

PROPOSAL FOR ALLOCATION OF REVENUE INCREASE

Town of Millis – FY21

2/12/2020

OVERVIEW

Historically, the new revenue available for operating budgets has been split between Municipal and School on a 35%/ 65% formula. This formula was implemented 22 years ago, as a way to fairly allocated limited financial resources. Simply stated, since there was not enough funding to meet everyone's need, a fair split of these limited resources based on total available funds was the only solution.

Significant new revenue from The Glenn, Adult use Marijuana, and other new growth will start coming into the Town in FY21, and continue for several years. The 35/65 split would allocate all of this to Operating Budgets. This would cause three or four "windfall" years, with budgets growing at an unsustainable level.

THE OBJECTIVE

The goal of the proposed solution is to produce a simple formula that will provide adequate and sustainable budget revenue, and set aside surplus fund for Capital Projects.

THE OPPORTUNITY

- The Glen – this project will bring in \$2,500,000 - \$3,000,000 in taxes as it is built out.
- Adult Use Marijuana (tax at 3%) – this will bring in revenues (yet to be determined) to the general operating funds.
- Typical new growth – New growth – runs about \$330,000 per year.

WHAT THIS PLAN DOES NOT INCLUDE

- New commercial or industrial growth, which has been historically difficult for the Town to attract. Of course, we should still try to attract these businesses but we should not build a plan based on a thriving commercial or industrial tax base. Millis is, and will most likely continue to be, 90%+ residential.
- "Cost sharing" for key positions between the Municipal and School departments. If this can be achieved, and overall operating costs reduced, so much the better.
- Increases in State Aid.
- Unforeseen state mandates or dramatic changes in mandated funding needs.

PLAN

- Simple:
 - Revenue Calculation: Revenue will be determined using the historic model:
 - Total all revenue sources
 - Subtract revenue that does not affect operating budgets (Excluded Debt, Free Cash, Enterprise Funds, Overlay, Ambulance, and Permits Adjustments).

- Subtract those costs that are “shared” (items from the Cherry Sheet, General Insurance, Employee Benefits, Tri-County School, Non-Excluded Debt).
 - Subtract the prior year’s “Base Budgeted Revenue”
- Budget Growth: Each budget can grow 4% over the prior years “base”:
 - If the 4% growth is more than available new revenue, then the budgets grow by 4%, with excess funds used for Capital or added to base budget on a case by case basis.
 - If the 4% growth is less than available new revenue, all the funds will be allocated to budgets, allowing for equal growth.
- **Sustainable:**
 - If a reasonable growth rate is used, the plan should fund approximately eight years. Higher growth rates will cause significant funding shortfalls in future years.
 - If we have dramatic excess funds in any given year, we should consider placing them in Stabilization to offset future budget shortfalls.
- **Capital Project Funding:**
 - New Revenue in excess of the allowable growth and reserves for future years may be allocated to Capital Projects as presented by the Capital Committee.

GROWTH OVER 4%

A 4% growth rate will meet reasonable contractual raises, and allow for occasional, nominal, growth in each department. However, there are cases when additional growth will be needed.

- Unforeseen situation that requires funding in excess of the typical growth.
- An Operational Override by either for either a Municipal Department or the Schools will allow budgeted growth over 4% of “Base Budgets”.

In either case, these changes will become part of the “base budget” when calculating growth in future years.

REVIEW & IMPLEMENTATION:

At each Winter Tri-Board meeting the growth will be calculated and distributed.

- Barring any significant changes to the revenue estimates or significant, uncontrollable expense changes, this plan will be in place for FY21, FY22, and FY23.
- Actual Revenue amounts will be used for the current year (as provided by Town Administration), with estimated growth rate for future years.
- The plan will be reviewed prior to the start of FY24 budgeting, and modifications will be made to accommodate FY24, FY25 and FY26.
- The Budget Growth Rate and the assumptions will be updated every three years.