

Town of Hopkinton FY 2023 Initial General Fund Planning Forecast

9/24/2021

Sources of Funds		FY22 Estimated Sources of Funds	FY23 Projected Sources of Funds	% Chg. FY22 - FY23	
1	Levy Base	\$72,765,443	\$76,634,579	5.3%	
2	New Growth	\$2,000,000	\$1,300,000	-35.0%	
3	Debt Exclusions	\$6,367,657	\$6,065,308	-4.7%	
4	Less - Provision for tax abatements/exemptions	-\$500,000	-\$500,000	0.0%	
5	Estimated Net Property Tax Revenue	\$80,633,100	\$83,499,887	3.6%	
6	Excess from Prior Fiscal Year (Cert. Free Cash)	\$2,645,278	\$2,500,000	-5.5%	
7	State Aid	\$9,427,975	\$9,899,374	5.0%	
8	Less - Regional and State Program Charges	-\$472,521	-\$496,147	5.0%	
9	Estimated Net State Aid	\$8,955,454	\$9,403,227	5.0%	
10	Excise Tax, Licenses, other Local Receipts	\$4,595,805	\$4,733,679	3.0%	
11	Cost Share from Enterprise Funds	\$698,595	\$716,060	2.5%	
12	Ambulance, misc. sources	\$1,196,506	\$841,098	-29.7%	
Total Sources of Funds:		\$98,724,738	\$101,693,951	3.0%	
Uses of Funds		FY22 Budgeted Uses of Funds	FY23 Est. Avail. for Uses of Funds	% Chg. FY22 - FY23	
13	Tax lien administration costs	\$50,000	\$50,000	0.0%	
14	State funded Library spending	\$28,736	\$29,862	3.9%	
15	Repayment of Debt Principal and Interest	\$7,532,399	\$7,089,945	-5.9%	
15a	<i>Repayment of Existing Debt P&I, Excluded</i>	\$6,301,599	\$6,170,781		
15b	<i>Repayment of Existing Debt P&I, In Levy</i>	\$1,050,740	\$919,164		
15c	<i>Est. Repayment of New FY23 Debt P&I,</i>	\$0	\$0		
15d	<i>Est. Repayment of New FY23 Debt P&I, In Levy</i>	\$0	\$0		
16	Deficits and Judgments	\$0	\$0	0.0%	
17	Snow and Ice Surge Costs	\$0	\$0	0.0%	
18	General Government	\$4,875,550	\$91,774,144	3.28%	
19	Public Safety	\$7,359,365			
20	Regional Technical Vocational School	\$597,379			
21	Education	\$53,966,911			
22	Public Works	\$6,214,621			
23	Health and Human Services	\$1,239,862			
24	Culture and Recreation	\$854,534			
25	Employee Benefits and Insurance	\$13,752,451			
26	Departmental Capital Funding from Operations				\$250,000
27	<i>Sub-Total Departmental Operating Funding</i>	\$88,860,673			\$92,024,144
28	Transfer to OPEB (post-retirement health care)	\$410,000	\$420,250	2.5%	
29	Transfer to Stabilization	\$0	\$250,000	0.0%	
30	Town Meeting Capital Articles, free cash	\$1,842,930	\$1,829,750	-0.7%	
Total Uses of Funds:		\$98,724,738	\$101,693,951	3.0%	

Enclosure: (2)

Town of Hopkinton
 Fiscal Year 2023 Budget
 Initial Discussion Paper
 September 24, 2021

This paper provides background to initiate a discussion supporting the launch of the fiscal year (FY) 2023 budget process for the Town of Hopkinton. There is a level of uncertainty at the beginning of every budget process, and the period of recovery from the COVID-19 public health emergency is no exception to that general rule. Town practice is to complete a bottom-up, budget review of the cost and value of services delivered each year. The following table provides a baseline, showing the relative scale of current services spending across standard budget categories, reflecting the FY 2022 spending plan as approved by Town Meeting:

	FY22 Budget	% of Budget	FY22 Education	% Budget
General Government	\$4,875,550	4.92%		
Public Safety	\$7,359,365	7.42%		
Education	\$53,966,911	55.01%		
<i>Hopkinton Public Schools</i>			\$53,966,911	54.40%
<i>Regional Schools</i>			\$597,379	0.60%
Public Works	\$6,214,621	6.26%		
Human Services	\$1,239,682	1.25%		
Culture & Recreation	\$854,534	0.86%		
Employee Benefits & Ins	\$13,752,451	13.68%		
Operating Budget	\$88,860,193	89.58%		
Capital Articles	\$1,842,930	1.86%		
Contribution to Stabilization	\$0	0.00%		
Other Post Employment Benefits	\$410,000	0.41%		
General Fund Debt Service	\$7,532,399	7.59%		
Parks & Recreation Subsidy	\$0	0.00%		
State/Reg Program Charges	\$472,521	0.48%		
Snow & Ice Contingency	\$0	0.00%		
State Aid to Libraries	\$28,736	0.03%		
Tax Lien Admin	\$50,000	0.05%		
Total General Fund Budget	\$99,196,779	100.00%		

The following table summarizes current initial estimates of FY 2023 General Fund sources of funding compared to budgeted funding estimates for FY 2022 under a 2.5% tax impact scenario:

	Sources of Funds	FY22 Budgeted Sources of Funds	FY23 Projected Sources of Funds	% Chg. FY22 - FY23
1	Levy Base	\$72,765,443	\$76,634,579	5.3%
2	New Growth	\$2,000,000	\$1,300,000	-35.0%
3	Debt Exclusions	\$6,367,657	\$6,065,308	-4.7%
4	Less - Provision for tax abatements/exemptions	<u>-\$500,000</u>	<u>-\$500,000</u>	<u>0.0%</u>
5	Estimated Net Property Tax Revenue	\$80,633,100	\$83,499,887	3.6%
6	Excess from Prior Fiscal Year (Cert. Free Cash)	\$2,645,278	\$2,500,000	-5.5%
7	State Aid	\$9,427,975	\$9,899,374	5.0%
8	Less - Regional and State Program Charges	<u>-\$472,521</u>	<u>-\$496,147</u>	<u>5.0%</u>
9	Estimated Net State Aid	\$8,955,454	\$9,403,227	5.0%
10	Excise Tax, Licenses, other Local Receipts	\$4,595,805	\$4,733,679	3.0%
11	Cost Share from Enterprise Funds	\$698,595	\$716,060	2.5%
12	Ambulance, misc. sources	\$1,196,506	\$841,098	-29.7%
	Total Sources of Funds:	\$98,724,738	\$101,693,951	3.0%

On row 1, the Tax Levy Base is projected to rise by \$1.9M over the FY 2022 ending level through a 2.5% statutorily allowed increase in the tax levy.

On row 2, the significant reduction in projected New Growth in the tax levy reflects a tail-off in construction as the Legacy Farms condominium development is reaching completion. This long-expected outcome is linked to a Town Meeting policy decision to avoid further condominium development outside the Town center area. As an additional factor, the Town achieved significant growth in property tax revenue from taxable commercial and industrial personal property in each of the past several years, this opportunity to achieve future gain is waning. The Town has undertaken a major effort to update the valuation of the Eversource Liquid Natural Gas facility, and the results of that effort may result in an increase, and perhaps a significant increase, in this estimate.

On row 6, thanks partially to the continuing results of the hiring freeze and procurement austerity measures taken during the COVID-19 public health emergency, unspent funds from the prior year budget are expected to remain high entering FY 2023, allowing for support of one-time expenditures including capital purchases, funding for stabilization

reserves, and funding for the Town’s long-term liability for the future costs of retiree health care (other post-employment benefits - OPEB). The final value for this estimate is still subject to change as information continues to accrue.

On rows 7 and 8, this summary estimates a 5% increase in local aid from the Commonwealth and a corresponding 5% increase in charges for state and regional programs administered through the Commonwealth. This estimate reflects a multi-year average. The actual level of local aid could be higher or lower and will be tracked through the budget process.

On row 10, local receipts (including motor vehicle excise tax) are projected to rise by 3%, although this preliminary forecast is subject to appropriate re-evaluation and revision.

On row 12, the apparent reduction in revenue reflects that \$300,000 in one-time capital funding was used from the Ambulance Fund for the purchase of a new ambulance in FY 2022, and that use is not expected to be proposed again in FY 2023.

On a strategic level, the Town Manager’s priorities in initiating the FY 2023 budget process are to advance accomplishment of the Town’s vision and mission, including the priority to advance diversity, equity, and inclusion in the Town of Hopkinton. This effort is informed in part by the Strategic Planning initiative undertaken in 2021. On an operational level, the budget process pursues those aims with a focus on change and improvement in three areas:

- Sustaining and improving Town service delivery operations through a rigorous budget process that prioritizes spending to support key service outcomes and impacts
- Sustaining and improving the Town’s capital infrastructure through judicious recapitalization and investment practices
- Ensuring long term fiscal stability by allocating resources to support adequate reserves and steady funding of long-term liabilities

The following initial targets for General Fund uses of funds in FY 2023 reflect those priorities:

	Uses of Funds	FY22 Budgeted Uses of Funds	FY23 Est. Avail. for Uses of Funds	% Chg. FY22 - FY23
13	Tax lien administration costs	\$50,000	\$50,000	0.0%
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Revisiting the three operational priorities in the budget process; in terms of sustaining and improving the Town’s capital infrastructure through judicious recapitalization and investment, these preliminary forecasts suggest that \$1.83 million in free cash (line 30) and an additional \$250,000 from recurring sources of funding (line 26) will be available to support high priority recapitalization and investment activities.

In terms of ensuring long term fiscal stability by allocating resources to support adequate reserves and steady funding of long-term liabilities, these preliminary forecasts suggest that \$420,250 (row 28) can be applied to the long-term OPEB liability, continuing the Town on the path to having this liability fully funded by 2050. Also, an additional \$250,000 could be applied to the Town’s general stabilization reserve (row 29), which had a 6/30/2021 balance of \$3.93M, and would move the Town closer to the goal of a stabilization balance at 5% of General Fund spending.

In terms of sustaining and improving the Town’s service delivery, these preliminary forecasts suggest that approximately 3.25% in additional funding will be available to satisfy contractual and inflationary costs for Town Operating Departments, including the Hopkinton Public Schools (rows 18 - 25). Absent new unfunded regulatory mandates or unanticipated enrollment growth in the Public Schools, recent experience suggests that this level of funding could be sufficient to sustain services, and to achieve some targeted service level increases.

Of course, the revenue estimates presented are subject to revision and adjustment. The final amount of excess balances from prior years certified by our financial regulator, the Commonwealth Department of Revenue, may rise or fall. New Growth in the tax base may be higher or lower than now projected, driven largely by the reevaluation of the Eversource LNG facility. Local aid and local receipts may be higher or lower than is now forecast, depending on economic or other factors. While these estimates are preliminary, on balance, the opportunity to begin the budget process with an estimate of funds to be available for Town operations, capital, and long-term solvency needs provides more value than the uncertainty in the revenue estimates erodes.

In summary, the Town of Hopkinton has reason to be cautiously optimistic that the FY 2023 budget process can work toward serving the Town's strategic priorities through a budget that sustains and improves excellent Town services, supports judicious recapitalization and investment in Town infrastructure, and continues to make progress on long-term liabilities facing the Town.

Enclosure: (3)