

Financial Overview

May 9, 2022

Fincom Methodology

- Each year the Finance Committee, with the help of the Town Administrator, Treasurer/Collector, Town Accountant, and Principal Assessor, develops a revenue and expense model for the next fiscal year
- Budget preparation guidance is sent by TA to all boards and department heads, who independently create their budget requests and additional needs
- Fincom reviews all budget requests line-by-line and, with TA and SB input, develops omnibus budget recommended to TM based on needs and available funding

FY23 Financial Goals

- FY23 budget guiding principles:
 - Maintain level service across all departments
 - Stay on plan / financial policies
 - Some service improvement/expansion
 - As revenue allows
 - Sustainable (fundable beyond this year)

The omnibus budget (Article 27) and associated recommendations meet these objectives

Revenue Model Changes

- Net state aid up 2.4% from FY22
 - Based on guidance from state legislators (not yet final)
 - 5-year trend has been only 0.57% / year
- Local receipts up 4% from FY22 model
- Total tax levy **limit** up 3.8%
 - Actual levy change depends on final numbers
- Very slight additional benefit from debt retirement

**Net maximum available revenue (net of debt)
~\$2.9 million higher than final FY22 model**

Use of Available Revenue

- Primary uses of the available revenue:
 - ~\$1.75 million (4.7%) increase for School Dept.
 - \$159,035 below original request
 - \$500,000 (4.7%) in benefit cost increases
 - \$178,188 for new DPW-Grounds division
 - \$172,171 (5.4%) for Police Department
 - 2% COLA for non-union employees, (small) merit pool
- Reflected in recommended budget in Article 27
 - \$70+ million budget
 - Requires taxing \$4,340 below the levy limit

Service Expansions

- During budget reviews several departments requested additional funding for expanded services
 - Schools: increased mental health support
 - Select board: DPW-Grounds division, police officer
 - Grounds division a result of joint work between Select Board, School Committee, Parks and Recreation (and Fincom)
 - Assessors: Additional staffing
 - Option 1: Adding a new employee
 - Option 2: Contracted service
 - Building inspector: Additional staffing
 - Increases permit throughput (and revenue)

Addressing Expansions

- Most expansions are included in Fincom budget
 - Schools: request met by “sharpening pencils” and fitting it in to the Finance Committee recommended budget
 - Grounds division funded with additional revenue and a “kick start” from the Parks revolving fund
 - Building inspector funded with “kick start” from building department revolving fund
 - Assessor budget adjusted to provide additional contract services
 - Funding constraints prevented addition of new staff to assessors and police departments
- “Kick start” used only for revenue generating items

Operating vs. Capital

- Operating budgets are comprised of primarily recurring annual expenses (salaries, benefits, etc)
 - Must be funded from recurring revenue
 - “Permanent” increases to annual budget
- Capital expenses are “one time”
 - An item is purchased and the town owns it
 - Costs for maintenance are in operating budgets
 - Can be funded from one-time revenue sources if necessary
 - Impact of purchase is only in current year
- Ongoing capital needs are ~\$3 million / year
- Underfunding capital to fund operations is unsustainable and bad financial practice

Notable 10-Year Trends

Budget Item	Annual Growth Rate FY13-FY23
Net state aid	1.95%
Chapter 70	2.1%*
Pension and Benefits	6.34%
General government	5.02%
Public Safety	4.83%
School Department	3.15% (highest \$)**
OPEB contribution	0%***
Debt service	-19.81%

*Jump in FY23 due to tuition-free full-day kindergarten

**Excludes Keefe Tech, up 10.24% per year for the period

**Since inception (FY14)

Benefits of Good Practice

- Holliston's new and first-ever AAA rating

Name	Rating Agency	2009	2010	2011	2012	2014	2015	2017	2019	2020	2021
Holliston	S&P	AA-	AA-	AA-	AA-	AA+	AA+	AA+	AA+	AA+	AAA

- Will save ~\$115,000 on water treatment plant
- Will save significantly more on potential future large capital borrowings (school, DPW facility, etc)
- What S&P said about the reason for the rating:
 - "Very strong [financial] management with formalized policies **that are adhered to**"

Benefits of Good Practice

- More reasons behind the AAA rating:
 - “Large pension and OPEB obligations that the town continues to proactively manage”
 - “Over the past five years, the town’s...OPEB liability funded ratio continues to increase, which we believe is a significant credit positive and demonstrates the town’s willingness to address its liabilities”
 - “Given Holliston’s history of balanced operating and total governmental funds results, along with stable projections for fiscal 2022, we expect continued strong budgetary performance”
- In short, S&P believes in the strategy we have followed

Financial Articles of Note

- Articles 3-5: Segregate cannabis money into a separate fund (for drug mitigation services)
- Article 16: Adjustment to job classification
- Article 23: Increases personal property exemption
- Article 24: Legislation for means-tested property tax exemption for senior citizens
 - Would need renewal by TM every 3 years
 - No loss in tax revenue since exemption amount is paid by all other residential taxpayers
- Article 25: PILOT for solar farm at 39 Marshall St.

Financial Articles of Note

- Article 27: Omnibus budget
 - Reflects all Finance Committee recommendations
 - Meets all financial policy requirements
- Article 28: Capital Expenditure Fund (CEF)
 - \$1,875,000 recommendation matches budget in article 27
- Article 29: Capital purchases
 - FY23 projected total of \$3.8 million needed from CEF
- Article 30: Convert to LED streetlights
 - Will save money and improve lighting conditions
 - Savings will offset initial cost in 2 to 4 years
 - Town is seeking grant funds to help reduce capital cost

Financial Articles of Note

- Article 32: Community Preservation Committee
- Article 34: Planning for Holliston's 300th in 2024
- Article 35: Stabilization Fund
 - No action needed at this TM, indefinitely postpone
- Article 40: Road Acceptance
 - Finance Committee recommends favorable action
 - Needs re-approval due to expiration of 120-day deadline
 - No financial impact

The Road Ahead

- The FY23 budget includes ~\$120,000 of “one-time” money that must be covered elsewhere in FY24
 - These are the “kick start” funds
 - No guarantee that revenue will offset costs in FY24
- Tuition-free full-day kindergarten at the schools started with one-time ARPA funding, will need to be in the operating budget in FY25 (\$650,000/year)
- Impact of inflation against limits of prop 2½

Summary

- FinCom meetings are usually Tuesdays at 7pm
 - Weekly during budget season (Dec-April)
 - Virtual meetings recorded and broadcast on HCAT
- “Finance” section on www.townofholliston.us
 - Budgets are posted prior to presentation to Fincom
 - Budget review meetings are all public (by law)
- Fincom@Fincom.Holliston.k12.ma.us

Summary

- Financially, the town has weathered worst of the pandemic
- However, federal pandemic spending is causing a “hangover” that the town will be dealing with for several years
 - Higher inflation, tighter labor markets
 - End of “free money” shifts burden to operating budget
 - Increased spending on mental health
- TM support for good financial practice continues to benefit us

Holliston has worked hard to build a solid financial foundation for today and for years to come. There will be future financial challenges, but with Town Meeting support of good financial practices we will be well-positioned to successfully address them.