



Town of Franklin

FY24 Sample Budget Information

Finance Committee, May 8-11, 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.

Revenue: Tax Levy, Slide 2

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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 coming off the books.
- Thus, the Town has \$3.331 million to spread around.

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, etc. Similar to School Revolving Accts.
- Half are Motor Vehicle Excise, which has historically funded fixed budgetary costs.
- Hotel revenue has gone to roads. Cannabis excise is new.
- Local Receipts fluctuates year-to-year.

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 \$250,000 to \$300,000 in more aid after the state budget process is done in July.

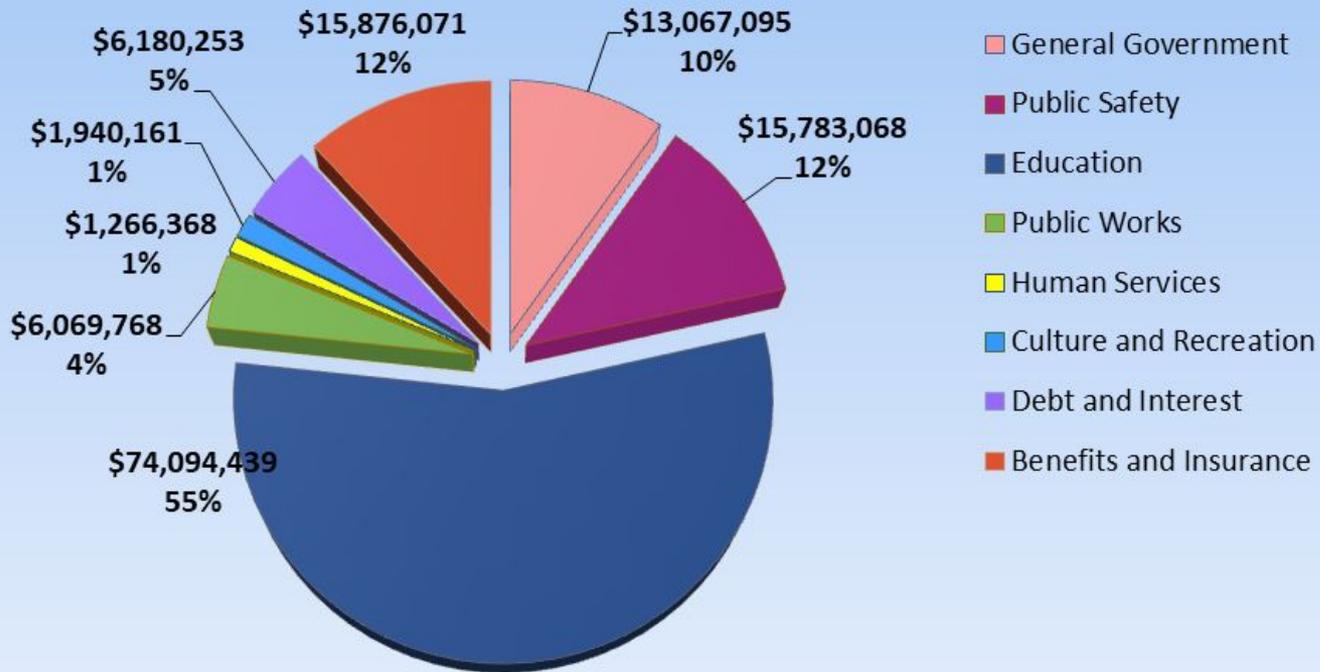
Expenditures: Slide 1: Overall Summary

<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.

Expenditures Slide 2: Discretionary Spending

FY24 GENERAL FUND BUDGET



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 suck up 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...

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 of the Finance/HR/Benefits/Procurement Offices: \$160,000. Two positions TBD.
 - DPW - Fleet Manager to manage town 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.
- 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.
- 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 proving an elite level of service at a very good tax rate. The School District and Municipal leaders have an excellent reputation.
- 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.
- 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, 1

- 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 10 cent electricity rate ends November 2023.
 - 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, 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...
- None of these cost increases include the structural school deficit of \$2-\$3 million, sidewalks, 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...

Visit the link for all budget materials:

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

May 11th Finance Committee Slides

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
- 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: \$820,000 increase in the school budget by start of school year to an increase of approximately \$1.85 million.
- Approve the Town Administrator FY24 Budget now. The Town Council would make these adjustments in 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.
 - Streamlined Finance/HR Office restructure to create some savings and additional capacity.
 - Mental Health Task Force. ARPA funds, Opioid settlement funds, shared services.
 - Safety net: all initiatives could relieve the school budget of significant expenditures.
- Adjustments can be made by the Town Council anytime through November to budget & transfer funds.

Moving forward

- Town and School should preserve all reserves, at all costs.
- Town Administration and School Administration have weekly meetings to discuss solutions to financial pressures.
- Facilitate an educational meeting with Town Attorney on the legal procedures of a ballot questions, elections details and ethics laws for public employees.
- Restructure the Finance and Human Resources departments.
- Develop a process to develop a sustainable and comprehensive community wide financial roadmap for the future.

Override information

Override 101

- Step 1 - The School Committee begins the process of an override (unless Schools are not asking for any additional levy capacity, such as 2014).
- Step 2 - The Town Council reviews the School request. Discussion of non-education override items such as roads, sidewalks, capital, municipal needs, etc.
- Step 3 (optional) - Joint Budget Subcommittee (should, but not required) to review total proposal. Submits recommendation to the full Town Council for potential ballot prep.
- Step 4 - Town Council coordinates with the Town Clerk on an election schedule.
 - Elections schedules vary based on factors, such as, the election date and type (federal, state, local), before a budget approval or after a budget approval, etc.
 - Typically 35-90 days to accommodate election different requirements. Minimum 35 days.
 - See DOR's [Prop 2 ½ ballot questions manual](#).
 - Depending on the date, additional requirements are triggered.
- The Town Administrator, Superintendent of Schools and paid staff CANNOT advocate for or against an override with town resources. We are significantly limited in our ability to assist.
- A Grassroots organization is required, ballot question committee, legal structure.

Franklin Override History Summary

- Since 1990, Franklin has attempted 11 operational Proposition 2 ½ overrides.
 - All but one, in 2008, have failed.
- 2014 was the last proposed override for \$1.5 million dedicated toward roads was defeated nearly 2-1 against. The last omnibus operational override was 2010, which was also defeated nearly 2-1.
- Since 1990, debt exclusions have passed 8 times in 11 attempts, all for major school or municipal building projects. The most recent was 2010 for the new High School.
- The most recent example of a discretionary tax increase was the Community Preservation in 2020, which passed 60% in favor, 40% against.
- Potential future debt exclusions: Tri-County School, Franklin Police Station, a new School.