

MIDDLEBOROUGH FY21 OPERATING BUDGET



FEBRUARY 3, 2020
ROBERT G. NUNES
TOWN MANAGER

FY 21 BUDGET OVERVIEW

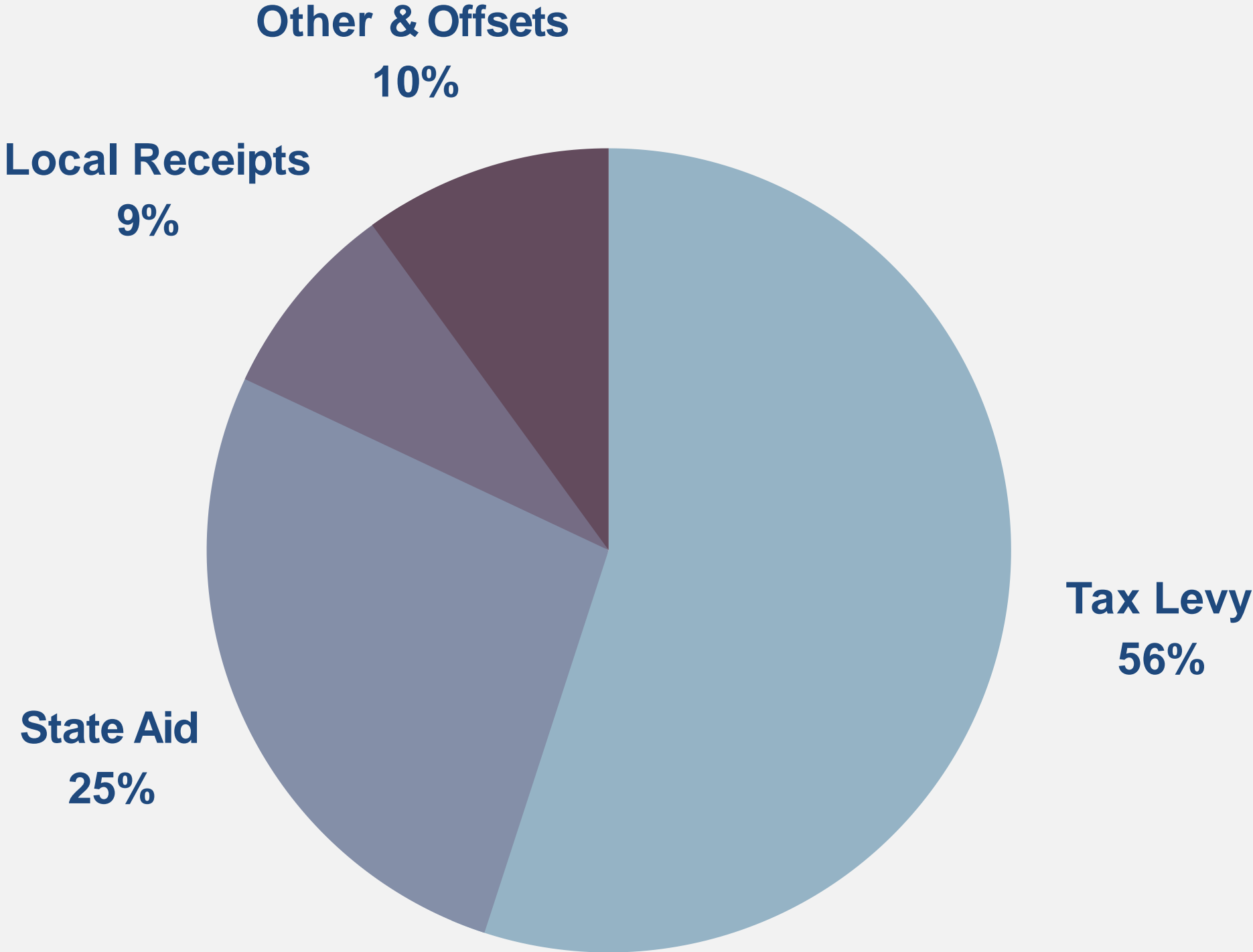
Budget Strategies:

- Implementation of OPENGOV Budget Module
- No one time use of reserves to balance the budget
- No trigger of a structural deficit for FY22
- Conservative revenue projections
- No funding for new positions
- Level funded services

Challenges:

- Increase in fixed costs
 - Retirement
 - Health Insurance
- 53 weeks pay period
- Minimal increase in State Aid
- FY20 School Department Budget shortfall

FY21 REVENUES BY SOURCE - \$ 86,575,661.00



REVENUES

Projected Revenues

- Levy \$44,431,811.00
- 2.5% Increase 1,110,795.00
- Net Growth 850,000.00
- Debt Exclusions 2,105,134.00

Total Tax Levy \$48,497,740.00

- State Aid \$21,982,991.00
- Local Receipts 7,402,108.00
- Total Other Revenue \$29,385,099.00

REVENUES

Offsets: *

• Health and Life	\$1,500,468.00
• Retirement	2,044,714.00
• FICA	110,310.00
• Workers Comp	71,000.00
• Debt	2,909,913.00
• Unclassified	173,227.00
• Administration	608,945.00

* Charges for employee benefits, debt, and administrative overhead for enterprise accounts, MCCAM and Middleborough Gas & Electric

Other Revenue:

• G&E Pilot	\$755,000.00	(An increase of \$10,000.00 over FY20)
• Council on Aging	350,000.00	
• WPAT Reserve	165,404.00	

Total Offsets and Other Revenues: \$8,688,981.00

PROPERTY TAX LEVY

The property tax is:

- A statutory mechanism to fund local government operations
 - Administered by local government
 - Largest source of local government revenue
 - Includes levy, 2.5% increase, new growth and debt exclusions
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- The average FY20 single family tax bill is **\$5,264.00**
 - The average FY20 single family statewide tax bill is **\$6,023.00**
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- The average FY20 single family residential value is **\$331,458.00**
 - The average FY20 single family residential value statewide is **\$427,198.00**
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- Please note: Statewide tax data is based on 324 communities

PROPERTY TAX LEVY

- A debt exclusion is an action taken by a community through a referendum to raise the funds necessary to pay for a project from the property tax levy, but outside the limits of Proposition 2 1/2
- Debt exclusion revenue: **\$2,105,134.00** for Police Station, and short term interest on the High School project

New Growth

- **FY 21 Projection: \$850,000.00**

Projection based on of the near completion of the Woodlands Apartment Complex, 58 new single family homes at 100% value, several small commercial developments and personal property assessments.

FY20 Certified	\$1,103,737.00
FY19 Certified:	765,429.00
FY18 Certified:	764,272.00

- In the future, the establishment of a Transit Oriented District (TOD) abutting the South Coast Rail Station will generate a significant amount of new growth i.e. new taxes, fees and local jobs.

STATE AID

The two largest forms of state aid are **Chapter 70** and **Unrestricted General Aid**

- **FY21 State Aid** **\$21,982,991.00**

Chapter 70:	18,070,799.00
Unrestricted Aid:	2,691,351.00
Other Accounts	1,220,841.00

Assessments:

- Cherry Sheet Assessments are charges assessed by the Commonwealth and Plymouth County
- FY21 State Assessments: **\$1,615,804.00***
 - *An increase of **\$315,613.00** over FY20
- Cherry Sheet Net Increase of \$37,242.00 over FY20

LOCAL RECEIPTS

Examples of local receipts include motor vehicle excise, meals and rooms, excises, penalties, medicaid reimbursements, fees, licenses & permits, fines, investment income, charge for service

- FY20 Projected: 6,668,629.00*
- FY19 Actual: 8,002,659.00
- FY18 Actual: 8,146,773.00

* Does not include projected fees from proposed Cannabis Facilities

Motor Vehicle Excise:

- FY20 Projected: \$3,100,000.00
- FY19 Collected: 3,538,957.00*
- FY18 Collected: 3,656,480.00*
- *Includes prior years

LOCAL RECEIPTS

Local Option on Meals and Rooms

Rooms: Local communities may levy a tax up to 6%

FY20 Projected:	\$385,000.00
FY19 Collected:	408,451.00
FY18 Collected:	400,726.00

Meals: Communities may impose a levy on restaurant meals on the grossbill

FY20 Projected:	\$385,000.00
FY19 Collected:	439,160.00
FY18 Collected:	415,497.00

LOCAL RECEIPTS

Cannabis Revenue

Host Community Agreements (HCA's):

- Recreation (3)
- Cultivation, Manufacturing, Processing (6)

Future:

- Cultivation, Manufacturing, Processing (4)
- All cannabis applications noted above are pending final approval from the Cannabis Control Commission (CCC). At this time, cannabis revenue is not factored in the FY21 Budget.

Economic Development benefits:

- Jobs
- HCA fees to general fund
- Building and local permitting fees
- Diversify local economy

FREE CASH

- Free cash is defined as unrestricted and available funds for appropriation by Town Meeting
- Certified as of July 1 based on the June 30th balance sheet, which reflects results from the prior year
- Should be considered as non recurring revenue

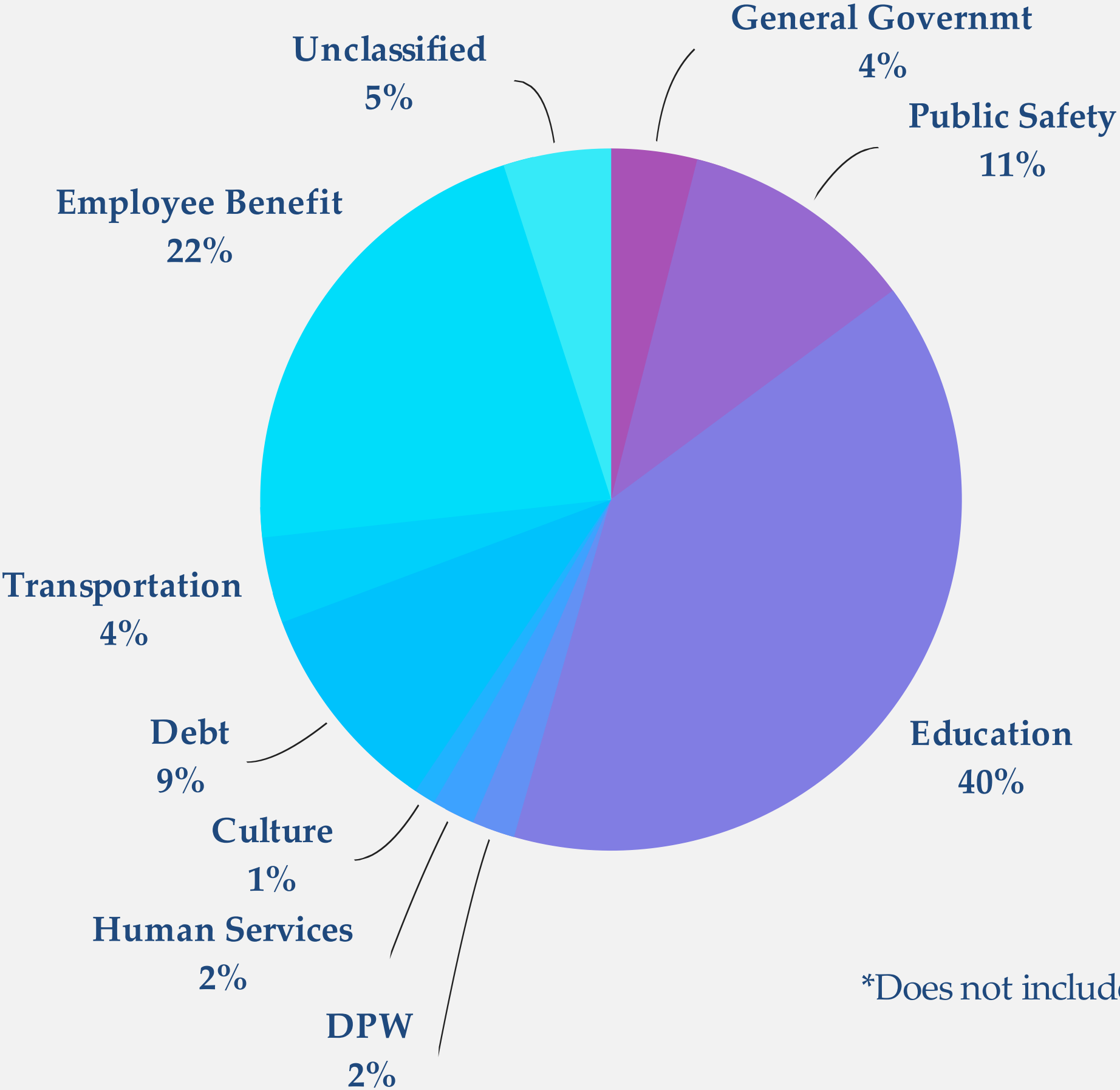
- Free cash will be used to fund capital projects and one time expenses
- 7/1/2020 free cash will be certified in the fall of 2020

• 7/1/2019 Free Cash:	\$4,118,433.00
Balance as of 1/31/20:	3,571,289.00
• 7/1/2018 Free Cash:	4,081,564.00
• 7/1/2017 Free Cash:	2,974,887.00

STABILIZATION FUND

- A Stabilization "rainy day" Fund is a special reserve fund into which monies may be appropriated and reserved for a later appropriation
- Stabilization Fund balances carry forward from one fiscal year to the next
- Interest earned on investment of the balance in this fund remains with the fund
- A two-thirds vote of town meeting is required to appropriate into or out of the fund, and to amend the purpose of the fund
- Current balance in the stabilization fund is **\$2,869,186.00** or 3.4% of the FY21 General Fund Operating Budget

FY 21 GENERAL FUND APPROPRIATION - \$ 84,221,426.00*



*Does not include items to be raised on Recap Sheet

PERCENTAGE OF FY21 GENERAL FUND APPROPRIATION

• General Government	\$3,262,333.00	4%
• Public Safety	9,399,059.00	11%
• Education	33,794,643.00	40%
• DPW	1,798,752.00	2%
• Human Services	1,913,960.00	2%
• Culture	1,109,341.00	1%
• Debt Service	7,522,704.00	9%
• Transportation	3,391,000.00	4%
• Employee Fringe Benefits	18,466,642.00	22%
• Unclassified	3,532,992.00	5%
• Total Operating Expenditures	\$84,221,426.00	

*Does not include Wastewater, Water, and Sanitation Enterprise Funds

EMPLOYEE BENEFITS

Fixed Costs

- Health Insurance
- Retirement
- Debt

Health Insurance

Group Insurance Commission (GIC)

- GIC offers health insurance to all state employees and more than 55 cities, towns, regional school districts, charter schools and planning councils
- Middleborough joined in July of 2014
- The FY21 health insurance appropriation is fully funded to provide health insurance to employees in the Town's health program
- The FY21 health insurance appropriation is **\$10,060,352.00**

EMPLOYEE BENEFITS

Retirement

Middleborough is a member of the Plymouth County Retirement Association

FY21 Appropriation: \$7,229,368.00

FY20 Appropriation: 6,715,032.00

- An increase of \$514,336.00, or 7.6% over FY20.
- The increase is due to retirees living longer and the increase in the total number of employees from 2013-2019.
 - The retirement appropriation is fully funded in FY21

Other Post-Employment Benefits (OPEB)

- The Town is a member of the Plymouth County OPEB Trust (PCOT). The trust is a program to assist public entities to pre-fund retiree healthcare liabilities.
- The annual transfer of **\$200,000.00** will be proposed at the October Special Town Meeting
 - The ending balance as of 12/31/19 is **\$1,921,660.00**

DEBT

Debt Service

- FY21 Appropriation **\$7,552,704.00**
- The Town has paid down **\$2,819,312.00** in general fund debt over the past four years. \$1,906,899 of those paydowns were paid down with free cash. This will allow the Town to fund the new DPW facility debt payment without an increase to the Debt Budget.
- Short term interest payments on the High School and DPW Facility are funded

Benefits of paying down debt:

- Looked upon favorably by credit rating agencies
- Positive fiscal practice
- Reduce overall interest costs
- Pay off short term notes
- Prevents capital projects/items from being amortized in the long term debt schedule

COLLECTIVE BARGAINING

Collective Bargaining

- The budget funds all Collective Budget Agreements (CBA's) for Town employees
- Good working relationship with all Town Unions

PUBLIC SAFETY

Police

- The budget continues to fund a full time School Resource Officer (SRO) and two School Safety Officers within the Police Department
- Funds adequate Patrol and Supervisory staffing
- Continued partnership with the Drug Enforcement Administration (DEA)
- State Certification expected by the end of the year

Fire

- At this time, funding is not included in the budget for the hiring of additional firefighters
 - Four additional firefighters have been hired over the last two fiscal years. With the hiring of those four firefighters, manning of the South and North Stations have increased. This practice will continue in FY 21.
 - Increased funding for overtime
 - Ambulance contract expires on June 30th
 - Two Options
 - Renegotiate with Brewster Ambulance
 - Solicit bid proposals for a 3 year contract

FACILITIES

Facilities

- The Facilities Manager is responsible for overseeing ongoing maintenance, contract services and day to day operations of Town buildings
 - FY20 Building Repairs
 - Appropriation: \$37,000.00
 - Expended 1/31/20: 33,489.00
 - Balance 1/31/20: 3,511.00
 - Increased funding for building maintenance by \$12,727.00

Funding allows for:

- Improved safety measures and policies for our public buildings (comprehensive emergency management plan)
- Establishment of preventative maintenance program
- Combined vendor service to reduce expenses

HIGHWAY

Highway

- Town has invested in excess of **\$3.5M** in road improvements from FY's 16-20. Over the next several years, we will focus our efforts on downtown infrastructure improvements

Snow and Ice

- FY21 appropriation is **\$379,593.00** – level funded from last year
- Goal: Less reliance on reserves to eliminate yearly appropriation deficits
 - Expended as of 1/31/20: **\$237,685.00**
 - FY20 snow and ice appropriation balance as of 1/31/20: **\$141,908.00**
 - FY19 **\$377,747.00**
 - FY18 **532,228.00**
 - FY17 **470,524.00**

EDUCATION

School District

- The School District's FY21 appropriation increased by **\$1,300,000.00** over FY20 for a total of **\$33,794,643.00** a 4% increase over FY20
- The budget appropriation greatly exceeds state requirements in education spending

FY20 Budget Challenge

Special Education shortfall:

- Summer of 2019 and forward, the district became financially responsible for 10 additional out of district placements
- These 10 additional out of district placements account for the district's current shortfall of \$690,737.00
- The shortfall will be made up with a free cash transfer at the April Special Town Meeting (STM) and unexpended balances in the School Department FY20 Budget

EDUCATION

- The High School construction project is on budget. The Town will issue long term debt upon completion of the project
- School Transportation is fully funded

Bristol Plymouth High School

- The Budget fully funds the Bristol Plymouth High School Assessment at \$2,368,770.00
- 239 Middleborough students attend Bristol Plymouth High School
- Ongoing Town/School Partnership

CAPITAL PLANNING

The Town's Capital Investment Plan (CIP) is based on using conservative financial estimates and procedures.

Capital Projects

- FY21 General Fund Capital Requests: **\$3,758,319.00**
- FY21 Water Department Capital Requests: 715,000.00
- FY21 Sanitation Department Capital Requests: 446,600.00
- FY21 Wastewater Department Capital Requests: 50,000.00

Project requests under review by the Capital Planning Committee:

- Facilities improvements
- Infrastructure improvements
- Technology improvements
- New equipment/vehicles
- Total Capital Investment since FY16: In excess of **\$187,000,000.00**

ENTERPRISE FUNDS

- Enterprise accounting allows for a separate accounting and financial reporting mechanism for municipal services for which a fee is charged
- Enterprise Funds:
 - Sanitation
 - Wastewater
 - Water
- Retained earnings stay with the fund and are certified similar to free cash
- Indirect costs/offsets:
 - Water: \$2,092,660.00
 - Wastewater: 1,906,893.00
 - Gas & Electric 2,705,399.00 (Non-enterprise account)
 - Sanitation 652,192.00
 - MCCAM 61,433.00 (Special Revenue Fund)

SANITATION DIVISION

- FY21 Appropriation: **\$1,304,392.00**
- Current balance in retained earnings: **715,535.00**
- No transfer from retained earnings to balance the fund
- Recycling Challenges
 - Global Market
 - Door to Door Recycling ongoing
 - Currently in negotiations with Waste Management on recycling issues
- Curbside Textile Recycling has been a huge success
- A Capital request for an additional sanitation truck has been submitted to the Capital Planning Committee. The Town currently has 4 trucks in the fleet.

SEWER / WASTEWATER DIVISION

- FY21 Appropriation: **\$3,387,722.00**
- Current balance in retained earnings: **3,236,029.00**
- **Challenges:**
 - 30 year \$25M debt payment
 - Increase costs to plant operation
 - Increase chemical costs
 - Last user rate increase was FY16 (Est.1800 residential and commercial accounts)
- Department of Revenue guidelines state that revenues are to meet operating expenses
- Negotiations are ongoing with Waste Management to charge 2 cents per gallon for leachate. The 2 cent charge will generate an additional \$200,000.00 in revenue. The Board of Selectmen has approved this proposed increase.
- A portion of the debt will be paid from retained earnings to offset the FY20 budget gap. A request will be made at the April Special Town Meeting.

WATER DIVISION

- FY21 Appropriation: \$4,540,089.00
- Current balance in retained earnings: 6,065,534.00
- No transfer from retained earnings to balance the fund

- **Projects:**
 - Fire Tower Water Elevated Storage Tank
 - John Glass Square water line replacement project
 - Mizares Wells
 - Water line replacements projects

CONTACT

- The presentation and budget will be posted on www.middleborough.com and Middleborough Town Manager's facebook page
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