



Town of Arlington Notice of Meeting

In accordance with the provisions of Massachusetts General Laws, Chapter 39, Section 23B, notice is hereby given of a meeting of the:

Finance Committee Wednesday, June 16, 2021 7:30 p.m. Conducted by Remote Participation

Charlie Foskett is inviting you to a scheduled Zoom meeting.
Topic: Finance Committee Meeting
Time: June 16, 2021 07:30 PM Eastern Time (US and Canada)

Register in advance for this meeting:

<https://town-arlington-ma-us.zoom.us/meeting/register/tJcrc-2upzIoGtLrT9fCPX5ZiV4EWEpPjZtC>

After registering, you will receive a confirmation email containing information about joining the meeting.

AGENDA

- 1. Working Group reports**
- 2. Discussion of Finance Committee strategy regarding long-term financial planning**

Members of the public are asked to send written comments to: ediggins@town.arlington.ma.us

Documents regarding agenda items will be made available via the Town's website.

<https://www.mass.gov/doc/open-meeting-law-order-march-12-2020/download>

By Charlie Foskett, Chairman Finance Committee

Town of Arlington assets

This is an extremely crude, initial guess at town assets. The current value is replacement value. The exp

<u>Asset</u>	<u>Current value (\$ millions)</u>	<u>Expected life (years)</u>
Schools		
High school (future)	\$ 300	50
Ottoson	\$ 50	50
Gibbs	\$ 50	50
7 elementary schools	\$ 210	50
School equipment	\$ 15	5 to 10
School subtotal	\$ 625	
Town		
Town hall	\$ 50	50
Libraries	\$ 50	50
DPW building	\$ 40	50
Fire stations	\$ 30	50
Community safety	\$ 30	50
Senior center, Robbins House	\$ 20	50
Parmenter, Mt Gilboa, etc	\$ 5	50
Town equipment (fire, police, DPW, etc.)	\$ 10	5 to 10
Vehicles (200?)	\$ 5	5 to 10
Town subtotal	\$ 240	
Resources		
Streets (100 miles)	\$ 25	25
Trees (10,000)	\$ 10	75
Playground, park eqpt	\$ 5	20
Resources subtotal	\$ 40	
Town total	\$ 905	

Land values excluded

ected life is the time to major renovation or replacement.

Expected town share of replacement/renovation

Other revenue source

60% School building program
60% School building program
60% School building program
60% School building program
100%

100%
100%
100%
100%
100%
100%
100%
100%
100%

80% State aid?
100%
100% CPA funds?

Base case: annual cost increase of 5%, annual revenue increase 2.5%

	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
Appropriations	193	201	210	220	230	240	250
Revenue	181	187	191	195	200	205	234
Existing override fund	10	8					
New override		6	19	25	30	35	16

Reduction of \$2 million in annual cost increase

	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
Appropriations	191	197	204	212	220	228	236
Revenue	181	187	191	195	200	205	226
Existing override fund	10	8					
New override		2	13	17	20	23	10

Reduction of \$4 million in annual cost increase

	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
Appropriations	189	193	198	204	210	216	222
Revenue	181	187	191	195	200	205	217
Existing override fund	8	6	4				
New override			3	9	10	11	5

FY23-FY26 numbers are from the April 2021 version of the long range plan. All amounts are in \$ millions

FY27 and beyond estimates are simple projections past the end of the current long range plan

Revenues are growing at 2.5% per year in this spreadsheet, based on simple projection beyond FY27. (Revenue

--I move the FY24 override revenues into the base revenue in FY29. Starting with FY29, the 'new override'

It seems reasonable to state that it was difficult to reduce costs in FY22 due to COVID-schools, DPW building

-- However, it seems necessary to now address the budget issues for FY23 and beyond

Reductions in FY23 and beyond may need a flexible formula between town and schools:

--If school enrollment continues to increase, both town and school budgets may be highly stressed

--If school enrollment levels off or declines, school budgets must reflect those changes. Town and school bu

If revenues increase, budgets can increase

Real estate transfer tax, trash fee and other new revenue sources may need to be considered in addition to

LRPC may wish to consider setting a budget cap for a number of years, perhaps for the period of the next o

Further analysis can be done by the IT/analytics group, the operations research group, or should it be done

The combination of school enrollment growth and spending down a \$20 million override reserve fund in 5 y

The town has seen scope creep in what it does. It may need a mission statement that defines its role. Some

We might ask the town and school to prepare a set of budgets with 12% cuts this year, which approximate

In my opinion, a \$15-16 million override is the largest that has a chance of passing in FY24. \$12 million wou

In my opinion, overrides more frequently than every 5 years will be politically difficult. Also, a large overrid

<u>FY30</u>	<u>FY31</u>	<u>FY32</u>	<u>FY33</u>	<u>Note</u>
260	270	280	290	Approximately 5% per year: annual increase of \$9 million
239	244	249	254	Excludes override stabilization funds. Adds FY24 override
21	26	31	36	FY24 override amount \$23 million for 5 years (\$115M/5) FY29 override \$26 million for 5 years (FY29-FY33)

<u>FY30</u>	<u>FY31</u>	<u>FY32</u>	<u>FY33</u>	<u>Note</u>
244	252	260	268	Approximately 4% per year: annual increase of \$7 million
231	236	241	246	Excludes override stabilization funds. Adds smaller FY24 override
13	16	19	22	FY24 override amount \$15 million for 5 years (\$75M/5) FY29 override \$16 million for 5 years (FY29-FY33)

<u>FY30</u>	<u>FY31</u>	<u>FY32</u>	<u>FY33</u>	<u>Note</u>
228	234	240	246	Approximately 3% per year: annual increase of \$5 million
222	227	232	237	Excludes override stabilization funds. Adds smaller FY24 override
6	7	8	9	FY24 override amount \$6.5 million for 5 years (\$33M/5), FY29 override \$7 million for 5 years (FY29-FY33)

revenues include debt exclusion revenues; they can be split out if needed.)
 amounts are from the FY29 override only.
 g, others, so the town didn't push for corrections during the pandemic.

Budgets will still be stressed, but by a lesser amount.

overrides
 override (5 years?). Town and schools would prepare budgets within these caps, and would have to live with
 by Sandy and the Town Manager's office?
 years has perhaps pushed us into a strong structural imbalance between expenses and revenues
 initiatives may need to be made contingent on the state or Feds funding them; the town can't do everything
 what would happen if the FY24 override fails. Actual budget changes will be somewhere between 0% and
 would be better odds. If some Rescue Plan or other funds are obtained that can reduce the override amount
 e may motivate the creation of an organized opposition group, which we've never really had. This could

nd 12%, but working out the effects of the 12% cut might clarify priorities

Finance Committee
Possible analytics
May 23, 2021

This is a list of possible analysis (and process change) topics that the Finance Committee IT/analytics subcommittee, or other subcommittees, could work on in the coming years.

1. Scenario analysis for long range planning
 - a. Develop a spreadsheet to look at alternative scenarios. Possibly build on Sandy's, or Sandy's may be good enough.
 - b. This may have a similar level of detail as the current long range planning spreadsheet.
2. School enrollment, costs over the last 10 years or more, and projected 5-10 years into the future
 - a. Analyze change due to size of student body, versus unit cost per student. Break out enrollment and spending by special and general education
 - b. Analyze issues with special education
 - c. Dean Carman did much of this analysis and presented it this year. We should have the data in SharePoint or similar, and be able to update it and analyze it each year
 - d. We should document the school portion of health insurance, pension, OPEB and other shared costs, so that we (the committee) understand them, and so we can understand how these costs will change as school staffing changes.
3. Town capital assets
 - a. I think it's possible that the town has, or will have, close to \$1 billion in assets. This level of assets, whatever it is, dictates capital and operating spending so that the assets are maintained in a good state or repair.
 - i. See TownCapital.xlsx for a very rough first cut
 - ii. We could ask the facilities department to improve this, and we should keep it up to date.
 - b. Track assets and their growth. This impacts future capital budgets, which must maintain this capital stock
4. Debt exclusion planning
 - a. With 10 schools, and perhaps 10 other significant town buildings, a significant rebuilding or renovation, assuming a 50 year interval, occurs somewhat regularly
 - b. Estimate the costs, based on the capital assets analysis above
 - c. Coordinate debt exclusions with overrides, as a policy/general framework. Should debt exclusions and overrides be spaced far apart, or otherwise coordinated?
 - d. Create a master debt exclusion and override planning worksheet
5. Overhead rate for town employees.
 - a. Understand the true cost of hiring an employee
 - b. Possibly use in grant applications
 - c. Possibly use to assess whether employee obtains enough revenue to cover a position

6. Perform analysis of staffing evolution over time.
 - a. Establish a process to assess staffing changes before filling a vacancy
 - b. Instead of almost always filling vacancies in kind, have a plan to transition to a more efficient or effective organization over time
 - c. Create a written plan for each department and, as needed, across departments for activities that can be shared or provided centrally with more efficiency
 - d. Compare current town and school staffing to 2005, for example. Look at growth or shrinkage. Use the comparison to examine options.

7. Overhead expenses. This needs more definition, but an example is:
 - a. Accounts receivable/payments. It appears these functions occur in many places.
 - i. Identify all of these positions, and find their total cost.
 - ii. Can we consolidate or coordinate to make this more effective?

8. List of all special purpose funds held in the town
 - a. This is not analytics, but it's baseline information for FinCom members. If it already exists in the CAFR, we can point to it. It might be good to have this as a resource on the FinCom SharePoint.
 - b. It would be useful to have a full list, with balances, purposes, typical revenues in and expenses out, for all funds. It seems to be a long list. Does the planning for their use need to be improved?

9. Free cash
 - a. This is not analytics either, but it's baseline information for FinCom.
 - b. What are the sources of free cash each year? (Again, if this is in the CAFR, we can point to it and, again, it would be good to have this as a resource on the FinCom SharePoint site.)
 - c. Has this changed over time?
 - d. If we get more efficient, will free cash go down? Is that good, or does that remove a buffer that we implicitly use?

10. School budget formula and limit
 - a. Do we need a spreadsheet to examine different school budget funding formulas for special versus general education, marginal expense increases per student, etc.

11. Budget analysis improvements
 - a. It would be good for the budget spreadsheets to be structured so that their data can be put into a database with all employees, salaries and expenses by department, as well as all revenues, etc.
 - b. I took an initial pass at the current spreadsheets, and it's difficult.
 - i. The master budget spreadsheet has a lot of formatting lines, blank lines, etc. and it's hard to tie each row to a department and budget type.
 - ii. The salary spreadsheets are in different formats. Police, fire and others are different.

- c. This could be discussed with Alan, Annie, Sandy and others. I don't think the changes would be major, but having the data go into a database would make all sorts of queries possible.

12. Consultant.

- a. This is not a FinCom activity, but it may be important to have an impartial (as much as possible), experienced review of town functions to identify possible efficiencies and changes.
- b. Hire consultant (does MMA do something like this?) to examine town operations and assess how to bring costs to grow only at inflation, if possible. Review practices compared to best practices in other towns.
- c. A FinCom subcommittee could do this, but it would be quite time-consuming and, because we're inside the town, objectivity would be questioned. Although it's expensive and often absurd to bring in some high-falootin' consultant, it is sometimes the only (or best) way to get to these issues.

Low Revenue Assumption

What If Summary Page.									
	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Revenue	178,043,947	187,455,189	192,853,194	201,540,204	192,693,564	195,080,561	196,910,793	201,041,597	205,618,384
Expenses	178,043,947	187,455,189	192,853,194	201,540,204	210,678,126	220,078,428	229,647,918	239,628,612	250,247,511
Balance: Surplus or (Deficit)	0	0	0	0	(17,984,562)	(24,997,867)	(32,737,125)	(38,587,015)	(44,629,127)
Stabilization Fund Balance	24,268,852	22,024,345	14,592,223	1,868,694	0	0	0	0	0
Stabilization Fund (Use) or Deposit	(2,024,197)	(2,244,507)	(7,432,122)	(12,723,529)	0	0	0	0	0
Override (Enter an Amount)									
Years before next override									
Avg. Single Family Tax Impact	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
School Additions	\$140,000	\$1,030,000	\$1,030,000						
Town Additions									
New Growth*		0							
*New Growth: Pick an average New Growth figure or set to zero (0) and the default will load (FY21 \$650,000, FY22 \$600,000, FY23 \$550,000, FY24 \$500,000)									
State Aid			1%	1%	1%	1%	1%	1%	1%
ARPA		\$4,000,000	\$3,000,000	\$2,000,000					

High Revenue Assumption

	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Revenue	178,043,947	189,210,682	192,869,090	201,550,803	200,709,030	196,652,718	198,498,671	202,645,353	207,238,177
Expenses	178,043,947	189,210,682	192,869,090	201,550,803	210,692,051	220,094,150	229,663,797	239,644,650	250,263,709
Balance: Surplus or (Deficit)	0	0	0	0	(9,983,021)	(23,441,432)	(31,165,126)	(36,999,297)	(43,025,532)
Stabilization Fund Balance	24,268,852	26,024,345	20,165,971	8,491,729	0	0	0	0	0
Stabilization Fund (Use) or Deposit	(2,024,197)	1,755,493	(5,858,374)	(11,674,242)	0	0	0	0	0
Override (Enter an Amount)									
Years before next override									
Avg. Single Family Tax Impact	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
School Additions	\$140,000	\$1,030,000	\$1,030,000						
Town Additions									
New Growth*		0							
*New Growth: Pick an average New Growth figure or set to zero (0) and the default will load (FY21 \$650,000, FY22 \$600,000, FY23 \$550,000, FY24 \$500,000)									
State Aid			5%	4%	3%	2%	1%	1%	1%
ARPA		\$8,000,000	\$4,000,000	\$2,000,000					

Override Assumptions.

1. Low Revenue
 - a. FY24 \$14.2 million, 3 years
 - b. FY25, \$24.9 million, 3 years
2. High Revenue
 - a. FY24 \$11 million, 3 years
 - b. FY25, \$21.3 million, 3 years

Category	Fiscal Year 22 (7/1/21 - 6/30/22)	Fiscal Year 23 (7/1/22 - 6/30/23)	Fiscal Year 24 (7/1/23 - 6/30/24)	Fiscal Year 25 (7/1/24 - 12/31/24)	Total
Revenue Loss	\$8,000,000	\$4,000,000	\$2,000,000	\$0	\$14,000,000
Public Health	\$500,000	\$250,000	\$0	\$0	\$750,000
Small Business Assistance	\$500,000	\$250,000	\$0	\$0	\$750,000
Tenant Assistance	\$750,000	\$250,000	\$0	\$0	\$1,000,000
Water/Sewer Spending	\$2,000,000	\$3,625,000	\$3,625,000	\$2,000,000	\$11,250,000
Affordable Housing	\$250,000	\$1,000,000	\$1,000,000	\$1,000,000	\$3,250,000
Homelessness	\$250,000	\$1,500,000	\$1,000,000	\$250,000	\$3,000,000
Total	\$12,250,000	\$10,875,000	\$7,625,000	\$3,250,000	\$34,000,000

Potential Total ARPA Funds **\$34,000,000**
Potential Balance **\$0**

Category	Fiscal Year 22 (7/1/21 - 6/30/22)	Fiscal Year 23 (7/1/22 - 6/30/23)	Fiscal Year 24 (7/1/23 - 6/30/24)	Fiscal Year 25 (7/1/24 - 12/31/24)	Total
Revenue Loss	\$4,000,000	\$3,000,000	\$2,000,000	\$0	\$9,000,000
Public Health	\$500,000	\$250,000	\$0	\$0	\$750,000
Small Business Assistance	\$500,000	\$250,000	\$0	\$0	\$750,000
Tenant Assistance	\$750,000	\$250,000	\$0	\$0	\$1,000,000
Water/Sewer Spending	\$2,500,000	\$4,875,000	\$4,875,000	\$2,500,000	\$14,750,000
Affordable Housing	\$250,000	\$2,000,000	\$1,000,000	\$1,000,000	\$4,250,000
Homelessness	\$250,000	\$2,000,000	\$1,000,000	\$250,000	\$3,500,000
Total	\$8,750,000	\$12,625,000	\$8,875,000	\$3,750,000	\$34,000,000

Potential Total ARPA Funds **\$34,000,000**
Potential Balance **\$0**