

Financial Overview

Board of Selectmen

March 23, 2021

Summary

- Review of American Rescue Plan (ARP/Stimulus)
 - *Knows & Unknowns*
 - *ARP is not a solution to Town's financial challenges*
 - *Potential Uses & Taxpayer and Ratepayer Relief*
- Review Projections
 - *Without FY22 Override*
 - *Structural Deficit*
 - *Potential Override Models*
 - *Recommendation*
 - *Tax Bill Impacts*

American Rescue Plan – Knowns 3/23/2021

- Funding Distribution
 - *1st 50% 2021*
 - *2nd 50% 2022*
- Eligible Uses
 - *Pandemic Direct Response Costs*
 - *Premium Pay to Essential Workers*
 - *Revenue Replacement*
 - *Water, Sewer, Broadband projects*
- Period of Eligibility
 - *Through 12/31/2024*
- ARP is not a solution to Town's financial challenges

American Rescue Plan – Knowns 3/23/2021

- ARP is not a solution to Town’s financial challenges

“The ARP provides vital resources to the state and its residents that will be pivotal in our recovery from the pandemic. However, these resources are temporary. Their use will require a thoughtful and deliberate approach in order to promote the strongest recovery for all residents that can be sustained after the ARP is gone.”

*MTF Initial Analysis of the American Rescue Plan
March 11, 2021*



American Rescue Plan – Unknowns 3/23/2021

- Everything Except Previous Slides!
- Timing of Detailed Guidance from US Treasury & MA DOR
- Amount Allocated to Shrewsbury
- Funding Distribution: 50/50
 - *When 1st or 2nd portion will be released*
- Eligible Uses
 - *Matching requirements?*
 - *Other “strings”*
 - *What revenue is eligible for replacement*

American Rescue Plan – Estimates 3/23/2021

- Timing of Detailed Guidance from US Treasury & MA DOR
 - *90 Days?: June 9, 2021*
 - *60 Days US Treasury to MA DOR*
 - *30 Days DOR to Town*
- Amount Allocated to Shrewsbury
 - *Massachusetts Municipal Association – “Estimated Direct Municipal Aid Distribution”:*
 - *ARP Direct Municipal Aid Estimate: \$3,800,804*
 - *Abolished County Funding Transfer: \$7,471,880*
- Funding Distribution
 - *Reimbursement?*
- Eligible Uses
 - *Matching requirements?*
 - *Other “strings”*
 - *What revenue is eligible for replacement*

American Rescue Plan – Estimates 3/23/2021

- Eligible Uses
 - *Pandemic Direct Response Costs*
 - *March 2020 – March 2021 estimated cost*
 - *\$4,757,874 (Municipal & School)*
 - *Premium Pay to Essential Workers*
 - *Matching requirements?*
 - *Other “strings”*
 - *Water, Sewer, Broadband projects*
 - *Matching requirements?*
 - *Other “strings”*

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MTF Initial Analysis of the American Rescue Plan
March 11, 2021

Town of Shrewsbury



Massachusetts
Taxpayers Foundation

American Rescue Plan – Estimates 3/23/2021

- Eligible Uses
 - *Water, Sewer, Broadband projects*

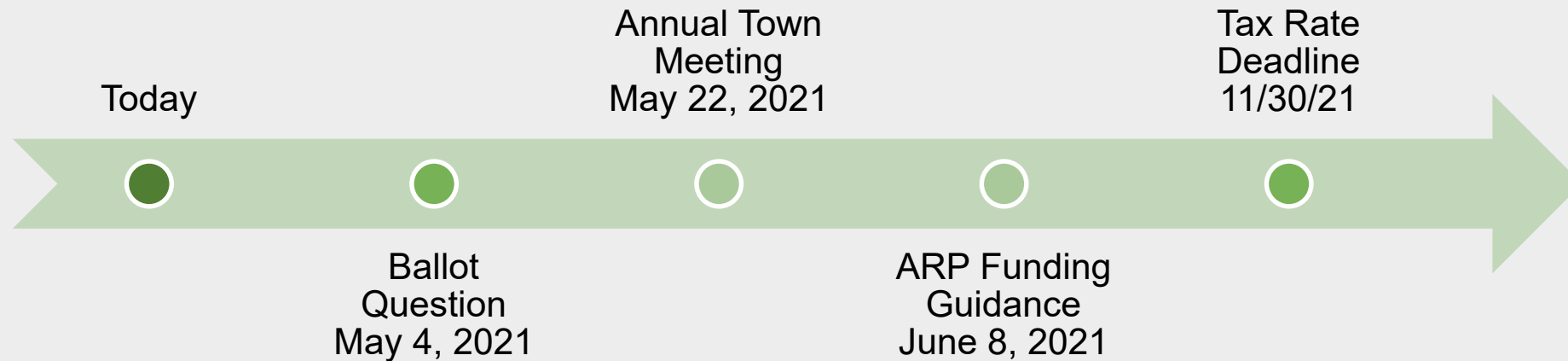
Planned Water & Sewer Projects		
Sewer		
	Rolf Ave Pump Station	\$3,950,000
	Maple Ave Pump Station & Force Main	\$3,950,000
	Jordan Pond Pump Station	\$1,110,000
	Walnut Street Pump Station	\$980,000
	Route 20 Ph. II Extension	\$1,500,000
Water		
	Oak Street & Masonic Water Tanks Clean/Paint	\$2,500,000
	Water Meter Upgrades (reduce unaccounted)	\$1,000,000
Water/Sewer		
	Holden/Clinton Street	\$2,500,000
	TOTAL	\$17,490,000

American Rescue Plan – Estimates 3/23/2021

- Eligible Uses
 - *Revenue Replacement*
 - *Shortfalls compared to Fiscal 2019 subject to the definition by the US Treasury*
 - *Total Variance?*
 - *Category-by-Category*
 - *Other Parameters?*
 - *MA Official* “Again, we would **strongly** advise against making local resource allocation decisions based on information that is still very preliminary and subject to further definition and regulation by the federal government.”
 - *Local Receipts Variance*
 - *FY2019 to FY2020: \$685,683.27*
 - *FY2019 Actual to FY2021 Budget: \$2,611,638.27 (ESTIMATE)*

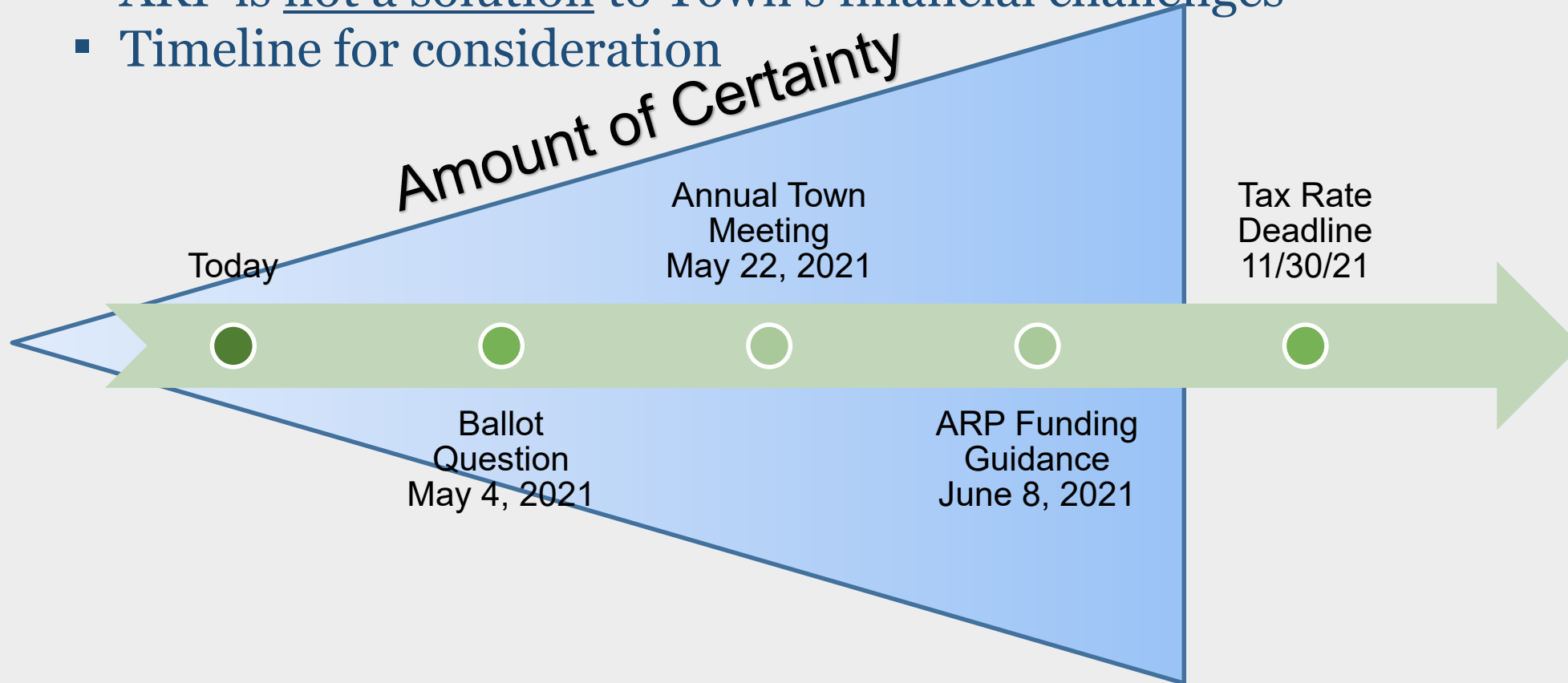
American Rescue Plan – Conclusion

- ARP will help in the near term to lessen the financial challenge
- ARP is not a solution to Town’s financial challenges
- Timeline for consideration



American Rescue Plan – Conclusion

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FINANCIAL DETAILS

Department Level Budget Requests

REVENUE

FY2022

TAXATION	\$90,721,180
STATE AID	\$27,540,270
SCHEDULE A RECEIPTS	\$10,891,067
UTILITY REVENUE FOR INDIRECTS	\$2,577,731
FREE CASH	\$3,278,835
OTHER AVAILABLE FUNDS	\$2,198,249
REDUCE LEVY	\$1,537,569
Total Revenue	<u>\$138,744,901</u>

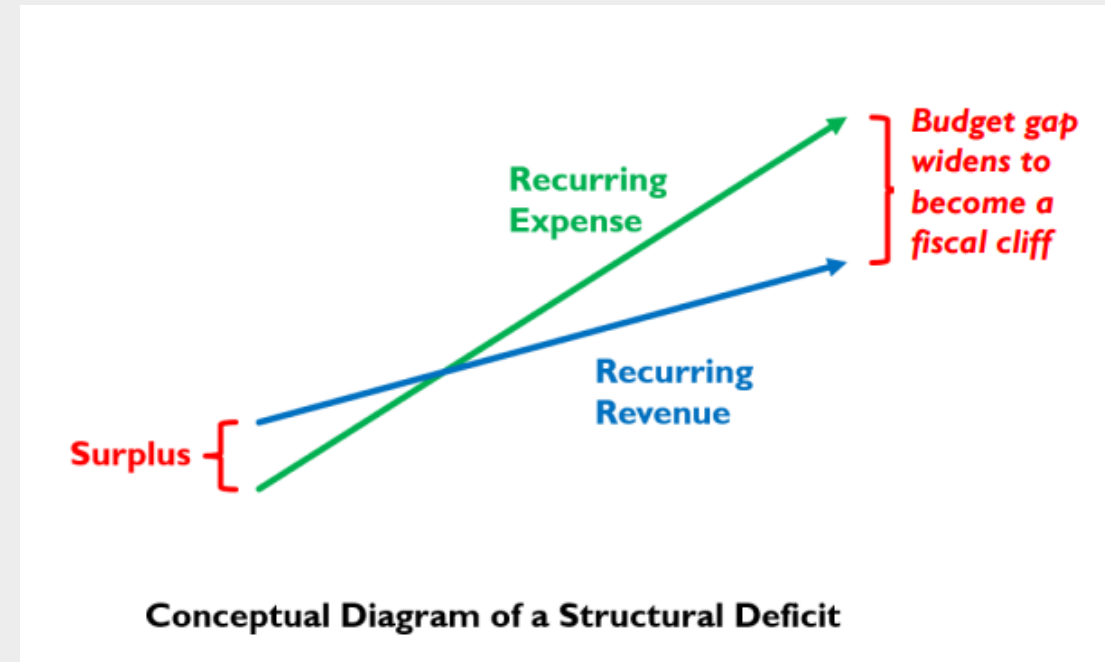
CHARGES

MUNICIPAL & EDUCATION EXPENSES	\$137,788,234
UTILITY EXPENSES TAX LEVY FUNDED	\$1,205,851
OTHER EXPENSES	\$5,738,492
Total Charges	<u>\$144,732,577</u>
Surplus/(Deficit)	(\$5,987,676)

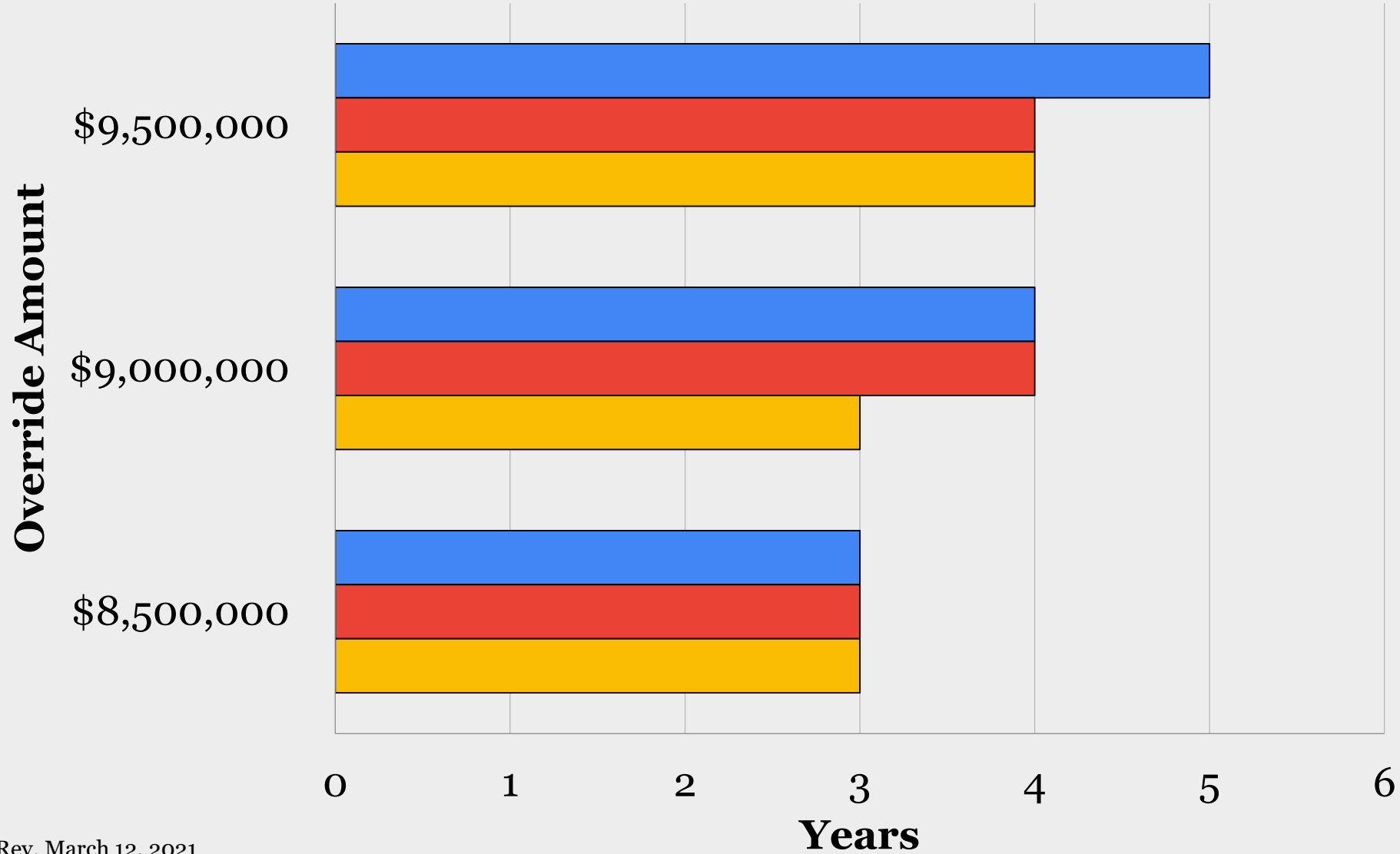
What Is a Structural Deficit?

Structural Deficit

- Shrewsbury has a structural deficit, and we have reached a fiscal cliff that must be addressed
 - A **structural deficit** happens when recurring expenses increase faster than recurring revenues
 - **Proposition 2 ½** is a Massachusetts law that provides for automatic property tax increases of 2 ½%. This is a significant constraint for a “town of homes” like Shrewsbury with little commercial tax revenue.
 - A **fiscal cliff** happens when a structural deficit threatens to disrupt town finances by requiring deep cuts and/or a tax increase
 - An **override** is the tool provided by Proposition 2 ½ for voters to reset the baseline tax level more than 2 ½%



Analysis of Override Models



Rev. March 12, 2021

■ 4.00% / 3.50% ■ 4.25% / 3.50% ■ 4.50% / 3.50%

Town of Shrewsbury, Massachusetts

REVENUE	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
TAXATION	\$100,221,180	\$102,929,838	\$106,084,224	\$109,138,120	\$111,874,826	\$114,719,957
BASE TAX LEVY	\$79,638,065	\$92,243,916	\$95,498,139	\$98,808,093	\$102,200,795	\$105,650,763
New Growth	\$856,000	\$925,000	\$900,000	\$900,000	\$873,120	\$890,582
Exempted Tax Levy	\$10,227,115	\$9,760,922	\$9,686,085	\$9,430,027	\$8,800,911	\$8,178,612
Override	\$9,500,000	\$0	\$0	\$0	\$0	\$0
FROM OVERRIDE STABLIZATION			\$189,986	\$2,128,565	\$2,517,000	
STATE AID	\$27,540,270	\$25,022,634	\$25,262,965	\$25,505,699	\$25,750,860	\$25,998,474
SCHEDULE A RECEIPTS	\$10,891,067	\$11,217,799	\$11,442,155	\$11,670,998	\$11,904,418	\$12,142,506
UTILITY REVENUE FOR INDIRECT	\$2,577,731	\$2,608,016	\$2,569,838	\$2,603,210	\$2,637,379	\$2,672,359
FREE CASH	\$2,898,585	\$2,281,901	\$1,782,108	\$1,782,321	\$1,782,541	\$1,782,767
OTHER AVAILABLE FUNDS	\$2,198,249	\$2,156,803	\$1,912,424	\$1,848,060	\$1,788,776	\$1,730,356
REDUCE LEVY	\$1,537,569	\$1,737,569	\$1,662,569	\$1,612,569	\$1,562,569	\$1,562,569
Total Revenue	\$147,864,651	\$147,954,561	\$150,906,269	\$156,289,542	\$159,818,369	\$160,608,989
CHARGES						
MUNICIPAL & EDUCATION	\$137,788,234	\$139,624,305	\$144,640,697	\$149,917,809	\$155,177,924	\$160,700,681
EDUCATION	\$75,680,214	\$78,896,623	\$82,249,730	\$85,745,343	\$89,389,520	\$93,188,575
MUNICIPAL	\$30,498,654	\$31,566,107	\$32,670,921	\$33,814,403	\$34,997,907	\$36,222,834
SHARED OPERATING SUPPORT	\$15,216,500	\$16,101,783	\$17,088,397	\$18,137,167	\$19,252,011	\$20,437,206
DEBT SERVICE	\$16,392,866	\$13,059,792	\$12,631,650	\$12,220,896	\$11,538,486	\$10,852,067
UTILITY EXPENSES IN TAX LEVY	\$1,205,851	\$1,282,206	\$1,329,283	\$1,410,469	\$1,466,888	\$1,525,563
OTHER EXPENSES	\$5,738,492	\$5,418,306	\$4,936,289	\$4,961,264	\$4,978,213	\$5,012,121
TRANSFER TO OVERRIDE STABIL.	\$3,132,074	\$1,629,744				
Total Charges	\$147,864,651	\$147,954,561	\$150,906,269	\$156,289,542	\$161,623,025	\$167,238,366
<i>3/23/2021</i>						
Surplus/(Deficit)	(\$0)	(\$0)	\$0	\$0	(\$1,804,656)	(\$6,629,378)

REVENUE		FY2022	FY2023	FY2024	FY2025
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FROM OVERRIDE STABLIZATION				\$189,986	\$2,128,565
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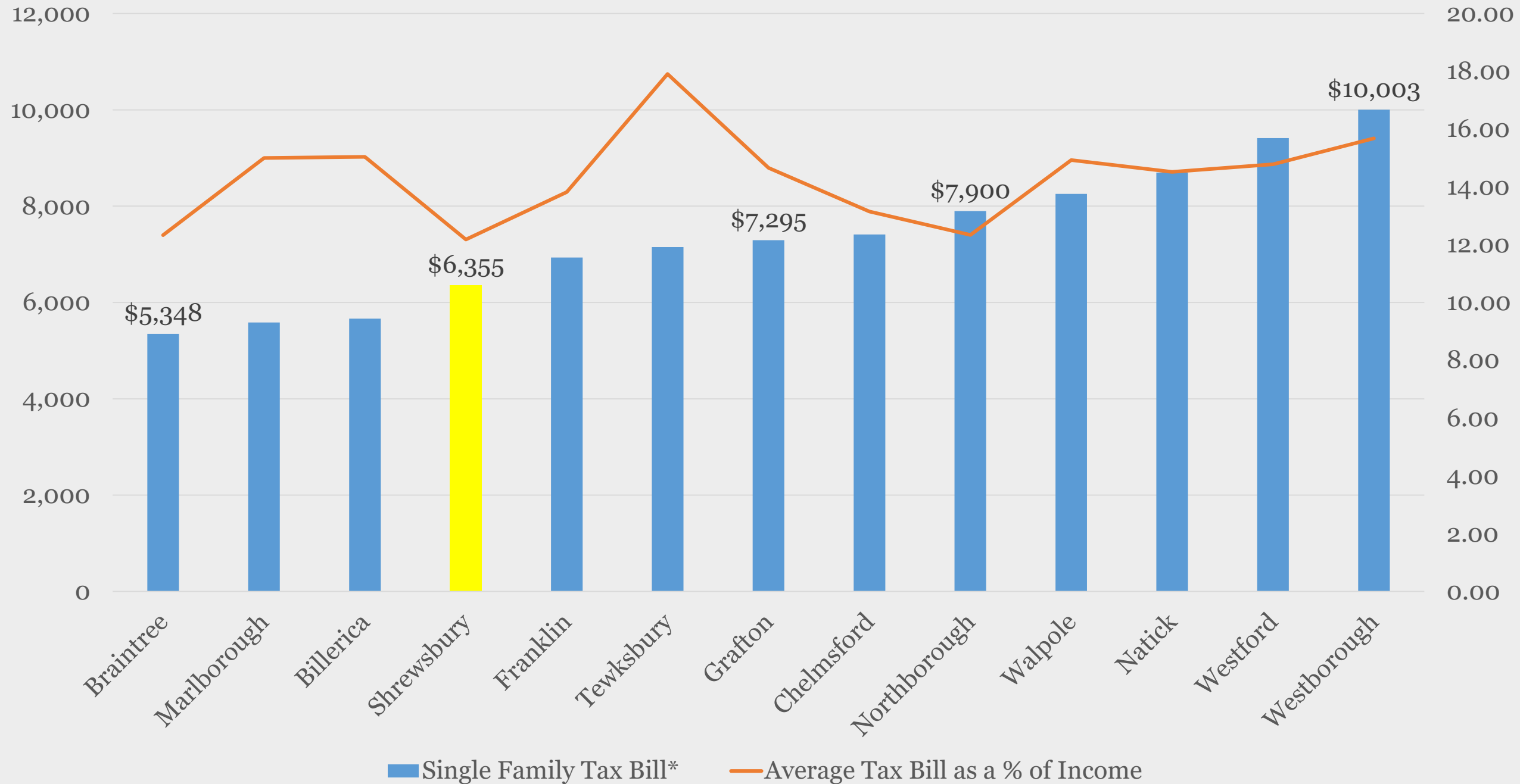
Potential Override Estimated Tax Bill Impact

Tax Rate Increase: \$1.62

Property Value	\$9.5M 2022
\$324,600	\$474.51
\$441,200	\$644.96
\$481,400	\$703.73
\$574,500	\$839.82
\$782,100	\$1,143.30
\$1,146,300	\$1,675.70

Town of Shrewsbury, Massachusetts

Average Single Family Home Tax Bill & Average Tax Bill as % of Income



THANK YOU