

Town of Franklin

FY24 Sample Budget Information

Town Council, May 24-25, 2023

Jamie Hellen, Town Administrator

<https://www.franklinma.gov/town-budget>

Revenue: Tax Levy, Slide 1

TOWN OF FRANKLIN				
FY 2024 REVENUE AND CONTROL SHEET				
Date: April 14, 2023				
				FY23 TO FY24
	FINAL	FINAL	PROPOSED	INCREASE/
	FY22	FY23	FY24	(DECREASE)
TAX LEVY				
Prior Year Levy Limit plus 2 1/2%	\$ 82,753,293	\$ 85,955,821	\$ 89,436,897	\$ 3,481,076
New Growth	1,106,044	1,299,688	1,270,305	(29,383)
	83,859,337	87,255,509	90,707,202	3,451,693
DEBT EXCLUSIONS				
Horace Mann Issue #1	101,880	93,600	-	(93,600)
Keller-Sullivan	408,750	390,910	376,050	(14,860)
Horace Mann Issue #2	305,200	290,000	280,000	(10,000)
High School Issue #1	2,880,663	2,881,163	2,878,163	(3,000)
High School Issue #2	151,438	149,813	151,563	1,750
	3,847,930	3,805,486	3,685,776	(119,710)
TOTAL POTENTIAL TAX LEVY	87,707,267	91,060,995	94,392,978	3,331,983

- Tax Levy is 2.5% annually + 10-year average “New Growth” which is anticipated to decline in FY24.
- “New Growth” are property value increases captured mid year on construction, renovations, home improvements. Residential and commercial industrial.
- New Growth is expected to decline in small increments due to rising interest rates and more risk in the market.

Revenue: Tax Levy, Slide 2

TOWN OF FRANKLIN				
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- Debt Exclusions (DE) are tax increases that sunset at the conclusion of a DE project.
- Declining tax levy due to tax sunsets in debt exclusions are coming off the books. A tax “break”!
- Thus, the Town has \$3.331 million to spread around and \$150,000 in tax levy decline from FY23

Revenue: Local Receipts, Slide 3

OTHER REVENUES	FY22	FY23	FY24 Proposed	Increase
Local Receipts - General Fund	9,413,451	10,606,309	12,606,309	2,000,000
Host Community Agreement	600,000	335,295	-	(335,295)
J&J Opioid Settlement	-	67,505	-	(67,505)
	10,013,451	11,009,109	12,606,309	1,597,200
OTHER AVAILABLE FUNDS				
Net Budget Stabilization / Other Transfers				
Enterprise Fund (Indirects)	1,214,000	1,255,000	1,593,000	338,000
	1,214,000	1,255,000	1,593,000	338,000
TOTAL REVENUES & OTHER FUNDS	130,969,822	136,459,275	142,096,989	5,637,714

- Greater than half of “Local Receipts” are revenues that pay for fee for services, such as building permits, ambulance receipts, licensing fees, recreation fees, alcohol fees, etc. Similar to School Revolving Accts.
- Less than half is Motor Vehicle Excise set by the state and this also includes hotel, cannabis and meals revenues.
- Local Receipts fluctuates year-to-year.
- The assumption in FY24 will be a challenging target to hit.
- None of this revenue source are generated by the School Department except certain medicaid reimbursements (Avg. 200,000/year). School revenues and unspent annual appropriations stay with the Schools in revolving accounts.

Revenue: State Aid, Slide 4

	FY22	FY23	FY24 Proposed	Increase
STATE REVENUE				
Chapter 70 School Aid	28,574,921	28,885,721	29,038,841	153,120
Charter School Reimbursements	365,403	971,965	1,119,014	147,049
Unrestricted Aid	2,715,673	2,862,319	2,919,565	57,246
All Other Net of Offsets	379,107	414,166	427,282	13,116
	32,035,104	33,134,171	33,504,702	370,531

	FY22	FY23	FY24 Proposed	Increase
ASSESSMENTS & OTHER VOTES				
School Choice	328,176	496,436	428,014	(68,422)
State Assessments	480,465	502,519	528,888	26,369
County Assessment	240,493	246,505	255,963	9,458
Charter School Assessment	5,025,758	5,544,108	5,956,901	412,793
Provision for Abatements & Exemptions	634,944	729,733	650,000	(79,733)
Subsequent Votes	600,000			-
	7,309,836	7,519,301	7,819,766	300,465
TOTAL NET REVENUE	123,659,986	128,939,974	134,277,223	5,337,249
LESS: TOTAL GENERAL FUND BUDGET	(123,605,718)	(128,902,599)	(134,277,223)	(5,374,624)
UNUSED LEVY	\$ 54,268	\$ 37,375	\$ -	\$ (37,375)

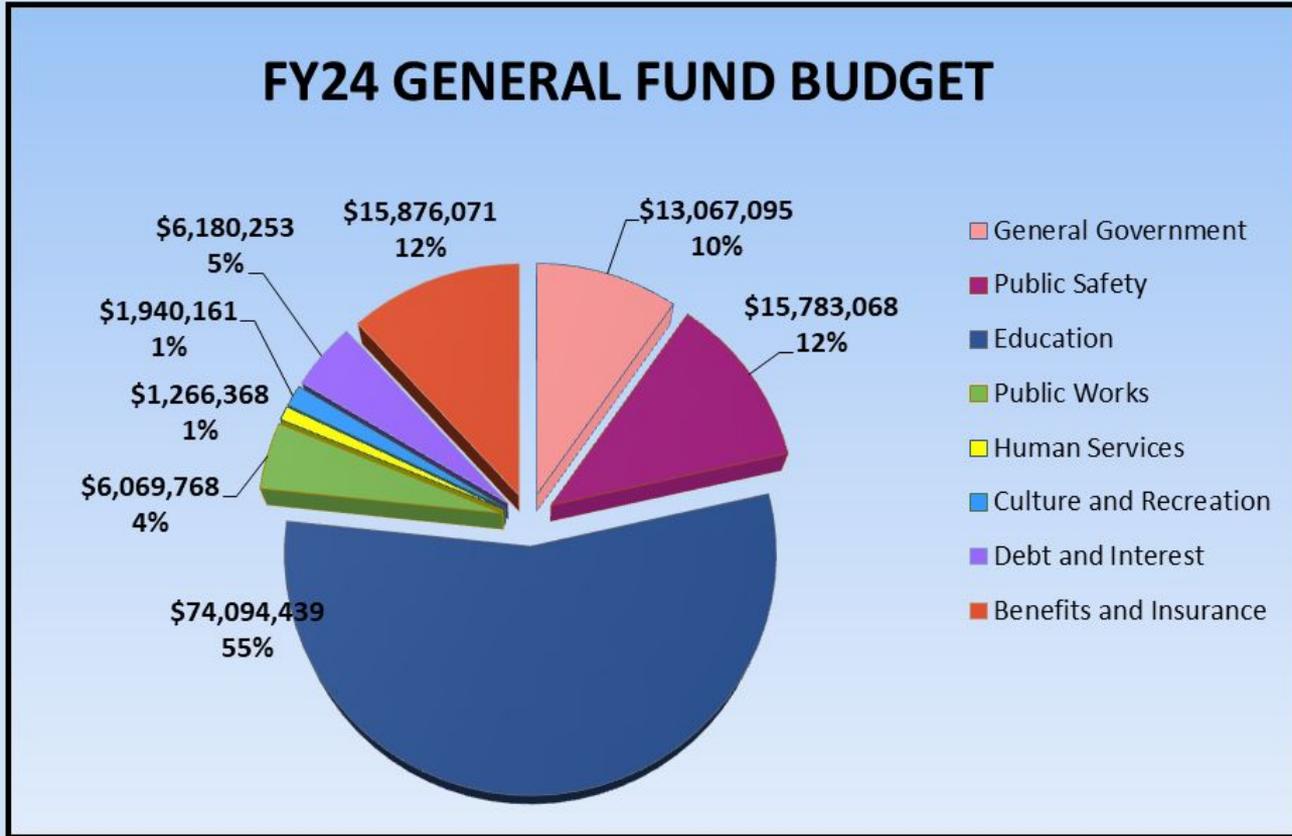
- State aid is **NOT** just Chapter 70. It's dozens of state formulas/assessments that amount to a "[Cherry Sheet](#)".
- Governor Healey's budget recommends a net loss \$9,667 in local aid. House/Senate will allocate more.
- I expect an increase of \$200,000 to \$250,000 in more aid after the state budget process is done in July.

Expenditures: Slide 1: Overall Summary

<u>Budget Category</u>	<u>Town Budget FY 24</u>	<u>% of Total Budget</u>
General Government*	\$13,067,095	9.73%
Public Safety**	\$15,783,068	11.75%
Education***	\$74,094,439	55.18%
Public Works	\$6,069,768	4.52%
Human Services	\$1,266,368	0.94%
Culture and Recreation	\$1,940,161	1.44%
Debt and Interest	\$6,180,253	4.60%
Benefits and Insurance	\$15,876,071	11.82%
TOTAL	\$134,277,223	100.00%

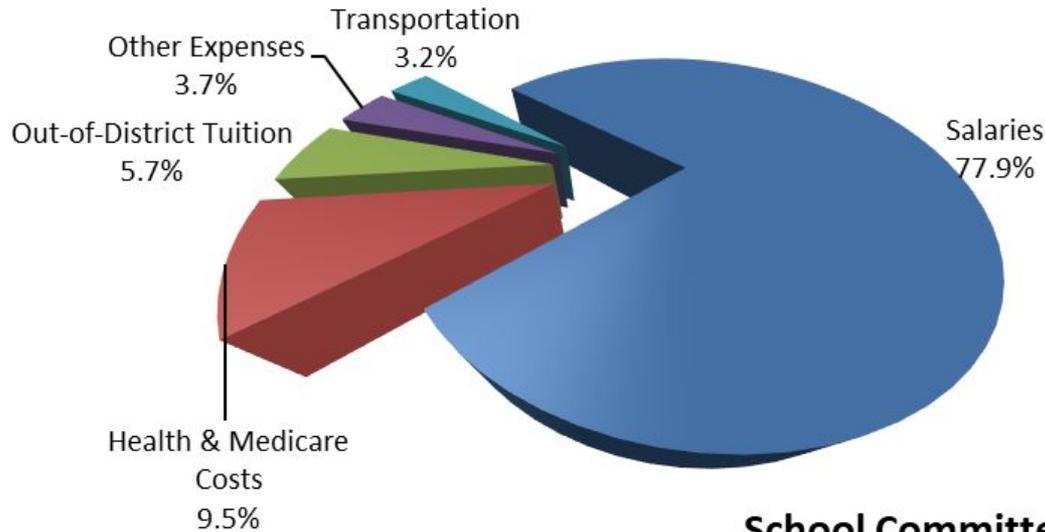
- * includes an increase of \$760,000 in inflation related expenses such as utilities, stormwater, contractors, and parts for Facilities.
- ** Public Safety is Police, Fire, Regional Dispatch and Building.
- *** \$17-\$19 million a year is spent on school costs **not** within the FPS Education line item. Tri-County/Aggie are included. Education line item pays for School employee benefits. School employee benefits are NOT included in the Benefits/Insurance section.

Expenditures Slide 2: Overall Summary Chart



<https://www.franklinma.gov/town-budget>

School Committee Approved FY24 Budget Summary



**School Committee Approved
FY2024 Budget Total
\$73,591,000**

**4.80%
increase
over
FY23**

Expenditures, Slide 3: Examples of Fixed Costs

- Pension Assessment & Benefits \$582,000 increase over last fiscal year.
- Municipal Cost of Living Adjustment (COLA) at 2.5% - \$558,790 increase from FY23 to FY24.
- Inflation = Estimated \$1,000,000+/- electricity, gas, propane, diesel, supplies, parts, contractors, etc.
 - Inflation will continue throughout the fiscal year.
- Facilities Budget, alone, rose \$1,000,000 due to inflationary fixed costs and the municipal COLA at 2.5%.
- \$17-\$19 million of the non-Public Education line items are costs relating to the Franklin Public School.
 - The “Municipal” budget pays for all school building debt & interest, property and casualty insurance, worker’s compensation, snow removal, non-teacher pension costs, grounds & building maintenance, utilities, fuel for the school van fleet, retired teacher health and life insurance, some personnel, and more.
 - Most of these costs are affected by inflation which occupy greater capacity of the tax levy.
 - Some categories have declined in expense, as well.
- Smaller costs add up:
 - Town P&C & Worker’s Comp: \$125,000 increase, MIIA Rewards & Professional Training credits.
 - OPEB \$50,000 annual increase.
 - Regional Dispatch at \$348,000...

School Committee Approved FY24 Budget Summary

Category	FY 2023 Approved Budget	FY24 School Committee Approved Budget	Difference
Salaries	\$54,326,281	\$57,321,610	\$2,995,329
Health & Medicare Costs	6,956,361	\$7,011,850	\$55,489
Out-of-District Tuition	\$3,469,087	\$4,169,180	\$700,093
Other Expenses	\$2,992,750	\$2,751,418	(\$241,332)
Transportation	\$2,476,346	\$2,336,942	(\$139,404)
Totals	\$70,220,825	\$73,591,000	\$3,370,176

Expenditures Slide 4: New Discretionary Spending

- List of new discretionary, non-contractual or obligatory spending for FY 24 (est. \$731,335):
 - Police & Fire Capital for protective turnout gear, safety equipment: \$116,600.
 - Four Additional Police Officers: \$331,644.
 - Adds an additional rotation, reduces OT and Forced OT. Saves 10-15% OT in FY25 and beyond.
 - Senior Center
 - Van Driver FT ½ year/ FT Admin Assistant: \$76,953.
 - Senior Center GATRA rides subsidization/Food Pantry expansion: \$25,000 (new line item).
 - Restructure/Increase capacity in the Finance/HR/Benefits/Procurement Offices: \$160,000. Two positions that benefit both town and school operations.
 - DPW - Fleet Manager to manage town fleet and school van fleets. \$87,118
 - Town Admin/Arts (\$97,000)
 - Cultural Arts Director & Cultural Council grants \$55,000.
 - Town Archivist from PT to FT: \$42,000.

Note: An Additional EMS Cpt. & Paramedic = \$186,433 but the revenue source through ambulance receipts.

Expenditures Slide 5: DPW

<u>FY23</u>	<u>FY24</u>
Stormwater \$1,034,117	Roads \$600,000
	Snow & Ice \$434,117

- Eliminates the annual “HOLD” on snow & ice costs from free cash into the budget.
- Increases \$750,000 in capital funding each year.
- We expect free cash to drop in coming years. This policy will help maintain the capital program for curriculum, technology, cruisers, vehicles, public safety gear, public infrastructure and roads, fields, and facilities.

FY24 Sample Summary Points, 1

- Inflation has now settled into the operating budget. Hope it has plateaued for FY25.
 - If so, FY25 should have less tax levy capacity going toward enormous cost spikes. We'll wait and see.
- Supply & Demand - Competing demands, fixed costs, requests, new initiatives & expectations **far outweigh** the ability to pay (and properly staff) within the current tax levy structure. [See March 8, 2023 Joint Budget Meeting](#) for a partial request list of items, notably the School's requests (which was later increased on April 11th).
 - The demand far exceeds the supply of money to meet the demand.
- The quality of life is exceptional. The value Franklin residents and businesses get for their money is exceptional. We are victims of our own success for providing an elite level of service at a very good tax rate. The School District and Municipal leaders have an excellent reputation in the state.
- Debt & Interest line item decline will continue to assist in the funding of services.
 - However, if the Town or schools want to borrow money for facilities projects or infrastructure, this line item will increase significantly and there will be less money for general operations.
- Reserves - Town and School should avoid ALL attempts to use reserves.
 - To maintain AAA Bond Rating for borrowing, interest rates, sustainability, security.
 - Rainier days will come. Town used all of its Rainy Day funds in 2019 and 2020 for the schools.

FY24 Sample Summary Points, 2

- The public needs to be conscientious of the impact of cost increases to citizens:
 - Property values have increased = higher property taxes. Avg increase \$350.
 - Stormwater Fee July 1, 2023.
 - 20% Sewer Rate increase July 1, 2023, 15% July 1, 2024, 10% July 1, 2025.
 - Resident Municipal Aggregation .107 cent electricity rate ends November 2023.
 - New Rate will be 15 cents/kw through Nov 2023 to October 2025.
 - PFAS remediation regulatory costs (water rate increase is certain FY25 for PFAS).
 - Expected debt exclusion for a new Tri-County School. Vote November 2023.
 - Next 5-year capital projects in progress:
 - Police Station debt exclusion, Remington-Jefferson remodel, High School, Recycling Station/Solid Waste Master Plan, School & Town Technology infrastructure needs, public infrastructure needs, Washington Street sidewalk, Baron Road, Kenwood Circle and many other multi-million road projects...
- Sustainability?
 - None of these cost increases include the structural school deficit of \$2-\$3 +/- million, sidewalks construction/advanced maintenance, net zero initiatives, community development initiatives, athletic fields and facilities, mental health initiatives, recurring capital (curriculum, vehicles, protective gear) being included in the operating budget, and so on.....
- The future of national and global economics?
 - Interest rates, mortgage rates, technological innovation, war, a stubborn recession and/or stubborn inflation...

Sharpening the Pencils:
Increase the School Budget Recommendations

Historical FPS \$\$ Annual Increase

<u>Fiscal Year</u>	<u>Final Appropriation</u>	<u>Annual increase</u>	<u>%</u>
2016	\$56,950,000	-	-
2017	\$58,412,350	\$1,462,350	2.57%
2018	\$60,235,000	\$1,822,650	3.12%
2019*	\$63,235,000	\$3,000,000	4.98%
2020*	\$64,858,500	\$1,623,500	2.57%
2021	\$65,658,500	\$800,000	1.23%
2022	\$67,914,184	\$2,255,684	3.29%
2023	\$70,220,825	\$2,306,641	3.54%
2024	\$71,252,779	\$1,031,954	1.47%

- Average Annual Increase is \$1.787 or approximately 55-60% of the tax levy. All of this is education.
- *Represents the years all of the town's \$1.9 rainy day funds were used to balance the school budget.

Other School appropriations since 2016

- Budget Stabilization in 2019 and 2020 of \$1.9 million. The Budget Stabilization went to \$0.
- \$4.085 million in project capital funding for vehicles, curriculum, technology, teacher and staff technology, and facilities upgrades. Source of funds are “Free Cash”.
- Capital Planning Authorizations 2020:
 - Remington-Jefferson remodel
 - High School Ten Year Upgrade
 - Parmenter needs a \$5 million overhaul by 2030.
- Federal stimulus money.
 - CARES Act \$3 million - \$1 million Chromebooks; Facility Upgrades: UV Technology for air quality, HEPA Filters and PPE.
 - ESSR School money.
 - Grants, programs and one-time funding dries up in 18 months.

Increase the Schools Budget: Recommendation #1

- State Aid will increase approximately \$250,000 in July.
- Eliminate \$116,000 in capital gear for Police & Fire back to the capital program.
- Reduce Facilities' water expense budget \$100,000 for lawn watering in spring 2024 and a small reduction in general expenses, parts, etc
- Reduce \$50,000 from Snow & Ice removal expenses.
- Tap \$250,000 of the MECC Stabilization account to offset cost increase for Regional Dispatch.
 - Maintains a productive balance of \$625,000 for FY 25 and FY26.
- Estimated Total: \$766,000 increase +/- in the school budget by start of school year to an increase of approximately \$1.80 million. Could be higher/lower based on state aid. This meets the 2.5% increase.
- Approve the Town Administrator FY24 Budget now. The Town Council could make these adjustments in June 7th/July/August after final state aid numbers arrive.

Increase the Schools Budget: Recommendation #2

- Open to all ideas, questions or comments!
- Meanwhile, by Labor Day, staff will have greater certainty on some additional ideas for cost savings:
 - Legislative relief on the “Out of District Placement” cost through active legislative effort. Estimate 10% of the 14% increase. Leaders have sent letters to the delegation. All 14% is \$775,000.
 - Streamlined Finance/HR Office restructure to create some savings and additional capacity.
 - Mental Health Task Force. ARPA funds, Opioid settlement funds, shared services.
- These two recommendations should assist the District is preserving some services.
- Adjustments can be made by the Town Council anytime through November to budget & transfer funds if needed.

Moving forward - Summer 2023 and beyond...

- Town Administration and School Administration must have weekly meetings to discuss solutions to financial pressures. This MUST be a commitment the Town Council and School Committee charge us with. Other priorities need to be dropped!
- Facilitate an educational meeting with Town Attorney on the legal procedures of a ballot questions, elections details and ethics laws for public employees.
- Restructure and build capacity the Finance and Human Resources departments.
- Develop a process to develop a sustainable and comprehensive community wide financial roadmap for the future.
- Joint Budget Subcommittee to meet over Summer/Fall to evaluate staff recommendations/discuss.

END