

REVIEW: Public Discussion since last spring

Community Listening Sessions

June 1 @ Coolidge MS; June 7 @ Sr. Ctr.; June 16 @ Parker MS

Public Meetings to discuss what we heard from the community

Board of Selectmen (7); School Committee (x) and FINCOM (2) Meetings

Next Steps:

Thursday September 1st

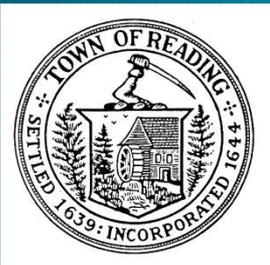
Community Financial Forum 7:00pm RMHS PAC

Monday September 12th

Special Town Meeting

Tuesday October 18th

Special Election



Town of Reading

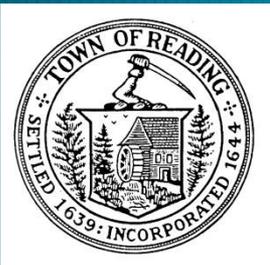
Override: Structural Deficit

School and Town Operating budgets need to grow at +3.5% annually, which is roughly in line with our Revenue growth. Accommodated costs growing faster than 3.5% cause Funding Gaps.

FY17 total budget: \$2million out of balance

FY18 estimated total budget: \$3 million out of balance

Future budget funding gaps: estimated to grow +\$0.7million annually



Town of Reading

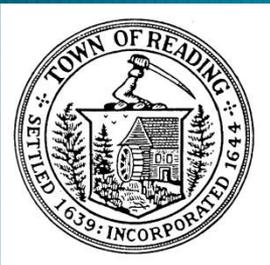
Override: How Long Should It Last?

Average \$500,000 single family home (SFH) tax bill:

Tax Bill	Tax Levy	RMHS	Library
\$7,250	\$6,905	\$161	\$184

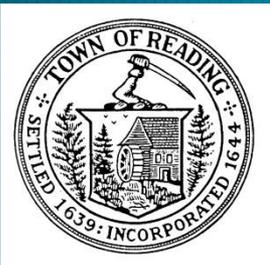
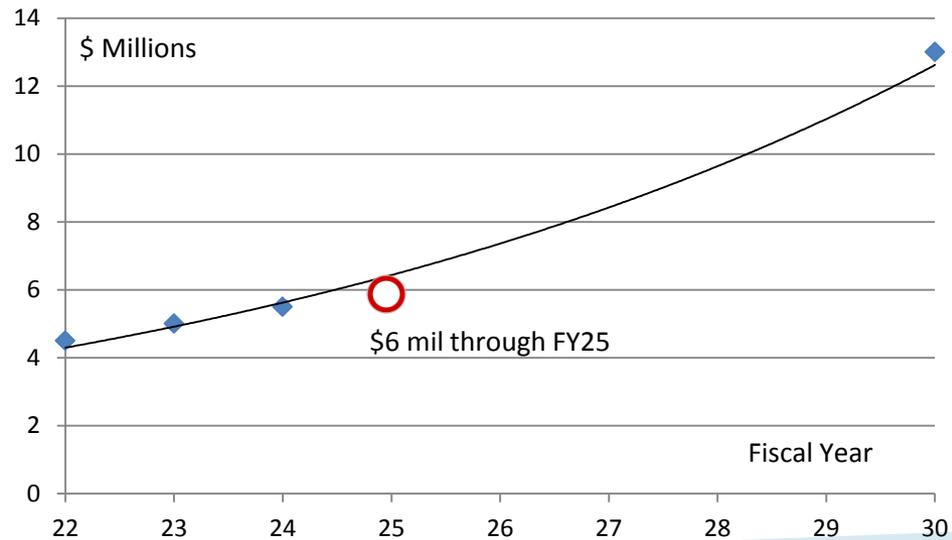
Taxpayers will have completed repaying excluded debt for the High School project in FY24 and for the Library project in FY25, leading to tax increases below the annual +2.5% levy ceiling as shown below:

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
SFH	\$7,418	\$7,590	\$7,767	\$7,947	\$8,132	\$8,321	\$8,516	\$8,563	\$8,625	\$8,840
Rate	+2.31%	+2.33%	+2.33%	+2.32%	+2.32%	+2.32%	+2.35%	+0.55%	+0.72%	+2.50%



Town of Reading Override: Structural Deficit

Baseline Override – solve the structural deficit for a period of time



Town of Reading

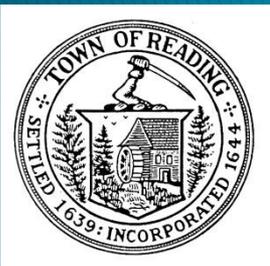
Structural Deficit – too steep, we need an offset

Raising \$6 million for an immediate need of just over half of that amount flies in the face of common sense, so we need to change our spending pattern

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Extra Capital	+\$2.0	+\$1.5	+\$1.0	+\$0.5	-\$0.5	-\$1.0	-\$1.5	-\$2.0

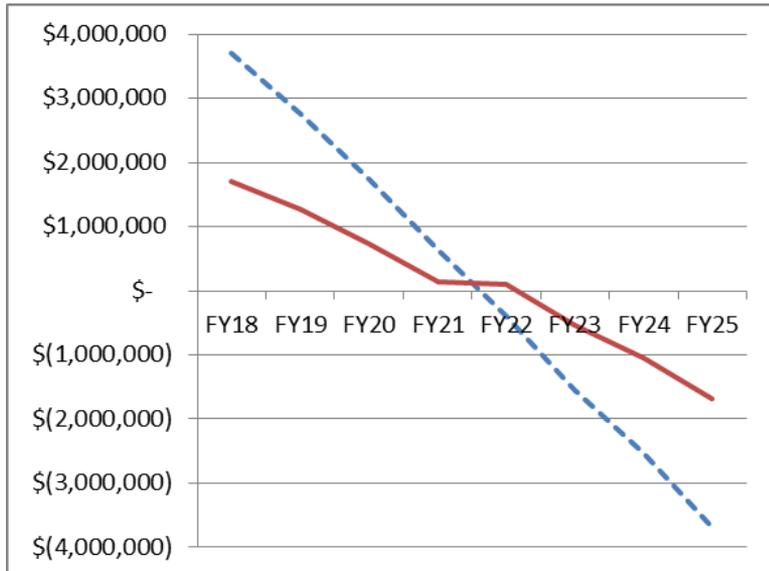
	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
April '16 Capital Surplus	\$0	\$0	\$0	-\$0.1	+\$0.6	+\$0.6	+\$1.8	+\$3.4

We are able to shift some capital spending up front and do less later on. The capital plan currently shows an expected surplus funding in FY22 to FY25.



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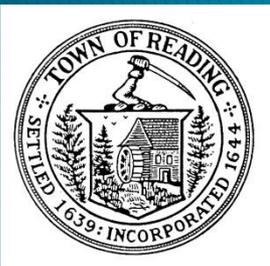
Override Funds – Save For Later



Dotted line – default plan under financial model; save funds then spend them later

Solid line – revised for change in capital spending

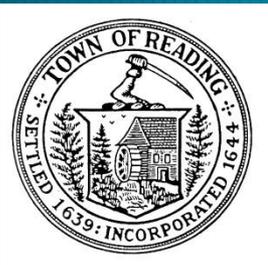
Note ending structural deficit is effectively the same \$3.7 million; in the revised capital approach \$2.0 million of that deficit is in the CIP and \$1.7 million in use of reserves to balance budgets



Town of Reading

Use of Override Funds for Structural Deficit*

	FY18
FY18 Budget Funding Gap	\$3.0 mil.
Increase to Pension funding	\$0.3 mil.
Extra Capital	\$2.0 mil.
Savings	\$0.7 mil.



**Using 8-year model requiring \$6 million Override*

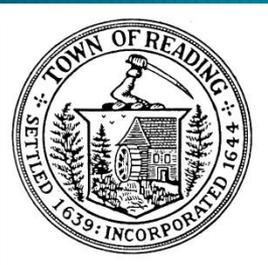
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Structural Deficit – History

Previous Override: \$4.5 million

- Equivalent as % of taxes to \$8.5 million Override in FY18
- 75% spent right away; 85% spent within one year
- No financial modelling looking towards the future
- “Hope this lasts for 8–10 years”

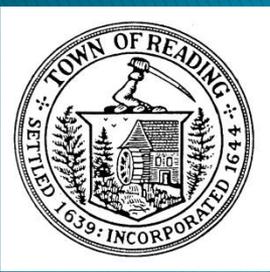
Why did the previous Override last for so long?



Town of Reading Structural Deficit – History

	Revenues	Accommodated Costs	Operating Budgets	Signs of Caution
FY18*	+3.0%	+7.0%	-1.0%	
FY17*	+2.9%	+1.7%	+3.40%	Cut in capital spending
FY16	+2.9%	+3.4%	+2.75%	Cut in capital spending
FY15	+2.7%	+0.8%	+3.50%	Free Cash +\$0.5mil to \$2mil
FY14	+2.8%	+1.5%	+3.75%	
FY13	+2.5%	+1.7%	+3.60%	Free Cash +\$0.7mil to \$1.5mil
FY12	+1.2%	+1.6%	-0.50%	

➔ Because Accommodated Costs were pummeled until they behaved efficiently



**FY17 and FY18 figures are projected*

Town of Reading

Structural Deficit – History

Efficiencies – the list is quite long, but here are some highlights

Spend money to save money: Performance contracting; some out of district
SPED brought in–district; opt–out Health Insurance payments

Spend money to generate revenues: Fire Dept. Advanced Life Support

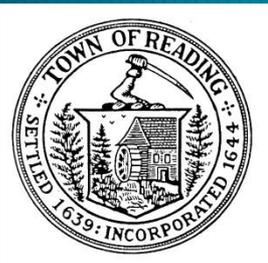
Operational efficiencies: capital spending; rubbish/recycling; technology

Restructuring large departments and single positions

Significantly more long term **financial planning**

More Fees & Revolving Funds

There will always be room for improvements, but we are running out of ideas



Town of Reading

Structural Deficit – Future

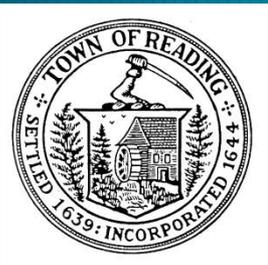
“Significantly more long term financial planning”

The only certainty is that the 8-year forecast here is wrong

It will be important to track what actually happens versus this forecast

Good news: Override lasts longer, or do not tax to levy limit ☺

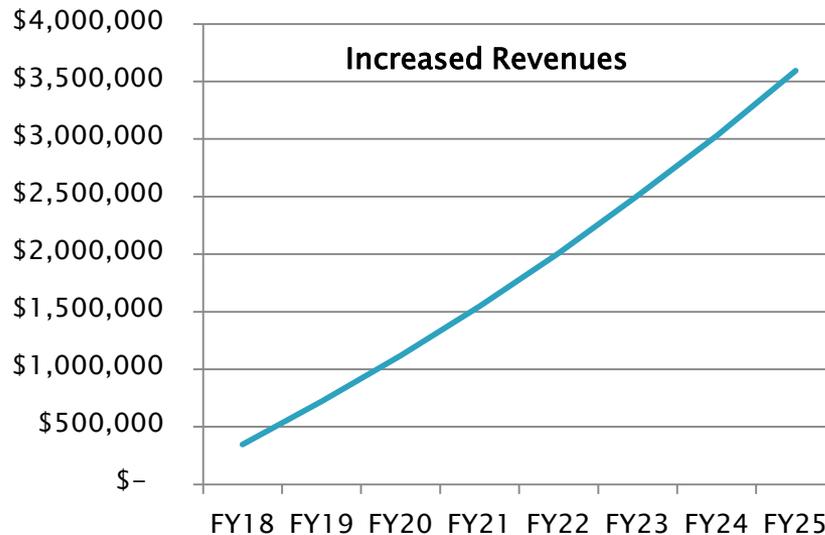
Bad news: Costs (or taxpayers) need another pummeling ☹



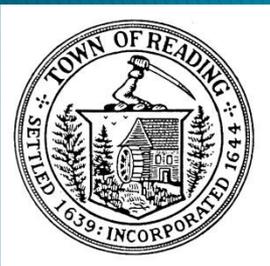
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Future: Make-Believe Good News*

State Aid +5.0% annually instead of +2.5% as projected



This small deviation would make the \$6 million Override last another few years or allow less taxes to be levied as shown to the left.



**State Aid since the last Override has grown at +2.7% annually, driven by two good years ten years ago. Recent increases below 2.0% have happened at a time of strong state revenue growth.*

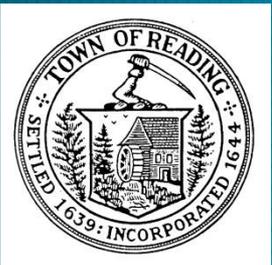
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Structural Deficit – Future

The financial model will allow future Town and School leaders to track annual financial reality versus what we have guessed might happen.

Don't forget that today we have two projects on the horizon as excluded debt – **Killam School** and the **DPW Garage**. In a perfect world we'd wait until other excluded debt projects are paid off.

We **DO NOT** want to fall back into spending Operating budget funds on projects of this size, as we did for Barrows and Wood End. The rest of the Capital Plan was then largely ignored.

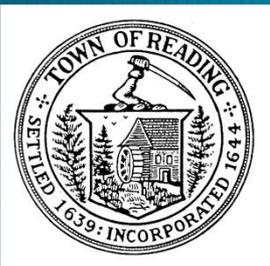


Town of Reading

Override – Additional Operating Budget Funding

Both the town and school budgets have faced challenges that required reductions over the past several years. The town and school leadership agree that this is how additional funds will be allocated, according to our long-standing budget model:

	\$6mil	\$7.0m	\$7.5m	\$8.0m	\$8.5m	\$9.0m
Structural	\$6.0m	\$6.0m	\$6.0m	\$6.0m	\$6.0m	\$6.0m
Schools		\$640k	\$960k	\$1.28m	\$1.60m	\$1.92m
Town		\$360k	\$540k	\$720k	\$900k	\$1.08m



Town of Reading

Override – Additional Operating Budget Funding

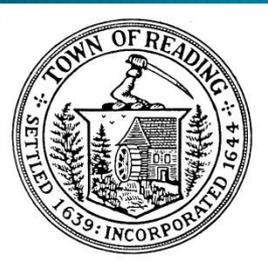
Here is how the Town would plan to spend additional funds

\$7.0mil Override: additional \$360,000:

- \$200,000 Retaining and attracting staff
- \$ 85,000 School Resource (Police) Officer
- \$ 75,000 Firefighter/paramedic

\$7.5mil Override: \$540,000 – above items plus:

- \$70,000 Technology hardware/software (yr 1) then staffing
- \$60,000 Library staffing
- \$25,000 Town Accountant staffing
- \$25,000 Volunteer Board support ('Night time government')



Town of Reading

Override – Additional Operating Budget Funding

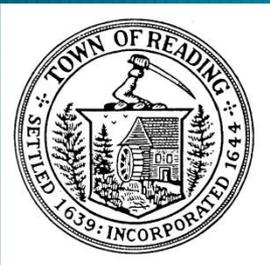
Here is how the Town would plan to spend additional funds (continued)

\$8.0mil Override: \$720,000 – previous items plus:

- \$ 75,000 Police Officer#2
- \$ 75,000 Firefighter/paramedic #2
- \$ 25,000 Organizational Professional Development (H.R.)

\$8.5mil Override: \$900,000 – above items plus:

- \$50,000 Volunteer Board support ('Night time government')
- \$40,000 Additional Library Hours
- \$40,000 DPW Laborer
- \$20,000 Public Safety OT for Joint Training
- \$15,000 Facilities OT
- \$10,000 Spare Crossing Guard



Town of Reading

Override – Additional Operating Budget Funding

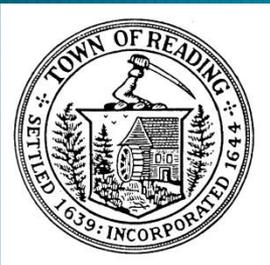
Here is how the Town would plan to spend additional funds (continued)

\$9.0mil Override: \$1.28 million – previous items plus:

- \$ 75,000 Police Officer#3
- \$ 75,000 Firefighter/paramedic #3
- \$ 40,000 additional Town Hall clerical help

Town Manager thoughts on Additional Services

The annual +3.5% operating budget target we have established should allow both the town and schools to add things provided we manage our resources prudently. For example, in a couple of years the RCASA grant will expire and we will need to make a decision on how to move forward. I would request a minimum figure of \$7.5 million as the town items funded by that amount seem especially critical and beyond our means at this time. Town staff will continue to work diligently to figure out ways to accomplish all items on this list that are not immediately funded, and other priorities as they develop.



Town of Reading

Override – Additional Operating Budget Funding

School Department Challenges

1. Retaining and Attracting Staff
 2. Developing well balanced and prepared students for college and career
 3. Supporting teachers and administrators as we transition to more rigorous standards and curriculum
 4. Continuing to improve our special education services and in district programs
 5. Identifying long term space needs to address program changes
 6. Remaining competitive with area schools
- 

Resources Needed to Address Challenges

Area/Position	Funding Needed	Addresses Challenge(s)	District Goal
Structural Deficit (.7% Budget Increase in FY18)	\$2,000,000	1,2,3,4,5,6	4
Salary Adjustments	\$360,000	1,6	4
Full Day of School on Wednesday at Elementary	\$455,000	2,6	1,3, and 4
Middle School Health Education	\$140,000	2,6	3
High School Program Improvement	\$220,000	2,6	1
Additional Supports for Struggling Students (Tutors, BCBA)	\$150,000	2,6	3
School Transformation Grant Funded Positions (Data Analyst, Administrator for Social Emotional Learning)	\$160,000	2,6	3
Curriculum Supervision Leadership	\$285,000	3,4,6	1
Special Education Leadership	\$95,000	1,4	1,2
Additional Clerical Support	\$60,000	4,6	3 and 4
TOTAL	\$3,925,000		

Resources Needed to Address Challenges

Area/Position	Resources	Funding Needed
Structural Deficit (.7% Budget Increase in FY18)	To address gap between available revenue and level service budget	\$2,000,000
Salary Adjustments	Staff salary	\$360,000
Full Day of School on Wednesday at Elementary	4.5 FTE Elementary Teachers Additional Paraeducator Hours	\$455,000
Middle School Health Education	2.5 FTE Health/PE Teachers at Parker and Coolidge	\$140,000
High School Program Improvement	4.0 FTE Teachers for AP and Electives	\$220,000
Additional Supports for Struggling Students (Tutors, BCBA)	4.0 FTE Academic Tutors 1.0 FTE Board Certified Behavior Analyst or Equivalent	\$150,000
School Transformation Grant Funded Positions	1.0 FTE Data Analyst 1.0 FTE Administrator for Social and Emotional Learning	\$160,000
Curriculum Supervision Leadership	2.0 FTE PreK–8 Curriculum Coordinators 1.0 FTE PreK–12 Fine Arts and Wellness Coordinator Restructure RMHS Department Heads	\$285,000
Special Education Leadership	1.0 FTE Assistant Director for Student Services	\$95,000
Additional Clerical Support	2.5 Secretaries or Equivalent	\$60,000
TOTAL	\$3,925,000	\$3,925,000

Long Term Challenges That Need To Be Addressed

Area/Position	Funding Needed	Challenge	District Goal
Tuition Free Full Day Kindergarten	\$1,000,000	2,6	4
Killam Renovation/Program Space	TBD	5,6	4

Town of Reading

Taxpayer Impact – No Override

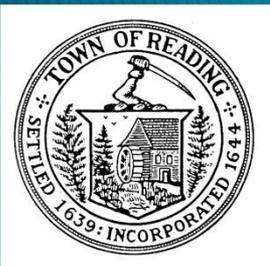
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This translates into an average 2.0% annual tax bill increase over the ten year period

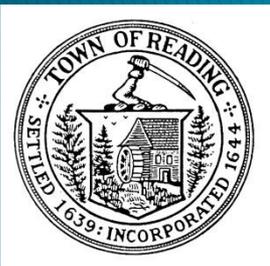


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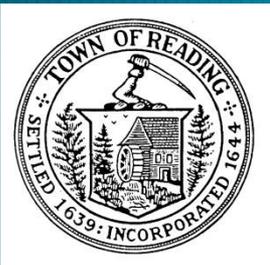
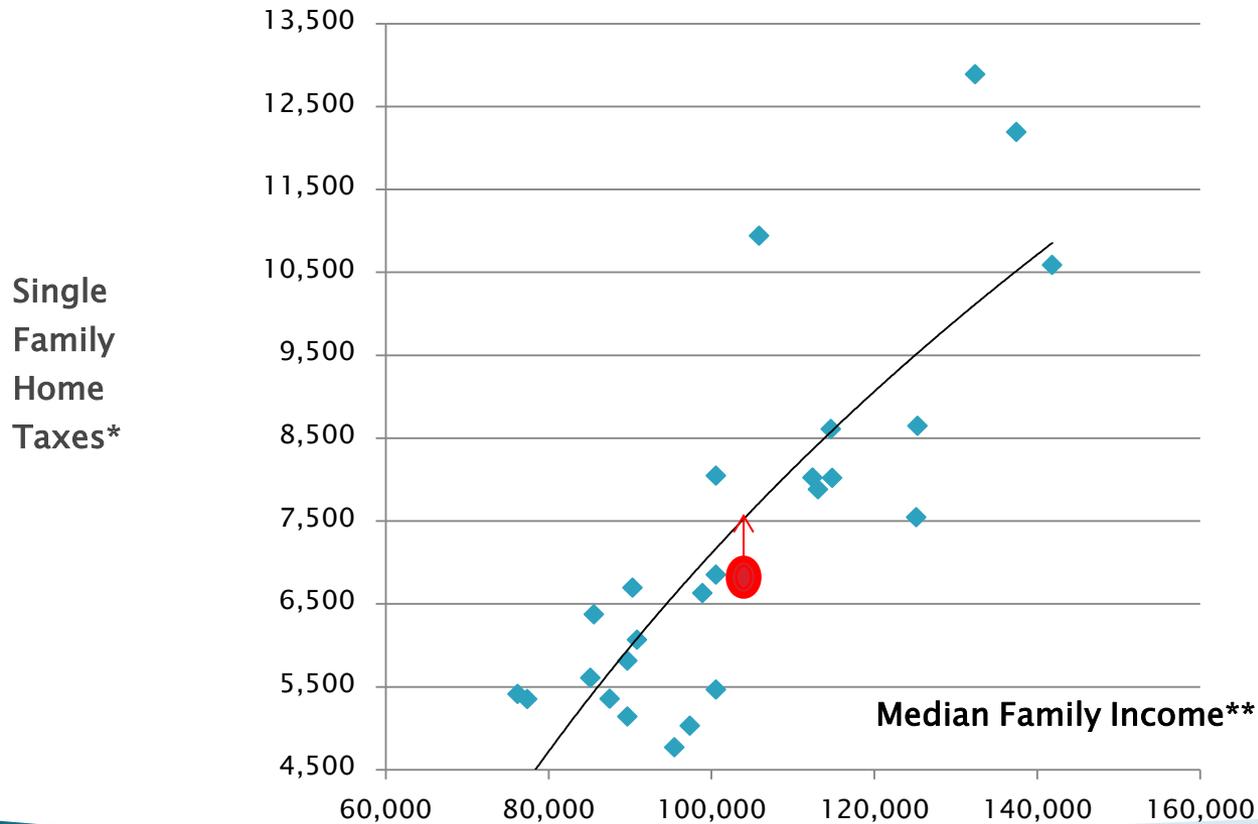
Taxpayer Impact – Override

For the same average SFH tax bill, a \$6 million Override to remedy the current structural deficit for 8 years will cost \$664 as shown below. Over the same ten-year period, this translates into a 2.9% annual increase (with a big jump in year one). Costs for additional Operating budget funding are also shown below, with a \$9 million Override translating to a 3.4% annual increase:

Residential	\$6 mil	\$7 mil	\$7.5 mil	\$8 mil	\$8.5 mil	\$9 mil
\$ 300,000	\$ 398	\$ 464	\$ 497	\$ 530	\$ 563	\$ 596
\$ 400,000	\$ 531	\$ 619	\$ 663	\$ 707	\$ 751	\$ 795
\$ 500,000	\$ 664	\$ 774	\$ 829	\$ 884	\$ 939	\$ 994
\$ 600,000	\$ 797	\$ 929	\$ 995	\$ 1,061	\$ 1,127	\$ 1,193
\$ 700,000	\$ 930	\$ 1,084	\$ 1,161	\$ 1,238	\$ 1,315	\$ 1,392



Peer Residential Tax Burden



Reading is taxed \$600 to \$700 below Peers

Sources: * DOR 2015 **Boston Globe 2010-2014