

Town of Hubbardston

FISCAL YEAR 24-28 FORECAST



Hubbardston Financial Forecast 2024 - 2028

Select Board and Finance Committee Members:

Each year, the Town of Hubbardston creates five-year revenue and expense estimates which make logical assumptions to anticipate future revenue and expenses. While useful, this forecast is not an exact science and was made using estimates based on historical and trend data. With this, I took a conservative approach to look at the next five years while reviewing specific trends of the last five. Below please find the **FY2024 - FY2028 Five-Year Financial Forecast**. I want to thank Town Accountant Kelli Pontbriand and Treasurer Collector Sandy Nason for contributing to this forecast.

Forecast Assumptions:

- The Assessor's estimate of \$50,000 has been used for annual new growth.
- Estimated local receipts are projected for FY2024 considering three-year averaging and FY2022 actual receipts (2.5%). FY2025 - FY2028 are budgeted at a 2% increase.
- Historically, the Town collects 99% of property taxes annually.
- According to trend data, State Aid is projected to increase by 2.5% annually. Although trend research implies 3-5% yearly growth, given the volatility of state support and a new administration, a more conservative approach to these projections is recommended.

Other operating expenses are increased annually under the following assumptions:

- Personnel 2%
- Employee Support 2.5%
- QRSD 6%
- Monty Tech 6%
- Medical Insurance 6%
- Retirement 7%
- Insurance 6%
- Expenses 2.5%
- Supplies 2.5%
- Snow and ice 2.5%

Town finance policies emphasize accurately estimating local revenues and being conservative with forecasts. Unfortunately, this will continue to lower available revenues until realization.

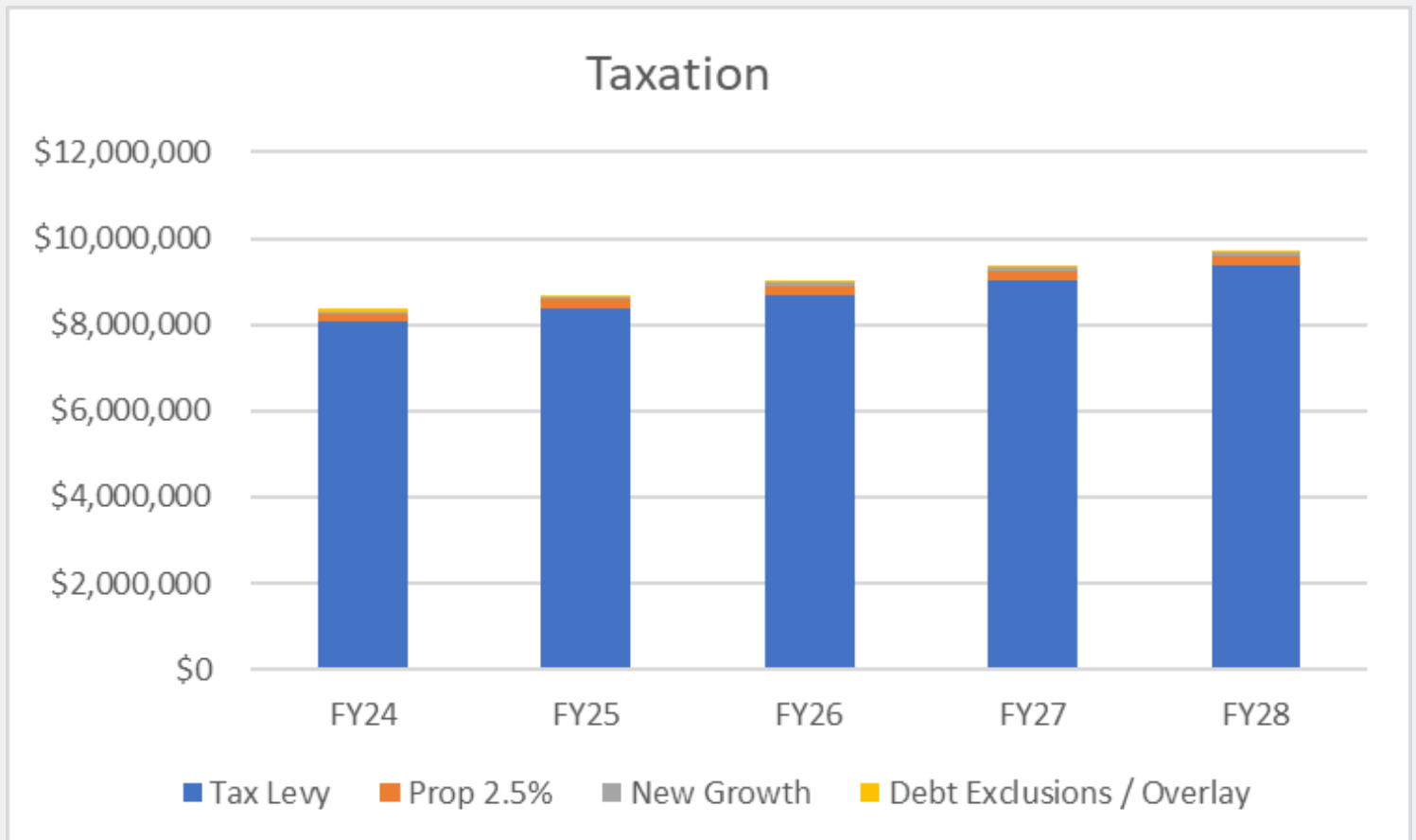
Revenue Projections

Property Tax Levy

Property taxes fund a large majority of our annual budget. The process of raising revenues through property tax is governed by Proposition 2 ½. This law establishes limits for total taxation and creates a levy limit of 2.5% of the full and fairly assessed value of all taxable real and personal property in a municipality.

In Hubbardston, the FY23 levy limit, as calculated by the MA Department Of Revenue, is \$8,058,153, representing the maximum allowable value of property tax revenue the town could raise for use in FY24. Once established by DOR, the levy limit for each succeeding year is equal to the previous years, plus 2.5%, plus the taxable value of any New Growth in taxable real and personal property in the preceding year. Residents can find a helpful guide to understanding Proposition 2 ½ on the MA Division of Local Services website at <https://www.mass.gov/files/documents/2016/08/oq/levylimits.pdf>

Revenue Summary	FY24	FY25	FY26	FY27	FY28
Tax Levy	\$8,058,153	\$8,374,607	\$8,698,972	\$9,031,446	\$9,372,233
Prop 2.5%	\$201,454	\$209,365.18	\$217,474.30	\$225,786.16	\$234,305.82
New Growth	50000	50000	50000	50000	50000
Debt Exclusions / Overlay	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000
Subtotal	\$8,374,607	\$8,698,972	\$9,031,446	\$9,372,233	\$9,721,538

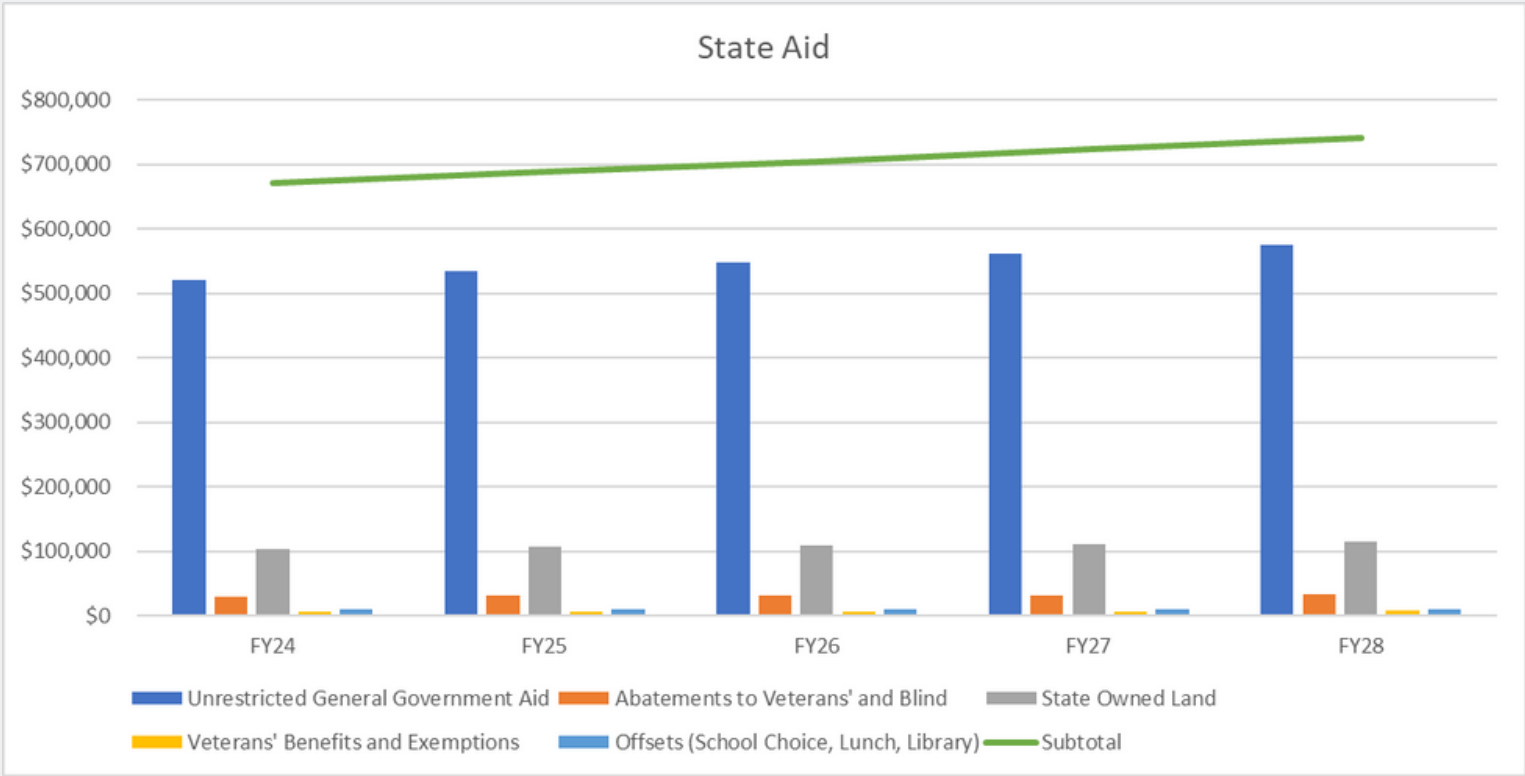


State Aid

State Aid is money given by the Commonwealth to cities and towns. Figures appear on the “Cherry Sheet,” which summarizes sources of revenue and selected charges against the Town’s State Aid. To access Town of Hubbardston Cherry Sheet data, go to <https://www.mass.gov/lists/cherry-sheetestimates#cherry-sheetestimates-and-other-reports-> and search the municipalities database for “Hubbardston.”

Revenue Offsets

Revenue Offsets include Cherry Sheet receipts that are set aside from the General Fund for special purposes and are available for use without approval of Town Meeting. In Hubbardston the single revenue offset is Library Grants of \$10,184. No increase is expected in FY 2024.

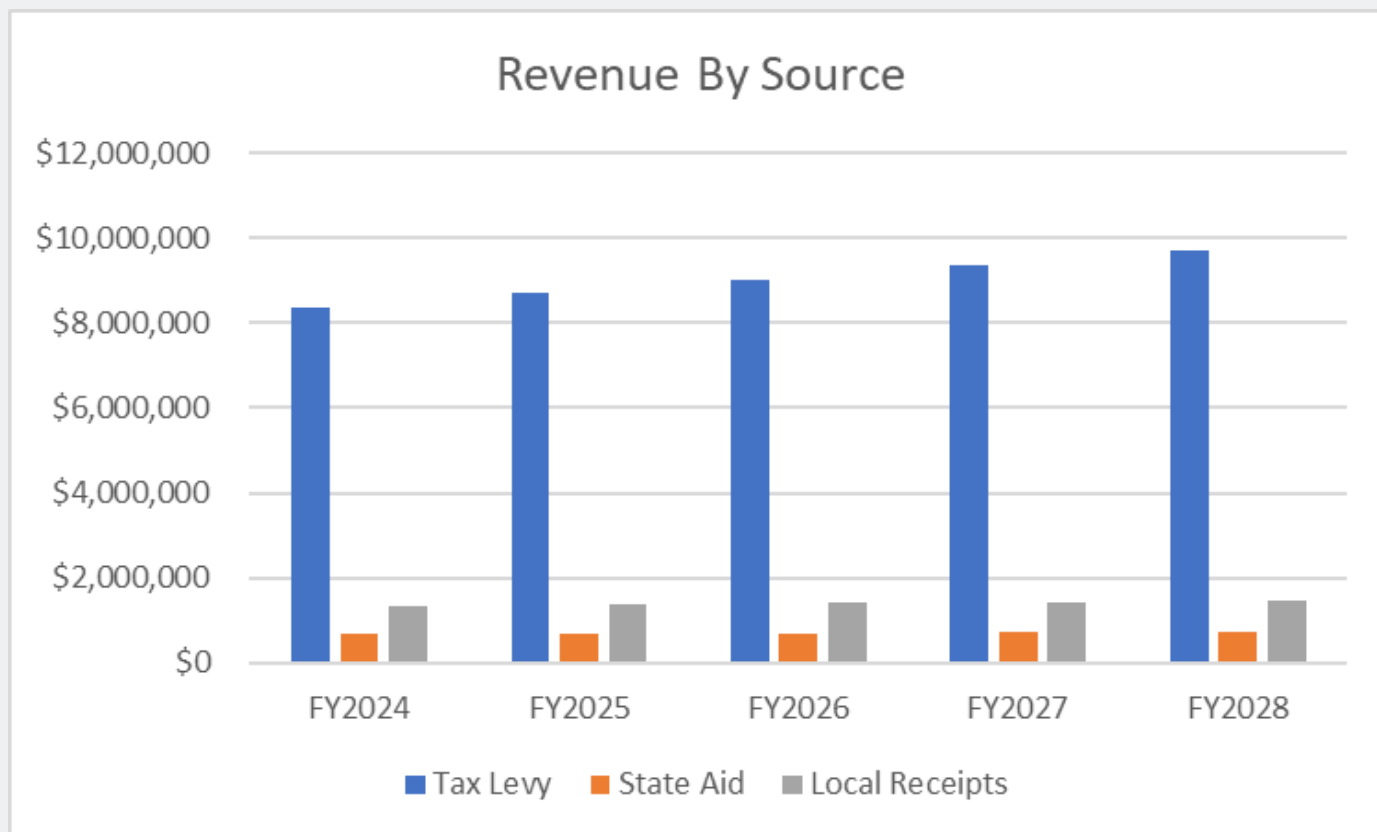


Column2	FY24	FY25	FY26	FY27	FY28
Table 2: State Aid	FY24	FY25	FY26	FY27	FY28
Unrestricted General Government Aid	\$521,069	\$534,096	\$547,448	\$561,134	\$575,163
Abatements to Veterans' and Blind	\$29,764	\$30,508	\$31,271	\$32,053	\$32,854
State Owned Land	\$104,003	\$106,603	\$109,268	\$111,999	\$114,799
Veterans' Benefits and Exemptions	\$6,589	\$6,753	\$6,922	\$7,095	\$7,273
Offsets (School Choice, Lunch, Library)	\$10,184	\$10,184	\$10,439	\$10,700	\$10,967
Subtotal	\$671,609	\$688,144	\$705,348	\$722,981	\$741,056

Local Receipts

Local receipts are revenues generated from a wide variety of local charges and assessments. Local receipts include building permit fees, licenses for food and alcohol, dog licenses, interest and penalties, and others. Local estimated receipts represent a significant portion of Town revenue, almost equivalent to State Aid, and they can usually be used to offset miscalculations in new growth. Many of the local receipt categories, such as motor vehicle excise, or licenses and permits, are related to economic activity. Furthermore, the Department of Revenue suggests municipalities conservatively project their local receipt revenues, and any variances must be justified. Given the state of the economy, FY24 local receipts may be more challenging to provide solid estimates for growth. Marijuana Community Impact Fee payments were expected to begin to in FY2024, however legislative changes have created pressure to evaluate the fairness of previously stated impacts. My office is working with Department Heads and local marijuana establishments to determine a best way forward. For a local receipts forecast in its entirety click [here](#).

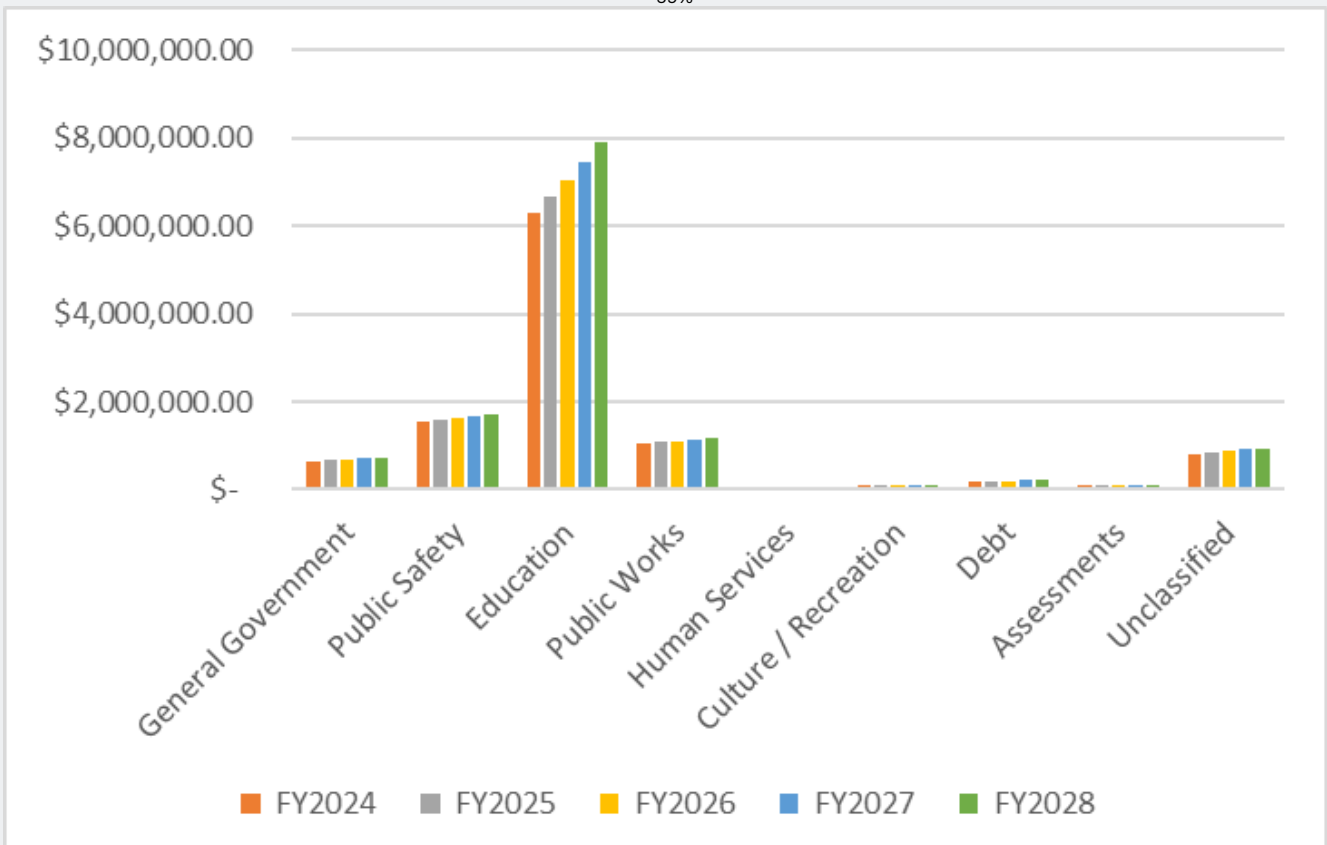
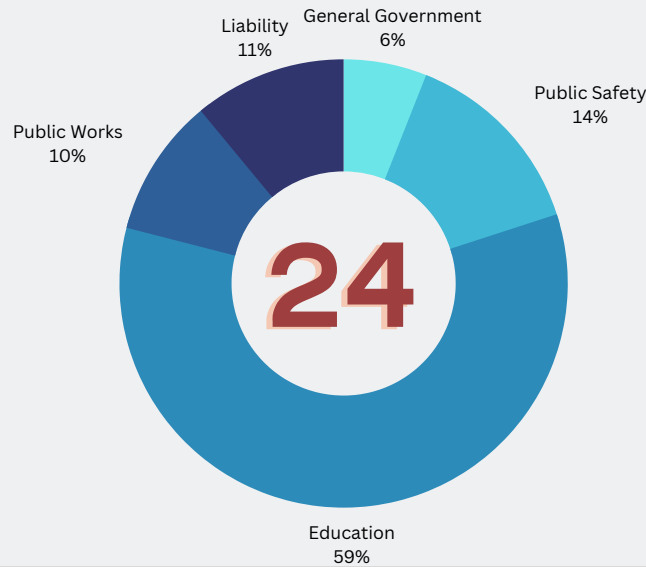
Revenue Summary:



Revenue Sources	FY2024	FY2025	FY2026	FY2027	FY2028
Tax Levy	\$8,374,607	\$8,698,972	\$9,031,446	\$9,372,233	\$9,721,538
State Aid	\$671,609	\$688,144	\$705,348	\$722,981	\$741,056
Local Receipts	\$1,341,571	\$1,367,096	\$1,401,273	\$1,436,305	\$1,472,213
Total	\$ 10,387,786.95	\$ 10,754,211.88	\$ 11,138,067.18	\$ 11,531,518.86	\$ 11,934,806.83
Change Over Previous	3.65%	3.53%	3.57%	3.53%	3.50%

Expenditure Projections

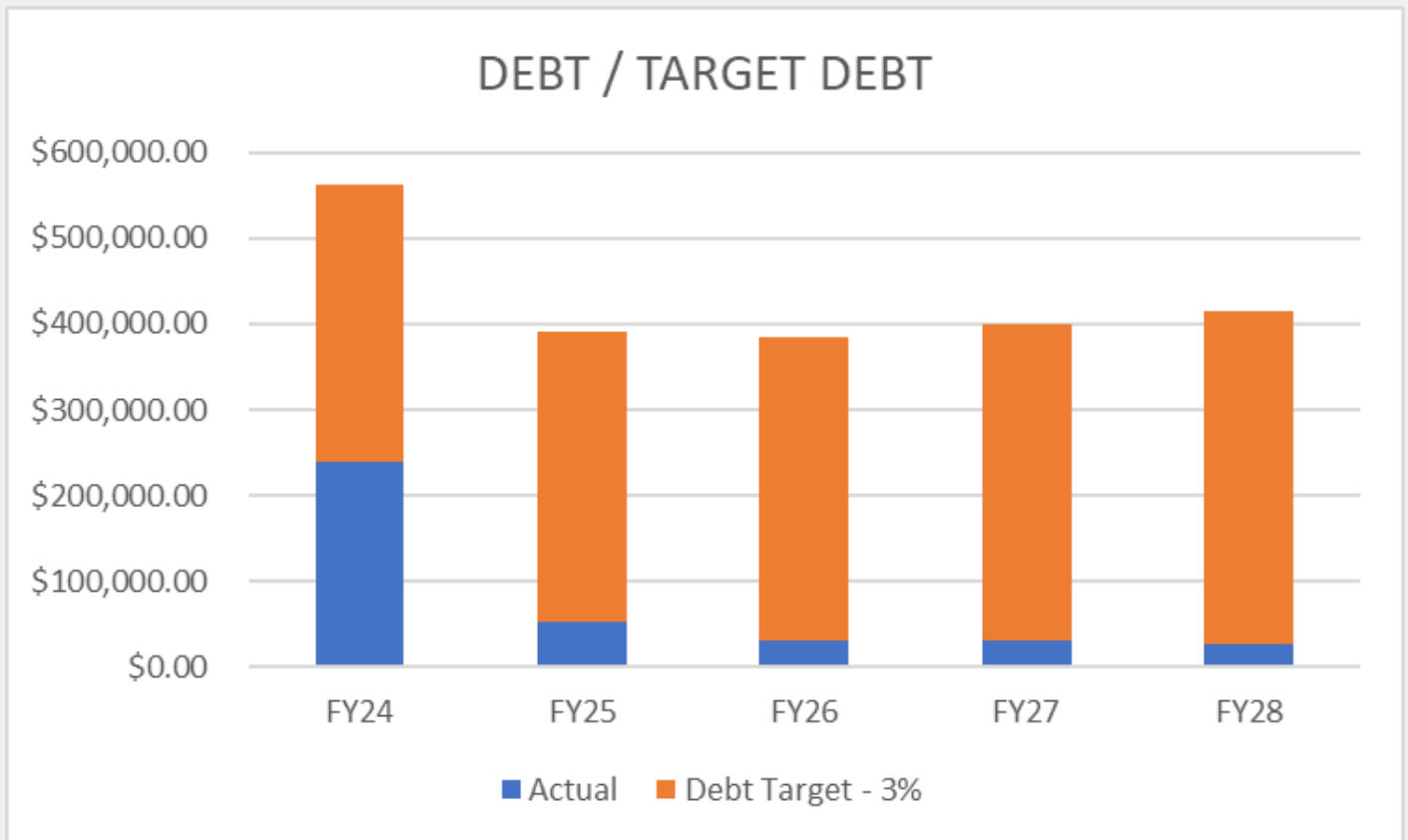
Expenditures	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
General Government	\$ 653,266.00	\$ 656,082.20	\$ 672,481.76	\$ 689,291.30	\$ 706,521.08	\$ 724,181.61
Public Safety	\$ 1,523,147.00	\$ 1,535,121.22	\$ 1,574,088.97	\$ 1,614,050.02	\$ 1,655,029.79	\$ 1,697,054.34
Education	\$ 5,951,050.00	\$ 6,135,412.95	\$ 6,493,187.46	\$ 6,872,014.43	\$ 7,273,140.45	\$ 7,697,886.23
Public Works	\$ 879,400.00	\$ 1,052,549.00	\$ 1,078,862.73	\$ 1,105,834.29	\$ 1,133,480.15	\$ 1,161,817.15
Human Services	\$ 48,786.00	\$ 49,236.00	\$ 50,466.90	\$ 51,728.57	\$ 53,021.79	\$ 54,347.33
Culture / Recreation	\$ 88,417.00	\$ 89,331.00	\$ 91,564.28	\$ 93,853.38	\$ 96,199.72	\$ 98,604.71
Debt	\$ 243,863.00	\$ 193,709.38	\$ 198,552.11	\$ 203,515.91	\$ 208,603.81	\$ 213,818.91
Assessments	\$ 82,073.00	\$ 84,124.83	\$ 86,227.95	\$ 88,383.64	\$ 90,593.24	\$ 92,858.07
Unclassified	\$ 686,250.00	\$ 809,474.56	\$ 841,584.93	\$ 874,996.28	\$ 909,761.48	\$ 945,935.56
TOTAL	\$10,156,252.00	\$10,605,041.13	\$11,087,017.06	\$11,593,667.83	\$12,126,351.50	\$12,686,503.91
Change over Previous		4.5%	4.6%	4.71%	4.78%	4.86%



Debt Projections

It is critical to find a balance with debt, utilizing capacity to fund larger initiatives (needs) while resisting the urge to borrow for wants.

The current debt target is set at 2-5% of the operational budget. Spending beneath this target hampers the town's ability to fund significant capital projects due to the town's perceived unwillingness to pass large-scale overrides in the past. Overspending poses the risk of overstressing an already stressed budget. There are several large scale capital projects in planning phases.

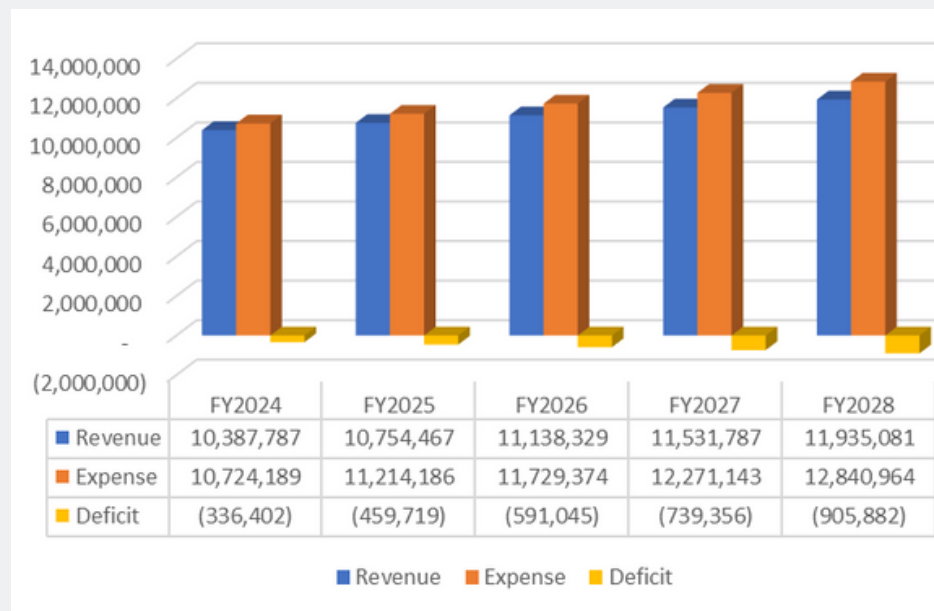


Reserve Projections

	FY24	FY25	FY26	FY27	FY28
Stabilization Target - 5%	\$ 538,389.45	\$ 562,976.49	\$ 588,826.57	\$ 616,009.34	\$ 644,598.47
Actual	\$ 559,146.00	\$ 559,146.00	\$ 559,146.00	\$ 559,146.00	\$ 559,146.00
%	5.2%	5.0%	4.7%	4.5%	4.3%
Capital Stabilization Target - 1%	\$ 107,677.89	\$ 112,595.30	\$ 117,765.31	\$ 123,201.87	\$ 128,919.69
Actual	\$ 182,540.00	\$ 182,540.00	\$ 182,540.00	\$ 182,540.00	\$ 182,540.00
%	1.70%	1.62%	1.55%	1.48%	1.42%
Free Cash Target - 5%	\$ 538,389.45	\$ 562,976.49	\$ 588,826.57	\$ 616,009.34	\$ 644,598.47
Actual/Projected	\$ 806,289.00	\$ 554,691.00	\$ 582,425.55	\$ 611,546.83	\$ 642,124.17
%	7.49%	4.93%	4.95%	4.96%	4.98%
Reserve Target - 11%	\$ 1,184,456.79	\$ 1,238,548.28	\$ 1,295,418.45	\$ 1,355,220.55	\$ 1,418,116.63
Projected	\$ 1,547,975.00	\$ 1,296,377.00	\$ 1,324,111.55	\$ 1,353,232.83	\$ 1,383,810.17
%	14.38%	11.51%	11.24%	10.98%	10.73%

Recommendations

The current unsustainable structural deficit has been predicted for several years but has been exacerbated by using one-time revenue in Fiscal Year 2023. Expenditures continue to outpace revenues, with most costs contractually/legally obligated. Despite conservative estimates, above-average yearly returns, and operational cuts, the municipality has reached the point where our expected deficit has arrived and must be addressed. The forecast continues to demonstrate a structural imbalance between currently available revenue and service costs. The deficit increases from \$336,402 in 2024 to \$905,882 in 2028.



A limited-growth budget is required to avoid significant budget cuts in FY24. Any significant increases will demand a clear, compelling rationale. The Town Administrator's proposed budget presentation is on March 20, 2023; our prospective obstacles should be much more apparent by that time. While level-funded budgets and growth-control mechanisms constrain spending, there are limited areas for large-scale cuts, demanding careful allocation of new income for the school and municipal expenditures. Although all departments are already operating modestly, we will continue seeking regionalization and other unique opportunities.

Education is the principal driver of spending increase, accounting for 59% of the expected budget in FY24 and beyond. The QRSD receives 52% of the money, whereas Monty Tech gets 7%.

Per our forecasting policy, which states:

"Economic downturns or unanticipated fiscal stresses may compel reasonable exceptions to use one-time revenue. In such cases, the Town Administrator, in consultation with the Finance Committee, can recommend its use for operational appropriations to Town Meeting. Such use will trigger the Town Administrator to develop an action plan to avoid continued reliance on one-time revenues."

I request that the Select Board authorize my office to develop a proposed operating override action plan in collaboration with the Financial Team and Finance Committee. This plan will guide the timeline, budget, and communications required to present an operational override to Hubbardston residents. Even if this plan is unnecessary, it will help us understand how much time and effort will be necessary to address the deficit through an override.

Suggested operating budget guidance:

Target school expense increases at 3-4%. Any increases above that amount will need to be funded via an operating override or one-time funds. Therefore, it is imperative to establish our budget capacity with Quabbin Regional School District while improving our working relationship and communication.

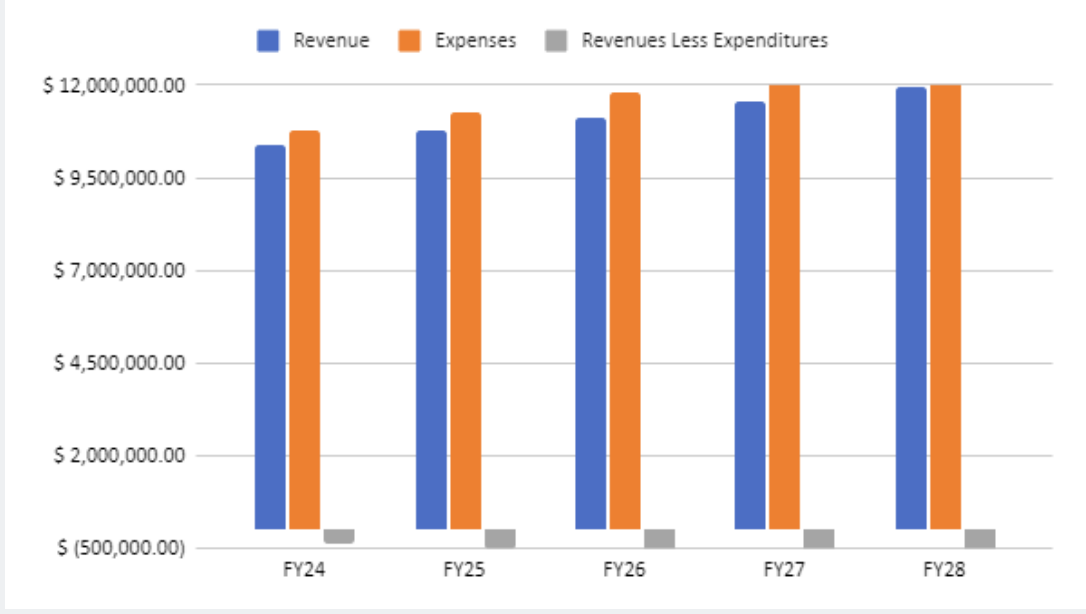
Adhere to financial policies that emphasize the importance of reserve and capital requirements.

Maintain an overly transparent budget process that lets individuals understand firsthand the anticipated requirements of Hubbardston.

Continue to look for ways to minimize the budget deficit, such as increasing new growth (economic development), researching regionalization, decreasing the budget, and proposing a well-defined operational override.

Connect all budget decisions to projections, plans, and policies to allow for long-term planning.

Hubbardston has made significant progress in putting its financial house in order over the last five years. It continues to improve the budgeting process and use of efficient resources to hone municipal spending. However, to become sustainable, we must remain steadfast in our commitment to the financial policies while addressing infrastructure needs, funding services, covering all liabilities, and generating and maintaining adequate reserves.



Column1	FY24	FY25	FY26	FY27	FY28
Revenue	\$ 10,387,786.95	\$ 10,754,211.88	\$ 11,138,067.18	\$ 11,531,518.86	\$ 11,934,806.83
Expenses	\$ 10,767,789.00	\$ 11,259,529.81	\$ 11,776,531.34	\$ 12,320,186.82	\$ 12,891,969.34
Revenues Less Expenditures	\$ (380,002.05)	\$ (505,317.92)	\$ (638,464.16)	\$ (788,667.96)	\$ (957,162.51)