

REVENUE QUESTIONS

General Revenue

- What is our plan for **generating new revenue**? Recognizing that this year is an anomaly, I think it's reasonable to assume it is going to take a long time to reach pre-Covid economic conditions. How are we planning to close the gap in the out years without cutting services?

Our main general fund sources of revenue are **Property Taxes (66%), State Aid (17%), Motor Vehicle Excise (5%), Other Excise-Hotel/Motel (1%), Other Excise-Meals (1%) and Payment in Lieu of Taxes (2%)**.

The following is a brief summary of how the Town can work to increase each of these funding areas:

- **Property Taxes**
 - **New business development, redevelopment and expansion (resulting in additional permit fees and increase property values):** Through the Mayor's Office, the Town has remained in consistent communication with businesses interested in property located in Braintree and/or expanding existing spaces. Examples include commercial development in the areas of Wood and Forbes Road, pending applications for expansion before the Planning Board and ZBA and renovation of existing properties.
 - **Reviewing current inventory of Town owned property and evaluating potential for sale:** This would yield both the proceeds from the sale and future tax revenue.
 - **Future increases in state aid (both Chapter 790 and UGGA) are based on economic growth.**
 - **Hotel/Motel Tax:** These establishments have remained open during the pandemic and in operation with restrictions. The Town continues to monitor the occupancy at these establishments and expects occupancy to increase as restrictions are lifted. Additionally, there is one hotel that is currently closed for renovation and will result in increased revenue upon reopening (including in permit fees and excise tax). There is also a new boutique hotel in development that will add to the tax revenue.
 - **Meals Tax:** These establishments have remained open with limited operations during the pandemic. The Town expects operations to increase as the reopening plan takes effect, resulting in increased tax revenue. Revenue will also increase as business expands in Town.
 - **PILOT Agreements can be reviewed for renegotiation potential as they expire/renew.**
- What is the plan for staying around or below **appropriation increases of 3%** in the out years, so we aren't in jeopardy of facing a deficit we can't close?

The Town will continue to be conservative in its expenditures, while ensuring that all services to the residents continue. The current collective bargaining agreements extend through FY22 and include a 2% cost of living increase effective July 1, 2021. Economic/financial conditions are one of several factors that will be considered as negotiations for the next term of collective bargaining agreements begin prior to the expiration of the current contracts. Additionally, the Town will continue to enhance the maintenance and repair of Town equipment through the use of improved technology (for both buildings and vehicles) in order to reduce costs associated with maintaining these items. Further, as noted above, the Town will continue to engage with businesses interested in relocating to, or

expanding within, the Town to increase tax revenues associated with these establishments. Through a combination of working to increase revenues and reducing costs, we will continue to provide services with the least possible impact to the community and on our overall financial strength.

- With the approval of Motion 20 035 (additional real estate tax exemption), which will increase demand on the **overlay account**, do we continue to expect that \$250K will be available annually from the overlay account to support the general fund?

Based on the current level of 449 abatements granted and the voted increase, the Town is projecting an increase in the abatement granted of approximately \$55,000. The overlay account has sufficient funds to cover these increase; however, the Town has the option of reducing the abatement at a later date if needed.

- What is the current balance in the overlay surplus fund?

The amount available from overlay surplus is \$250,000, which was released for use in FY21.

- What do we expect will be transferred from the **Enterprise Funds** in the out years? Is it reasonable to for us to rely on nearly a \$1mm in transfers annually or is this a one-time revenue source?

These transfers occur annually and, if assumptions remain consistent with the current year, then the numbers for each are expected to increase slightly as general fund expenses increase for salary and fringe benefits. Below are the three transfers to the general fund for FY21:

- Water/Sewer--\$832,994
- Golf--\$100,126
- Storm Water--\$33,606
- Total: \$966,726

- Motor Vehicle Excise tax revenue is essentially flat from last year. I am curious why that revenue item was not estimated more conservatively as other revenue sources were. These funds are not immune from economic downturns. In 2009, after the last financial crisis they declined 9.7% and then another 4.3% the following year for a total decline of 14.3%.

The FY21 revenues are all based on conservative estimates to account for the financial impact of COVID-19. The revenue from motor vehicle excise taxes has increased steadily in recent years and we are currently on track to meet the FY20 projection. The small increase (valued at \$31,614) accounts for some potential fluctuation in vehicle leases and new purchases in FY21.

- Payment in Lieu of Taxes: Can you please explain the large difference between the amounts shown for PILOTs in the budgets (\$2.0-2.4M annually) vs. those shown in the the Change in Net Position table of the 2018 CAFR (\$400-700K)?

The Town receives a PILOT payment from BELD valued at approximately \$1,760,450. When putting together the CAFR, this payment may have been reclassified and reflected elsewhere in that schedule—Page 92 of the 2018 CAFR reflects the \$2.4M budget for PILOT payments. The FY21 estimate is based on the 12 active PILOT agreements the Town has, including BELD.

- Rental Buildings: \$1.2M (\$100K/month) seems very optimistic by the time agreements are signed, pre-occupancy construction is completed and the buildings are leased. \$30/SF/Year NNN seems relatively high for the town's older buildings that tend to be located away from main streets or the highway and have little or no retail frontage, but even at that rate it would take 40,000SF leased for all 365 days of the fiscal year to reach \$1.2M in revenue. That would be every square foot of 90 & 74 Pond Street.
- Looking at past data for this revenue – the following applies

Rental Building Fees

Year	Budget	Actual	Difference	Percentage	
2016	\$421,000.00	\$137,682.00	\$283,318.00	-67.30%	
2017	\$735,000.00	\$475,708.00	\$259,292.00	-35.28%	
2018	\$795,000.00	\$204,218.00	\$590,782.00	-74.31%	
2019	\$602,000.00	\$90,967.93	\$511,032.07	-84.89%	Note 12 Budgeted Month total is \$1,204,000
2020	\$576,000.00	\$84,422.97	\$491,577.03	-85.34%	Note 12 Budgeted Month total is \$1,134,000

Please explain why we put such high budgeted amounts if we do not come anywhere near actuals for each year? Please note that I have only accounted for the first 6 months in 2019 and 2020 as no further data is available.

The Rental Building Fees include anticipated revenue from the billboard permitted for 290 Wood Road. The Town has an agreement in principal with the billboard owner that includes a payment schedule; however, the process has been delayed due to appeals filed in the Land Court. The trial was held and a post-trial hearing was scheduled for earlier this year. That was postponed as a result of the court closures and will be rescheduled once they reopen to the public.

- The updated actual vs. budget sent out a couple weeks ago had the following budgeted amounts for this line item
 - 2019 - \$1,204,000
 - 2020 - \$1,134,000
- The 2021 budget has:
 - 2019 - \$1,316,000
 - 2020 - \$1,204,000

Please confirm the correct numbers are (b.)

The correct numbers for “Rental Buildings” under Local Estimated Receipts are FY19-\$1,316,000; FY20-\$1,204,000; and FY21-\$1,134,000. See Appendix C of Budget Book.

- How was an 8.5% reduction in new growth determined and why do we feel that is sufficient. Should this be decreased further during to the ongoing issues with Covid?

Original estimate was based on the FY2020 budget of \$1,042,000: the 10 year average was \$997,000, the 19 year average was \$896,000. In consultation with the Director of Assessing, it was determined that \$850,000 was appropriate for this year. Although new growth has steadily increased over time, the FY21 estimated projection is conservative to account for the negative impacts of COVID-19.

- The 2021 cherry sheets show an estimate of 25,573,895. We are using last years estimated number of 24,882,238 but use the 2021 estimated charges. Is this due to being conservative in our state funding estimate from the COVID/state funding issues?

Based on past experience with the State aid, the original state assessments generally do not change much from the original amount to the final amount. The estimated state aid to the Town was based on the FY20 total to adjust for negative effects of COVID-19 and an anticipated reduction from the Governor’s H-1 budget (this has not been reviewed by the House or Senate Ways & Means yet). In contrast, we do not anticipate an impact on the charges due to COVID-19 as these are based on current expenditure projections from the state. For example, the largest charge is the retired teachers health insurance, which is based on actual enrollment data updated annually to reflect retirements.

- Are the State Aids receipt numbers for 2020 the actual vs. estimated per the state website?

Column (A) of Appendix B includes the budgeted FY20 numbers. We receive the main funds for Chapter 70 and the Unrestricted General Government Aid on a monthly basis to help communities with cash flow. We have not heard anything about current year 9C cuts to our local aid.

- If we use \$2,353,041 to cover our general fund operating deficit, how will this affect our bond ratings for 2021?

All municipal credit has been placed on a negative outlook. We have built up reserves for these times and the free cash balance is sufficient to cover the deficit without having a detrimental effect on our finances. We anticipate that the financial climate will improve as the government opens up and remain optimistic that our conservative estimates will result in increased savings in FY21 with a more traditional budgetary outlook in FY22.

- Why do we set the Medicaid Reimbursement at \$350,000 each year when it has historically been much higher?

This category also includes funds received from Federal programs like FEMA for storm reimbursements that result in increases in prior years. These are not included in the original projection as they vary from year to year.

- What is included in the Misc.-Recurring that caused the significant increase in revenue for 2021?

medicare part D reimb	186,000
plaza reimb	428,000
fed grant retirement reimb	125,000
4 m esco add'l debt service	<u>244,070</u>
	983,070

Water and Sewer

- Regarding the Water and Sewer and Storm Water increases in receipts from customers and budgeted transfers back to the town, is there any public information available about either the revenue increases or the calculations that determine the amounts to be transferred back to the town?

The revenue increases are the result of an increase in the rates. On an annual basis, the Town conducts a water and sewer rate study that concludes with a recommendation of rates in order to cover the costs associated with water and sewer operations. For Storm Water, the rates were set in the Ordinance approved as part of the FY19 budget and include a base rate for two years with an increase scheduled for year three. The amount transferred back to the Town is based on an indirect cost allocation reviewed by the water and sewer rate consultant (currently The Abrahams Group).

- The sewer water receipts consistently decreased in “annual increased revenue” since 2014 (6.91%) to 2020 (2.92%). In 2021 we increase from 2.92% to 9.41%. What is the reasoning behind such an unprecedented increase? Will this cost be passed on the residents? How was the increase estimated?

We have a rate study done each year and we have seen a consistent decrease in consumption over the last six years. As a result of the decreased usage, we need to increase the rates (and as a result increase the revenue) in order to cover the operating costs.

Rates for FY	Budgeted Use of Retained Earnings	Based on Usage in FY	Water			Sewer		
			Usage	Diff #	Diff %	Flow	Diff #	Diff %
2015	\$ 600,000	2013	122,089,005			117,244,481		
2016	\$ 300,000	2014	120,837,951	(1,251,054)	-1.0%	116,523,451	(721,030)	-0.6%
2017	\$ -	2015	116,110,155	(4,727,796)	-3.9%	112,141,955	(4,381,496)	-3.8%
2018	\$ -	2016	114,560,158	(1,549,997)	-1.3%	111,202,783	(939,172)	-0.8%
2019	\$ -	2017	113,710,752	(849,406)	-0.7%	110,644,525	(558,258)	-0.5%
2020	\$ -	2018	110,851,161	(2,859,591)	-2.5%	108,160,239	(2,484,286)	-2.2%
2021	\$ -	2019	109,395,170	(1,455,991)	-1.3%	107,033,464	(1,126,775)	-1.0%
			Totals	(12,693,835)	-10.4%	Totals	(10,211,017)	-8.7%

- We are also increasing the move from Water Sewer to the General Fund by 25% which is above the 6.91% increase. Why is the jump into the General Fund so large compared to other years?

Indirect costs are reviewed annually and adjustments are made based on the revised allocation of staff time.

Free Cash

- Can you confirm if the free balance cash as of end of May provided to us in the revenue questions included supplemental funding #4 in the numbers

The following is an updated free cash balance projection; however, please note that this does not include unspent FY20 funds that will be returned to free cash at the end of this fiscal year (including the salary savings previously discussed).

current balance	\$9,205,321.00
less CIP	(\$254,070.00)
Less Supp#4	(\$1,295,304.00)
Less FY21 use	(\$2,353,041.00)
Estimated Balance	\$5,302,598.00

- This will be the second consecutive year that our free cash balance will be below our target of 10%; and in absolute dollars, free cash has been steadily decreasing since 2018. Related to the above bullet point, what is our strategy for increasing our free cash, so we have a cushion for unforeseen expenses? For how many years do you anticipate we will need to use free cash to balance the budget and/or pay for supplemental appropriations like overtime?

Historically, the Town has used free cash to supplement funding for police and fire overtime and snow and ice expenses. As previously discussed, the Town has taken steps to reduce, with the goal of eventually eliminating, the need to supplement police and fire overtime with free cash through increased funding in the operating budget and enhanced management of the use of overtime within the departments. Additionally, in preparing for the final supplemental budget request for FY20, the Town worked with each department to identify funds that will not be spent before the end of this fiscal year and is proposing various program transfers to support the request (rather than transfer the full amount from free cash). In addition to these unspent funds, the Town has incurred savings in other areas due to modifications made during COVID-19, including the reduction of staff hours to 20 hours per week. Any unspent funds at the end of FY20 will go back into free cash, which will likely have a higher than anticipated balance going into FY21. Finally, in preparing the FY21 budget, the Town anticipated significant reductions in revenue which were the direct cause of the need to utilize free cash to balance the operating budget.

- It was stated in the May 18, 2020 meeting that \$770,000 was determined to be freed up due to the COVID issues and could be used as free cash going into FY21 as I interpreted it. Supplemental funding #4 has come out which takes that money and uses it for over expenditures in the police and fire departments in FY202. Can you confirm this to be the case and that these funds will not be available in FY21 as free cash?

That is correct. Any unspent funds at the end of the fiscal year will be turned back over to the Town and become part of the free cash calculation for June 30, 2020. In an effort to reduce the amount of free cash required this fiscal year, the Town has proposed several program transfers to partially cover the public safety and recycling costs identified in Supp #4. The remaining balance will be paid through free cash.

- Please confirm that the estimated overtime costs for the police department through June 30, 2020 is \$1,958,366.93 (FY2020 expended of \$835,366.93 and supplemental funding #4 of \$1,295,594.80)?

Total Police overtime is \$1,502,000 less current appropriation \$379,000 = supp #4 request \$1,123,000

- Please confirm the estimated overtime costs through June 30, 2020 is \$1,264,412.54 (FY2020 expended of \$736,925.54 and supplemental funding #4 \$527,487.00)?

Total fire overtime is \$902,487 less current appropriation \$375,000 = supp #4 request of \$527,487

Billboard

- I am wondering about revenue from the billboard. If we win the lawsuit, will that become annual revenue or will it be a one-time payment?

The agreement, which is required for any billboard prior to construction, includes a payment schedule over 20 years that totals \$2,500,000. Payments will be made as follows:

-Year 1	\$1,000,000 (due when the billboard is constructed and in operation)
-Years 2-10	\$100,000 per year
Years 11-20	\$60,000 per year

Allen Street

- Why do we have the \$1,300,000 in for town owned land? Can you please confirm that it is the Allen Street property and if so why is it in there? Last year we had it in as part of the budget and ended up having to move free cash to cover the revenue due to it not being sold I believe. It also looks like it may have been in there for 2019? Can you please confirm what year this was put in and how the difference was covered for these years when the property was not sold?
- Can we get additional details (Nicole mentioned having to go into an executive session) about the circumstances that led to the dissolution of the 2018 sale, primarily what is different now, which increases our confidence that this money will come to fruition by the time the tax recap is certified?
 - Is it fair to assume this property would be developed?
 - If so, is it part of our FY21 new growth projections?

The following is a summary of the chronology regarding the prior attempt to sell the Allen Street property: In April 2014, the Town conducted a feasibility study, focused on analyzing the potential for reuse of the property located at 44 Allen Street. In January 2015, the property was rezoned to the Braintree Weymouth Landing District and an appraisal was conducted to determine the value of the parcel. On June 24, 2015, the RFP was issued and subsequently advertised on July 2 and 9, 2015. The proposal submitted by Riverwalk Lofts was accepted and the parties began negotiating the purchase and sale agreement in October 2015. Various environmental studies were conducted and a Permanent Solution Statement was submitted to the DEP in the summer of 2017. Also during that time the parties negotiated project details and terms of the purchase and sale and land development agreement. The parties were not able to agree to the terms and, on June 1, 2018, negotiations ended and rights to develop the property were terminated. Earlier this year, as part of the plans to put the property back on the market through an RFP, the Town had an appraisal performed. Once finalized, the RFP will be issued (with some changes from the first publication in 2015) and advertised.

Unlike the prior publication, the RFP will include both a purchase and sale and land use agreement as exhibits so that a bidder knows what will be expected of them in the purchase process. The schedule will impose a short deadline for signing the purchase and sale; therefore, if the selected developer fails to sign within the time frame required the Town can turn to a different applicant. After the purchase and sale agreement is signed (which will include payment of a deposit), the developer would be required to apply for any necessary permits (any items governing the permit process will be included in the purchase and sale agreement). The RFP will also include deadlines for applying for and

obtaining these permits. These measures are intended to avoid any undue delay in the sale of the property. Once the permits are received, the actual sale of the property takes place and the balance due (total purchase price minus the deposit) will be paid, the land use agreement is signed and recorded, and the property is formally conveyed.

The use of the property is based on prior feasibility studies and community engagement, as well as existing site conditions, and will be offered for sale in the RFP under certain conditions. The feasibility study performed included several years of public participation, including addressing neighborhood concerns and consensus development as to the best type of development for this site. The conditions imposed by the RFP were drafted with the need for permits in mind, including a special permit from the Planning Board, and include a required proposal for multifamily residential development with a minimum number of units subject to specific restrictions. The Braintree Weymouth Landing District zoning provisions are fairly broad and intended to encourage this type of development

Each proposal will be evaluated based on its responsiveness to the proposal content requirements and the information contained in each proposal as to (among other factors) the project team's qualifications, experience, and financial capacity, as well as the quality of project design and the degree to which the design proposal advances the Town's development objectives for the site.

CARES Act

- Will any of the police/fire overtime costs be reimbursable through the CARES act?

Yes, we believe some police and fire overtime costs will be reimbursable through CARES Act funds and are tracking the expenditures for consideration for the periods of March 1, 2020 through June 30, 2020 and July 1, 2020 through December 30, 2020.

- Please provide details on the CARES act funding of 3.2 million. From what I understand it can only be used for COVID items bought, salaries for employees that were dedicated to the virus and misc. other items from March 1, 2020 through December 31, 2020 that were not accounted for in existing budgets as of the enactment date of March 24, 2020. Monies not committed by December 31, 2020 are to be turned back. Monies are not allowed to be used to fill budget gaps. Does the town have estimated costs for COVID to date and what potentially can be expected for reimbursement for FY20 under this act?

Braintree has been allocated \$3.2 million in funds through the CARES Act. As currently drafted, funds available through the CARES Act can only be used as reimbursement for COVID-19 related expenditures (including PPE, salaries, overtime, technology and other public health expenditures) incurred from March 1, 2020 through December 31, 2020. There has been discussion at the federal level to modify the current funding structure to broaden the available use of these funds to allow for the replacement of revenue lost due to COVID-19. The CARES Act also provides reimbursement for unemployment costs incurred at a rate of 50%. There is also legislation pending that would provide additional direct support to cities and towns relating to COVID-19. This does not include any reimbursement available through FEMA/MEMA.