

# FY18 GF Operating Budget Adjustment Recommendations for the Fall Town Meeting

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School Committee

9/5/2017

# Why do we need to make budget adjustments?

- Budget has to be in balance (revenues = expenditures) before we set the tax rate in November (state law)
  - Final State Aid did not meeting our revenue estimates
  - The budget voted at the ATM was already not in balance (-\$4,612)
  - We have operating budget changes to make to accommodate the change in government which will increase the bottom line
  - We have collective bargaining agreements we have to fund, which also increases the amount of revenue needed to raise
- Some of the actions listed above require a vote of Town Meeting so we have to have an article on the Fall STM warrant.

## FY18 Difference in State Aid

Education Aid Assumption \$43,437,668

**Short \$536,223**

Gen'l Gov't Aid Assumption \$10,835,944

**Short \$54,989**

Total State Aid  
(Revenue) Shortfall

**\$591,212**

State Assessments Assumption: \$7,190,210 (4%)

Actual State Assessments: \$7,500,065 (10%)

**\$309,855 increase to FY18 budget expense**

13% increase in Education  
assessments

**Net impact \$905,674 negative  
FY18 Budget Balance**

*FY18 budget was  
voted \$4,612 in deficit*

## Options (combinations)

Implement Tax Burden  
Reserve  
\$700,000

+

Reduce Budgets by \$205,674  
Proportional shares:  
Reduce Education budget \$185,107  
Reduce General Government \$18,511

+

Adjust several local receipts  
estimates by \$205,674

+

Watch new growth estimate,  
if certification higher, could  
absorb the \$205,674

## Options (stand alone or combinations)

Carry over some portion of FY17 Circuit Breaker into FY18

- There is \$3M in FY17 GF left over
- Transfer \$900,000 of CB expense to GF (for Sped “reserve”); carry FY17 CB into FY18; no change to FY18 School GF budget
- Transfer *another* \$700,000 of FY17 CB expense to FY17 GF; and reduce the FY18 School GF budget by \$700,000 – allows us to keep the Tax Burden Reserve intact with no negative budget impact to School
- \$1.4M turns back to FY17 fund balance and closes out to Free Cash

Raise base levy from 2.0% to 2.12%  
and use tax burden reserve

Raise base levy from 2.0% to 2.5% to  
absorb entire \$905,674 shortfall

## Options and the Levy

- If we offset only \$700,000 of the revenue shortfall, then the levy will automatically pick up the rest - we have to do something else
- There is no free cash to supplement the Tax Burden Reserve- free cash expired on 6/30/17
  - And it would have to be appropriated by Town Meeting
- Using Tax Burden Reserve to close the gap eliminates its use to ease shifting tax burden at the tax rate hearing
  - Two tools: tax burden reserve (\$700,000) and “shift” factor (5 points)
  - If residential value growth outpaces commercial value growth, then tax burden “shifts” to residential tax payers
  - If commercial value growth outpaces residential value growth then tax burden “shifts” to commercial tax payers

## Administrative Recommendation

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- Carry over \$700,000 extra Circuit Breaker from FY17 into FY18
- Adjust local receipts estimate upward by \$205,674
- This closes the revenue shortfall related to State Aid
- We still have FY18 expenditure budget changes that require changes to revenue

## Additional FY18 Budget Adjustments

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- Appropriate funds for the change in Government (6 months) - \$200,000
  - Amend Selectmen/Town Manager budget + \$153,643
    - Mayor, Councilors, expenses and operations changes
  - Amend School Budget + \$46,357
    - School Committee, expenses and operations changes
  - Source of this revenue is \$241,000 of homeless transportation state reimbursement that was not included in our Local Receipts revenue estimate for FY18