361
FY 2025 Municipal Level Services Requests		\$	20,246,436
FY 2025 Municipal Revenue Available - Projected Budget		\$	20,001,248
FY 2025 Municipal Level Services Shortfall		\$	(245,188)
FY 2025 Municipal Shortfall to Fund 4 Additional Firefighters and Benefits		\$	(341,714)
TOTAL Shortfall		\$	(586,902)

FY 2025 Municipal Reductions to Meet Revenue

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)
Police Department - <i>fund radar gun from free cash</i>	\$	(17,043)
Fire Department - <i>fund forcible entry simulator from free cash \$9,000, remove call academy training \$21,000</i>	\$	(30,000)
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)
Reductions that impact free cash generation:	\$	(341,714)
	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)

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 in FY 2026.
- 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.**
 - **Reduction in expense accounts, exposing us the Town to potentially underfunded departmental budgets.**

Municipal Needs 2025 and Beyond

Need	Amount	Description
Restore Level Services Reductions that were made to meet Revenue		
Town Administrator - <i>remove grant manager</i>	80,000	
Information Technology - <i>reduce miscellaneous capital</i>	12,000	
Fire Department - <i>remove call academy training \$21,000</i>	21,000	
Public Works - <i>remove business manager position \$45,000</i>	45,000	
Reductions that impact free cash generation:	341,714	
Maintain Current Services Funding from Other Sources		
Elder Services Outreach Assistant	20,288	Increase 15 hrs./wk - Grant Funding ends June 2025
Youth Substance Program	125,000	Fund Coordinator Salary plus expenses-Grant ends Sept 26
New Initiatives and Needs Not Yet Funded		
Elder Services - <i>Rental of auxillary space 5 days per week</i>	45,500	
Elder Services - <i>Substitute Van Drivers</i>	15,288	
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	
Recreation - <i>Maintenance Craftsman</i>	53,800	
Town Administrator - <i>Senior Level Management Position</i>	150,000	
Town Administrator - <i>Public Outreach Position</i>	75,000	
Police Department - <i>2 Officers for Public Access dispatch 1 am to 6 am</i>	115,000	
Employee Benefits - <i>for new municipal employees</i>	130,000	
Unforeseen Departmental Needs	100,000	
TOTAL MUNICIPAL NEEDS	1,483,986	

Fixed Cost Needs 2025 and Beyond

Need	Amount	Description
Additional Debt Service	850,000	fund debt for Chestnut Bridge, Burroughs Culvert, Fire Apparatus
Alternative to Debt Capital Stabilization transfer	1,600,000	Debt Service normally funded by Free Cash
Capital Plan	400,000	fund future capital projects
Snow and Ice Deficit	450,000	Frequently funded from free cash
Retirements	200,000	Frequently funded from free cash
TOTAL FIXED COST NEEDS	3,500,000	

FY 2025 Capital Requests

Department	Project	FY 25 Revised Amount Requested
Capital - FY2025 -		
DPW-Engineering	Chestnut Street Culvert Replacement with Bridge	\$ 4,000,000
DPW-Engineering	Burroughs Road Culvert Replacement with Bridge	\$ 4,000,000
DPW-Engineering	Park Street Bridge Bidding/Construction	\$ 630,000
DPW-Engineering	Roadway Rehabilitation & Reconstruction	\$ 600,000
DPW-Engineering	Bridge & Culvert Rehabilitation / Replacements	\$ 250,000
DPW-Engineering	Signalization of Park St at Central St	\$ 350,000
DPW-Engineering	Town Center Sewer Construction	\$ 400,000
DPW-Engineering	Riverside Cemetery Expansion Area Roadway Paving	\$ 60,000
DPW-Engineering	Reconstruction of Concord St at Park St Intersection	\$ 350,000
DPW-Facilities	Exterior Painting and Front Wood Cladding Replacement, Bell Tower-Third Mtg	\$ 200,000
DPW-Facilities	HVAC Replacement - Third Meeting House	\$ 170,000
DPW-Facilities	Handicap Push Button Openers for Bathrooms and Exterior Doors - All Bldg	\$ 60,000
DPW-Facilities	Engineering Services to Design New Handicap Ramp - Third Mtg. House	\$ 35,000
DPW-Facilities	Interior Renovations - Flooring, stage removal, cabinetry - Third Mtg. House	\$ 30,000
DPW-Facilities	HVAC Replacement - Police	\$ 230,000
DPW-Highway	Replace 2005 Elgin Sweeper #00	\$ 310,000
DPW-Highway	Replace 1998 Bucket Truck #91	\$ 275,000
DPW-Highway	Replace 2008 F-250 Pickup #15	\$ 78,000
Fire Department	Replace Ambulance	\$ 571,000
Fire Department	Replacement Engine 4 Pumper Truck	\$ 1,100,000
Fire Department	Ladder 1 Replacement	\$ 1,900,000
Fire Department	Day Officer Vehicle	\$ 66,150
Fire Department	Replace Engine 5	\$ 70,000
Information Technologies	Computer/Equipment Replacement	\$ 45,000
Police Department	Replace Portable Radio Units	\$ 205,000
Police Department	2022 Explorer (replace Admin Vehicle car#5)	\$ 64,682
School Department	Hood School Roof Replacement	\$ 200,000
School Department	Technology Instructional Equipment-MS/HS	\$ 200,000
School Department	Elementary Systems Upgrade-Phase II Burglar Alarm System Upgrade	\$ 60,000
School Department	Classroom Window Replacement-Hood/Little	\$ 75,000
School Department	Modular Feasibility Study	\$ 36,000
School Department	Ford F-450 Utility Truck Replacement	\$ 95,000
Town Clerk	Voting Tabulators (4)	\$ 49,800
Total General Fund Capital Requests		16,765,632

**TOWN of NORTH READING
FIVE YEAR CAPITAL PLAN REQUESTS**

Department	Description	2025	2026	2027	2028	2029	Total
Police Department	Replace Portable Radio Units	\$ 205,000					\$ 205,000
Fire Department	Day Officer Vehicle	\$ 66,150					\$ 66,150
	Replacement Engine 4 Pumper Truck	\$ 1,100,000					\$ 1,100,000
	Replace Ambulance	\$ 475,000	\$ 475,000				\$ 950,000
	Replace Engine 5	\$ 70,000					\$ 70,000
	Ladder 1 Replacement	\$ 1,900,000					\$ 1,900,000
Town Clerk	Voting Tabulators (4)	\$ 36,480					\$ 36,480
Information Technology	Computer/Equipment Replacment	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 225,000
	Town Website Overhaul		\$ 50,000				\$ 50,000
	Fail - over site/Infrastructure		\$ 250,000				\$ 250,000
DPW Highway Division	Replace 2005 Elgin Sweeper #00	\$ 310,000					\$ 310,000
	Replace 1998 Bucket Truck #91	\$ 275,000					\$ 275,000
	Replace 2008 F-250 Pickup #15	\$ 78,000					\$ 78,000
	Replace 2012 Backhoe #69		\$ 200,000				\$ 200,000
	Replace 2007 Dump truck #44		\$ 275,000				\$ 275,000
	Replace 2011F-350 Dump #35		\$ 110,000				\$ 110,000
	Replace 2011 F-250 Pickup #18			\$ 85,000			\$ 85,000
	Replace 2006 Loader #65			\$ 300,000			\$ 300,000
	Replace 2011 F-150 #11			\$ 65,000			\$ 65,000
	Replace 2014 1 Ton #36				\$ 130,000		\$ 130,000
	Replace 2010 Dump #45				\$ 300,000		\$ 300,000
	Replace 2012 10 Wheeler #90					\$ 320,000	\$ 320,000
	Replace 2015 Sidewalk Plow #70					\$ 250,000	\$ 250,000
	Replace 2015 F-250 Pickup #17					\$ 90,000	\$ 90,000
DPW Engineering Division	Chestnut Street Culvert Replacement with Bridge (Span too large, not eligible for small bridge grant)	\$ 3,500,000					\$ 3,500,000
	Roadway Rehabilitation & Reconstruction	\$ 1,200,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 5,200,000
	Bridge & Culvert Rehabilitation / Replacements	\$ 500,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 1,500,000
	Town Center Sewer Construction	\$ 400,000					\$ 400,000
	Riverside Cemetery Expansion Area Roadway Paving	\$ 60,000					\$ 60,000
	Signalization of Park St at Central St	\$ 350,000					\$ 350,000
	Park St Intersection Widening at Central St (Place Holder)	TEC TBD					\$ -
	Reconstruction of Concord St at Park St Intersection	\$ 350,000					\$ 350,000
	Sidewalk Repair and Tree Removal (Include Library Sidewalk)		\$ 275,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 500,000
	Central Street Sidewalk		\$ 950,000	\$ 120,000	\$ 1,000,000		\$ 2,070,000
	Route 28 - FY25 25% Design, FY26 Full Design & FY27 Construction)		\$ 800,000	\$ 1,200,000	\$ 20,000,000		\$ 22,000,000

**TOWN of NORTH READING
FIVE YEAR CAPITAL PLAN REQUESTS**

Department	Description	2025	2026	2027	2028	2029	Total
DPW Facilities Division							
Third Meeting House	HVAC Replacement	\$ 170,000					\$ 170,000
Third Meeting House	Engineering Services to Design New Handicap Ramp and Estimate Project.	\$ 35,000					\$ 35,000
Town Buildings	Handicap Push Button Openers for Bathrooms and Exterior Doors.	\$ 60,000					\$ 60,000
Third Meeting House	Interior Renovations - Flooring replacement, stage removal and replacement cat	\$ 80,000					\$ 80,000
Third Meeting House	Exterior Painting and Front Wood Cladding Replacement	\$ 175,000					\$ 175,000
Damon Tavern	Replace the existing rear asphalt shingles in kind and repair existing front slate		\$ 70,000				\$ 70,000
Town Hall	Parking Lot Replacement		\$ 105,000				\$ 105,000
Third Meeting House	Parking Lot Replacement		\$ 100,000				\$ 100,000
Third Meeting House	Handicap Ramp Modifications		TBD				\$ -
Library	Selective Sidewalk Replacement			\$ 120,000			\$ 120,000
Town Hall	Service Counter Modifications for Handicap Accessibility				TBD		\$ -
Town Hall	Carpet Replacement				\$ 120,000		\$ 120,000
Town Hall	Window Replacement					TBD	\$ -
School Department	Technology Instructional Equipment-MS/HS	\$ 200,000					\$ 200,000
	Modular Feasibility Study	\$ 36,000					\$ 36,000
	Ford F-450 Utility Truck Replacement	\$ 95,000					\$ 95,000
	Classroom Window Replacement-Hood/Little	\$ 75,000					\$ 75,000
	Hood School Roof Replacement	\$ 200,000	\$ 350,000	\$ 250,000	\$ 400,000		\$ 1,200,000
	Elementary Systems Upgrade-Phase II Burglar Alarm System Upgrade	\$ 60,000					\$ 60,000
	Student Device Replacement		\$ 60,000				\$ 60,000
	Technology Instructional Equipment-MS/HS-Phase II		\$ 200,000				\$ 200,000
	Hood/Little School Modular Unit Replacement		\$ 2,600,000				\$ 2,600,000
	Student Device Replacement			\$ 60,000			\$ 60,000
	Instructional Staff Device Replacement			\$ 60,000			\$ 60,000
	Hood School Building Mgmt. System Upgrade			\$ 200,000			\$ 200,000
	Ford F-350 Pick-up Replacement 2009			\$ 75,000			\$ 75,000
	Student Device Replacement				\$ 60,000		\$ 60,000
	Elem School WIFI Upgrade				\$ 150,000		\$ 150,000
	Classroom Window Replacement-Hood/Little				\$ 75,000		\$ 75,000
	Elementary System Upgrade-Phase III Access Control Systems				\$ 160,000		\$ 160,000
	Waste Water Treatment Plant - Membrane Replacement				\$ 50,000		\$ 50,000
	2015 Special Education Van Replacement				\$ 65,000		\$ 65,000
	Student Device Replacement					\$ 60,000	\$ 60,000
	2016 Special Education Wheelchair Van Replacement					\$ 70,000	\$ 70,000
	Athletic Lighting Phase 3					\$ 350,000	\$ 350,000
	2002 Kubota Tractor Replacement					\$ 40,000	\$ 40,000
	Asbestos Mitigation					\$ 75,000	\$ 75,000
Total Capital Requests		\$ 12,106,630	\$8,165,000	\$ 3,905,000	\$ 23,880,000	\$ 2,625,000	\$ 50,371,630

Budget Challenges

- Property Taxes account for \$56.2 million in revenue out of a total of \$72.3 million in General Fund expenditures for FY 2024. The rest is state aid, departmental revenue, excise tax, investment income, 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. New Growth (new buildings/renovations and development of land) increases property taxes 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.
- The numbers you've seen in the previous and upcoming slides reflect adjustments that will reduce the generation of Free Cash in FY 2025, resulting in reduced funding available in FY 2026 and beyond.

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.

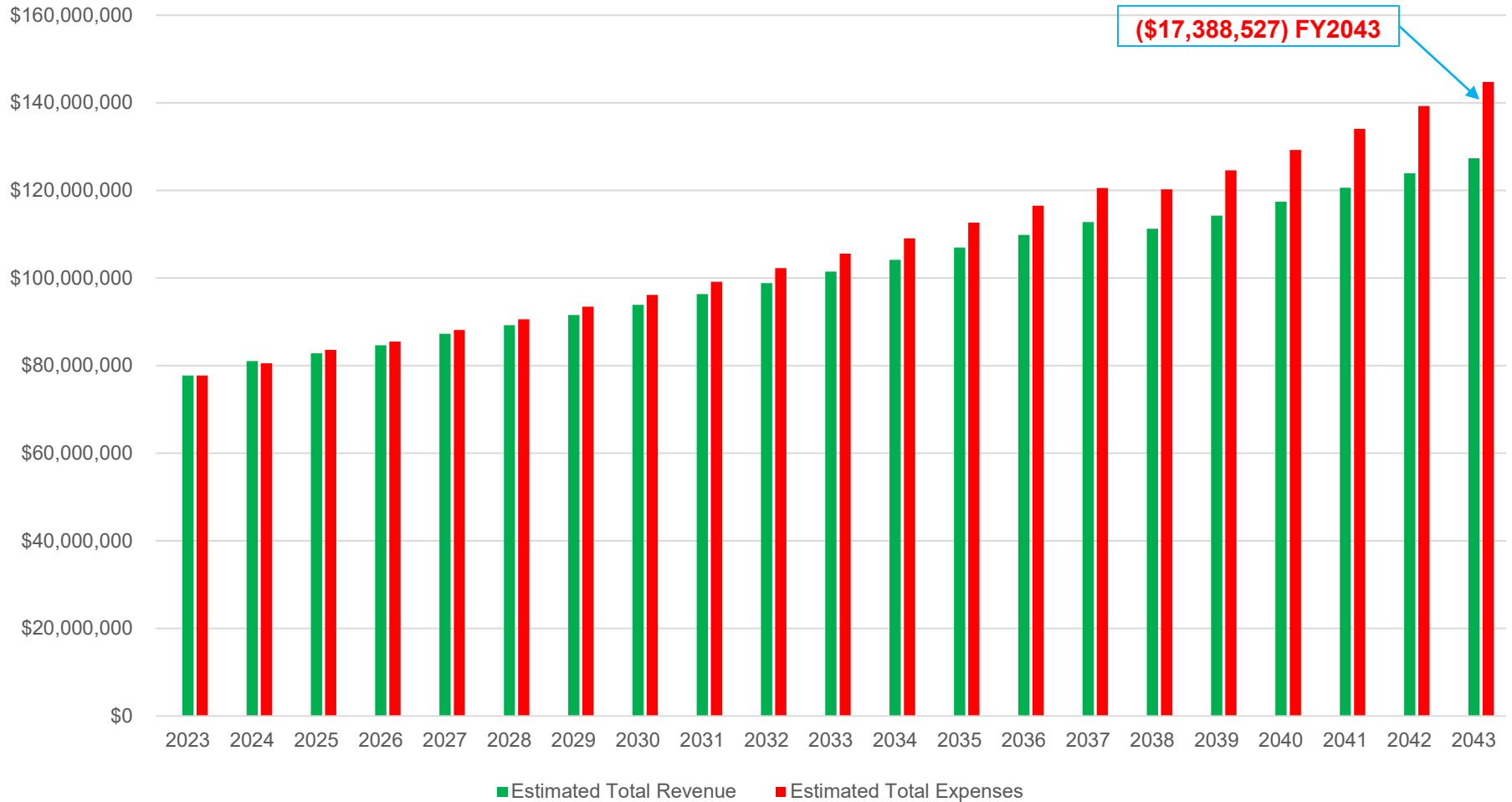
FY 2025 will be even more difficult. The community will face difficult discussions about its priorities, including what it can and cannot afford to do within the limits of Proposition 2 ½ and our other revenue streams.

Future Projection of Revenue vs. Expense:

	FY24 Actual Budget	FY25 Projected Budget	FY26 Projected Budget	FY27 Projected Budget
Total General Fund Revenue	78,310,652	81,578,931	81,309,055	83,152,111
Town Fixed Costs	10,974,865	11,342,562	11,835,347	11,915,197
Amount Available for Municipal and School Operating	67,335,787	70,236,369	69,473,709	71,236,914
Gross Municipal Allocation	22,190,062	23,256,987	23,004,452	23,588,292
Less Total Municipal Fixed Costs (health insurance, etc.)	5,376,096	5,797,663	6,203,413	6,638,870
Plus Total Municipal Revenue Offset	2,526,550	2,541,925	2,553,091	2,540,861
Net Municipal Revenue Available	19,340,516	20,001,248	19,354,130	19,490,283
Transfer available municipal revenue to schools	(28,961)			
Free Cash	207,731			
Total Municipal Operating Budget Revenue Available	19,519,286	20,001,248	19,354,130	19,490,283
LEVEL Service Department Requests	19,519,286	20,246,436	21,056,293	21,898,545
Surplus/Deficit	0	(245,188)	(1,702,164)	(2,408,262)
Modified Level Services Department Requests		20,588,150	21,411,676	22,268,143
Surplus/Deficit		(586,902)	(2,057,546)	(2,777,860)
Gross School Allocation	44,824,181	46,979,382	46,469,257	47,648,622
Less Total School Fixed Costs (health insurance, etc.)	8,033,547	8,207,254	8,824,929	9,490,734
Total School Revenue Available	36,790,634	38,772,128	37,644,328	38,157,887
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	39,973,135	42,350,474	44,515,714
Surplus/Deficit	-	(1,201,007)	(4,706,146)	(6,357,827)
Modified Level Services Department Requests		40,333,446	42,550,474	44,680,714
Surplus/Deficit		(1,561,318)	(4,906,146)	(6,522,827)

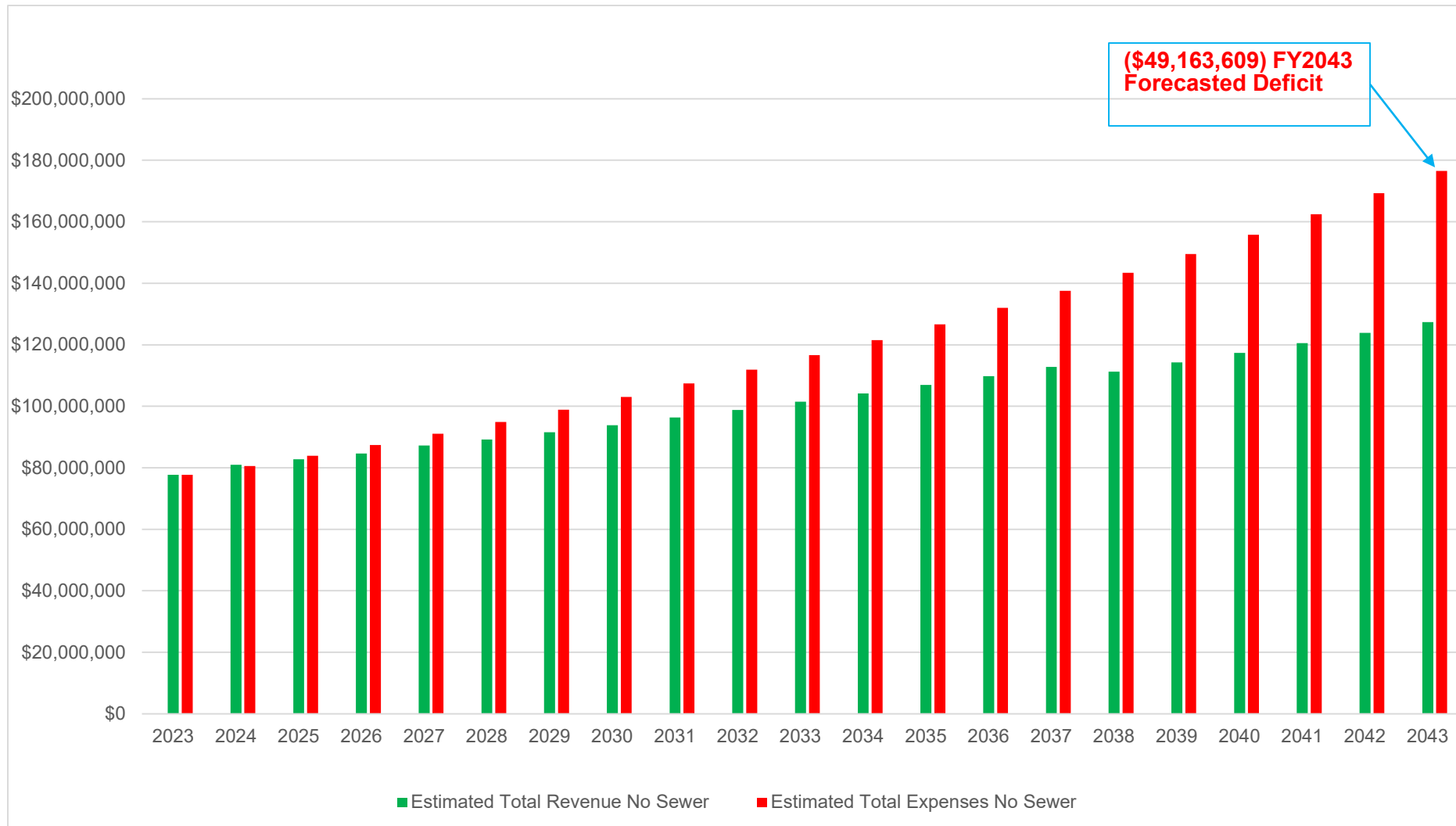
Town's Financial 20 Year Projections

(based on **Prop 2 ½ expenditure limits**, current service levels)
(fixed costs growth rate: 4.5%, municipal: 2.5%, schools, 2.5%)



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%)



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**

Proposition 2 ½ Override

- Financial Planning Team looked at the municipal, school, and fixed cost budget deficits, and future needs, and has developed the following proposal.

Proposition 2 ½ Override

- Three components:
 - Fixed Costs and Town-wide Budget Stabilization: \$3,500,000
 - Chestnut/Park/Burroughs Bridges debt: \$ 697,000
 - Fire Department Ladder Truck: \$ 153,000
 - Replace Use of Free Cash for existing debt: \$1,600,000
 - Replace Use of Free Cash for snow/ice etc: \$ 650,000
 - Other Future Capital Projects \$ 400,000
 - School Costs*: \$ 4,347,850
 - Municipal Costs*: \$ 2,152,150
 - Total: \$10,000,000

The intention of the Financial Planning Team is to recommend spreading the total increase of \$10 million over three years.

- * - *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.*

Proposition 2 ½ Override

- While the total amount being proposed is \$10 million, the intention of the Financial Planning Team is to recommend a phasing in of the increase over three years. This is not binding and is subject to Town Meeting approval each year to provide funding of projected increases in years 2 and 3
- The exact allocation and impact for FY 2025 is not determined at this time.
- The amount doesn't have to be \$10 million, it could be some other amount that elected and appointed officials feel is appropriate.
- That said, how many years into the future an override will address our deficits is directly related to the amount approved in an override.
- Information on the impact on property owners may be found on the following slide.
- 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.

Proposition 2 1/2 Override


 Enter Amount to Adjust by

North Reading			
	Residential & Open Space (RO)	Commercial, Industrial and Personal Property (CIP)	Total
FY 2024 # of Parcels	5,610	835	6,445
FY 2024 Assessed Value	4,149,482,511	558,949,038	4,708,431,549
FY 2024 Tax Levy	54,814,664	7,383,717	62,198,381

RO Tax Rate	CIP Tax Rate
13.21	13.21

Proposed Tax Rate Impact Per \$1,000:	2.12
Proposed New Tax Rate Per \$1,000 (Estimated New):	15.33
FY 2024 Average Single Family Assessed Value (Current):	811,899
FY 2024 Average Single Family Tax Bill (Current):	10,725
FY 2024 Average Single Family Tax Bill Impact (Estimated New):	1,721.22

Assessed Value	Current Estimated Tax Bill	Proposed Estimated Tax Bill	Estimated Tax Bill Impact
250,000	3,302.50	3,832.50	530.00
350,000	4,623.50	5,365.50	742.00
450,000	5,944.50	6,898.50	954.00
550,000	7,265.50	8,431.50	1,166.00
650,000	8,586.50	9,964.50	1,378.00
750,000	9,907.50	11,497.50	1,590.00
850,000	11,228.50	13,030.50	1,802.00
950,000	12,549.50	14,563.50	2,014.00
1,050,000	13,870.50	16,096.50	2,226.00
1,150,000	15,191.50	17,629.50	2,438.00
1,250,000	16,512.50	19,162.50	2,650.00
1,350,000	17,833.50	20,695.50	2,862.00
1,450,000	19,154.50	22,228.50	3,074.00
1,550,000	20,475.50	23,761.50	3,286.00

Proposition 2 ½ Override

- Impact 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.*
- Impact on the Tax Rate is \$2.12 per \$1,000 of valuation.
- To figure out how much it might mean for your property, take the Assessed Value, divide it by 1,000, and multiply by \$2.12.

Other pending considerations...

- Ongoing efforts for a Fire Station reconstruction project will result in a request for a Proposition 2 ½ debt exclusion (tax increase) at June or another soon upcoming Town Meeting. The estimated cost range is between \$20 and \$25 million, which would mean between \$220 and \$280 for the average single family homeowner per year for 30 years.
- Construction of a wastewater (sewer) utility has been under review since an October, 2021 Town Meeting vote authorized funding for planning/design/permitting. If approved, this project would result in a potential additional cost of approximately \$1,000 for the average single family homeowner per year for 30 years. The project will also provide wastewater capacity for housing and economic growth, which may bring additional tax revenue in the long-term.

Other future considerations...

- Intergenerational Community Center Construction
 - Possible \$25 million project to be funded by debt exclusion resulting in an additional property tax of \$284.16 per year to the average single family taxpayer.
- Town Hall Renovation/Reconstruction
 - Possible \$10 million project to be funded by debt exclusion resulting in an additional property tax of \$113.67 per year to the average single family taxpayer.
- Hood School Modular Classroom Replacement
 - At least a \$2 million project to be funded by debt exclusion resulting in an additional property tax of at least \$32.48 per year to the average single family taxpayer.
- West Side Fire Station
 - Possible \$15 million project to be funded by debt exclusion resulting in an additional property tax of \$170.50 per year to the average single family taxpayer.
- Damon Tavern, Third Meeting House...

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 on the horizon, 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.

A note from the Town Administrator and Superintendent of Schools...

- Our role as administrators and as professional staff for elected officials is to share with you the history, the projections and their impacts, and the options available to the Town.
- Ultimately, the decisions to be made are in the hands of Town Meeting and the voters.
- The direction we proceed in, including the options and the recommendations made to Town Meeting and the voters, is guided by the elected and appointed officials in the room this evening.
- We are here to assist and to guide, but under state Conflict of Interest and Campaign Finance laws we are limited in our ability to recommend and/or advocate.

Next Steps

- Is an override something you want factored into FY 2025 / June Town Meeting planning? How much?
- Financial Planning Team would continue to work on the FY 2025 and beyond budget, including the allocation of a potential override funds over multiple years.
- To have options, Select Board would need to place an article with two options / columns, one within Proposition 2 ½ and one contingent on the Town voting at a ballot election, on the June Town Meeting warrant.
- Select Board would also need to call a ballot election, likely following June Town Meeting, with 35 days' notice.
- Town Meeting and ballot election approval would need to be by majority vote.