

Town of Franklin

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OFFICE OF THE TOWN ADMINISTRATOR

DATE: February 28, 2020

TO: Town Council

FROM: Jamie Hellen, Town Administrator

RE: FY21 BUDGET UPDATE

The purpose of tonight's discussion and memo is to give the community an update on where the Fiscal Year 2021 (FY21) budget process stands and what the numbers generally look like. This document is not to replace the required fiscal forecast or budget narrative that will come out later with my recommended budget.

Process

The staff Finance Team has met with all municipal departments regarding their FY21 budget requests. I have also received preliminary numbers from non-municipal department line items, such as the MECC, Animal Control, health insurance and benefits, Tri-County, P&C insurance and so forth. What is before you tonight reflects our department heads' optimum budget for FY21 and the most up to date numbers we have as of this evening.

After tonight's meeting, we will work for the next 4-8 weeks to get as accurate numbers as possible for final consideration in May. The budget is a fluid document that will continue to take shape through the Spring. The House of Representatives' budget will be debated in Mid-April. The Senate budget will be debated in mid-to-late May. Numbers will continue to take shape as more accurate information becomes available, notably state aid, town revenue projections, employee/retiree health insurance and benefits, collective bargaining and town insurance.

The Budget & Assumptions

As you can see in red at the bottom of the attached operating budget model, the FY21 budget is currently \$3.484 million in deficit. The deficit reflects a set of assumptions into the model, on both the revenue and expenditures side. In short, a balanced budget is within reach, but this memo will articulate the driving forces behind this deficit number. These are the same cost drivers my predecessor and I have been discussing for the past several years.

The current deficit reflects the following assumptions and policy decisions to date:

Revenues

- An increase in our tax levy of \$3,028,452 in new property tax revenue.
- An increase in our new growth estimate. FY20 had an assumption of \$900,000, which has been increased to \$1.1 million to reflect the accurate 10-year average.
- Local receipts revenue assumptions have an increase of \$300,00 from FY20. I expect to add an additional amount of revenue to reflect the adjusted ALS/BLS rates recently approved by the Council. A final figure will be in the final budget proposal in April/May.
- Includes Governor Baker's budget calculations, which provided a net decrease of \$121,082 in state aid compared to the approved FY20 state budget. The primary reason for this is due to the increase in charter school assessment of \$336,324, with minimal increase in total local aid. As usual, we expect the House and Senate to perform better than the Governor's budget. We will know more in April and May when those respective branches approve their budget. Final state numbers will be completed later this summer.
- The Budget Stabilization fund is completely empty as the remaining amount was used to balance the FY20 budget.
- \$300,000 in Host Community Agreement money from one marijuana operator, which will be appropriated to the School Department and the SAFE Coalition for mental health and substance abuse education and prevention. The \$300,000 will be proposed to be used for:
 - \$275,000 for Detention Diversion Program in the School Department; secondary counselor(s) with substance abuse expertise; additional wellness instruction.
 - \$25,000 for the SAFE Coalition.Please note funds from HCA's cannot be used for general fund expenditures and will be shown as a separate revenue line item. The state has yet to promulgate regulations on these agreements, but are restricted to the impacts pertaining from a facility in a community.
- It is worth noting, the strong economy is *the* reason why the deficit is not larger. Due to consistent revenues and a record-breaking year of new growth, the Town is able to maintain more core services. Any deviation from this trend will require a much deeper policy debate.

Expenditures

- The Superintendent's full recommended budget at an increase of \$3.9 million, or a 6.03% increase from FY20.

- \$750,000 for roads and infrastructure, which has never been in the Town’s operating budget.
- “Maintenance”, or “level service” operating budgets from municipal departments, including all contractual requirements. The model includes all signed collective bargaining agreements and does not include ones not settled yet.
- 5% increase in employee and retiree health insurance, which will be a challenge to achieve, but a realistic goal. Market is trending at 8%, which is not included in this model as we will need to make some decisions if we cannot get lower than 8%.
- The pension assessment to Norfolk County went up over \$400,000.
- Maintains Minimum Annual Requirement (MAR) for minimal spending at the Public Library.
- Includes no reductions in staff for municipal departments.
- Budgets for Memorial Day flags and Public Health septic services have been funded and merged with the Veterans and Health Departments, respectively.
- The Budget also includes small expense budgets for two new town committees: Agricultural Commission and Cultural District Committee.

Trends & Challenges Moving Forward

- **Staff retention and recruitment.** This is an issue in all of the Town’s major municipal departments, as well as the Franklin Public School District due to the good economy and rising wages in Massachusetts. For example, school employees, teachers and administrators, custodians, DPW laborers, administrative staff and more are becoming difficult to recruit and retain due to wages relative to responsibility. Additionally, some of our staff are underpaid relative to market conditions, including a rising minimum wage. This issue will continue to be a challenge across all of our departments.
- **Roads and infrastructure.** Investments will continue to be modest through our usual funding appropriations each year from free cash and hotel revenue. However, the Town is still millions short of the backlog we have with a high demand from the public to do better. The Town still does not have a dedicated operating revenue source for roads. The Town has a \$40 million backlog in roadwork, in addition to maintaining our parking lots, school parking lots, sidewalks and infrastructure.
- **General cost of doing business.** A great economy like this means prices on most general goods and services are more expensive.
- **Superintendent’s Recommended FY21 Budget.** The schools require a 5.2% increase (approximately \$3.3 million) to maintain level service given the pressure of meeting staff

recruitment and retention goals, rising tuition costs, and health insurance rate increases. In order to meet the increased demand for services, modest additions to the school department budget are being recommended by the Superintendent to support the expansion of in-district programs designed to provide services within students' home communities and preventing costly out of district tuitions. Many critical needs remain unmet across the district including digital integration specialists, adequate technology replenishment, and curriculum leadership. The recently passed Student Opportunity Act has provided additional funding to support schools but will be phased in over seven years.

- **Debt.** The positive news is that over the next few years our debt line item will begin to lighten. However, it's been town policy for decades to have 3.5% of our overall operating budget be for debt and interest to ensure our facilities and schools are well maintained, reduce capital costs and to maintain our strong bond rating (which keeps interest down). The Superintendent and I will be seeking a new round of borrowing authorization from the Town Council soon in order to achieve these goals and ensure at least a 3% debt schedule. Please note, if any open space becomes available for purchase, the Town will need to borrow the vast majority of the money to purchase it and will significantly inflate the Town's debt line item in the budget.

FY21 Key Dates

- March 4th - Town Council-Administrator Budget Update & Discussion
- March 24 - School Committee Budget Hearing
- April 7, 8, 13 and 29 - Finance Committee Budget hearing meetings
- April 14th - Final School Committee Budget approval
- May 21 and 22 - Town Council Budget Hearings

The Town has two sites for budget materials, one for the municipal budgets and one for the School Department:

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

<https://www.franklinps.net/district/school-district-budget>

The Future (FY22 and Beyond)

The final takeaway message is that given the current economic conditions in Massachusetts, we expect the above trends to continue on a rinse and repeat basis for the next two fiscal years, barring any unforeseen circumstance in the economy, or another major unforeseen global or national event. The Municipal and School Administrations continue our daily resolve to look at every dollar spent and how we can change the way we do business to alleviate any need for additional property tax increases from citizens. That said, any deviation from the trends written in this memo will require a deeper community wide discussion on solutions to the trends outlined above.

<u>REVENUE PROJECTIONS</u>	<u>PROPOSED FY21</u>
TAX LEVY	
Prior Year Levy Limit plus 2 1/2%	\$79,066,528
New Growth	\$1,100,000
	\$80,166,528
DEBT EXCLUSIONS	
Horace Mann Issue #1	\$106,180
Lincoln Street	\$423,695
Horace Mann Issue #2	\$315,400
High School Issue #1	\$2,876,663
High School Issue #2	\$149,438
	\$3,871,375
TOTAL POTENTIAL TAX LEVY	\$84,037,903
STATE REVENUE	
Chapter 70 School Aid	\$28,581,491
Charter School Reimbursements	\$938,542
Unrestricted Aid	\$2,697,306
All Other Net of Offsets	\$360,767
	\$32,578,106
OTHER REVENUES	
Local Receipts - General Fund	\$10,042,246
Host Community Agreement	\$300,000
	\$10,342,246
OTHER AVAILABLE FUNDS	
Net Budget Stabilization / Other Transfers	\$0
Enterprise Fund (Indirects)	\$1,173,000
	\$1,173,000
TOTAL REVENUES & OTHER FUNDS	\$128,131,255
ASSESSMENTS & OTHER VOTES	
School Choice	\$320,388
State Assessments	\$472,623
County Assessment	\$235,073
Charter School Assessment	\$5,379,974
Provision for Abatements & Exemptions	\$650,000
Subsequent Votes	\$0
	\$7,058,058
TOTAL NET REVENUE	\$121,073,197
LESS: TOTAL GENERAL FUND BUDGET (expenditures)	\$124,557,405
UNUSED LEVY (SURPLUS/DEFICIT)	\$3,484,208

FY21 OPERATING BUDGET MODEL TO DATE (2/28/20)

111	Town Council	
	expenses	4,000
		4,000
123	Town Administration	
	salaries	373,240
	expenses	37,450
		410,690
131	Finance Committee	
	expenses	1,500
		1,500
135	Comptroller	
	salaries	458,401
	expenses	70,150
		528,551
141	Assessors	
	salaries	361,599
	expenses	94,350
		455,949
147	Treasurer-Collector	
	salaries	322,544
	expenses	91,105
	tax title expenses	-
		413,649
151	Legal	
	salaries	107,412
	expenses	81,500
		188,912
152	Human Resources	
	salaries	167,495
	expenses	28,630
		196,125
155	Information Technology	
	expenses	293,693
		293,693
161	Town Clerk	
	elected official salary	84,840
	salaries	101,288
	expenses	16,746
		202,874
164	Elections & Registration	
	salaries	29,607

	expenses	23,000
		52,607
176	Appeals Board	
	expenses	6,000
		6,000
177	Planning & Growth Management	
	salaries	316,924
	expenses	32,300
		349,224
184	Agricultural Commission	
	expenses	2,500
		2,500
192	Public Property & Buildings	
	salaries	2,874,932
	expenses	4,651,525
		7,526,457
196	Central Services	
	expenses	123,000
		123,000
General Gov.	Subtotal, General Government	10,755,731
210	Police	
	salaries	5,243,721
	expenses	301,685
		5,545,406
220	Fire	
	salaries	5,459,764
	expenses	492,500
		5,952,264
225	Regional Dispatch	
	expenses	1,118,613
		1,118,613
240	Inspection	
	salaries	377,408
	expenses	23,820
		401,228
292	Animal Control	
	expenses	76,700
		76,700
Public Safety	Subtotal, Public Safety	13,094,211

	300	Town Schools	68,767,873
	390	Tri-County Regional School	2,504,543
	395	Norfolk Aggie	47,250
Education		Subtotal, Education	71,319,666
	422	DPW-Highway Dept	
		salaries	1,879,203
		expenses	4,101,740
			5,980,943
	424	Street Lighting	
		expenses	125,000
			125,000
DPW		TOTAL DPW - Hwy	6,105,943
	510	Health	
		salaries	167,141
		expenses	49,750
			216,891
	525	Public Health Services	
		expenses	-
			-
	541	Council on Aging	
		salaries	243,461
		expenses	6,100
			249,561
	543	Veterans Services	
		expenses (department)	67,840
		expenses (veterans benefits)	185,000
			252,840
Human Services		Subtotal, Human Services	719,292
	610	Library	
		salaries	646,345
		expenses	382,000
			1,028,345
	630	Recreation	
		salaries	305,710
		expenses	273,400
			579,110

690	Historical Museum	
	salaries	27,752
	expenses	1,000
		28,752
691	Historical Commission	
	salaries	-
	expenses	4,000
		4,000
692	Memorial Day	
	expenses	-
		-
695	Cultural Council	
	expenses	16,500
		16,500
696	Cultural District Committee	
	expenses	2,500
		2,500
Culture & Recreation	Subtotal, Culture & Recreation	1,659,207
710	Retirement of Debt	
	non-excluded	2,098,000
	excluded	2,066,000
		4,164,000
750	Interest	
	non-excluded	692,365
	excluded	1,805,375
	new ban's	-
	new ban's excluded	-
	short term interest general fund	-
		2,497,740
Debt Service	Subtotal, Debt Service	6,661,740
	Benefits:	
910	Retirement & Pension	6,174,365
	Health/Life Insurance Benefits	3,201,000
	Retired Teacher Health Insurance	870,000
	Non-GIC School Retirees	1,045,000
	Workers Compensation	550,000
	Unemployment Compensation	110,000
	Medicare	341,250

	OPEB	650,000
	Compensation Reserve	675,000
		13,616,615
945	Liabilty Insurance	625,000
		625,000
Benefits & Insurance	Subtotal, Benefits & Insurance	14,241,615
	TOTAL ALL BUDGETS	124,557,405
	Surplus/(Deficit)	3,484,208

Town of Franklin
New Growth History
Fiscal Years 2000 Through 2020

<u>Year</u>	<u>Amount</u>
2000	1,284,820
2001	921,208
2002	1,142,829
2003	693,183
2004	1,115,054
2005	893,209
2006	764,906
2007	1,176,527
2008	713,346
2009	806,561
2010	687,763
2011	513,322
2012	854,509
2013	844,102
2014	1,047,493
2015	716,096
2016	820,004
2017	1,185,535
2018	1,479,902
2019	1,515,478
2020 (Est)	1,770,000