

Revenue Questions and Answers

Revenue Forecast: assumptions used for local receipts; decrease in budgeted transfer from golf fund; is there any concern that increased foreclosures might impact the tax levy?

- Assumptions used for local receipts:

We started with the FY21 local receipts and compared our six month budget to actuals to project FY22 revenue. These estimates remain conservative due to uncertainty in reopening plan.

There were also items that were adjusted based on known factors:

- BELD Pilot decreased
 - Billboard revenue is uncertain due to litigation
 - Increase in South Shore Plaza agreement
 - Decrease in MSBA reimbursement for South Middle School Project
- Decrease in golf transfer
 - How are budgeted transfers decided? I notice that the transfer for Golf is less this year than last, but I thought Golf was doing so well...?

The value of the transfer is calculated each year based on an allocation of current year budgeted expenses and a charge off for a portion of Town costs (i.e., payroll processing, accounting costs and administration to the various enterprise funds). The value of the indirect costs supported by the transfer is based on the overall DPW budget and this year's decrease in corresponds to the decrease in the DPW budget.

- Impact on tax levy from foreclosures

The Town's property tax lien has the highest priority in the foreclosure process. If a bank forecloses on a property, the bank typically pays the Town property lien first.

- How is the Debt exclusion value of \$2.6M determined as part of our tax levy base? Is that annual value based upon the loan?

Yes. The amount of the debt exclusion is currently based on the debt service for the South Middle School debt sold last November at 1.99%.

- Local Receipts for FY2021: not tying out between Appendix C and Projected Gen. Fund Revenue. There is \$74,614 difference. Why? It looks like adjustments were made in Motor Vehicle Excise, Hotel/Motel, etc.
- Can we please get the local receipts actuals through the third quarter FY21?

Adjustments in the FY21 local receipt projections were made based on the FY20 actual receipts (some of which came in less than budgeted). Excise tax was reduced to \$6,302,706.00, hotel tax was reduced to \$632,500.00 and meals tax was reduced to \$936,000.00.

Hotel tax revenue through the end of February totals \$447,552.00, or 70.76% of the total revised budgeted amount, while meals tax revenue has been reported at \$720,521.00, or 76.98% of the total revised budgeted amount.

As of March 31, 2021, we have collected over 79% of the licenses and permit fees, which includes various licenses, building and health permits, for a total of \$1,319,771.50. Additionally, in the month of April, the building department collected approximately an additional \$130,000.00 in building related permits, increasing that revenue to \$1,182,807 for FY21 to date.

- There is a \$1M less in the rental building line in Local Receipts. Is the billboard not happening?
- Can you please provide an update on the billboard \$1M revenue? I don't see this recorded in the GL.

When a billboard is permitted and constructed, the Town will receive revenue through a negotiated Host Agreement; however, the receipt of the revenue has become uncertain due to the impacts of litigation on a previously issued permit and corresponding appeals and has therefore been removed from the budget.

- Am. Rescue Plan Act: \$1.8M
 - When do we expect the balance of our federal funds to arrive? Will the remaining \$1.8M be part of FY23 budget?

The first half of the Town's allocation, valued at \$1,834,500.00, is expected to be received in late June/early July. The funding will be allocated to the Commonwealth within sixty (60) days of when the President signed the Act and it is expected to be dispersed to municipalities within thirty (30) days after that. The second payment to the Town is expected one year later and all funds must be spent by the end of calendar year 2024.

- If not, what is the plan to make up for the \$1.8M in FY23?

The funding is expected to be available for use in the FY23 budget.

- DOR recommended best practice is for municipalities to be adding at least 2% of new growth each year to their tax base, as a means to keep up with expenditure inflation. We have been consistently trending below that and downward, even before the pandemic. What is the plan to add new growth and how quickly do we think we can we do it? Alternatively, what is the plan to increase local receipts to pre-pandemic levels?
- Why is new growth exactly the same both years? I realize that this is a calculation produced by the Department of Revenue, but it seems surprising that the calculation

would be precisely the same number two years in a row, especially since I would expect new growth to be impacted by the pandemic?

The Finance Department takes a more active approach to budgeting new growth by reviewing permits and forecasting reasonable expectations of results based on those filings. This process has been successful over the years. Additionally, a review of the last ten (10) years of new growth shows significant fluctuations, thereby invalidating the 2% inflation approach. New growth is based on private activity in both residential and commercial sectors and includes, for example, new residential and commercial development or renovation. The Town has estimated \$850,000.00 in new growth for FY22.

The Town will continue efforts to attract new commercial business to Braintree, with a focus on the life science sector and redevelopment of existing commercial structures. Additionally, grant funds have been secured to support local businesses and their recovery from COVID-related losses. The Town will continue to seek out funding sources to support local businesses, which will in turn increase local receipts. Additionally, there is at least one (1) hotel reopening anticipated before the end of FY21, which will further increase local receipts.

- State Assessments:
 - Why did our Special Ed. Annual Charges Against Receipts jump from \$1,200 LY to \$16K TY? (ref. Cherry Sheet from 4/20/2021)
 - Charter School Tuition: is that increase due to children leaving Braintree public schools for Charter Schools in 2020 (from \$137K to \$160K ref. Cherry Sheet from 4/20/2021 Gov. budget)
 - Can you please explain what offsets are in State Aid? The cherry sheets indicate that this is to do with the Thayer Public Library, but I don't fully understand.

These school related numbers are provided by the State Department of Education and are based on Braintree numbers. The totals fluctuate as information is updated. The Library funds are reflected on the State Aid revenue summary; however, because the money is not deposited into the general fund it is noted as an offset. These funds are related to the Library's receipt of certification and can only be used for Library purposes.

- Can you please provide an update on the sale of land revenue? I don't see this recorded in the GL.

The Town has executed a Purchase and Sale with Arch Communities and Winn Development for the purchase of the Allen Street Property. The following is the payment schedule, all of which will be deposited into the land sale fund and subsequently transferred to the general fund:

- Proposal Security--\$75,000 (received)
- Deposit--\$75,000 (received)
- Receipt of Permits--\$150,000
- Pre-Application Approval (but no later than December 15, 2021--\$100,000)
- Funding Award (but no later than August 31, 2022)--\$150,000

- Balance Due no later than October 15, 2022--\$950,000

All payments are non-refundable.

- Tax levy: Do you believe keeping the reservation for abatement at the \$1.2M level is going to be adequate given the potential for an increase in commercial properties filing abatements due to COVID-19?

The Town has used \$1,200,000.00 as a reserve for abatements for several years and it has consistently been sufficient to cover the abatements and exemptions provided from year to year. We anticipate it will be sufficient for FY22. In the event that the reserve is not sufficient, the overlay reserve provides some flexibility if needed.

- Why is the overlay surplus \$250,000 every year?

The amount is based on an excess that is available after all cases in the fiscal year have been closed. Over the last few years the actual amounts have been less than our projection of \$1,200,000.00.

- Water: 7% increase in the budget. Will this equate to a 7% increase in rates for residents?

No. Residents are billed for both utilities combined and, for FY22, the total overall increase between the two funds is 5.29%; however, that does not tie directly to the potential rate increase. The Town engages with a consultant to determine the water and sewer rates and this process is currently ongoing. Rate increases vary and are based on factors including revenue and administrative costs. Additionally, factors like meter replacements in condominium developments, water use increases in new developments and lawn irrigation systems may also impact the rates. The current rates will remain in effect until the analysis is completed and new rates are determined.

- Storm water: 18% increase in the budget. Will this equate to a 18% increase in rates for residents?

There will be no increase to the residents as a result of the increase in the stormwater fund. There is sufficient revenue available to offset the rate increase at this time. The stormwater rates were previously accepted and are reflected in the stormwater ordinance that was approved by the Town Council. The final increase in fees, bringing them to \$15 per quarter or \$60 per year, will take effect on July 1, 2022 and there are no further projected increases at this time.