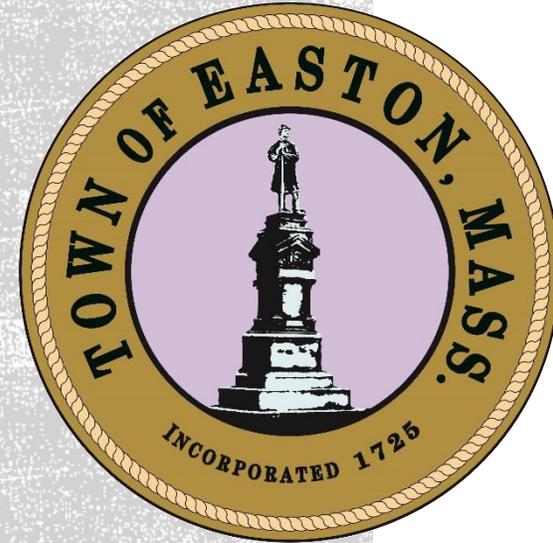


FY2019 PRELIMINARY BUDGET PRESENTATION



Connor Read
Town Administrator
February 5, 2018

FISCAL YEAR 2019 PRELIMINARY BUDGET

FY2019 will once again be a challenging year for the Town.

Revenues are constrained by a marginal increase in state aid which is offset entirely by increases in state assessments.

Increasing fixed costs continue to erode funds available for operations.

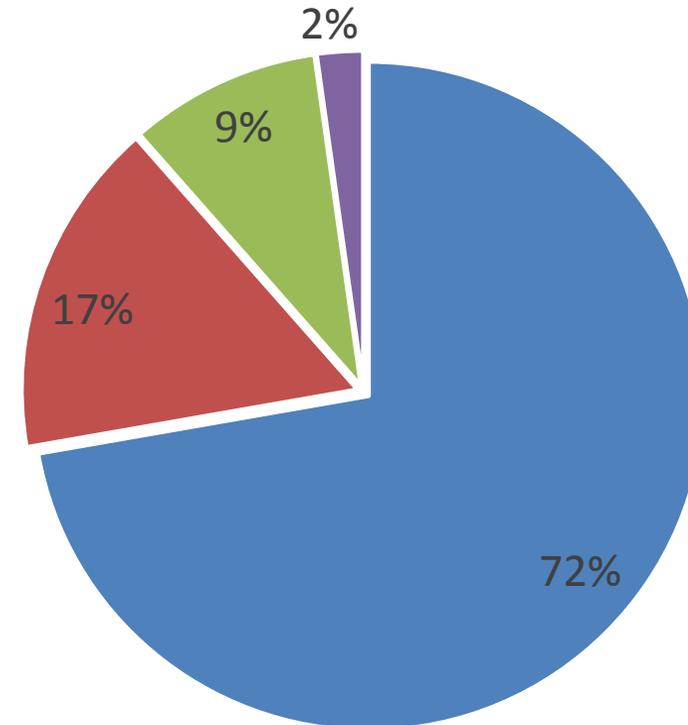
Preliminary departmental budgets fund only level service.



FISCAL YEAR 2019: REVENUE

- Cities and Towns in Massachusetts are constrained in their ability to increase the property tax levy to $2\frac{1}{2}\%$ + new growth each year.
- Easton has and will continue to levy property taxes to the extent allowed by Proposition 2 and $\frac{1}{2}$, and has worked vigorously to promote new growth to shore up our tax base over the years.
- Beyond taxation, Easton captures revenue from local receipts, state aid, and a combination of other funding sources.
- Total Revenue is currently projected at \$82,581,083 for FY2019 (increase of 0.66 percent)

FY2019 Revenue by Source



- Taxation
- State Aid
- Local Receipts
- Other Funding Sources



REVENUE: TAXATION

- The preliminary FY 2019 budget projects an increase in total taxation revenue of 3.04%, or \$1,666,383, yielding a total of \$56,411,173.
- Town continues to levy property taxes to the extent allowed by Proposition 2 and ½.
- Insufficient growth in state aid and decrease in other funding sources increases reliance on taxation as a percentage of total revenue.

Taxation as a Percentage of General Fund Revenue

	FY16 Budget	FY17 Budget	FY18 Budget	FY19 Projected
Taxation	50,747,504	52,499,660	54,744,790	56,411,173
State Aid*	13,047,167	13,416,080	13,559,708	12,726,232
Local Receipts	6,157,592	6,698,825	6,987,867	7,220,941
Other Funding Sources	<u>2,664,251</u>	<u>2,206,009</u>	<u>2,324,698</u>	<u>1,729,263</u>
Total	<u>72,616,514</u>	<u>74,820,574</u>	<u>77,617,063</u>	<u>78,087,609</u>
Taxation as % of Total	69.88%	70.17%	70.53%	72.24%

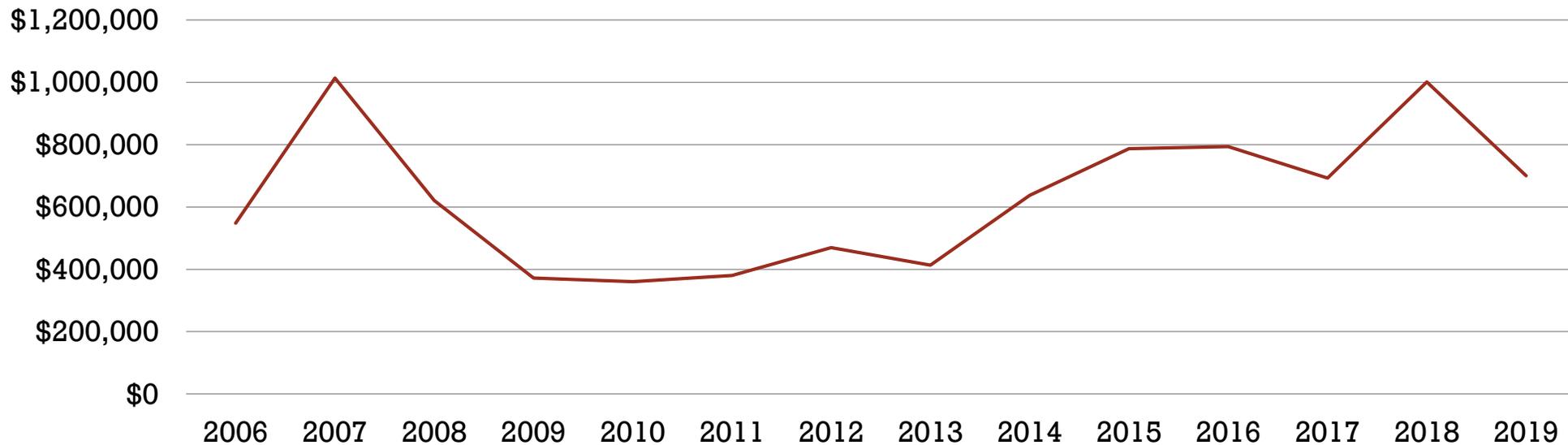
* Includes MSBA Reimbursements which concluded in FY18



REVENUE: NEW GROWTH

- The preliminary FY2019 budget is projecting new growth to come in at \$700,000, a decrease of \$301,211 (-30.08 percent) below FY2018.
- As the Town becomes increasingly reliant on taxation to balance the budget, it is imperative that we foster an environment which encourages new growth.

New Growth History



- While this increase is modest, it is generally in line with the average new growth in the post-recession years.



REVENUE: LOCAL RECEIPTS

The preliminary FY2019 budget projects an increase of \$233,074 (3.34%) yielding a total of \$7,220,941

This projection will be refined in coming months – but conservative estimations are important contributors to free cash.

Local receipts have been growing steady in recent years.

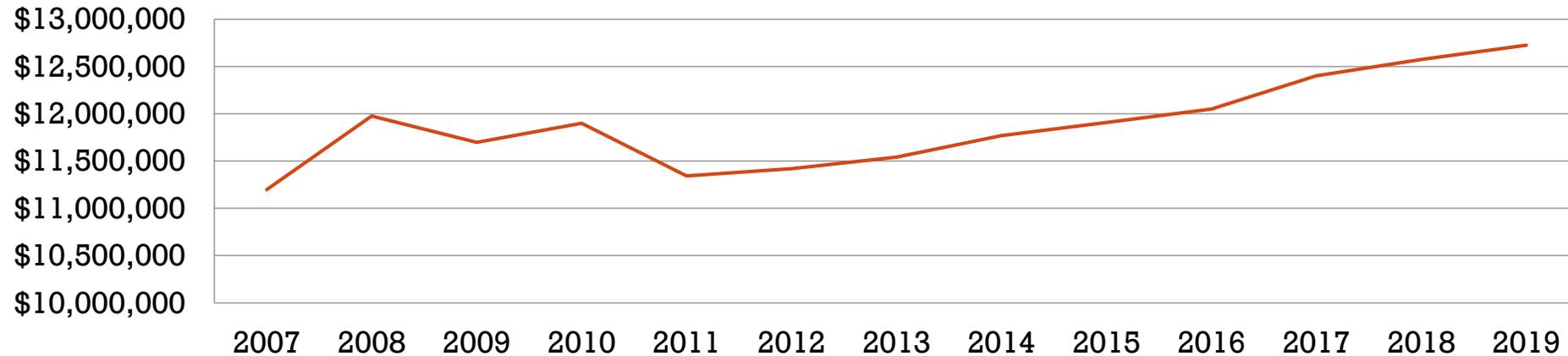
We anticipate growth in this revenue category to level off in the coming years.



REVENUE: STATE AID

- Minimal increase of \$150,500 (1.20%) projected for FY2019
- Familiar but most significant challenge: marginal increases in post recession years

State Aid History



- Increase is offset entirely by growth in state assessments of \$159,949 (18.63%)
- Assessment increase primarily due to jump in charter school assessment.
- Results in net **decrease** of \$9,449.



REVENUE: STATE AID

- Despite minimal growth, state aid remains our second largest source of revenue.
- As projected, state aid will constitute 16.30% of revenue in FY2019, down from nearly 25% a decade ago.

State Aid as a Percentage of General Fund Revenue				
	FY16			FY19
	Budget	FY17 Budget	FY18 Budget	Projected
Taxation	50,747,504	52,499,660	54,744,790	56,411,173
State Aid*	13,047,167	13,416,080	13,559,708	12,726,232
Local Receipts	6,157,592	6,698,825	6,987,867	7,220,941
Other Funding Sources	2,664,251	2,206,009	2,324,698	1,729,263
Total	<u>72,616,514</u>	<u>74,820,574</u>	<u>77,617,063</u>	<u>78,087,609</u>
State Aid as % of Total	17.97%	17.93%	17.47%	16.30%

- **includes MSBA reimbursements which concluded in FY18*



REVENUE: RESERVES AND OTHER FINANCING SOURCES

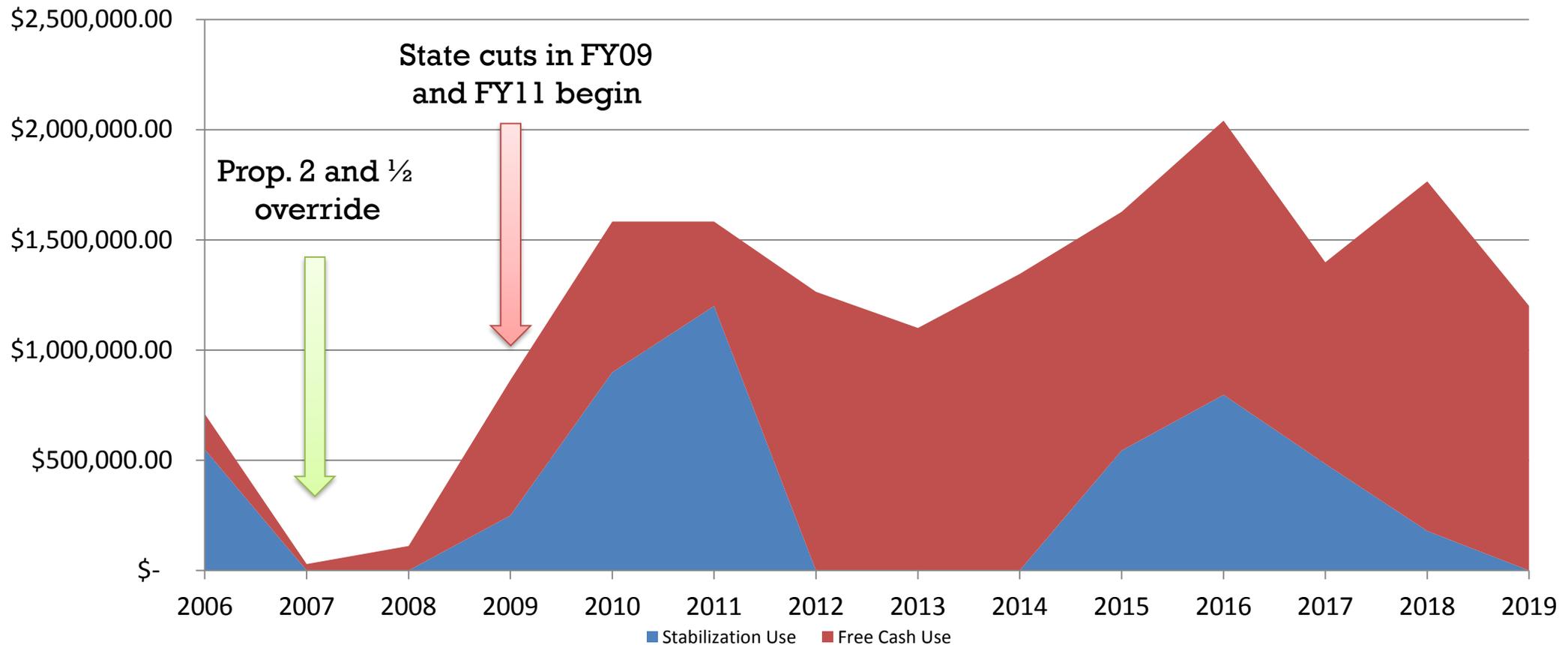
Since the onset of the recession and subsequent stagnation of state aid to the Town, we have been using reserve funds (free cash and stabilization funds) to close a revenue deficit at an unsustainable rate.

Two years ago, the Board of Selectmen adopted a series of Financial Management Guidelines to limit this practice.

- No more than 50% of free cash used for operating budget
- Minimum 25% of free cash to be transferred to stabilization fund
- Stabilization use limited to rare or extenuating circumstances



REVENUE: USE OF FREE CASH AND STABILIZATION FUNDS FOR OPERATING BUDGET



REVENUE: RESERVES AND OTHER FINANCING SOURCES

- To honor the spirit of these guidelines, the preliminary FY2019 budget projects a decrease in other financing sources of \$595,435 (-25.61 percent) from the prior year for a total of \$1,729,263.
- The bulk of this decrease is from a reduction of free cash use and the elimination of stabilization funding.
- Given the net decrease in state aid and modest growth in our local receipts, the Town may wish to consider the continued partial implementation of these financial management guidelines, insofar as they pertain to the allocation of free cash.



FISCAL YEAR 2019: EXPENDITURES

The Town has been successful in reducing expenditures in previous years in the following areas:

- Health Insurance
- Energy

Rate of annual growth in salaries has been reduced by adoption of new compensation plans for non-union, professional admin. and clerical union employees.

Despite these successes, increases to fixed costs continue to rise at rates that far outpace our revenue growth.



EXPENDITURES: FIXED COSTS

- Difficult to contain
- Limited to no immediate control
- Selection of fixed costs in preliminary FY2019 budget:

Expenditure	FY2018	FY2019	Change
Employee Health Insurance	\$8,046,803	\$8,430,000	\$383,197 (4.76%)
Snow and Ice Deficit	\$298,034	\$300,000	\$1,966 (0.66%)
Retirement (Pension) Assessment	\$4,054,011	\$4,224,459	\$170,448 (4.20%)
Regional School Assessment	\$980,235	\$1,127,271	\$147,036 (15.00%)



FY2019 PRELIMINARY BUDGET SUMMARY

- Town and School operating budgets as summarized below are reflective of department head requests and are preliminary. Departmental budget detail will be reviewed at upcoming meetings of the Selectmen and Finance Committee.

Revenue		Preliminary FY2019	Change	Expenditures		Preliminary FY2019	Change
i.	Taxation	\$56,411,173	+3.04%	i.	Town Depts	\$16,979,447	+1.40%
ii.	Local Receipts	\$7,220,941	+3.34%	ii.	School Dept	\$41,378,283	+3.50%
iii.	State Aid	\$12,726,232	+1.20%	iii.	Regional School	\$1,127,271	+15.00%
iv.	School Building	\$0	-100.00%	iv.	Debt Service	\$3,860,638	-24.63%
v.	Other Sources	\$1,729,263	-25.61%	v.	EE Benefits, Etc.	\$14,428,284	+6.18%
vi.	Enterprise	<u>\$4,493,474</u>	<u>+1.69%</u>	vi.	Other	\$1,728,393	+9.66%
vii.	Total	<u>\$82,581,083</u>	<u>+0.66%</u>	vii.	Enterprise	<u>\$3,935,721</u>	<u>+1.94%</u>
				viii.	Total	<u>\$83,438,037</u>	<u>+1.71%</u>



FY2019 PRELIMINARY BUDGET SUMMARY

	FY 2018 Budget	FY 2019 Preliminary	\$ Change	% Change
Total Revenues	82,035,696	82,581,083	545,387	0.66%
Total Expenditures	82,035,696	83,438,037	1,402,341	1.71%
Surplus/(Deficit)	-	(856,954)	(856,954)	-



APPROACHING A BALANCED BUDGET

The preliminary FY2019 budget is currently projecting a deficit of \$856,954.

These projections are preliminary at this stage, and can still vary in a positive way.

We will continue to monitor revenue collections and adjust where savings can be realized.



OTHER CONSIDERATIONS

Revenue:

- State aid projection is not yet finalized, and projected local receipts continue to be reviewed.

Expenses:

- Final numbers for health insurance are not in yet.
- Departmental budget requests will need to be refined.



RECOMMEND NEXT STEPS

Continue to refine revenue estimates.

Continue to lobby for additional state aid.

Consider partial implementation of financial management guidelines.

Continue to refine expenditure budgets as more information becomes available.



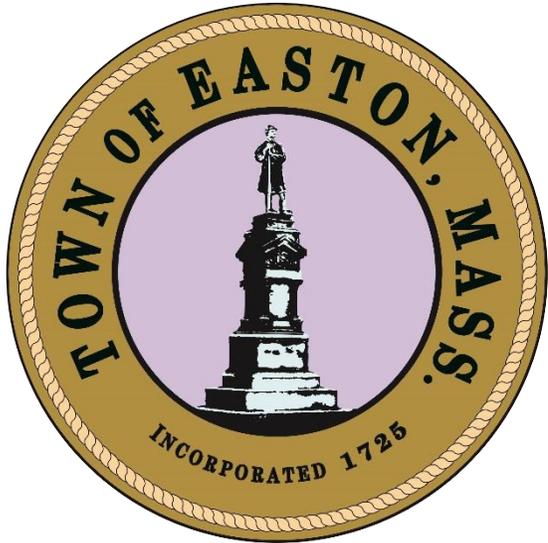
FISCAL YEAR 2019 PRELIMINARY BUDGET

These recommendations are only the first steps towards a balanced budget.

Department heads will present their preliminary FY2019 budgets to the Selectmen and Finance Committee in the coming weeks.

We will continue to work closely with the School Department to share information and refine this budget until it is balanced.





THANK YOU

Connor Read
Town Administrator
February 5, 2018