



Town of
Acton *Massachusetts*

Finance Committee FY24 Point of View

September 2022

Overview

Spending: predicted to outpace revenue*

Reserves: strong for the Town, low for the School District

Capital Projects: expensive 5 year forecast

Taxpayer: multiple factors impacting our wallets

We do not support an Operational Override

Spending: Revenue vs Expenses

- Tax levy: largest revenue source, constrained by Prop 2 ½

Proposition 2 ½ allows the town to tax no more than 2 ½% over the previous year's property tax rate.*

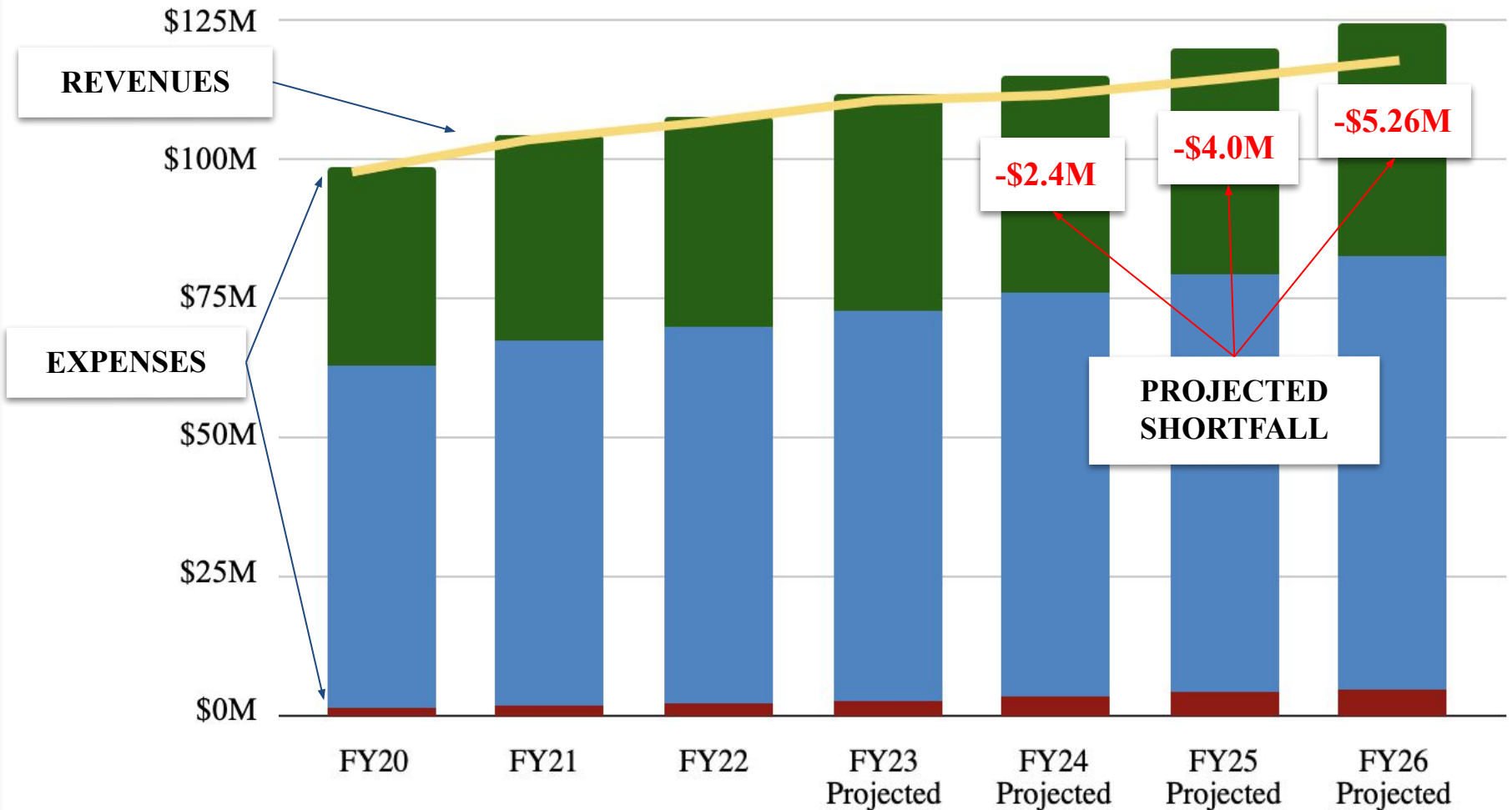
- Other revenue sources: State Aid, Debt Exclusion, Local Receipts, etc.
- Projected budgets based on current service levels exceed projected revenues in FY24, FY25, and FY26.

*Proposition 2 ½ allows a community to increase its levy limit annually by 2 ½% plus an amount based on the increased value of new development and other growth in the tax base that is not the result of revaluation.

Spending: Projections

Revenues vs Expenses per current ALG model*

■ Municipal Budget ■ ABRSD Assessment ■ Minuteman Assessment



*Based on 4/22 ALG projections

Spending: Compensation

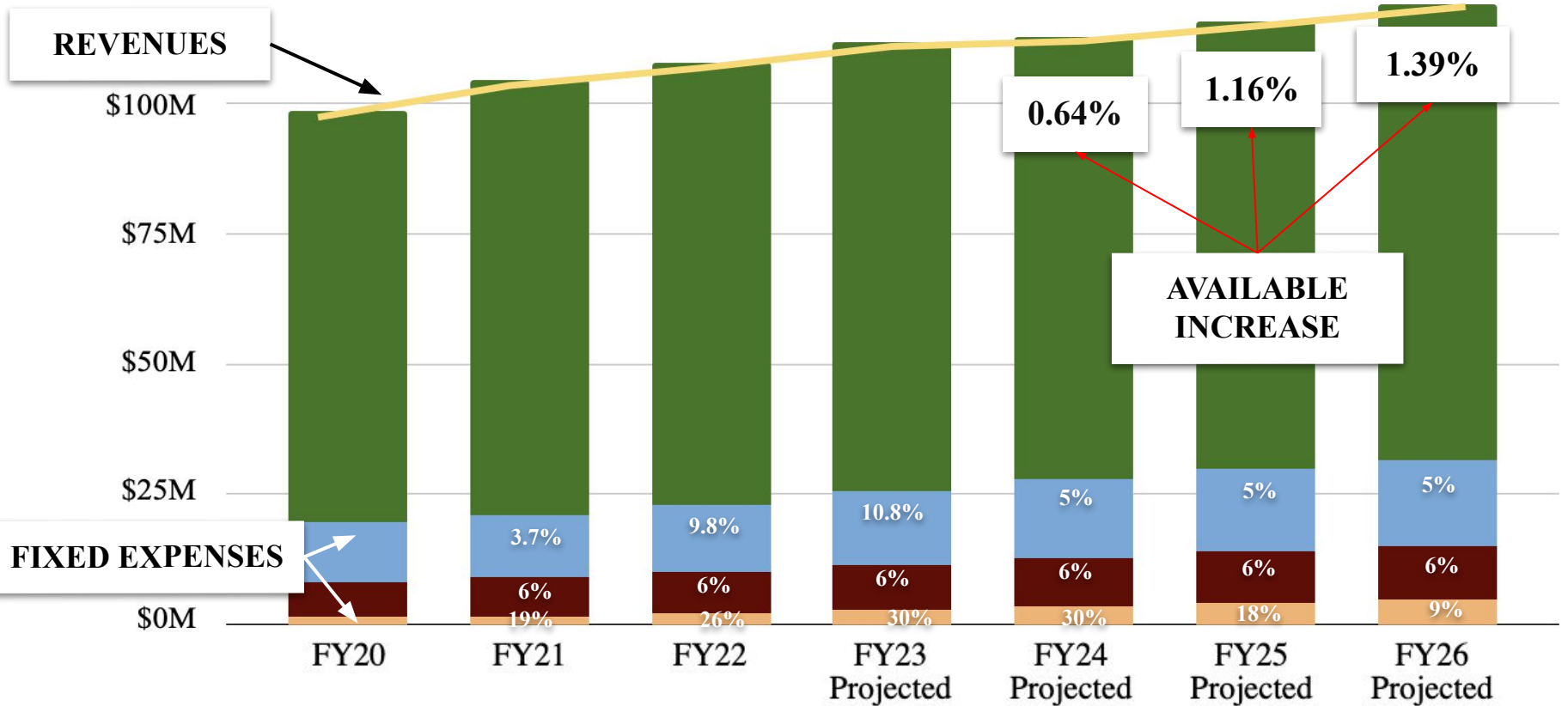
- Compensation is our largest budgetary item
 - 75% of FY23's municipal budget is salary & fringes
 - 79.6% of FY23's school budget is salary & fringes*
- Negotiated contracts continue to include combined pay and COLA increases $\geq 4\%$
- \$9,447,238: Portion of FY23 Municipal Budget not earmarked for personnel costs (out of \$37,722,544)
- \$14,219,324: Acton portion of ABRSD Budget not earmarked for personnel costs (out of \$69,689,255)

*This is an increase from FY22, despite significant staff cuts, due to a 10% increase in Health Insurance costs and a 6% increase in Middlesex Retirement assessment

Spending: Recommendation

Combined budgets must increase by no more than our Revenue Sources minus our Fixed Expenses

■ Other Costs
 ■ Health Insurance Trust
 ■ Middlesex Retirement Assessment
 ■ Minuteman Assessment



*Projecting 5% increase in HIT and 6% increase in Middlesex Assessment for FY24-FY26

Reserves: Overview & Recommendations

- Town Free Cash of ~\$5 million is within DoR guidelines of 3-5% of overall budget
 - FY23 budgeted use of \$1.25M brings Free Cash to 3.18% of total budget
- ABRSD E&D are below our recommendations
 - FY23 budgeted use of \$1.5M brings E&D to 1.81% of total budget
 - FinCom does not advise counting on future turnbacks to refill funds to recommended levels
- Other Reserves (Enterprise, Stabilization, etc) are meeting current needs
 - These funds should be accessed as revenue sources prior to consideration of an override

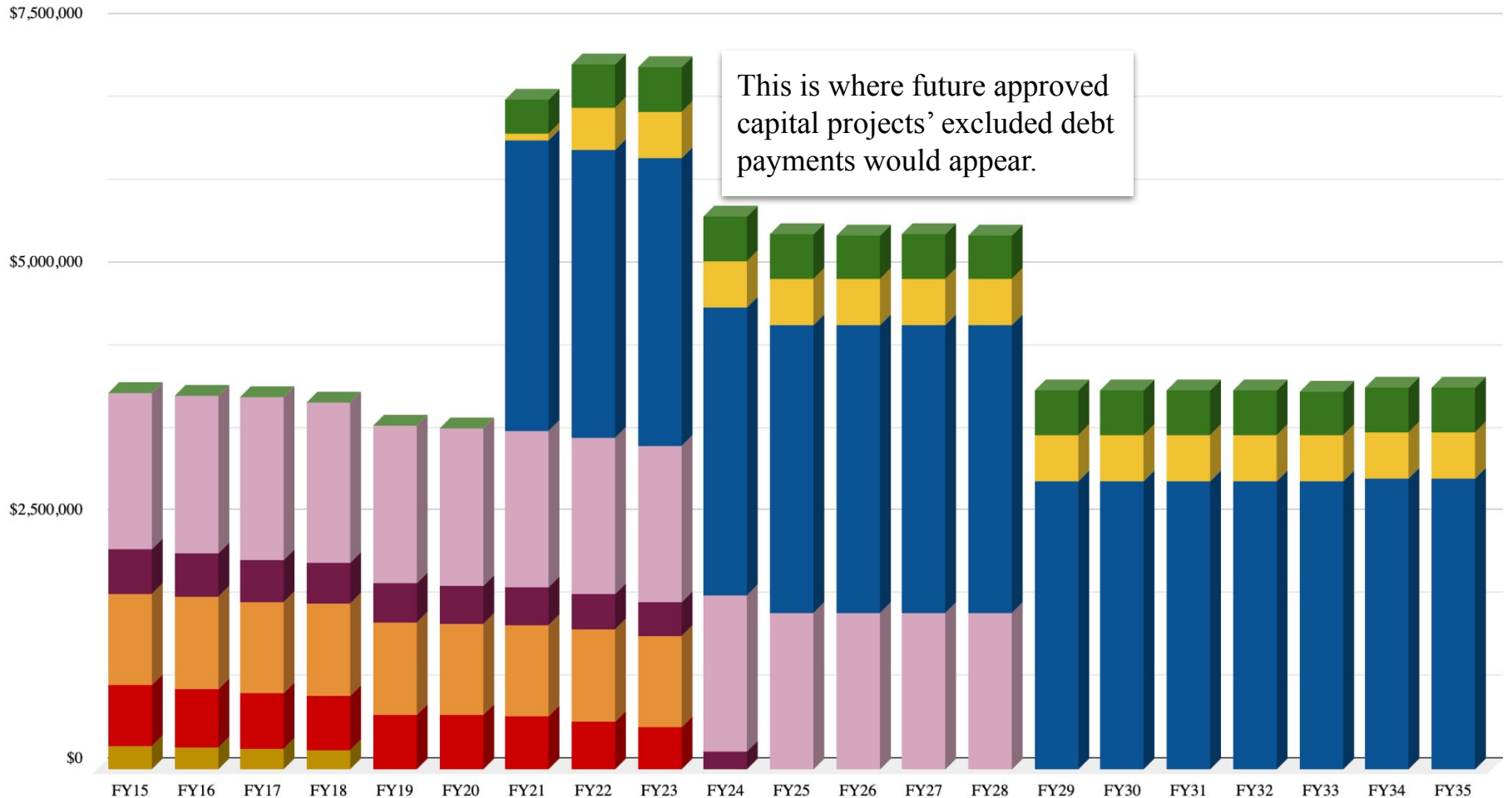
Capital Projects: Identified Needs

Project Title - Municipal	Town				
	FY24	FY25	FY26	FY27	FY28
DPW Facility Improvements - Design/Construction	\$1,000,000	\$15,000,000	\$15,000,000		
Sidewalk Program - New Construction & Maintenance			\$7,500,000	\$7,500,000	
South Acton Main Street (Route 27) Corridor Traffic Study		\$800,000			
Design, Repair, Maintain - Dam Management Program		\$750,000			
Bridge Design/Construction	\$1,200,000		\$1,700,000		\$1,100,000
Replacement program for the fire engines	\$800,000				\$900,000
Replacement of the aerial ladder truck			\$1,850,000		
Total	\$3,000,000	\$16,550,000	\$26,050,000	\$7,500,000	\$2,000,000

Project Title - ABRSD	ABRSD				
	FY24	FY25	FY26	FY27	FY28
RJ Grey Locker Replacement and Other Interior Upgrades	\$550,000				
Blanchard Roof Replacement Costs (if approved by MSBA)	\$325,000				
Blanchard Window Replacement Costs (if approved by MSBA)	\$425,000				
Admin roof replacement	\$350,000				
ABRHS Mechanical Upgrade and Repairs Project phase 1		\$484,000			
Admin Air Handlers / HVAC		\$300,000			
ABRHS Mechanical Upgrade and Repairs Project phase 2			\$484,000		
ABRHS Mechanical Upgrade and Repairs Project phase 3				\$484,000	
ABRHS Envelope Repair Project					\$300,000
Total	\$1,650,000	\$784,000	\$484,000	\$484,000	\$300,000

Capital Projects: Current Debt Service

■ Minuteman
 ■ North Acton Fire Station
 ■ Boardwalk Campus
 ■ Jr High/Sr High Updates
 ■ Public Safety Facility
■ Parker Damon
 ■ Acton Public Schools
 ■ Nara Park/Library



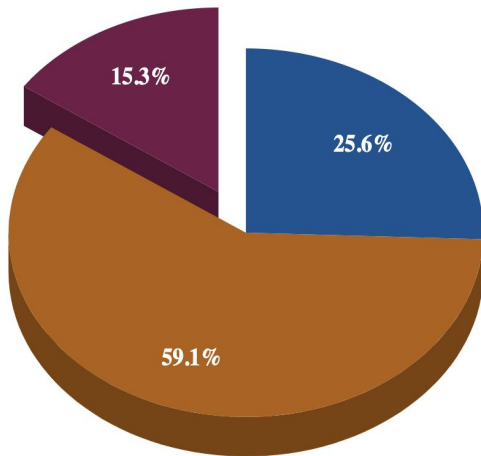
Capital Projects: Recommendations

- Limit taking on new excluded debt
 - Retirement of excluded debt should not invite additional debt
- Approach capital projects from a needs basis
 - Continue outside funding where possible
 - Fund ongoing maintenance within Operating Budget
- Continue to identify projects on the horizon and plan for them accordingly

Taxpayer: Demographics

Age

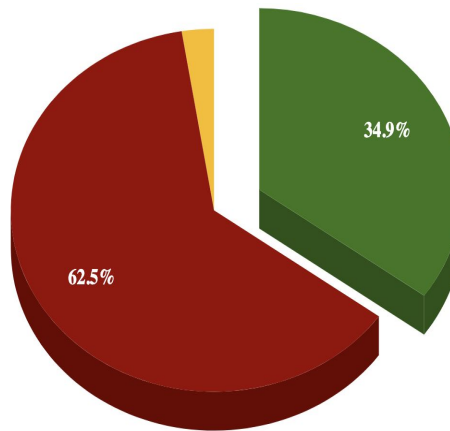
Senior population is 15.3% and growing



- Under 18
- 18 to 64
- 65 and Over

Budget

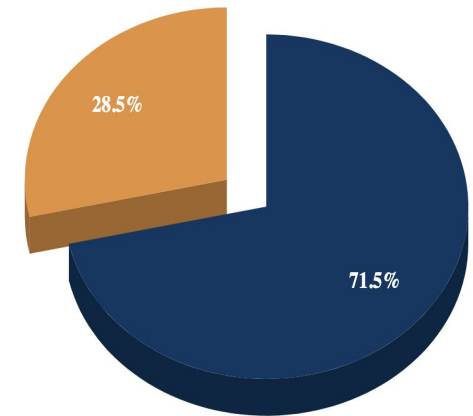
65.1% of our budget pays for the schools



- Municipal Budget
- ABRSD Assessment
- Minuteman Assessment

Children

71% do not have school-aged kids



- Households with School Aged Children
- Households w/o School Aged Children

Taxpayer: Real Estate Assessment

Median tax bills have increased over \$900 per year, on average, for the past 4 years (The avg tax bill has increased \$500 on average)

- This number includes Prop 2 ½, Excluded Debt, and CPC surcharge

	FY18	FY19	FY20	FY21	FY22
Median Household Income			\$125,635	\$120,865	\$137,981
Median Tax Bill	\$10,473	\$11,035	\$11,714	\$12,500	\$14,088
Tax Bill as % of Income (Median Household)			9.32%	10.34%	10.21%

Taxpayer: Other Considerations & Recommendation

- Compared to this time last year:
 - 22.4% increase in gas prices¹
 - 10.9% increase in grocery prices²
 - 30% increase in electricity rates³
 - 40% increase in natural gas rates⁴
- Other resident costs
 - Water treatment plant upgrade for PFAS mitigation
 - Sewer treatment facility repairs



¹ <https://gasprices.aaa.com/?state=MA> (\$.69 increase over previous year as of 9.13.22/\$1.97 increase over 9.13.21)

² https://www.bls.gov/regions/new-england/news-release/consumerpriceindex_boston.htm

³ <https://www.masslive.com/news/2022/06/record-high-electricity-rates-are-hitting-massachusetts-residents-this-summer-heres-how-to-manage-costs.html>

⁴ https://ycharts.com/indicators/manatural_gas_residential_price

FY24 In Summary

FY24 Projected Revenue Increase	\$2,746,203
FY24 Projected Fixed Costs Increase	- <u>\$2,084,697</u>
FY24 Projected Available Spending Increase	\$661,506

Discretionary spending for FY24 is severely limited. The Town and Schools must look for ongoing cost saving measures.

	FY23 Projection	FY24 Projection	Difference	Percent Increase
Revenue	\$103,156,204	\$105,902,407	\$2,746,203	2.66%
Minuteman Assessment	-\$2,841,323	-\$3,693,720	-\$852,397	30.00%
Middlesex Retirement Assessment	-\$8,604,008	-\$9,120,248	-\$516,240	6.00%
Health Insurance Trust	-\$14,321,200	-\$15,037,260	-\$716,060	5.00%
Remainder/Available Increase			\$661,506	0.64%

Conclusion

- Our taxpayers are feeling the pinch on all sides
- Inflation and healthcare costs will remain high for the foreseeable future
- A recession is possible
- Town and Schools must manage budgets within revenue sources to avoid an Operational Override

We do not support an Operational Override

*Thank you for your time.
Any questions?*

Appendix: OPEB

Other Post-Employment Benefits

Healthcare, Life Insurance, Deferred Compensation

- \$14.9M owed by Town
 - investing \$633K per year
 - liability **decreased** by \$1.2M last year
 - fully funded in 2032
- \$46.1M owed by School District
 - investing \$900K per year
 - liability **decreased** by \$6.2m last year
 - fully funded in 2059
- Town and Schools: Continue funding at current levels
 - Acton's funding is a strength, compared to other towns

Appendix: Reserve Policy

- Free Cash
 - Floor of 3% of Total Acton Spending*
 - Ceiling of 5% of Total Acton Spending
- Stabilization Fund for CIP projects
- Strategic use of Free Cash and E&D
 - Use no more than \$*insert recommended number* from Acton Free Cash to remain above 3% floor
 - Use no more than \$*insert recommended number* from ABRSD E&D to remain above 3% floor
- Only use Reserves and E&D for one-time items
 - Capital needs
 - Emergencies

*Total Acton Spending = Municipal Budget + ABRSD Assessment + Minuteman Assessment

Appendix: All Reserves

Town of Acton

Free Cash	\$4,796,257
Stabilization Fund	\$1,452,384
Enterprise Funds	\$2,285,224
Sewer Stabilization Fund	\$1,663,499

Acton Boxborough Regional School District

Excess & Deficiency (Free Cash)	\$3,245,055
Stabilization Fund	\$1,200,000

Appendix: Revenue FY23

Municipal Sources:	FY23
Tax Levy (Prop 2 1/2)	\$ 96,093,653
State Aid	\$ 1,423,836
Local Receipts	\$ 5,638,715
Debt Exclusion	\$ 7,067,072
Town Reserves	\$ 1,250,000
Total Sources	\$ 111,473,276

Town Reserves

1.1%

Debt Exclusion

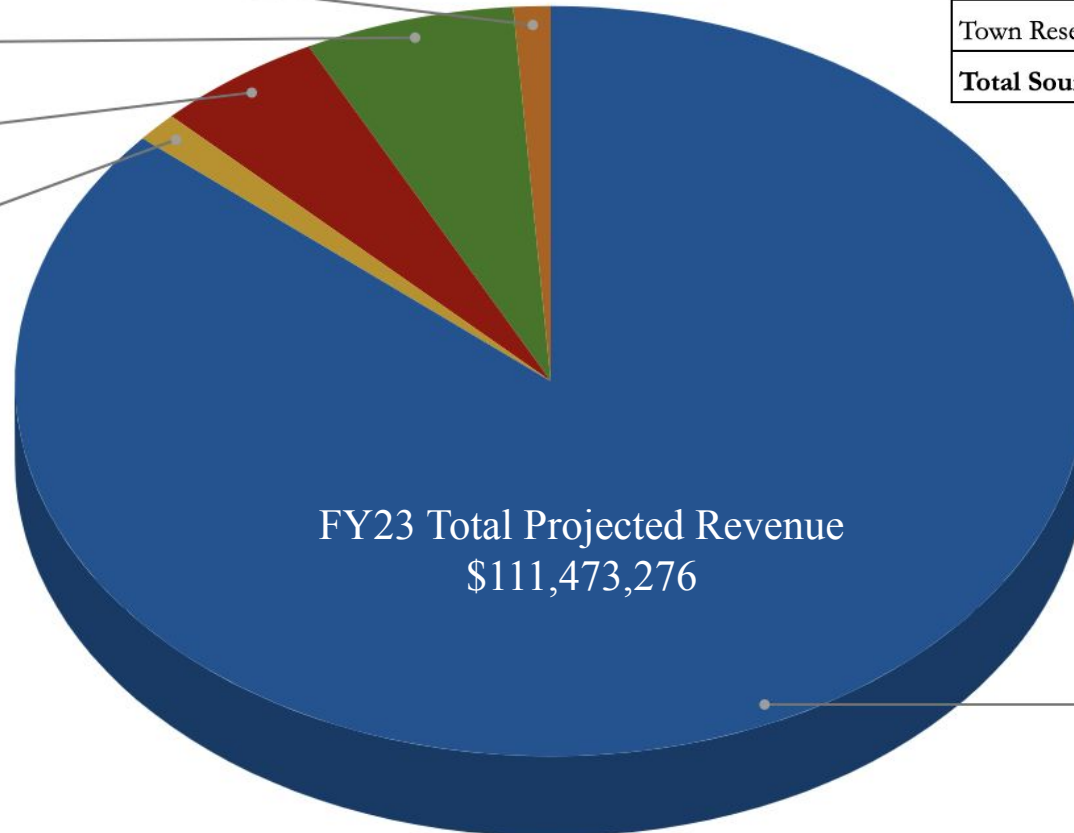
6.3%

Local Receipts

5.1%

State Aid

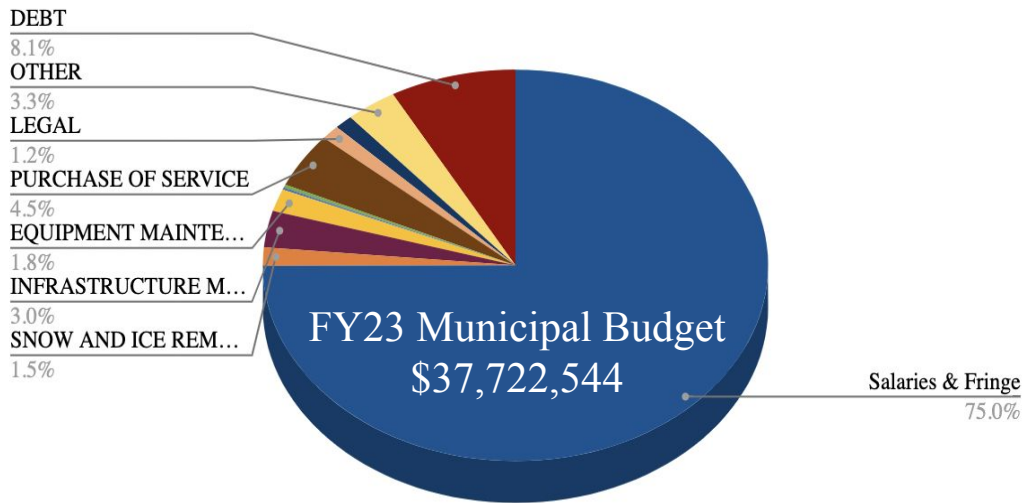
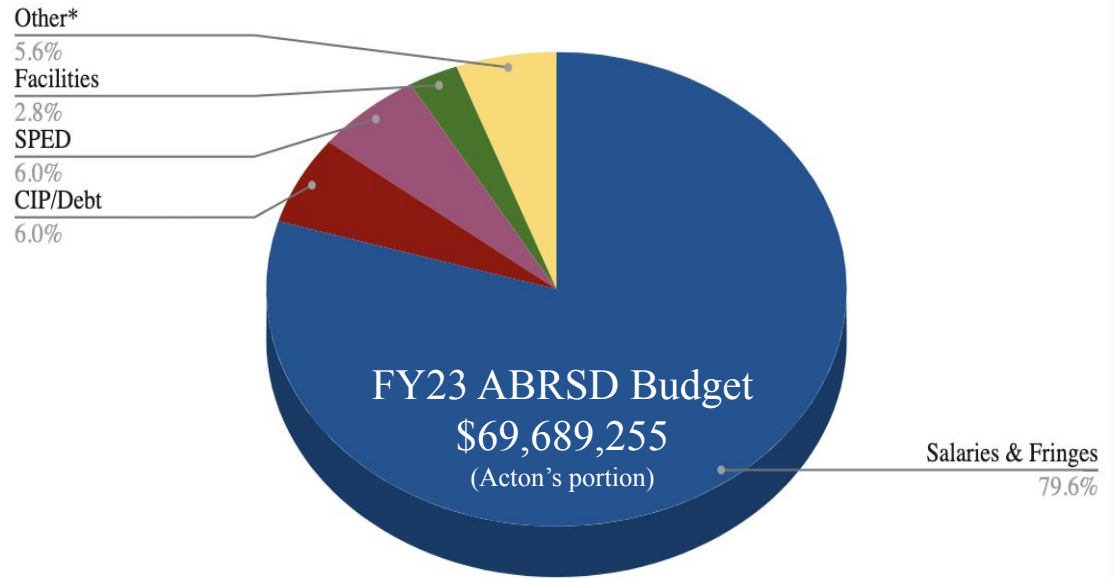
1.3%



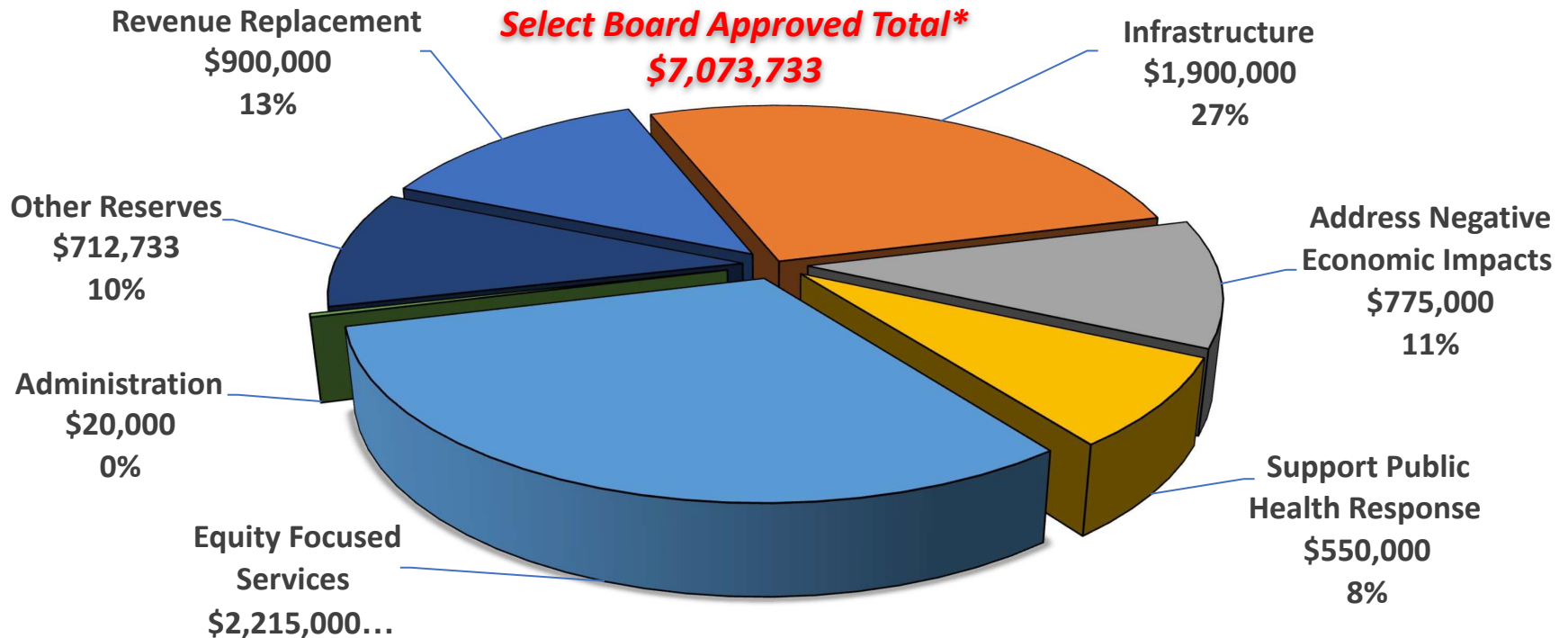
Tax Levy (Prop 2 1/2)

86.2%

Appendix: Spending FY23



Appendix: ARPA Investment Allocation



Sample Approved Non-School ARPA Investments

	<u>Amount</u>	
Partial Project list (sample)	• Fort Pond Brook and River St Dam	\$ 500,000
	• Permitting system	\$ 150,000
	• Revenue Replacement - Local Receipts	\$ 400,000
	• Mass Ave/Gardner streets and parking	\$ 400,000
	• DESIGNE extra park between AHA and Dog park	\$ 45,000
	• Public health services and supplies	\$ 200,000

* Federal Treasury Categories