

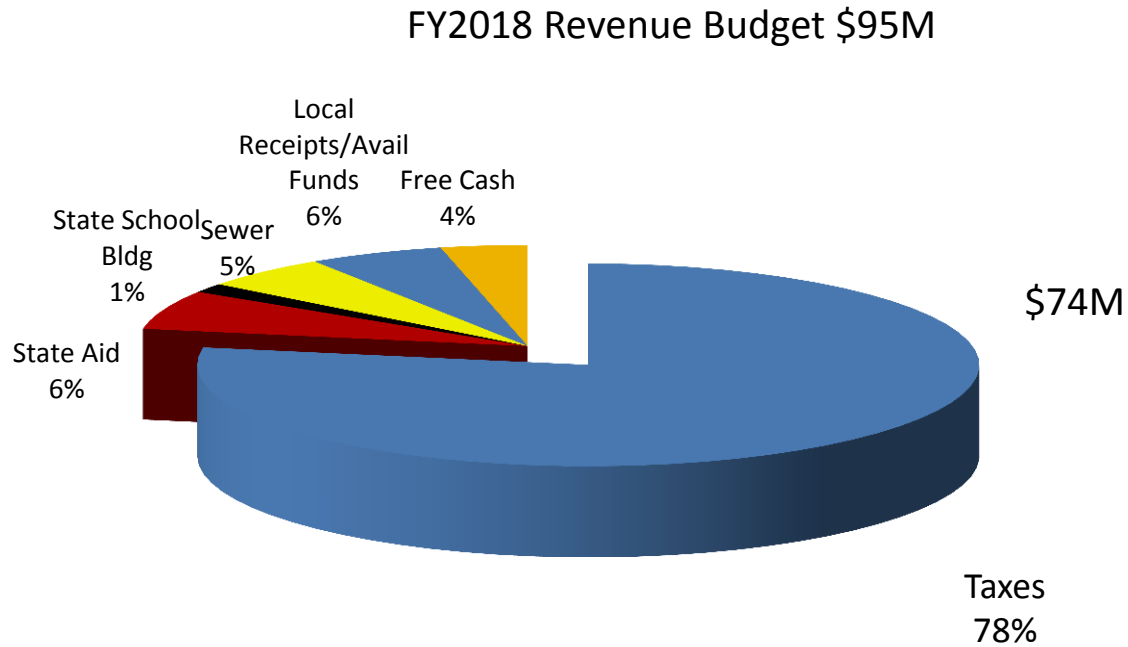


Review of University Station Revenue

December 14, 2017

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Finance Director

What Revenue Funds the Budget?



- Typical suburban community revenue chart
- Always a challenging financial model:
 - Main revenue source is restricted (Prop 2 ½)
 - Must balance tax bill impact

What Does Our Revenue Pay For?

- Financial action must address multiple needs to provide for quality services and financial strength.



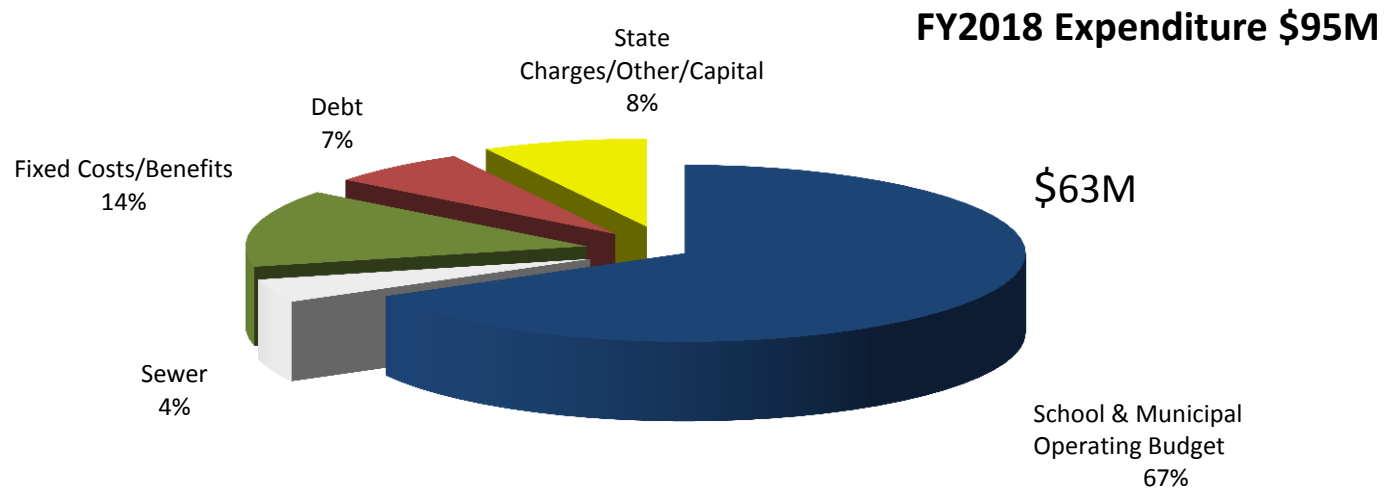
Balance Many Needs

Town's Finances – Must Address Multiple Areas

Largest Area of Spending is the Operating Budget

Operating Budgets

- Provide for core services to community
- Strive for operating budget stability for school and municipal budgets.
- Strive for sustainable budgets



- Each 1% increase for school and municipal budgets approximately \$630K:
 - School (Budget \$43M) - \$430K.
 - Municipal (Budget \$20M) - \$200K.
 - 2.5% increase costs \$1.57M.
 - 4% increase costs \$2.52M.

Tax Revenue Growth per Prop 2 1/2

Tax Levy Calculation	FY2015	FY2016	FY2017	FY2018	
Prior Year Levy Limit	\$57,773,665	\$60,753,121	\$66,435,457	\$70,367,740	
Plus 2.5% Increase	\$1,444,342	\$1,518,828	\$1,660,886	\$1,759,194	Plus 2.5%
Plus New Growth**	\$970,114	\$921,201	\$1,099,667	\$1,247,222	New growth
New Tax Levy - University Station	\$565,000	\$3,242,307	\$1,171,730	\$179,000	Uni Station
General Overrides	\$0	\$0	\$0	\$0	
Tax Levy Limit	\$60,753,121	\$66,435,457	\$70,367,740	\$73,553,156	
Exempt Debt	\$1,850,048	\$1,740,624	\$1,642,706	\$1,523,690	Exempt Debt
Levy Capacity	\$62,603,169	\$68,176,081	\$72,010,446	\$75,076,846	

What we could tax

- No general override since 2007
- Exempt debt declines each year, High School bond ends in 2023

Typical Budget Year Within Proposition 2 1/2

Revenue

Increase in Tax Revenue

- Proposition 2 ½ formula \$2.9M
 - Taxes can increase:
 - Increase of 2 ½%
 - Add any new growth
 - Include unused tax levy from prior year available.

Expenditures

Fixed cost increases school/municipal employee benefits (\$13M total) \$1.3M

- Includes Health Insurance and Payroll taxes

Net Available for Operating Budgets/Other \$1.6M

Operating Budget Cost – Increase

	Each 1%	\$630K
	2.5%	\$1.5M

- So typical year fund 2.5% increase to operating budgets
- Challenge to fund operating budgets above 2.5%

What Can Cause Fluctuations to Typical Budget Increase?

- Typical budget can fund 2.5% increase to operating budgets
- What can improve typical budget funding?
 - Increase in other revenue, such as State Aid
 - Lower rate of increase to fixed costs
 - Increase in new tax growth
- What can reduce typical budget funding?
 - Reduction to State Aid
 - Higher than normal fixed costs
 - Dramatic reduction to economic driven revenue, i.e., Motor Vehicle Excise

University Station



Commercial value can provide additional new growth revenue for the town

Plan for use of revenue:

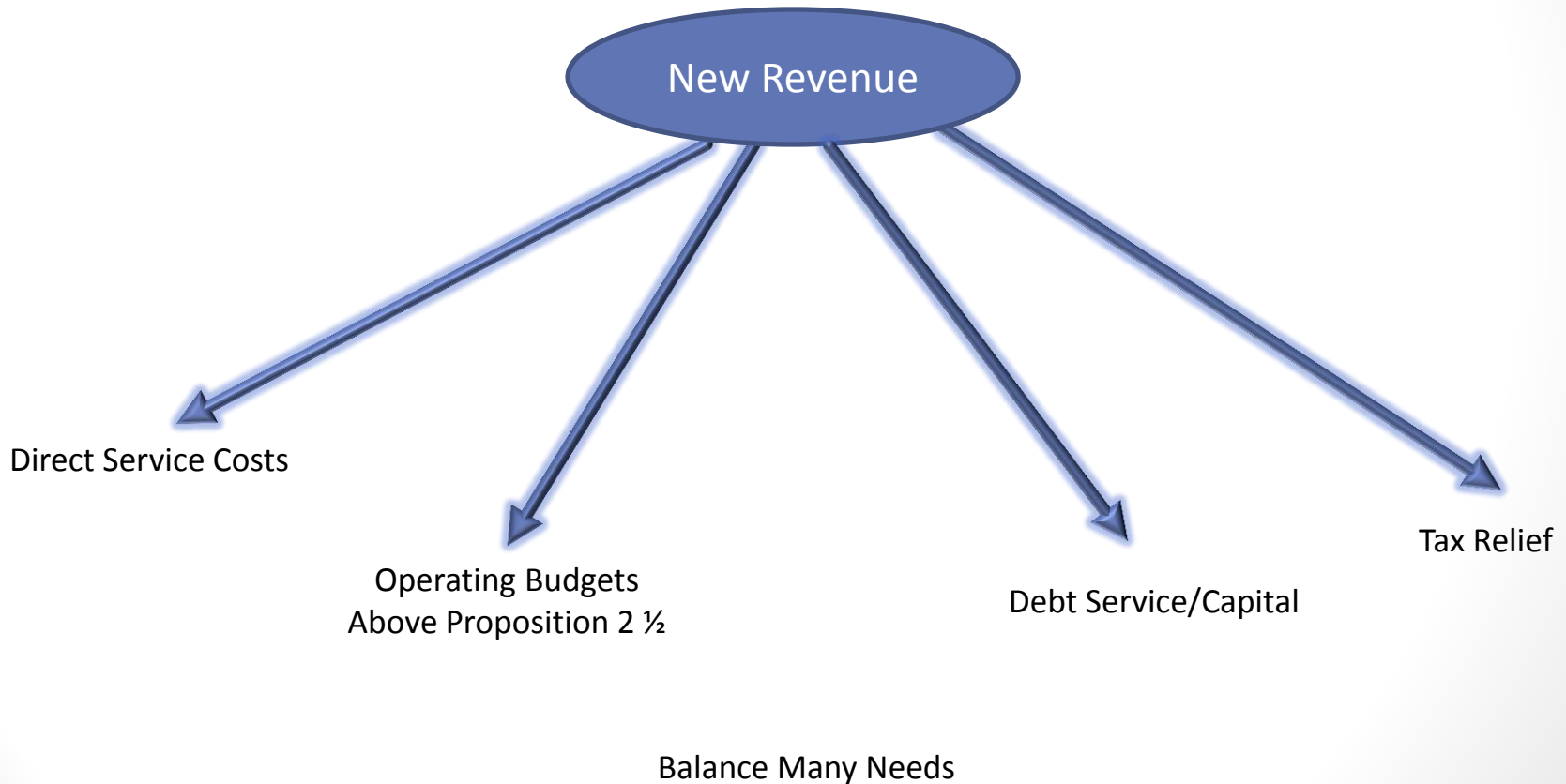
- Direct costs to service the project
- Providing for sustainable growth for the school and municipal budgets above the limits of 2 ½%.
- Fund debt service for major capital projects within Prop 2 1/2.
- Helping to limit the tax bill increase.
- Funding the reserve accounts to maintain a AAA bond rating.
- Stabilize the split tax rate.

Estimated annual new tax revenue from initial impact study before start of project.

- | | |
|-----------------------------|-------------|
| • Increased new revenue - | \$5M |
| • Associated direct costs - | <u>\$2M</u> |
| • Public Safety | |
| • School Enrollment | |
| • Net new annual revenue - | \$3M |

University Station Revenue Allocation – Address Multiple Areas

- University Station new commercial tax revenue can provide for multiple areas:



University Station – Actual New Growth Revenue Received

University Station New Growth Tax Revenue				
FY15	FY16	FY17	FY18	Total
\$565,000	\$3,242,307	\$1,171,730	\$179,000 Budget FY18 \$500,000	\$5,158,037

- University Station has provided for additional tax revenue to help supplement the revenue budget.
- University Station currently about 2/3 built out.
- Students are about ½ of what was predicted.

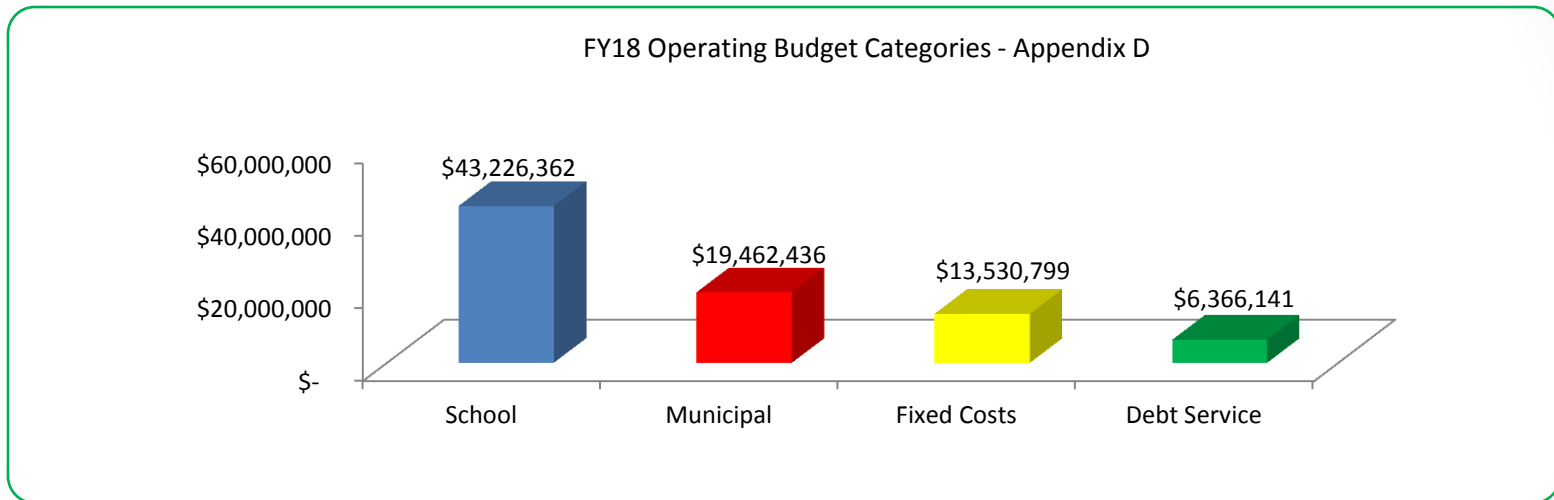
How Have the University Station Funds Been Used?

	FY15/FY16	FY17	FY18	Total
Operating Budgets				\$2.6M
School	\$1,020,225	\$883,000		\$1,903,225
Municipal	\$461,578	\$272,000		\$733,578
Direct Service Costs				\$1.35M
School		\$215,000		\$215,000
Municipal	\$565,000		\$570,000	\$1,135,000
Capital				
One Time - Capital Fund	\$975,000			\$975,000
Debt Service – Police Bond		\$800,000		\$800,000
Tax Bill Relief				
Unused Tax Levy	\$500,000	\$670,000	\$279,000	\$1,449,000

Reaching Multiple Budget Areas

FY18 Approved Operating Budget \$87M

Operating budget provides daily services to the community.



	Budget Increases		
	FY16	FY17	FY18
School	5.3%	4.9%	3.3%



University Station tax revenue has significantly helped fund the Schools budget.

FY19 Budget Preview

- FY19 Budget will be typical budget year
 - New Tax Revenue \$3.1M
 - Increase in Fixed Costs \$1.3M
 - Net Available for FY19 budget \$1.8M
 - Operating Budget FY19
 - 3% Increase to
 - School Budget \$1.3M
 - Municipal budget \$600K
 - \$1.9M
- University Station funding not yet applied to budget
- | | |
|-------------------|--------|
| Unused Total | \$279K |
| New Future Growth | \$ |

