

11/29/2018

Budget Balancing Public Information Meeting

A few quick thoughts before we begin...

- Its ok to be passionate, but we all must remain civil.
- There are no easy answers, and no easy decisions. No one has done anything wrong and no one is trying to do anything wrong.
- We are one community and will remain so no matter what happens. Your neighbors today will still be your neighbors tomorrow.
- We have challenges facing us today, but our decisions will impact tomorrow. We need to think about where our community is going and where we want it to go.

Budget Balancing Committee

1. History

2. Membership

a. 2 Members of Selectmen and Town Manager

b. 2 Members of Finance Commission and Town Accountant

c. 2 Members of School Committee and Superintendent

3. Advisory

Schedule

1. Began in June, rather than at beginning of calendar year
2. Early start to FY20 Budget Process
3. Focus on Long-Term Needs/Outlook
4. Meet every 2-3 weeks
5. Recommendation by end of December

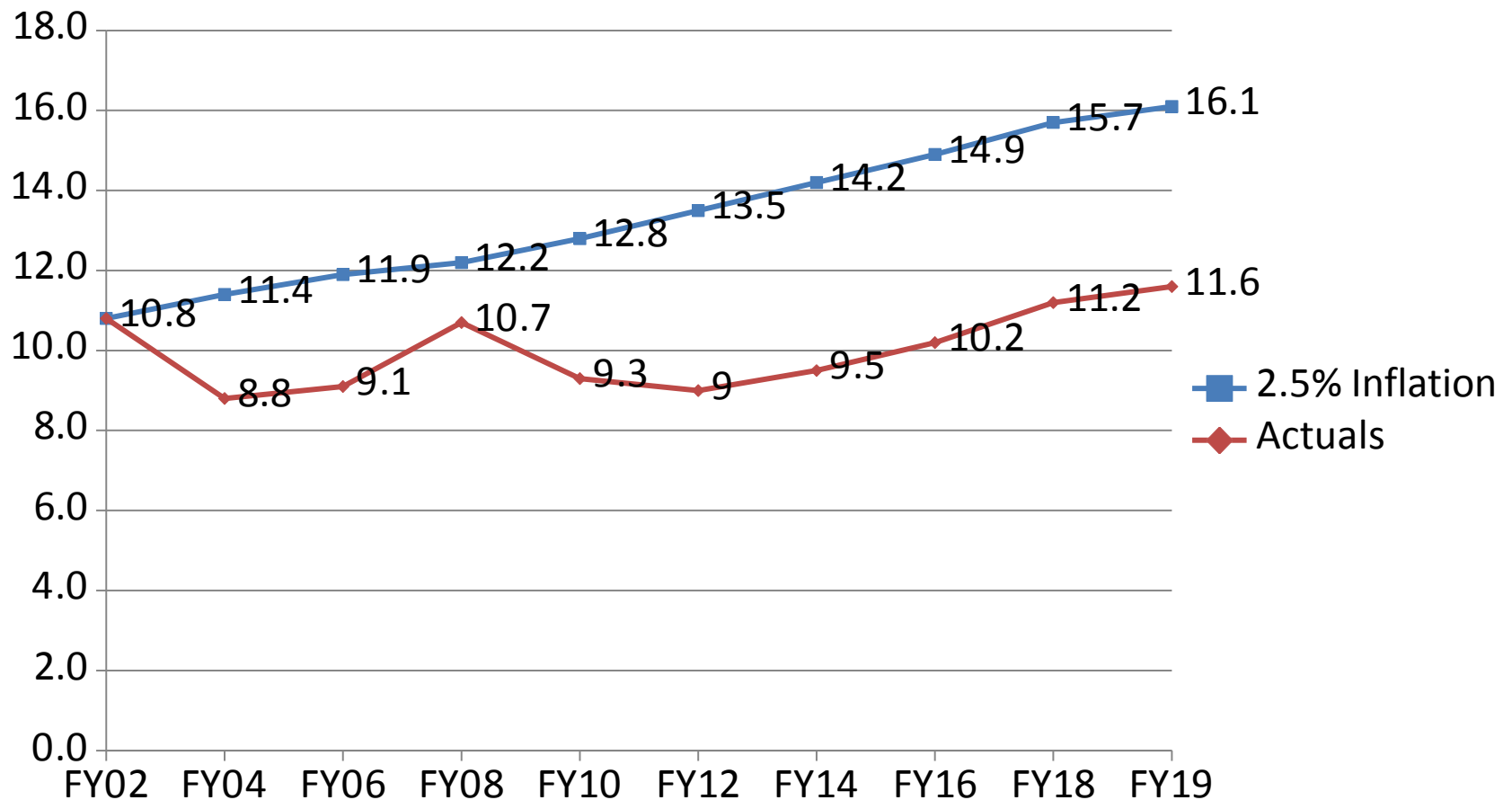
Budget Strategy

1. Prepare Preliminary FY20 Budget
 - a. General Government
 - b. School Department
 - c. Shared Costs
2. Prepare 5-Year Projections
 - a. Assumptions
 - b. Reasonable Growth
3. Develop Long-Term Strategy

BBC Goals

1. Inform Public on Budget Issues
 - a. Differences from other budget cycles
 - b. Discuss Potential Impacts
2. Answer Questions
3. Gather Public input to Help with Deliberations

State Aid Less Than Inflation



Understanding a structural deficit (in brief)

Expenses grow faster than revenues every year.
Each year your pay goes up by \$100, but your expenses go up by \$105
-So cut expenses?

A majority of our costs are labor costs, which is the case in every city and town in MA. Labor costs increase annually and some are based on factors we can't directly control (health insurance, pensions)

We often cut other areas of the budget to keep staff and avoid having to lay people off. Without people, we can't provide the services.

New Growth Limits

Generally a Town that is growing can sustain itself because of additions to the tax base. While more fortunate than most communities, Norwood is also fully built out so large scale new growth is challenging. We have large apartment complexes going up and new commercial developments, but we would need to increase growth by about 50-70% annually to keep up with cost pressures.

Limits in revenue growth

- Prop 2 ½ limits how much we can raise in property taxes (our main revenue source) each year. We can't go above this 2 ½% in any given year without a tax override.
- Prop 2 ½ numbers were effectively set artificially in the early 1980s.
- We cannot add fees, charges, or other taxes of any kind unless the state passes a law allowing us to do so.
- Fees need to be generally related to our total cost for providing the service.

What got us here?

- State limits on revenue generation
- State mandates on education
- History of use of one time revenues to fund ongoing expenditures
- Deferred maintenance
- Artificially low levy limit set in the early 80's

What is being looked at?

- An “operational override” in the range of 7-8 million is one option
- This would provide reasonable stability to all departments and no need to layoff staff each year
- Fixes some financial weakpoints in our budget (snow and ice, facilities, roadwork)
- Ensures the school department meets minimum requirements for college acceptance and mandated service costs for things like special education

What is an override?

- It's a tax increase. Above and beyond the normal "limit" we can raise each year.
- Currently projected to cost the average resident around \$500-540 per year on their tax bill.
- Requires BOS to place on warrant, public acceptance by a simple majority at the ballot box, and Town Meeting to appropriate the funds in the Budget at Annual Town Meeting.

Have other options been considered?

- Of course-when you cannot raise enough revenue you have to cut expenses. But in our line of “business” our expenses are our people, so this means bodies.
- There could be no override, a smaller override, or the 8.7 (7.8) override

How did we develop the numbers?



Methodology

Input from BB over the last several months on priority issues to address

Costs developed to reasonably address action items and priority deficits

Two preliminary numbers were scaled down to more realistic numbers

Provides reasonable stability over the next 5 years

First glance

First calculation came in at....

\$10.8 million

This number included an appropriate amount for our OPEB liability - unfeasible.

Second glance

Came in at about \$9,800,000

After removing OPEB, numbers were further reduced down:

- Road number reduced so that general fund expenditure will match Chapter 90 allocation in FY20 (Originally proposed to be closer to a \$3 million total)

- Reduced facility amount
- Refined deficit total over 5 years

Came in at final calculation...

Final calculation

Deficit Fix	Snow and Ice	Road funds	Facilities	School programming
5,800,000	650,000	450,000	400,000	1,400,000

\$8,700,000

Impact to taxpayer

Value range and tax bill impact:	<u>Assessed Value</u> (\$)	<u>R&O tax bill</u> impact (\$)
Average Single Family Residence:	435,303	574.60
	250,000	330.00
	350,000	462.00
	450,000	594.00
	550,000	726.00
	650,000	858.00
	750,000	990.00
	850,000	1,122.00
	950,000	1,254.00
	1,050,000	1,386.00
	1,150,000	1,518.00
	1,250,000	1,650.00

Impact to taxpayer

On an AVERAGE home in Norwood

\$575 per year	(\$525)	(\$518)	(\$470)
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\$48 per month	(\$43)	(\$43)	(\$39)
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\$1.58 per day	(\$1.43)	(\$1.43)	(\$1.28)
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Number at 10% less

Further refinement is possible, however anything more than a 10% swing will not achieve goals BB has set out during the summer.

Updated number

- **IF** we were to sell the Forbes Hill property, our projected debt service in out years will be reduced, therefore reducing the amount of money needed to close the deficit, fix some deficit areas, and enhance education programming to around \$7,800,000

How did we arrive at these numbers?

- If you remember, way, way, way back to the summer of 2018...
- We first discussed what is needed to offer level services (balance the budget)
- We then discussed what are some deficit areas we repeatedly see that weaken our financial position and operating capacity
- We then discussed what would we like to achieve

1,2,3

Offer level services- \$5,700,000 needed to balance the budget over the next 5 years and offer the same level of service to the community

Fix priority deficits- \$1,500,000 increase Snow and Ice to a reasonable level, allocate more money to roads, begin to properly maintain our facilities

What we want to achieve- \$1,500,000 for additional programming in the school department

What does this total contain?

Deficit fix- This number would close the FY20 budget deficit, currently projected at \$4 million+. This also removes the free cash that has been used to balance the budget which will help generate more free cash for savings and capital projects in future years, as well as help the Town's credit rating and reduce need to borrow; but most importantly, it means we will not need to lay off teachers and other staff this year or for the foreseeable future.

What does this total contain?

Snow and Ice- This would allocate \$650,000 to our snow and ice budget to bring it in line with historic expenditure averages. This would reduce the need to deficit spend and fix an area where we are constantly depleting free cash every year to pay for regular, recurring snow and ice costs.

Snow and Ice (continued)

Year	GG budget	Actual	School Budget	Actual
FY 15	\$475,000	\$2,258,186	\$25,000	\$455,599
FY 16	\$476,000	\$650,033	\$40,000	\$150,644
FY 17	\$550,000	\$824,718	\$20,000	\$205,265
FY 18	\$575,000	\$992,294	\$40,000	\$244,830
Total	\$2,076,000	\$3,288,000	\$125,000	\$1,054,000
Averages	\$519,000	\$822,000	\$31,250	\$263,000

Instead of the FY15 number we used \$822 which is an average of FY16-18; the FY14 number was approximately \$1 million

Budget FY15-18	Actual FY15-18	Deficit
2,088,500	\$4,342,000	\$2,253,500

What does this total contain?

Road funds- This would allocate \$450,000 for additional road work in Town. Combined with a projected \$450,000 allocation in the FY20 budget this would mean the Town is spending about \$900,000 on road work annually, equal to our CH90 allocation from the state.

What does this total contain?

Facilities- This would allocate \$400,000 towards a centralized facilities department. This would be partial cost for staff and partially for an operating budget for repairs and work on facilities. We currently own in excess of \$500 million in physical assets that are not centrally maintained and current maintenance is insufficient to keep up with facility demands.

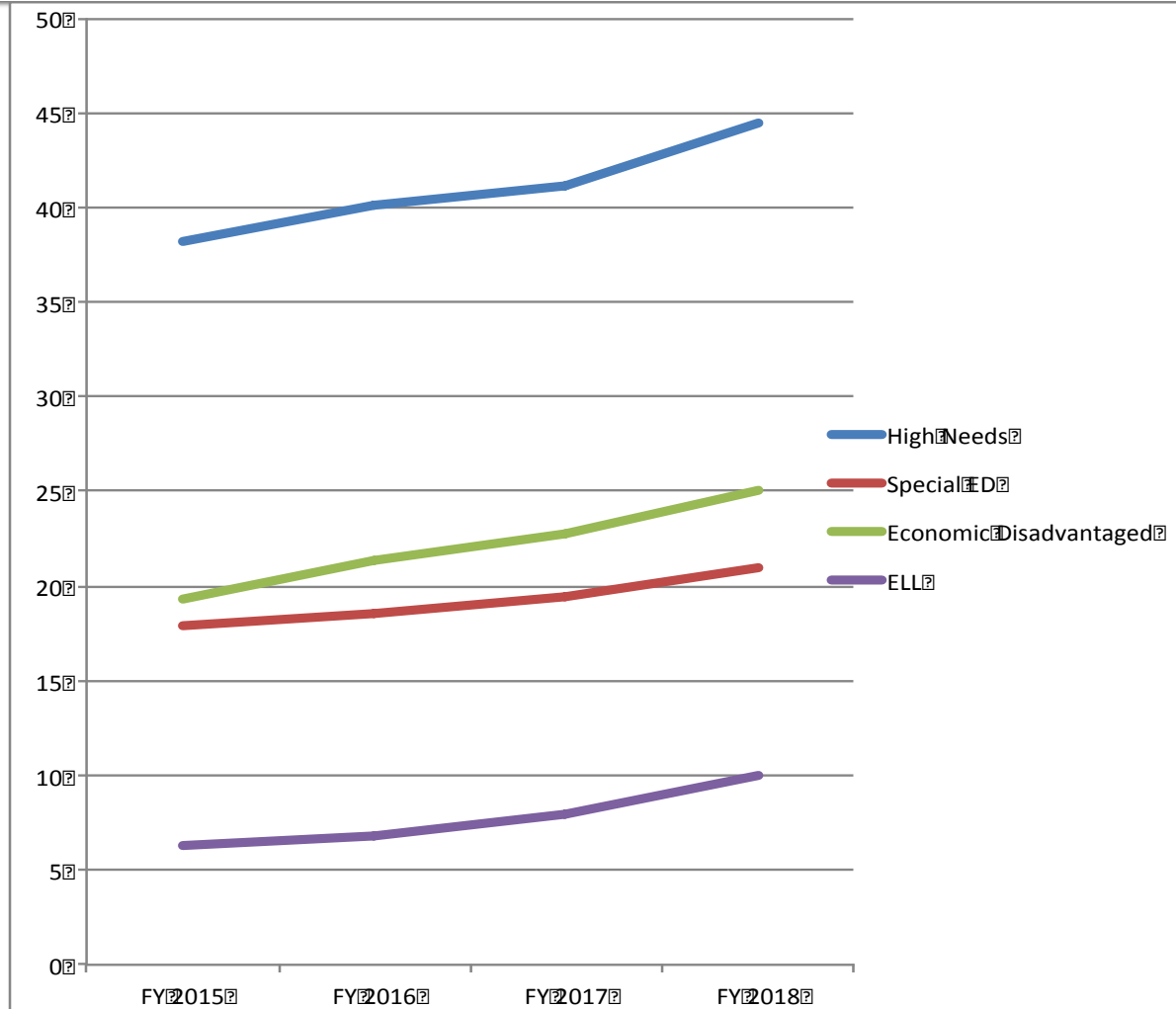
School Programming

- Dr. Thomson to discuss school programming numbers

Why are we in this position?

- State Education Funding has not kept pace with current student needs and educational mandates
- Norwood has been generous with using Free Cash to overcome budgetary shortfalls
 - No Free Cash next year
- Student needs and unfunded mandates are increasing faster than our revenues.
- Yearly increase in cost of goods and services (inflation)

Percentage of High Needs Students



Reduction in Services over the past 5-10 years

■ High School

- 1.4 Science teachers
- 2.0 Foreign Language teachers
- 1.6 Social Studies teachers
- Reduction of 0.6 Math and 0.2 music to offer 0.8 Foreign Language
- MCAS Remediation Teacher

■ Middle School

- 2.0 Foreign Language
- 1.0 Computer
- 0.4 Art
- 0.6 PE
- 0.5 Librarian

Reduction in Services over the past 5-10 years

- Elementary Schools and Kindergarten
 - 8.0 Classroom Teachers
 - Gifted and Talented Program
 - 2.0 Full time Elementary Librarians
 - 0.4 Kindergarten Art

Budget Reduction Efforts

■ Operational Efficiencies

- Centralized purchasing to decrease costs
 - TEC Collaborative group purchasing
 - Use of State bid contracts
 - Amazon- free shipping
- Use of competitive grants for Food service equipment and programs
- Managed Print services
- LED lights in classrooms, corridors, and building exteriors
- Scheduled building heating and cooling

■ Student Services Efficiencies

- Increased Special Ed Programing in District- Fewer students sent out of district
- Focus on using appropriate Educational Collaborative programs for out of district placements- less costly

What we want to accomplish

- Progress in student achievement
- Fiscal Stability
- Remain competitive/ comparable to other education systems
 - MCAS performance
 - AP offerings
 - Career pathways
 - Meet Mass Core Graduation requirements
- Offer academic programming that prepares our students for 21st Century - College and Career Ready

School 5 Year Strategic Plan

- Investment and Resource Allocation

To create a purposeful and sustainable budget to provide sufficient funds to operate and improve the NPS.

- Facilities and Operations

Create facilities that are centers for innovation and comprehensive educational experiences that will foster and promote problem solving and creativity for both staff and students within a safe environment.

- Innovative Instruction and Personalized Learning

Implement Core curriculum through instructional practices that will inspire lifelong curiosity through collaborative problem solving and authentic learning.

- Programs and Pathways

To create pathways that enable students to explore and pursue their interests and passions, while contributing to the overall good of the community.

- Safe and Supportive Schools

Through the creation of a culture of care, inclusion, and safety for every student and their family in the Norwood Public Schools.

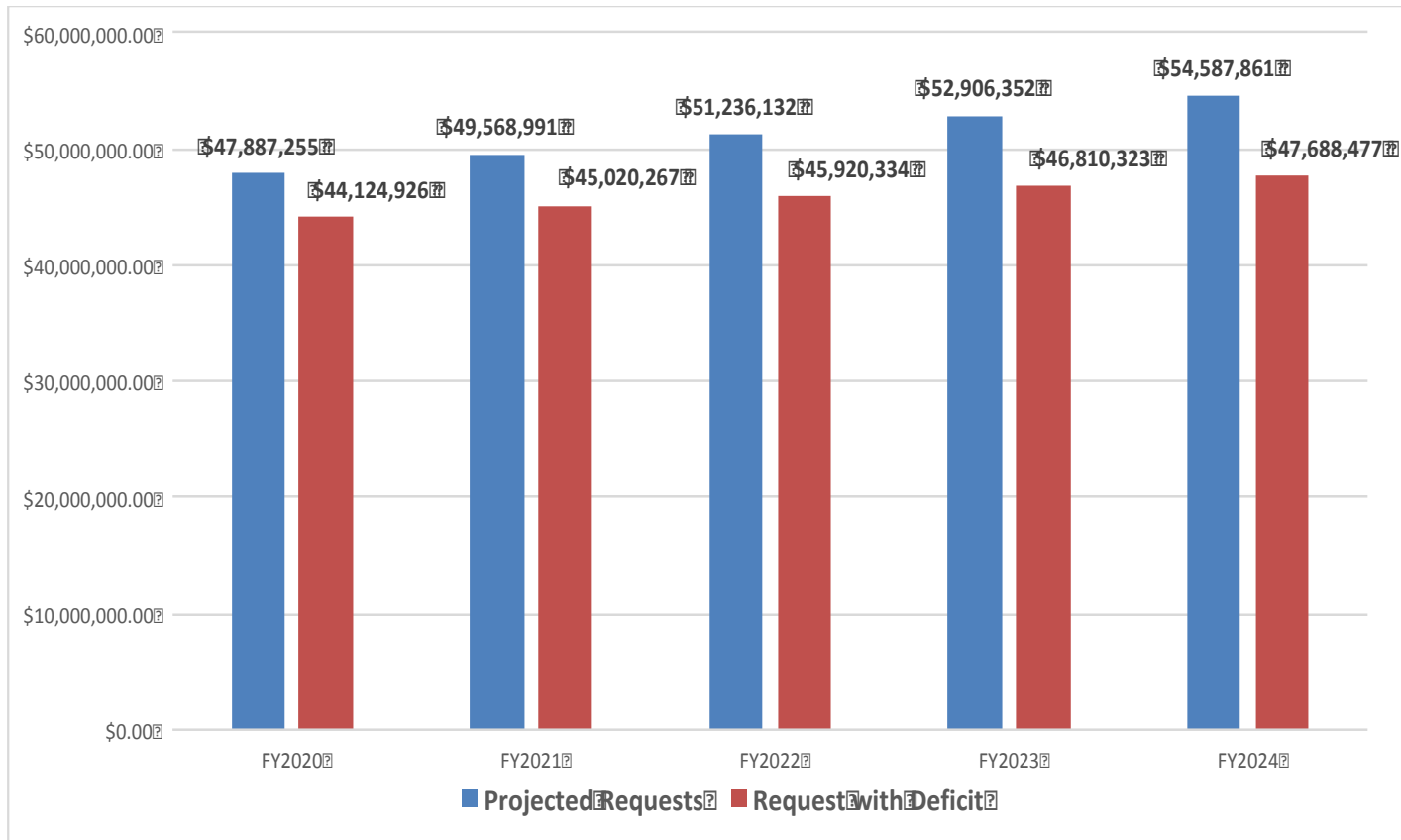
5 Year Projection - Level Service

Ask-nonadjust

\$47,887,254.93 \$49,568,990.82 \$51,236,131.94 \$52,906,351.62 \$54,587,860.81

Projected Request Deficit

(\$3,762,329.03) (\$4,548,723.77) (\$5,315,798.14) (\$6,096,028.17) (\$6,899,383.71)



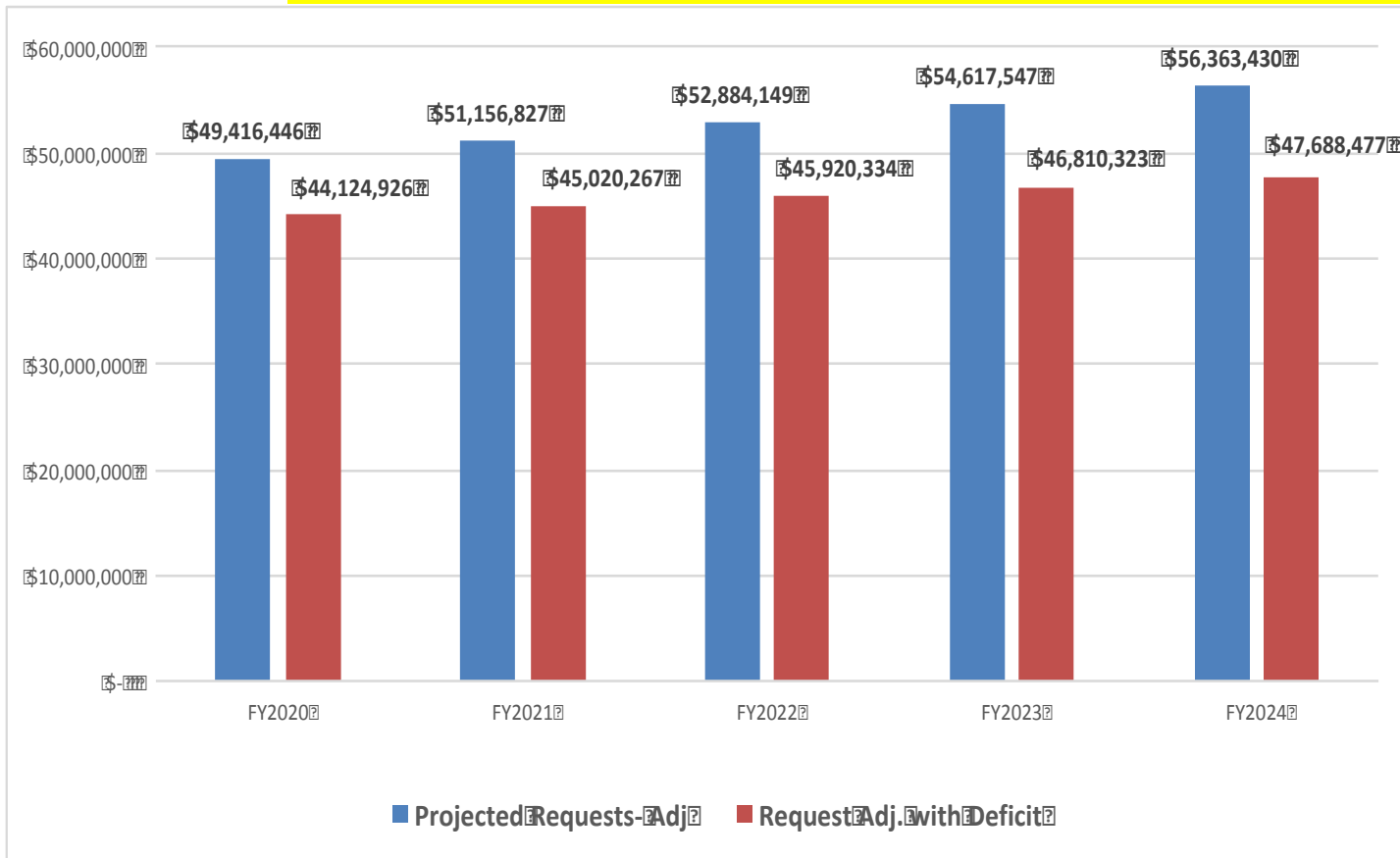
5 Year Projections – Needed Resources

Ask-Adjusted

\$49,416,445.83 \$51,156,827.42 \$52,884,149.04 \$54,617,546.62 \$56,363,430.01

Project Need, D

\$45,291,519.93) \$46,136,560.37) \$46,963,815.24) \$47,807,223.17) \$48,674,952.91)



Improve Curriculum and Instruction

- \$300,000 yearly to replace, revise, and improve curriculum as well as instruction- Curriculum cycle
- \$270,000 to expand Advanced Placement offerings and opportunities (Computer Science, World History, Comparative Government, Physics, Environmental Science) along with developing ***Career Pathways*** (Healthcare and Social Assistance)
- \$78,000 in staffing to ensure all students complete a Mass Core curriculum and are able to continue on to a MA state college or university

Strengthen Programing to Ensure the Success of All Learners

- Personalized and Project-Based Learning
 - \$40,000 to implement assessment, progress monitoring, intervention and extension software to improve student performance and to identify individual students' instructional needs
 - \$125,000 for programming and materials to address struggling and high needs students
- Recognizing Trends of Increasing Student needs
 - \$125,000 to increase ELL services to meet increased needs
 - \$65,000 for sub-separate programming for special education
 - \$185,000 to increase counselor staffing to meet increased need and increase therapeutic services

Ensure Adequate Supplies and Support

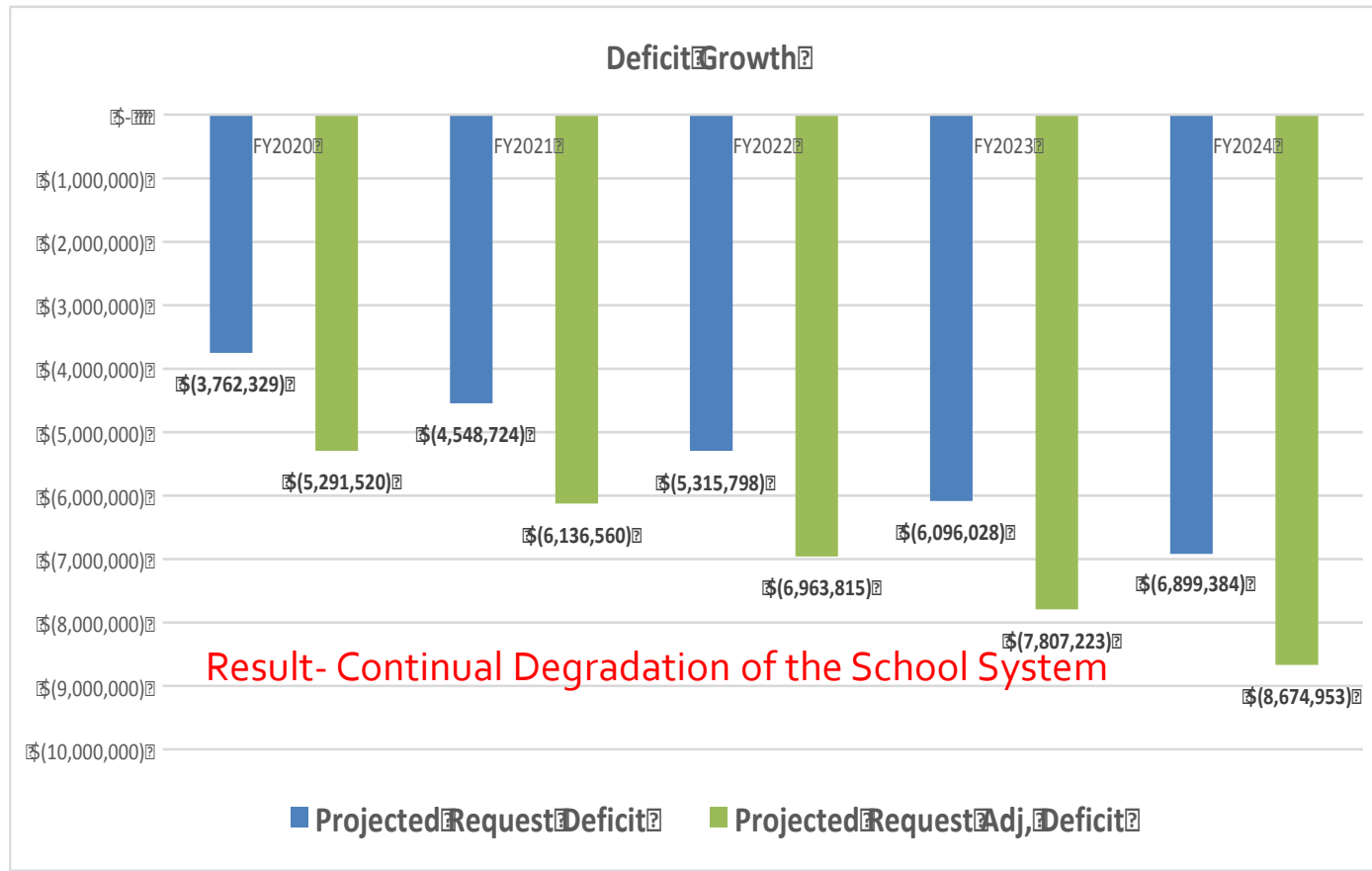
- \$200,000 increase in supply budget to meet actual needs and costs
- \$80,000 to restore cuts affecting programming at CMS (Library, PE)
- \$60,000 for Central Registration and Technology Support

Future without an override

- Significant reductions in programs and people (curricular and extracurricular)
- Increase in class sizes across all grade levels
- No investment in curriculum or professional development
- Continued lack of growth and improvement
 - Accountability ratings
 - Test scores
 - College viability

Structural Deficit-- Level Service

2020	2021	2022	2024	2025
Reductions	Reductions	Reductions	Reductions	Reductions
Approximately \$3.7 Million (17-18 Positions = \$1.0 Million)	Another \$786,395	An Additional \$767,074	An Additional \$780,000	An Additional 803,000



Caveats

- Final number is subject to some further auditing and may go up or down.
- Number is what is needed to achieve some of the goals discussed in recent months.
- A substantially lower number will not achieve goals discussed in recent months, so if desire exists for a fundamentally lower number expectations must be lowered as well.
- The economy.
- The economy.

Threats to municipal services

- A projected budget deficit over the next five years would result in approximately \$2.2-\$4 million in municipal budget reductions.
- This will include staff reductions as well as service reductions
- Reducing other budgetary areas a small portion of the solution, but effectively kicks the can down the road (reducing building maintenance, infrastructure, etc.)

Potential service cut impact-Police

Reduction/elimination of beat/walking patrols

Reduction in patrol coverage

Increase in response time

Decreased investigative capacity (fewer investigations, less time spent on investigations)

Potential service cut impact-Fire

Increased response time for fire calls

Increased response time for ambulance calls

Loss of revenue from reduced ambulance runs**

Potential service cut impacts-Public Works

Reduce/eliminate leaf pickup

Reduce hours at landfill

Reduced maintenance at
cemeteries/parks/fields

Summer maintenance (downtown, painting of hydrants, etc. eliminated)

Increased plow route times, longer wait times for roads to be plowed

Potential service cut impact- Library, Recreation, COA

- Loss/reduction of outreach efforts at COA
- Loss/reduction of hours for van service at COA
- Reduced operating hours for all facilities- could include opening later, closing earlier or closing whole days
- Programming cuts at all three facilities

Service cut impact-General Government

- Dental program, flu clinic subject to elimination
- Reduction of hazardous waste day
- Town hall office hour cuts, less public availability, offices closed at various times of the day
- Inspections will take longer to schedule and complete, more subject to be missed due to reduced time for inspectors
- Reduced capacity to research, apply and manage grants which further deteriorates other services

Service cut impacts-General Government

- Reduced staffing and overtime flexibility means staff not available for a variety of community events such as 4th of July, Concerts on the Common, Norwood day, etc... means these events will cost more if not town supported and town will have to reduce support and frequency of events like these
- Deferred maintenance on roads and other infrastructure will lead to larger, hidden costs down the road. We are avoiding a cost today that tomorrow's generation will pay.
- Backlog of simple service calls-trimming a tree, ticketing trash build up, noise complaints, etc.

Some brief FAQs

- Has the town considered other alternatives rather than raising taxes or cutting services
 - Yes, there are very few.
- Can the Town just find more efficiencies?
 - Yes, and we do each year. FY20 is a large gap, \$3-\$4 million in “efficiencies” is not realistic given most of our costs are personnel costs.
- Can't the Town raise X fee, Y tax, or make Z pay more
 - In short, no and where we can it does not raise enough revenue. State law limits what we can and cannot tax and the limits that are set.

Next Steps

1. Input from November 29 Meeting
2. Vote Recommendations to Selectmen, Finance Commission and School Committee in December
3. Selectmen Vote to Place Override On April 2019 Ballot
4. April Election – Majority Vote
5. Town Meeting Appropriate FY-20 budget in May 2019
6. Budget Balancing Committee continues to meet beginning in January to Develop a “Plan B” Budget in case Override is Rejected by the Voters

Norwood's Future

1. Norwood has many enviable qualities, and provides its citizens with excellent services at affordable rates
2. Norwood is at a crossroads – how do we maintain AND improve on what we have?
3. What type of town do we want?

Questions

- Please direct your questions to the moderator.
- We're here to receive questions and suggestions, but this is not the time/place or forum for a debate. Save that for Town Meeting!