

Override Study Committee Municipal Subcommittee
Monday, Jan. 08, 2018, 5:00 PM
Select Board Conf. Room, 6th Floor Town Hall

Members Present: Betsy DeWitt, Harold Petersen, Jeff Rudolph, Charles Terrell
Arrived at 6pm: Ben Franco
Public present: Mark Gray, TMM pct. 7
Guests: Town Assessor Gary McCabe, Dep. Town Administrator Melissa Goff

Meeting Notes:

With a quorum present the meeting began at 5: 05 pm. A motion to approve the minutes from Dec.18, 2017 was seconded and the minutes were approved unanimously.

Gary McCabe reviewed the changes in property valuations and tax levy over the past decade, FY09 - FY18 (table attached). The impact of the 2008 override was evident in FY09 with an 8.44% increase in the levy. Property values were fairly stable FY09 - FY13 at under 3% increases per year. In FY14, there was a 5% increase, followed by a jump to 10% per year in FY15, 16, & 17, attributed to demand for housing. The levy increased by 7% in FY16 in part because of a new hotel development on Rt. 9. He also mentioned that the electrical utility company Eversource owes \$3 million in unpaid taxes on its power lines and poles. They challenged their assessment in court and in spite of rulings that favor the Town, the company has appealed each year for four years. Gary also did an informal calculation of the potential property tax levy from the proposed 40B projects being reviewed based on the School enrollment projections and concluded that the potential new revenues would not cover the deficits being projected by the School Department.

Harold and Gary reviewed the overall mix of residential parcels: Single family, 2-3 family, Condos, Multi-unit buildings, owner-occupied, and rental. They provided a table (attached) with the impact of a 10% tax increase on the median tax bill in the various categories. Members observed that the median single-family tax bill is currently \$11,500, and would be affected by the federal tax reforms that limit deductibility of property taxes. They did not project the impact on commercial property other than to point out that overall, it is about 10% of the total and pays 17.5% of the levy because, under state statute, the Town is allowed to levy a higher rate on commercial property.

The discussion moved to the Town Financial Forecast

<http://www.brooklinema.gov/851/Budget-Central> Melissa Goff reviewed overall municipal revenue and expenses. The property tax is 70% of local revenue, with about 10% from local receipts and the rest a mix of state aid and other funding sources. As of Dec. 12, 2017, the original presentation date, there was a projected municipal deficit of \$885,000. Because of more favorable state

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aid and other adjustments, the municipal budget could be level-funded for FY19. However, the school budget is projected to have a deficit of \$4.5 million at this time. The drivers in both budgets are collective bargaining and personnel benefits. At this time, the Town contributes 83% of the cost for health benefits, while employees pay 17%, compared to similar communities, where the split is 75% / 25%. Health insurance is projected to increase 5% in FY19.

The revenue forecast shows an FY19 levy increase of \$7,846,911 (2-1/2% +new growth) plus \$4,833,739 of ongoing Debt Service. A debt exclusion for the 1998-2000 BHS renovation was approved by voters in 1995, which permits the cost of borrowing to be added to the annual levy. This amount will phase out by 2020. However, the Devotion School renovation debt exclusion of \$3,517,539 will begin in FY19 plus an anticipated new BHS debt exclusion of \$328,000 for a total levy increase of \$223,057,097. This would be an increase of 5.5% compared to 3.6% in FY18 before any operating override (see attached Comparison).

About 57% of the FY18 operating budget is for public education expenses including personnel benefits. The balance is for municipal department operations and personnel benefits. Public Safety accounts for about 13% of Town operating cost excluding benefits. Total cost of benefits, including group health and retirement, is estimated at \$65 million in FY19 and has been increasing annually by nearly 6.5%. It is important to note that there is a plan and payment schedule to fully fund the pension system by 2030.

Any unspent revenue balance from the prior year is certified by the State as Free Cash and allocated according to a Free Cash Policy. The Town follows a set of guidelines for reserves and maintains Fund Balance equal to approximately 10% of revenue in order to maintain a Aaa rating for borrowing. There is also a policy that allocates an amount equal to 7.5% of prior year net revenue for Capital Improvements.

Next, Melissa reviewed the preliminary CIP. Again the emphasis was on school enrollment increases and debt service. The current assumption is that there will be a BHS expansion project estimated budget that will determine the amount for a debt exclusion override in May 2018. The actual borrowing probably would not occur until FY20 since there is an allowance for \$35 million in the current CIP. Funding for additional K-8 classrooms is not included, but there is \$2.5 million for further feasibility study. There is a \$1.2 million item for leased space in the interim.

Committee members were reminded that there will be an update on the BHS

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expansion on Wed. Jan. 10 at 7 pm and a School Budget workshop on Thursday, Jan. 11 at 6 pm.

There was no public comment.

Future Meeting Dates:

- 5 PM Jan. 18, 2018
- 5 PM Jan. 22, 2018
- 5 PM Jan. 29, 2018
- 5 PM Feb. 5, 2018

	FY18	FY 19
Prior Year Levy	\$203,036,517	\$210,376,447
2-1/2% Increase	\$5,075,913	\$5,259,411
New Growth	<u>\$2,264,017</u>	\$2,587,500
Increase	\$7,339,930	\$7,846,911
Tax Levy	\$210,376,447	\$218,223,358
Old BHS	<u>\$1,020,800</u>	\$988,200
FY 18 Total Tax Levy	\$211,397,247	
Devotion		\$3,517,539
New BHS		\$328,000
FY 19 Debt Exclusion		<u>\$4,833,739</u>
FY 19 Total Tax Levy		\$223,057,097
FY19 Increase		\$11,659,850
% Increase	3.60%	5.50%