



Fiscal Year 2023 Budget Initial Budget Presentation Advisory Committee



January 12, 2022



Town of Hanover Budget Timeline

<u>Date</u>	<u>Event</u>
December 10	Department Heads Submit Budgets to Finance Director
January 3	Initial Budget Presentation
January 3 – January 31	Selectboard Review
February 1	Town Manager Submits Budget
February - April	Advisory Committee Review
May 2	Town Meeting
July 1	FY2022 Budget Becomes Effective



Town of Hanover Budget Goals & Objectives

- **Simplicity**
- **Highlight Policy Decisions for Policy Makers**
- **Focus on the Impact to Property Tax Payer**



Town of Hanover Budget 'Levers'

(Decisions for Elected Policy Makers)

- Service Level
- Property Taxes
- Free Cash





Town of Hanover Budget 'Levers'

(Decisions for Elected Policy Makers)

<u>"Lever"</u>	<u>FY19 (actual)</u>	<u>FY20 (actual)</u>	<u>FY21 (actual)</u>	<u>FY22 (actual)</u>	<u>FY23 (Est.)</u>
Service Level (total expenditures)	\$61,634,049	\$64,070,160	\$65,005,712	\$66,227,630	\$68,615,487
New Growth	\$684,000	\$525,000	\$510,000	\$600,000	\$500,000
Increase to Tax Levy	\$990,000	\$580,000	\$750,000	\$1,000,000	\$0
Total Increase Tax Revenue	<u>\$1,574,000</u>	<u>\$1,005,000</u>	<u>\$1,260,000</u>	<u>\$1,600,000</u>	<u>\$500,000</u>
Free Cash Applied	\$680,000	\$750,000	\$1,548,000	\$1,000,000	\$0
Fees/Other Revenues	\$3,600,000	\$3,900,000	\$4,200,000	\$4,800,000	\$4,696,000



Budget “Gap”

(How do Elected Policy Makers want to Set the Levers?)

<u>“Lever”</u>	<u>FY23</u>
Service Level (total expenditures)	\$68,615,487
New Growth	\$500,000
Increase to Tax Levy	\$0
Total Increase Tax Revenue	<u>\$500,000</u>
Free Cash Applied	\$0
Fees/Other Revenues	\$4,696,000
“Gap”	\$3,200,000



Budget “Gap”/Tax Levy

(How do Elected Policy Makers want to Set the Levers?)

<u>Tax Levy</u>	<u>FY23 (Gap)</u>	<u>Impact to Average Homeowner</u>
No Increase to Tax Levy	\$3,200,000	\$0
Apply “Excess” Levy (Unused for FY22)	\$2,313,432	\$186
Increase Levy by 2.5%	\$2,096,813	\$231
Apply “Excess” Levy + Increase Levy by 2.5%	\$1,159,985	\$417



Budget “Gap”/Free Cash

(How do Elected Policy Makers want to Set the Levers?)

<u>Fiscal Year</u>	<u>Certified Free Cash</u>	<u>Applied to Operating Budget</u>	<u>Total Used</u>	<u>Remaining</u>
2012	\$2,394,387	\$1,447,366	\$2,394,387	\$0
2013	\$2,204,388	\$840,682	\$2,067,238	\$137,149
2014	\$3,049,716	\$460,166	\$1,924,421	\$1,125,294
2015	\$2,074,285	\$250,000	\$1,526,923	\$547,361
2016	\$2,784,497	\$0	\$2,141,750	\$642,747
2017	\$1,734,005	\$0	\$1,270,962	\$463,043
2018	\$2,543,589	\$500,000	\$1,938,335	\$605,254
2019	\$3,219,470	\$680,000	\$2,118,679	\$1,100,791
2020	\$3,010,477	\$750,000	\$1,583,021	\$1,427,456
2021	\$4,293,469	\$1,548,000	\$1,827,000	\$2,466,469
2022	\$3,933,629	\$1,000,000	\$2,240,600*	\$1,693,029
2023	\$4,000,000	????	????	????



Municipal Finance:

Proposition 2 ½ & Free Cash

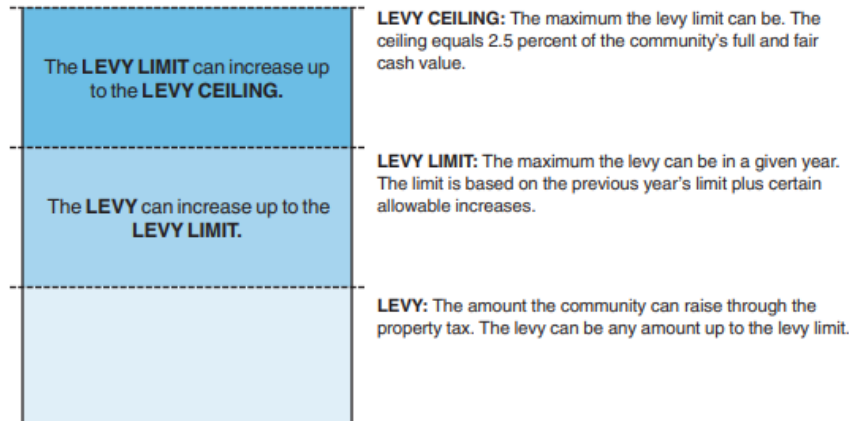
- Proposition 2 ½ places constraints on the amount of the levy raised by a city or town and on how much the levy can be increased from year to year.
- A community cannot levy more than 2.5% of the total full and fair cash value of all taxable real and personal property in the community.
- A community's levy is also constrained in that it can only increase by a certain amount from year to year (the levy limit).



Municipal Finance:

Proposition 2 ½

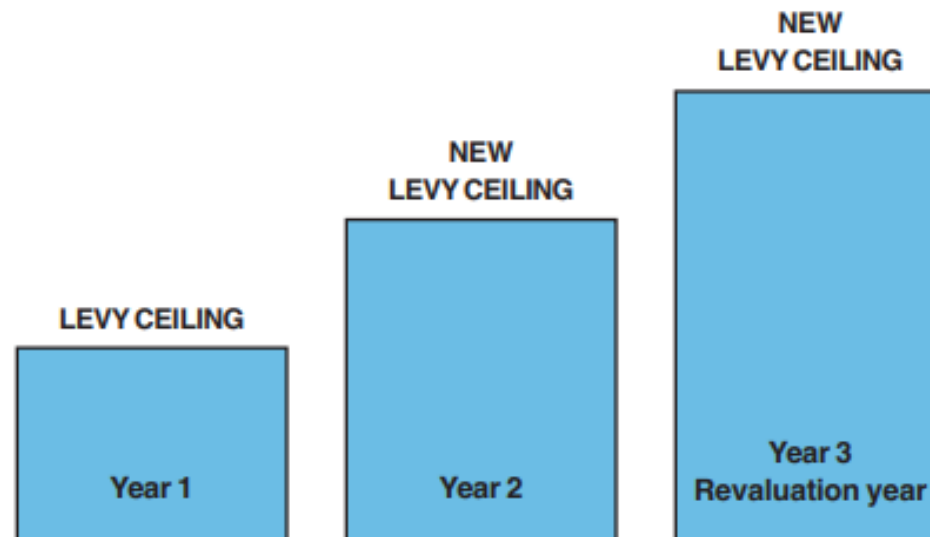
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- A community's levy is also constrained in that it can only increase by a certain amount from year to year (the levy limit).





Municipal Finance: Proposition 2 ½

- The total full and fair cash value of taxable real and personal property in a community usually changes each year as properties are added or removed from the tax roll and market values increase or decrease. This also changes the levy ceiling.





Municipal Finance:

How the Levy Limit is Calculated?

- The levy limit is calculated annually by the DOR. A community's levy limit is based on the previous year's levy limit and not on the previous year's actual levy.

Description	Amount
FY2021 Levy Limit	\$44,422,348
Add 2.5%	\$1,110,559
Add FY2022 New Growth	\$604,996
<u>FY2022 Levy Limit</u>	<u>\$46,137,903</u>
FY2022 Levy Limit	\$46,137,903
Add FY2022 Debt Exclusions	\$3,797,777
<u>FY2022 Maximum Allowable Levy</u>	<u>\$49,935,680</u>



Municipal Finance:

What is New Growth?

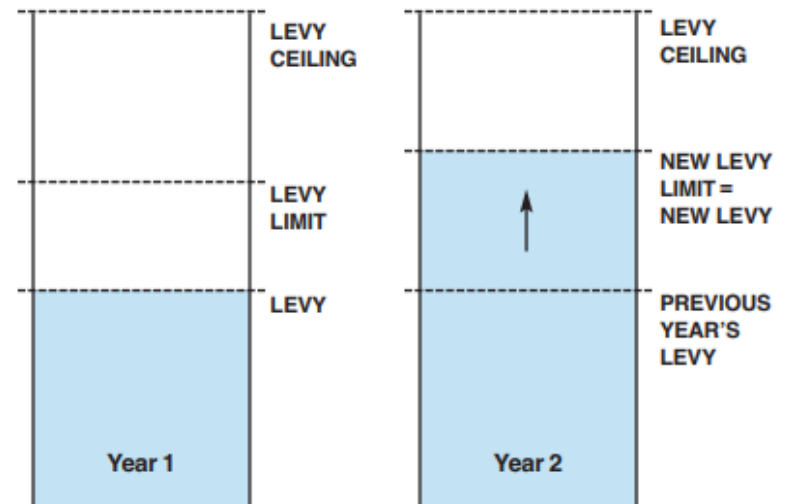
- The new growth factor is a dollar increase in the annual levy limit that reflects additions to the community's tax base since last year.
- The formula for calculating new growth: the extra assessed value added to the tax base due to the new development is multiplied by the previous year's tax rate. This dollar amount is added to the levy limit as new growth.



Municipal Finance:

Levy Increases

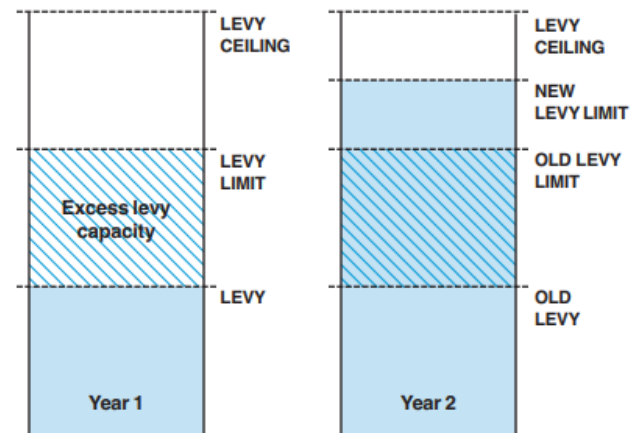
- Once a community's levy limit is established for a particular year, the community can determine what its levy will be. The community may set its levy at any amount up to the levy limit.
- As long as a community levies no more than its levy limit, there is no restriction on the dollar increase or percentage increase in its levy from year to year. Proposition 2 ½ restricts increases in the levy limit, not the levy. A community is permitted to tax up to its levy limit, even if it must raise its levy by a large percentage over the previous year's levy.





Municipal Finance: Excess Levy Capacity

- A community may choose to set its levy at any amount below or equal to its levy limit. The difference between the levy and levy limit is the excess levy capacity.
- Excess levy is not lost as the levy limit is increased from year to year, even if the levy is not.
- Communities cannot go back and “capture” excess levy capacity from a previous year. Any revenues lost in that year due to not taxing to the limit are forgone. This is only a one-time loss, due to the fact that the community can choose to go up to the limit the following year.





Municipal Finance:

Free Cash

- A revenue source that results from the calculation, as of July 1, of a community's remaining, unrestricted funds from its operations in the previous fiscal year based on the balance sheet as of June 30.
- Typically includes actual receipts in excess of revenue estimates and unspent amounts in departmental budget line items, plus unexpended free cash from the previous year.
- Free Cash is offset by property tax receivables and certain deficits.
- Free Cash is not available for use until DOR and the Director of Accounts certifies it. This protects communities from relying on free cash that might not materialize due to inaccurate local estimates.



Municipal Finance: Free Cash Guidelines

- Free Cash plays a role in sustaining a strong credit rating.
- It is recommended that a community strive to generate free cash in an amount equal to 3 – 5% of its annual budget. To do this, communities should orchestrate conservative revenue projections and department appropriations to produce excess income and departmental turn backs.



Municipal Finance: Free Cash Policy?

- Considering a recommendation to the Select Board for a policy that would give guidelines on the amount of free cash that could be used annually. The policy could state that 2% of the annual budget should be reserved in free cash at the end of the year.
- For example, for the FY22 annual budget 2% would be \$1.3M. If the total free cash certified was \$4M, then the policy would allow for \$2.7M in free cash to be used towards capital or the budget. This would help ensure that there is an adequate amount of free cash carried over to help reach the DOR recommendation of 3-5% free cash generated the following fiscal year.



Budget “Gap”/Free Cash

(How do Elected Policy Makers want to Set the Levers?)

<u>FY2023 Capital Project</u>	<u>Amount</u>
Police Cruisers	\$120,000
DPW Dump Truck	\$220,000
DPW F-250	\$45,000
DPW F-450	\$70,000
Transfer Station Wheel Loader	\$50,000
Transfer Station Trash Trailer	\$70,000
RT 139/Town Center Roadway Improvements	\$250,000
School Department Upgrades	\$53,000
IT Capital	\$137,000
5-Year Revaluation	\$75,000
SPED Reserve	\$500,000
Total	<u>\$1,590,000</u>



Budget “Gap”/Possible Debt

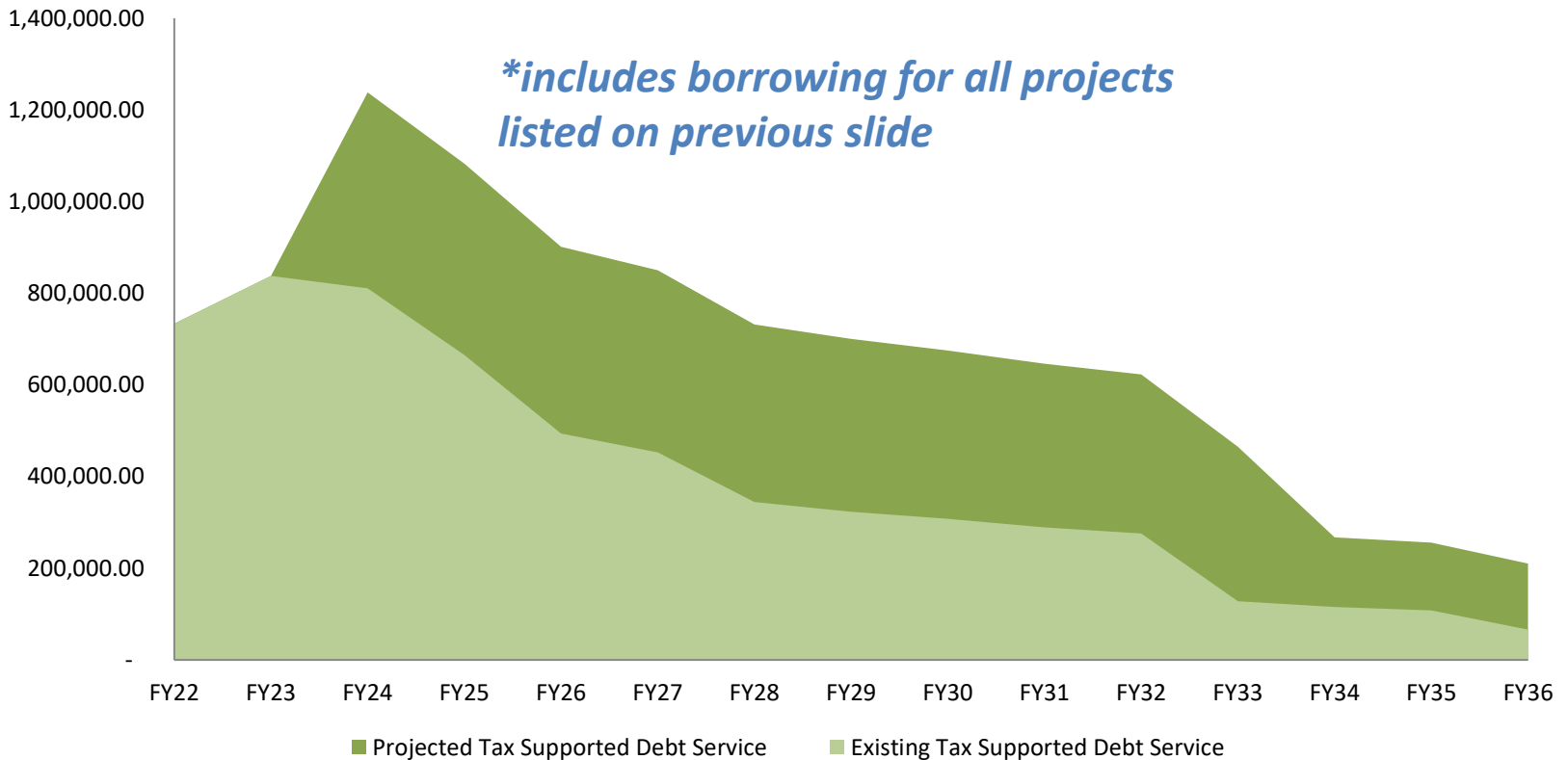
(How do Elected Policy Makers want to Set the Levers?)

<u>FY2023 Capital Project</u>	<u>Amount</u>	<u>(future) Annual Debt Payment</u>
HS Emergency Generator	\$600,000	\$41,000
High School Turf Field	\$1,750,000	\$208,500
Transfer Station Main Compactor	\$500,000	\$60,000
Middle & Cedar School Parking Lots	\$1,000,000	\$68,500
Roadway Improvements Walnut Hill	\$150,000	\$10,250
Broadway and Elm Street Improvements	\$500,000	\$34,250
Total	<u>\$4,500,000</u>	<u>\$422,500</u>



Tax Supported Debt

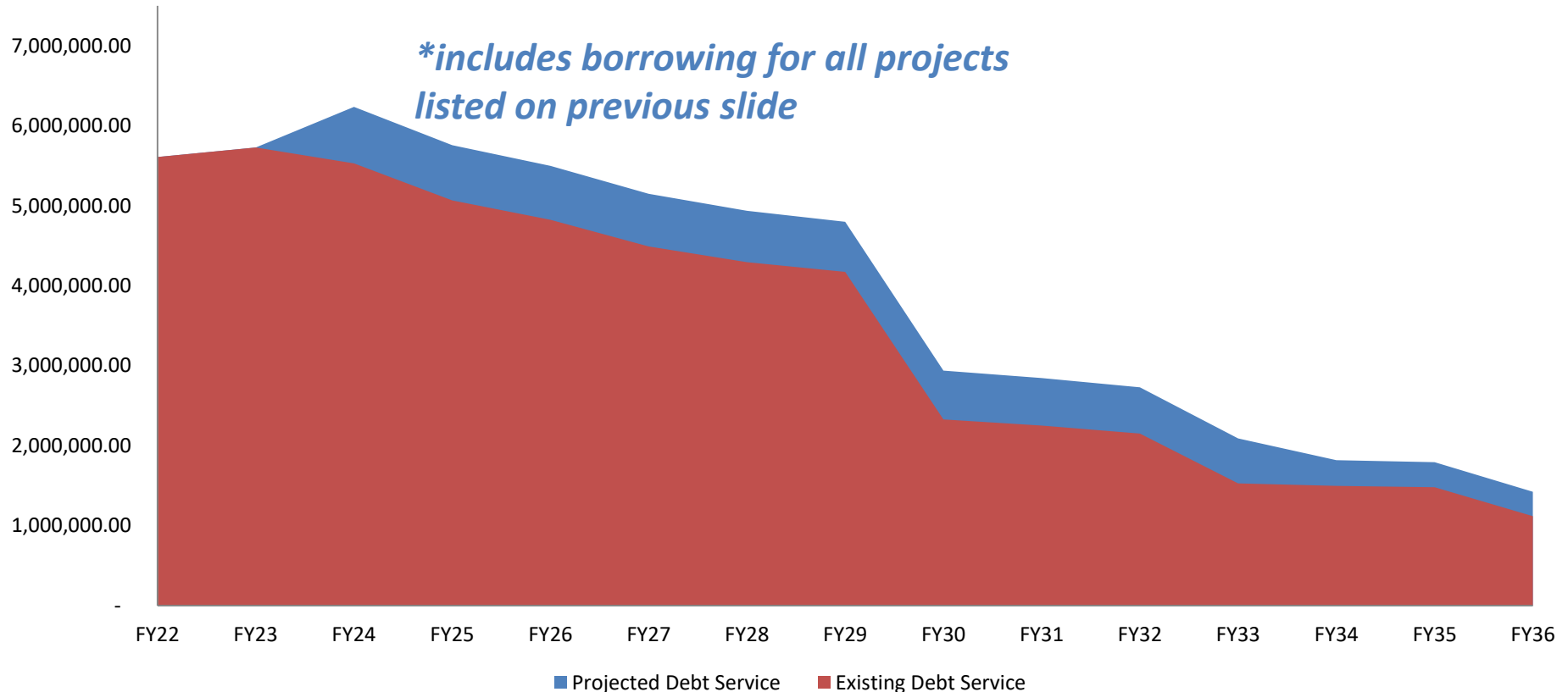
Existing & Projected Tax Supported Debt Service





Existing & Projected Debt

Town of Hanover, Massachusetts Existing and Projected Debt Service





Budget Summary

	FY2022 Budget	“Initial” FY2023	Change (\$)	Change (%)
General Government	\$442,938	\$454,835	\$11,897	2.7%
Finance Department	\$1,046,025	\$1,097,835	\$51,810	5.0%
CDMI	\$646,191	\$702,550	\$56,359	8.7%
Community Services	\$463,632	\$526,215	\$62,583	13.5%
Library	\$600,612	\$644,736	\$44,124	7.4%
Police	\$4,145,362	\$4,305,699	\$160,337	3.9%
Fire	\$3,802,712	\$3,878,577	\$75,865	2.0%
Public Works	\$7,496,160	\$7,733,042	\$236,882	3.2%
Transfers	\$124,938	\$125,000	\$62	0.1%
TOTAL MUNICIPAL	\$18,768,570	\$19,468,489	\$699,919	3.7%
Debt	\$4,397,568	\$4,451,052	\$53,484	1.2%
Town-Wide Expenses	\$9,484,727	\$9,752,640	\$267,913	2.8%
Overlay Reserve	\$400,000	\$400,000	\$0	0%
State & County Charges	\$767,850	\$834,391	\$66,541	8.7%
TOTAL FIXED COSTS	\$15,050,145	\$15,438,083	\$387,938	2.6%
Hanover Public Schools	\$31,521,915	\$32,771,915	\$1,250,000	4.0%
SS Vocational Technical HS	\$887,000	\$937,000	\$50,000	5.6%
TOTAL BUDGET	\$66,227,630	\$68,615,487	\$2,387,857	3.6%



Town of Hanover Budget FY2023 'Controls'

(Looking for Feedback from Elected Policy Makers)

- Debt & Capital Purchases
- School Budget (COVID/Post-COVID Needs)
- Collective Bargaining Agreements
- Programs (including but not limited to...)
 - Library (add 0.5FTE)
 - Housing Coordinator
 - Veterans Services/Mental Health Services
 - Clerks (elections and assistant)
 - Planning
 - Potential Recreation Program merger with FACE
 - Fire Inspections/Code Enforcement
 - C&D
 - Gardner
 - Fuel Costs
 - Transition to ROCCC and Station Clerks
- Fees (including ARPA)



Andrew Blanchard



Currently Identified as ARPA Potentially: Capital Projects

- Cedar School Security Enhancements (\$200,000)
- Middle School Replace Rooftop Ventilation Units (\$350,000)
- Middle School HVAC Asbestos Pipe Insulation Removal (\$75,000)
- Install Filters for Drinking Fountains in Schools (\$45,000)
- Fire HQ Interior Improvements (\$300,000)
- Library HVAC Upgrades (\$85,000)
- Police Station HVAC Improvements (\$195,000)
- Digitization of Records Stored at Sylvester (\$120,000)
- Town Hall Site Improvements (\$90,000)
- Voting Booths (\$18,192)

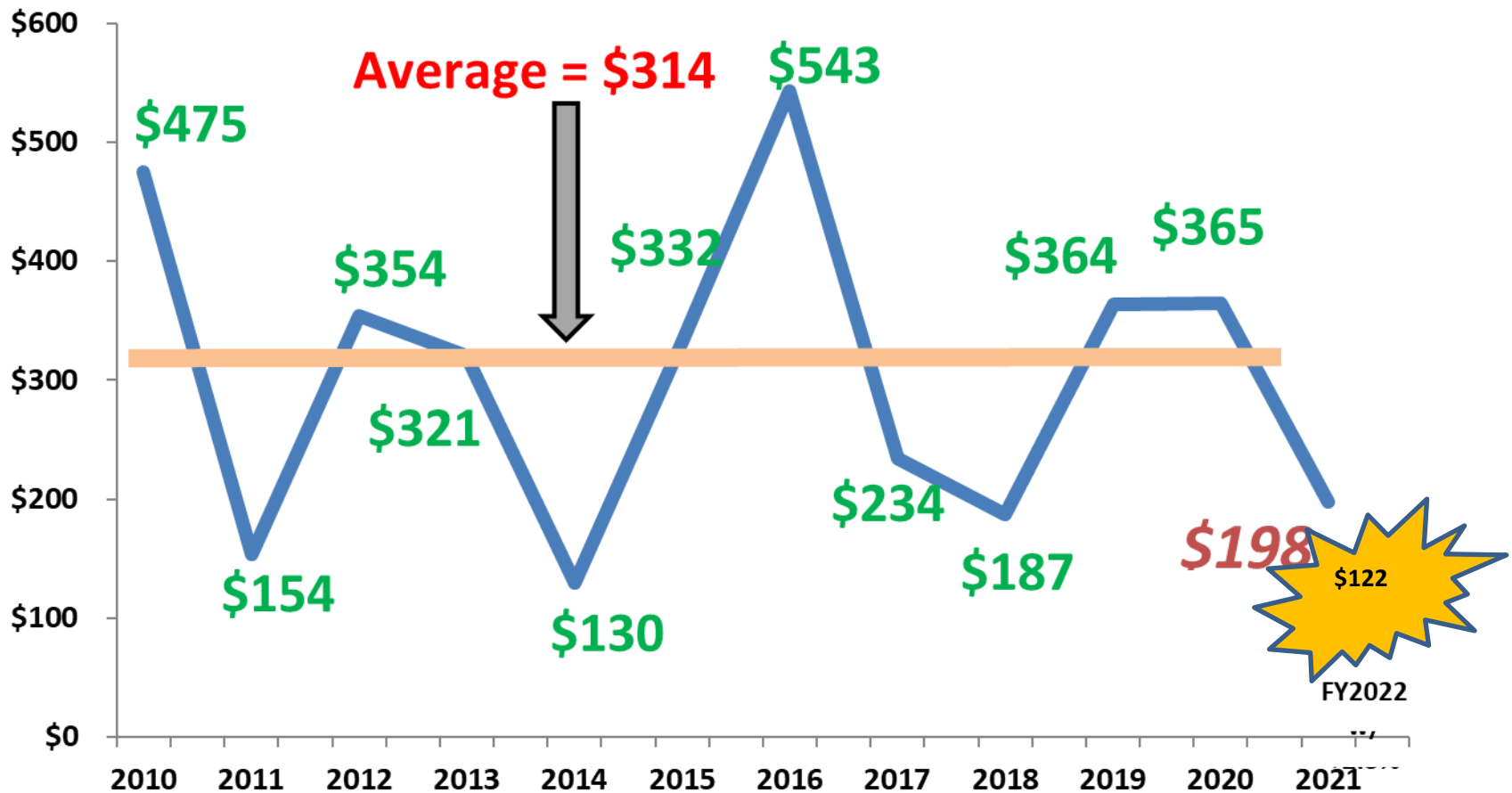


Currently Identified as ARPA Potentially: Operating Budget

- Town Planner (\$73,000)
- Administrative Assistant – Town Manager's Office (\$58,000)
- Financial Analyst – 0.5 FTE (\$28,000)
- *Librarian – 0.5 FTE (\$25,000)*
- *Part-Time VSO Assistant (\$25,000)*
- *Housing Coordinator (\$40,000)*
- *Mental Health services (Veterans)*

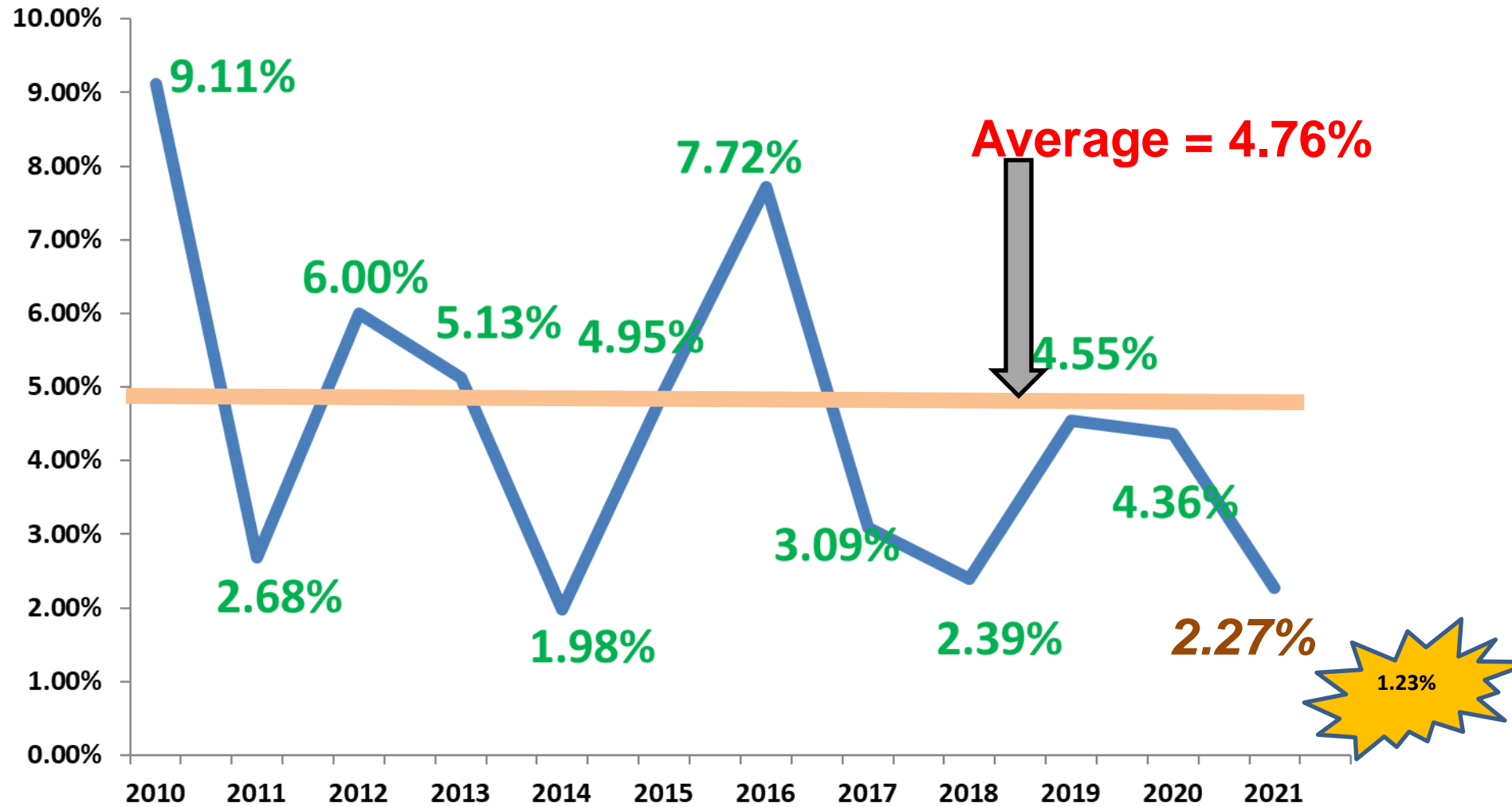


Historical & Projected Average Residential Property Tax Bill Increase (\$)





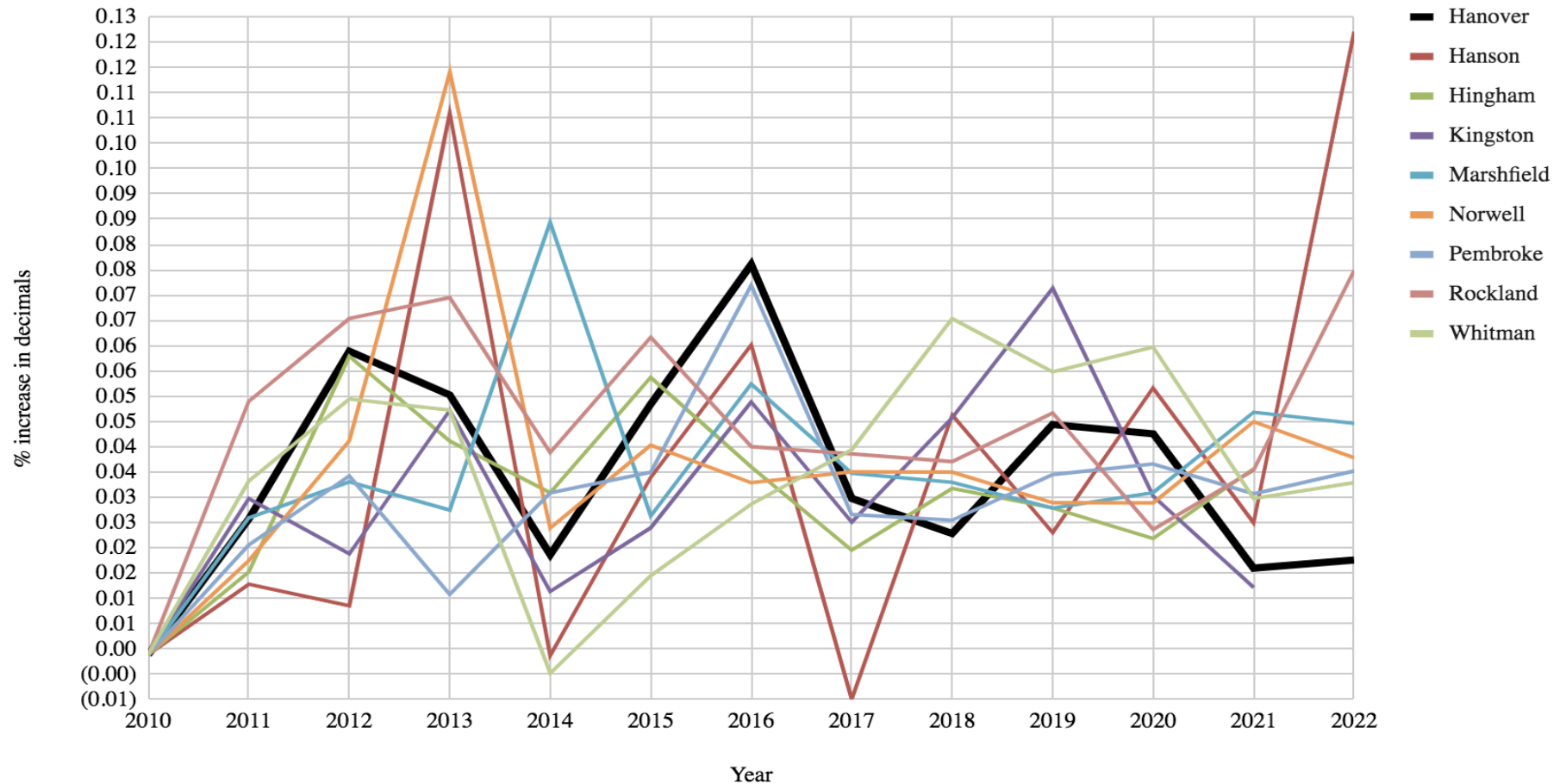
Historical & Projected Average Residential Property Tax Bill Increase (%)





Historical & Projected Average Residential Property Tax Bill Increase (%) Compared with Other Area Towns

Increase %

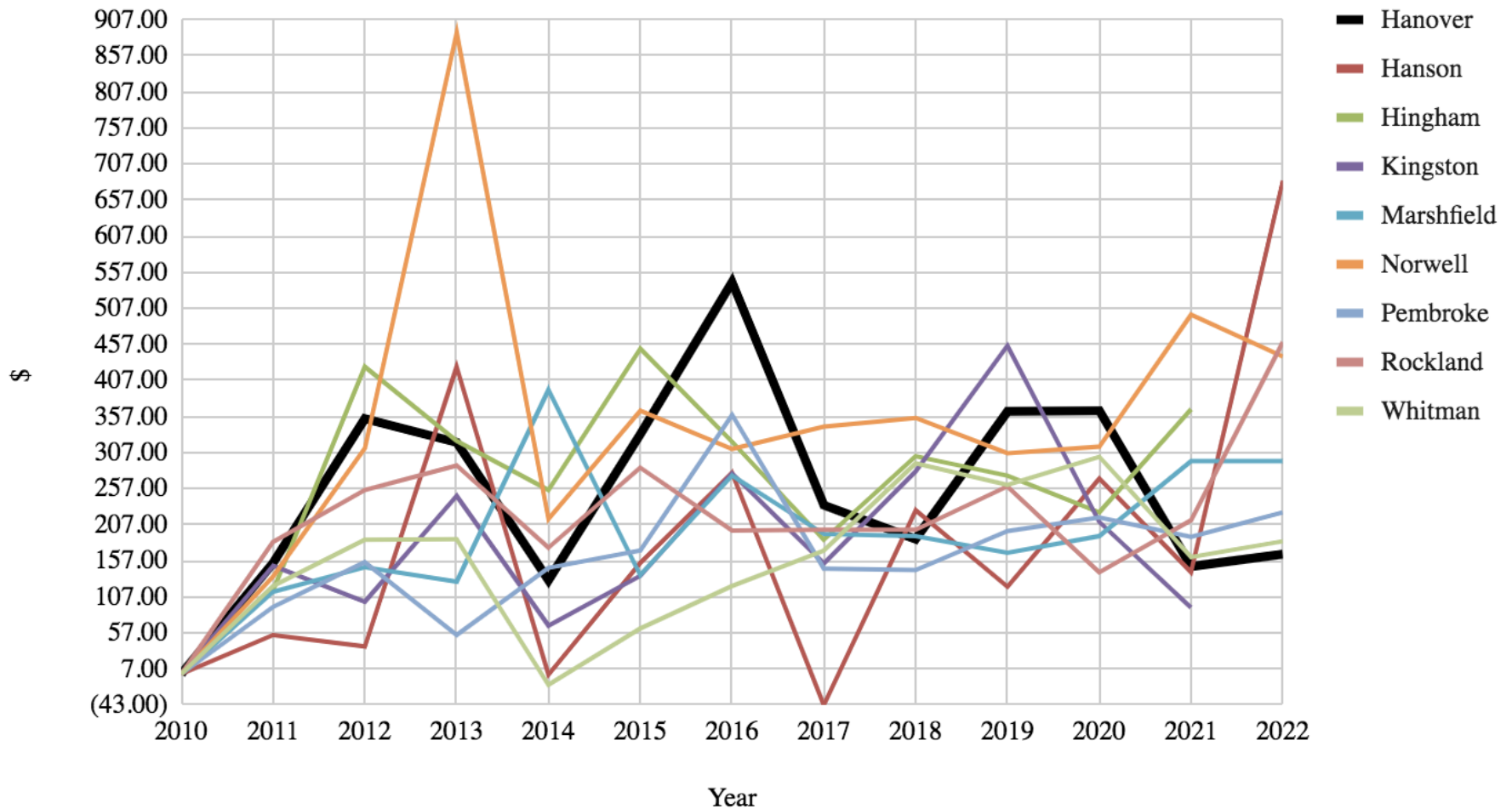


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Historical & Projected Average Residential Property Tax Bill Increase (\$) Compared with Other Area Towns

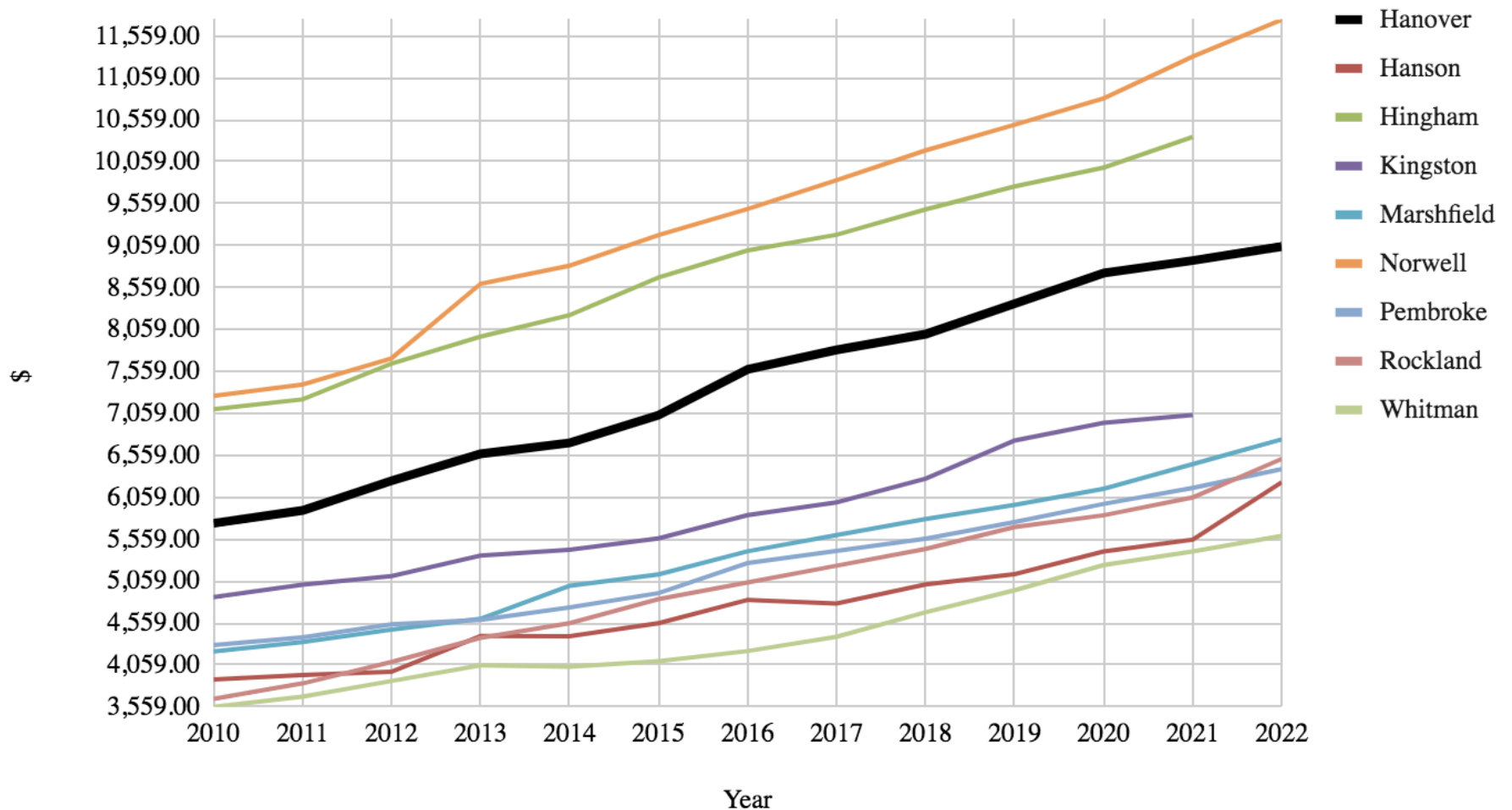
Increase \$





Historical & Projected Average Residential Property Tax Bills Compared with Other Area Towns

Average Bill





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