

# Warrant Committee Override and Free Cash Budget Framework Discussion

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SELECT BOARD MEETING

DECEMBER 4, 2023

# Override and Free Cash Budget Framework Modeling Objectives

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- Develop multi-year revenue and expense model that incorporates budget priorities of the town and characterizes the budget deficit
- Identify and model impact of key assumptions that drive budget deficit, override, and use of Free Cash
- Model various scenarios to help quantify override size and options for Free Cash utilization
- Characterize lingering long-term budget sustainability challenges
- *Note: This is just a modeling tool to increase understanding – not a policy recommendation*

# Common Model Assumptions across all Scenarios

- Revenue Assumptions: **Budget Summit II Multi-year Revenue projections**
- Current Free Cash Level: **\$11.7 M** (November 2023 certification)
- Recurring Annual Free Cash Utilization: **\$3 M**
- Expected Annual Turnbacks and Free Cash Replenishment: **\$3 M**
- Use of Free Cash for near-term Capital needs:
  - **FY25: \$1.5 M** (CUE Boiler)
- Additional Discretionary/Sidewalks Capital: **\$500K annually**
- Free Cash Reserve policy target: **3.0% of** Total Annual Revenue (excluding debt)
- “Excess” Free Cash available to offset override: **\$3.1 M**

# Scenarios

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- FY25-FY29 Override Budget
- FY25 “Level Services” + Historical Growth
- FY25 “Level Services” + Moderated Growth
- FY25 “Level Services” + Moderated Growth + Revenue Growth
- FY25 Override + Moderated Growth Rate + Rev Growth Scenario

# FY25-FY29 Override Budget Scenario

- Assumptions
  - Revenue Estimates from Budget Summit II
  - **Schools Override Budget Expenses FY25-FY29**
    - **Total Schools Expenses CAGR: 6.2%**
  - Town FY25 “Level Services” Budget with growth estimates
    - **Municipal Expenses CAGR: 2.5%**
    - **Benefits Expenses CAGR: 3.9%**
    - Facilities Expenses CAGR: 2.2%
    - Other Shared Expenses CAGR: 2.6%
    - Capital Related Expenses CAGR: 2.2%
- Scenario Estimates
  - Override: **\$10.8 M**
  - One-time use of Free Cash: **\$5.3 M** (*includes additional excess FC accumulated in FY25 due to large override*)
  - Override expected to last: **3 years**
  - Next anticipated override: **FY28 (April 2027)**
  - Anticipated FY28 override size: **\$7-9 M**
    - FY27-FY29 Revenue CAGR: **2.9%**
    - FY27-FY29 Expense CAGR: **4.1%**

# FY25 “Level Services” + Historical Growth Rate Scenario

- Assumptions
  - Revenue Estimates from Budget Summit II
  - **Schools FY25 “Level Services” Budget** with growth estimates
    - Salaries Expenses CAGR: **5.0%**
    - Non-Salary SPED Expenses CAGR: **7.0%**
    - Operating Expenses CAGR: **3.0%**
  - **Town FY25 “Level Services” Budget** with growth estimates
    - Municipal Expenses CAGR: 2.5%
    - Benefits Expenses CAGR: 3.9%
    - Facilities Expenses CAGR: 2.2%
    - Other Shared Expenses CAGR: 2.6%
    - Capital Related Expenses CAGR: 2.2%
- Scenario Estimates
  - Override: **\$8.0 M**
  - One-time use of Free Cash: **\$3.9 M**
  - Override expected to last: **3 years**
  - Next anticipated override: **FY28 (April 2027)**
  - Anticipated FY28 override size: **\$6-8 M**
    - FY27-FY29 Revenue CAGR: **2.9%**
    - FY27-FY29 Expense CAGR: **4.1%**

# FY25 “Level Services” + Moderated Growth Rate Scenario

- Assumptions
  - Revenue Estimates from Budget Summit II
  - Schools FY25 “Level Services” Budget with growth estimates
    - Salaries Expenses CAGR: 5.0% → 4.5%
    - Non-Salary SPED Expenses CAGR: 7.0% → 6.0%
    - Operating Expenses CAGR: 3.0% → 2.5%
  - Town FY25 “Level Services” Budget with growth estimates
    - Municipal Expenses CAGR: 2.5%
    - Benefits Expenses CAGR: 3.9% → 3.0%
    - Facilities Expenses CAGR: 2.2%
    - Other Shared Expenses CAGR: 2.6%
    - Capital Related Expenses CAGR: 2.2%
- Scenario Estimates
  - Override: **\$7.8 M**
  - One-time use of Free Cash: **\$3.7 M**
  - Override expected to last: **3 years**
  - Next anticipated override: **FY28 (April 2027)**
  - Anticipated FY28 override size: **\$4.5 – 6.5 M**
    - FY25-FY27 Revenue CAGR: **2.9%**
    - FY25-FY27 Expense CAGR: **3.7%**

# FY25 “Level Services” + Moderated Growth Rate + Rev Growth Scenario

- Assumptions
  - Revenue Estimates
    - Tax Levy Growth Rates: 3.3% → 4.0%
    - State Aid Growth Rates: 1.3% → 1.5%
    - Other Revenue Sources Growth Rates: 0.5% → 2.5%
  - Schools FY25 “Level Services” Budget with growth estimates
    - Salaries Expenses CAGR: 5.0% → 4.5%
    - Non-Salary SPED Expenses CAGR: 6.5% → 6.0%
    - Operating Expenses CAGR: 2.5%
  - Town FY25 “Level Services” Budget with growth estimates
    - Municipal Expenses CAGR: 2.5%
    - Benefits Expenses CAGR: 3.9% → 3.0%
    - Facilities Expenses CAGR: 2.2%
    - Other Shared Expenses CAGR: 2.6%
    - Capital Related Expenses CAGR: 2.2%
- Scenario Estimates
  - Override: **\$7.8 M**
  - One-time use of Free Cash: **\$3.6 M**
  - Override expected to last: **3 years**
  - Next anticipated override: **FY28 (April 2027)**
  - Anticipated FY28 override size: **\$3-4 M**
    - FY25-FY27 Revenue CAGR: **3.5%**
    - FY25-FY27 Expense CAGR: **3.7%**



# FY25 Override + Moderated Growth Rate + Rev Growth Scenario

- Assumptions
  - Revenue Estimates
    - Tax Levy Growth Rates: 3.3% → 4.0%
    - State Aid Growth Rates: 1.3% → 1.5%
    - Other Revenue Sources Growth Rates: 0.5% → 2.5%
  - **Schools FY25 Override Budget** with moderated growth:
    - Salaries Expenses CAGR: **5.0% → 4.5%**
    - Non-Salary SPED Expenses CAGR: **6.5% → 6.0%**
    - Operating Expenses CAGR: 2.5%
  - Town FY25 “Level Services” Budget with growth estimates
    - Municipal Expenses CAGR: 2.5%
    - Benefits Expenses CAGR: 3.9% → 3.0%
    - Facilities Expenses CAGR: 2.2%
    - Other Shared Expenses CAGR: 2.6%
    - Capital Related Expenses CAGR: 2.2%
- Scenario Estimates
  - Override: **\$9.2 M**
  - One-time use of Free Cash: **\$3.6 M**
  - Override expected to last: **3 years**
  - Next anticipated override: **FY28 (April 2027)**
  - Anticipated FY28 override size: **\$3-4 M**
    - FY25-FY27 Revenue CAGR: **3.5%**
    - FY25-FY27 Expense CAGR: **3.7%**