

Town Wide Financial Plan



2013 ANNUAL TOWN MEETING
APRIL 1, 2013

Highlights of TWFP



- FY14 budget - balanced with \$2.9m of reserves
- Reserve levels - remain healthy despite usage
- Pension - have anticipated decrease in interest rate assumption (currently 7.75%)
- Health insurance - current experience continues to be favorable (bolstered by WSHG reserve levels)
- OPEB - Pending state legislation could have very positive impact
- School renovation plans - situation remains fluid

Key topics



Elements of TWFP

- FY14 Budget
- Reserves
- Five Year Capital Budget Program
- FY15-17 projections
- Median tax bill

Planning issues

- Collective bargaining
- Pension
- OPEB
- Health Insurance
- Facilities

FY14 budget



<u>Sources</u>		<u>Uses</u>	
Property taxes	\$ 101,297,707	School	\$ 60,133,158
State aid	8,852,646	Facilities	6,366,295
Local revenue	10,339,123	Other Depts.	26,000,086
Exclusions	11,362,520	Employee benefits	23,934,678
Free Cash	3,156,408	Cash capital	3,869,341
Other	1,855,303	Debt service	12,741,985
	<u>\$ 136,863,707</u>	Other	3,818,164
			<u>\$ 136,863,707</u>

FY14 budget increases



<u>Sources</u>		<u>Uses</u>	
Taxes	\$ 3,982,871	School	\$ 2,018,035
State aid	(20,000)	Facilities	179,622
Local revenue	425,410	Other Depts.	482,817
Exclusions	(315,468)	Employee benefits	1,557,161
Free Cash	318,651	Cash capital	343,268
Other	180,993	Debt service	(245,138)
	<u>\$ 4,572,457</u>	Other	236,692
			<u>\$ 4,572,457</u>

Adjustments to S&U shown in Advisory Book



	<u>FY14 Total Uses</u>
Per Advisory Book	\$ 136,675,568
Council on Aging bus	25,000
Utilities for MLP/DPW building	(22,700)
Re-levelling of Building Dept. position	5,010
Superior Officers MOA	21,293
Police Dept. salaries adjustment	(15,451)
Tolles-Parsons Free Cash	(13)
Hills Branch Chimney - Free Cash	70,000
Hills Branch Chimney - from CPC	125,000
Inter Library Loan/Cherry Sheet	(20,000)
As adjusted	<u><u>\$ 136,863,707</u></u>

How did we balance the FY14 budget?*



- Stronger FY13 new growth - \$356,000
- Higher FY13 State Aid - \$280,000
- Lower growth (3.5%) in School budget - \$888,000
- Higher pension contribution offset by more favorable health insurance outlook
 - Greater retiree migration to Medicare
 - 2% Premium rate increases
- Unplanned use of reserves - \$2,866,000
 - Supported by more favorable FY12 turn-back (\$1,527,000)

* *vs. FY14 projections at 2012 Annual Town Meeting*

Reserves as a % of revenue



Reserve balances at June 30, 2012

Free Cash	\$10,499,623
Stabilization Fund	<u>3,071,289</u>
	13,570,912

Projected FY13 changes in reserves

FY13 Budget turnback	1,000,000
2013 Annual Town Meeting appropriations	
- Snow & ice (Article 7)	(450,000)
- FY14 operating budget (Article 8)	(2,866,108)
- Tolles-Parsons Ctr. (Article 18)	(165,300)
- Hills Branch Chimney (Article 20)	(125,000)
	<u>(2,606,408)</u>

Projected reserves at June 30, 2013

\$10,964,504

Reserve % **9.19%**

Union contracts



Settled through FY11

- Library Association

In mediation

Settled through FY13

- Teachers
- School Secretaries
- Patrolmen

Bargaining ongoing

Settled through FY14

- Dispatchers
- DPW Production
- DPW/MLP Supervisors
- Firefighters
- MLP Production

Settled through FY15

- Superior Officers
 - School Custodians
- Pending approval*

Pension



	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>
Current funding schedule					
Tax impact	\$3,209,844	\$5,008,205	\$5,197,398	\$5,518,546	\$5,932,982
Enterprise funds	603,889	932,649	967,961	1,027,772	1,104,956
Anticipated increase	-	-	1,000,000	1,000,000	1,000,000
	<u>\$3,813,733</u>	<u>\$5,940,854</u>	<u>\$7,165,359</u>	<u>\$7,546,318</u>	<u>\$8,037,938</u>

- On-track to fully fund by 2030
- 1/1/13 actuarial valuation to reflect:
 - Reassessment of all assumptions, including 7.75% interest rate
 - COLA base increase (ATM Article 6)
 - Favorable 2012 investment return – 13.88%

OPEB

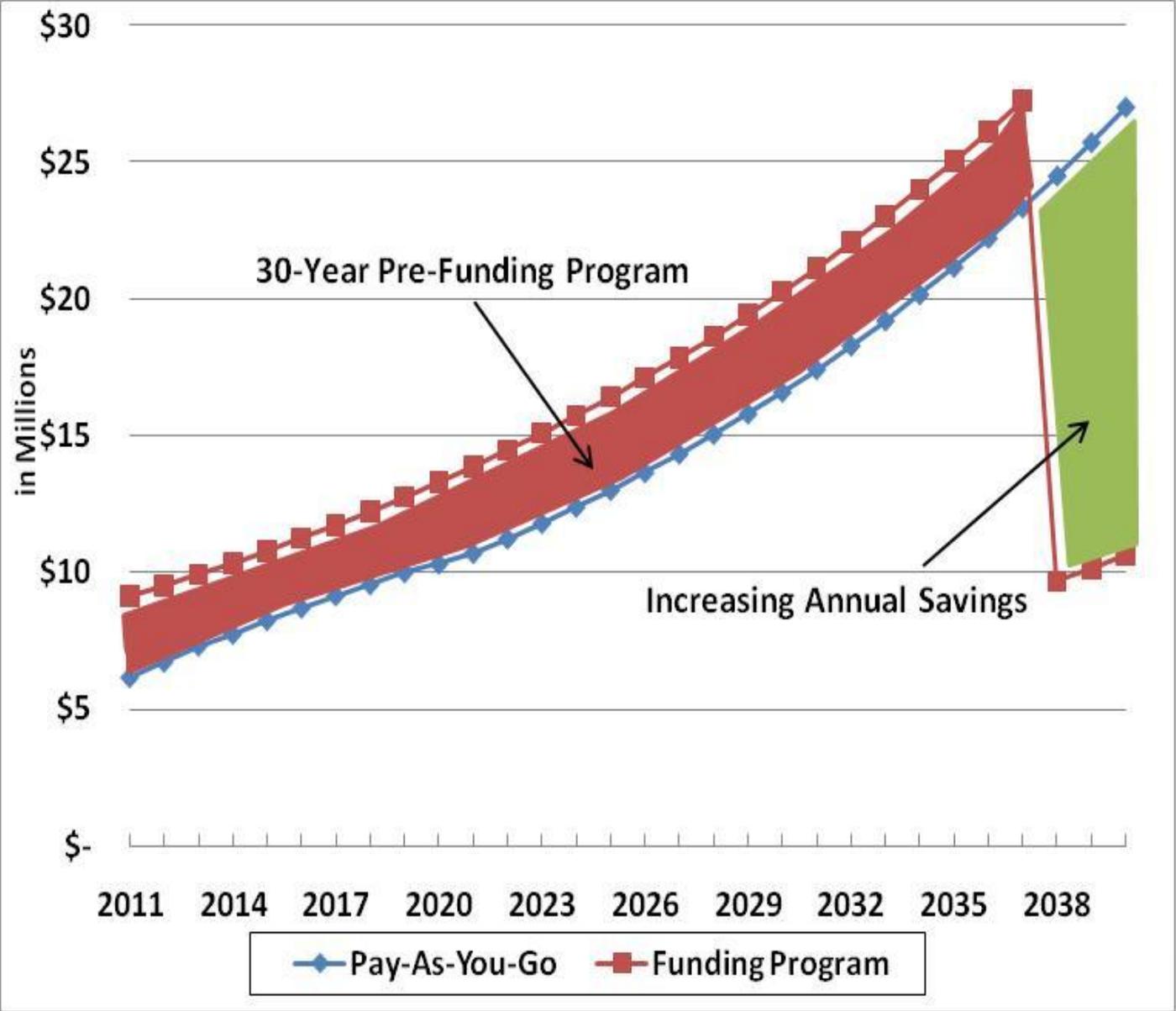


- Continuing to fund \$3M/year on top of rising pay-as-you-go cost
- Liability projected to continue growing through FY19
 - Not yet funding enough to cover normal cost and interest on unfunded liability
- Multiple variables in play
 - May need to reduce interest rate assumption (currently 7.5%) in next valuation
 - Current exclusion expires in 2017
 - Pending State legislation could significantly reduce liability



Continuing to monitor the situation

OPEB funding



Health insurance



- Cost growth trajectory significantly reduced
 - Yielding favorable gains against OPEB assumptions
- Have chosen not to leverage State legislation to transition from Rate Saver to Benchmark plans
 - Savings insufficient to warrant disruption
- Legacy plans to be discontinued 6/30/14
 - Will require remaining retirees to transition to Rate Saver

Facilities



- **Initiatives**
 - Successfully executed summer 2012 capital projects
 - Organization fully staffed (11.5 additional FTE)
 - Negotiated collective bargaining agreements for FY13, FY14
- **Plan continues to reflect further increases in cash capital**
 - FY13: \$1,141,290 FY15: \$1,500,000 FY16: \$2,000,000
- **Scope and timing of School renovation work unclear**

Capital decisions at this Town Meeting



- Park & Hwy HVAC - \$960,700 (Article 14)
- Wales Street Bridge - \$400,000 (Article 15)
- Design funds for various Town and School facilities projects - \$771,030 (Article 17, Motion 1)
- School phone system - \$411,000 (Article 17, Motion 2)
- Tolles-Parsons design funds - \$165,300 (Article 18)
- Appropriations from CPA funds (Article 19)
- Hills Branch chimney repair - \$250,000 (Article 20)

Future debt exclusions



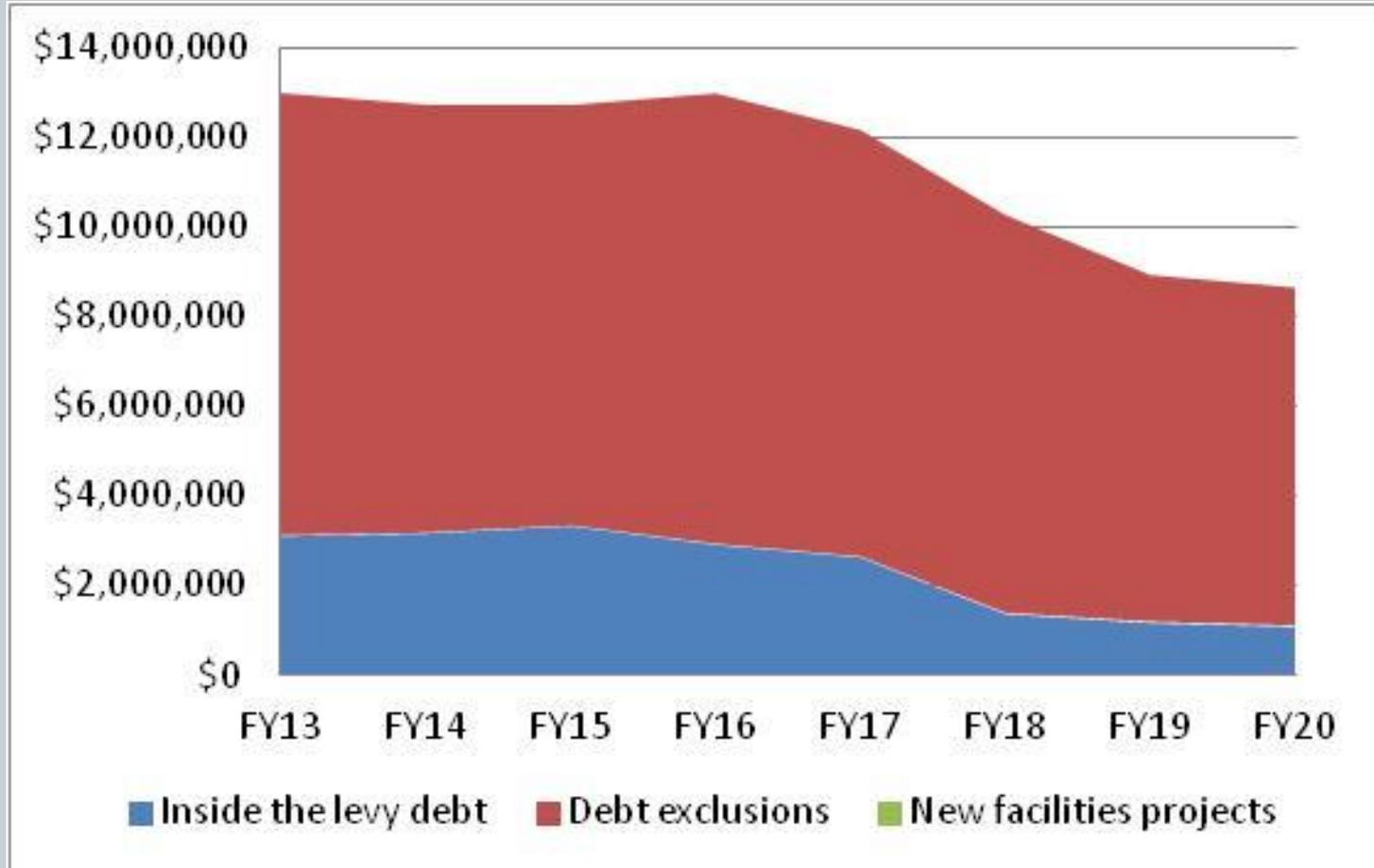
- **2014 Annual Town Meeting**
 - Tolles-Parsons Center - \$6,297,633 (net of Tolles gift)
 - Fuller Brook Park - \$2,400,000
 - Facilities projects - TBD

Debt exclusions



	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>
High School	\$ 5,473,598	5,393,938	5,285,694	5,185,093	5,089,902
Other Existing Debt	3,632,791	3,491,380	3,378,629	2,978,909	2,472,491
Authorized Borrowings					
- Stormwater Drainage	49,000	111,440	108,216	104,992	101,768
- Morses Pond Dredging	75,000	73,440	71,280	69,120	66,960
- DPW Office Building	332,131	323,828	315,525	307,222	298,918
Projected Borrowings					
- Senior Center			566,786	554,191	541,596
- Fuller Brook Park			336,000	326,400	316,800
- Facilities	-		TBD	TBD	TBD
OPEB	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Total Exclusions	\$ 11,362,520	\$ 11,194,026	\$ 11,862,130	\$ 11,325,927	\$ 10,688,435
Median Tax Bill Impact of Exclusions*	\$ 1,025	\$ 1,010	\$ 1,070	\$ 1,022	\$ 964

Existing and planned debt



Potential impact of facilities work



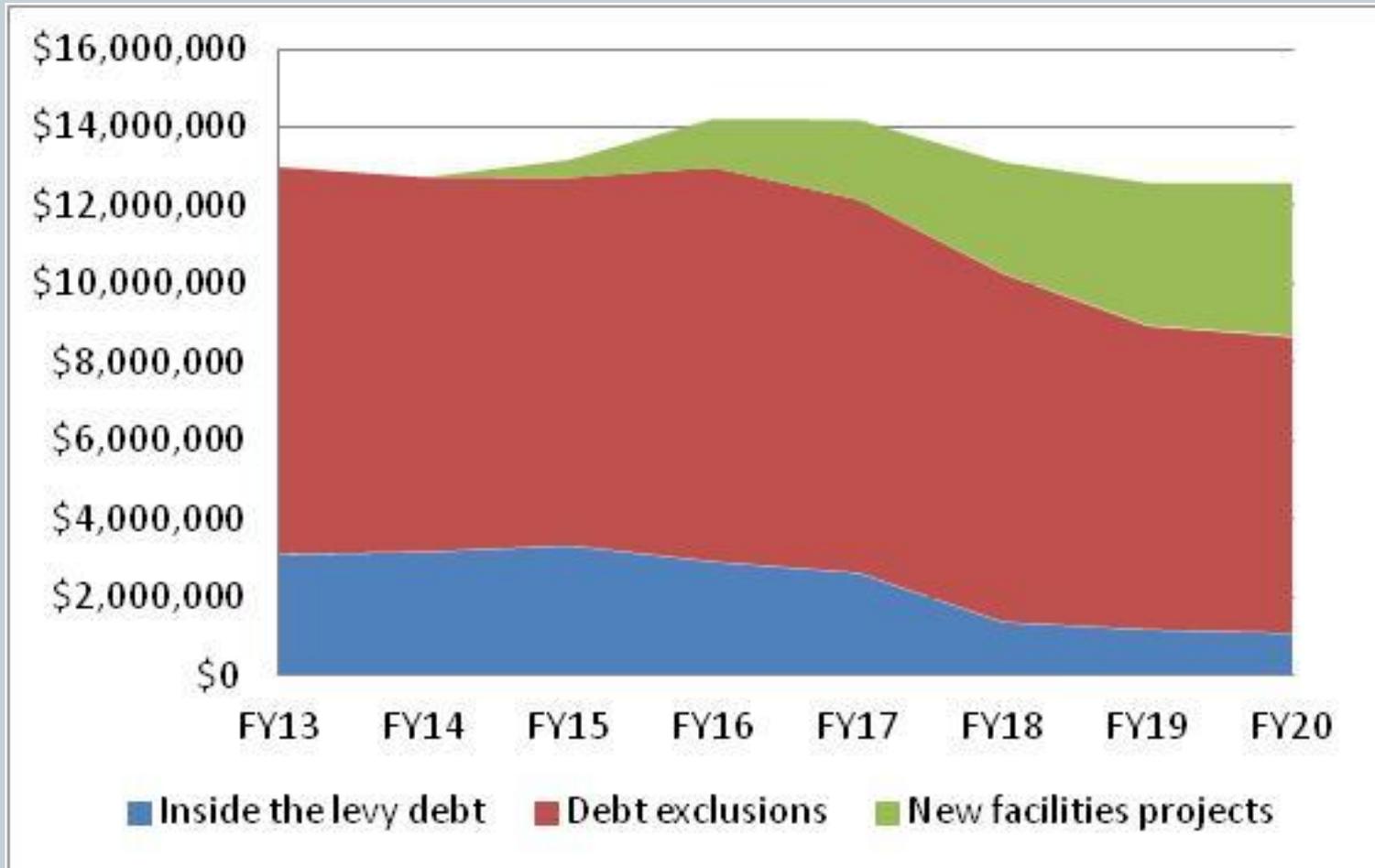
Potential costs considered

- Construction cost for projects to be discussed under Article 17 - \$3.5M
- Total cost of work identified by SMMA Assessment - \$85.6M

Modelling assumptions

- Article 17 projects performed in FY14
- SMMA work performed over period FY15 - 26 (12 yrs.)
- Cost escalation - 3%
- Debt amortization period - 15 yrs.
- Interest rate - 4%

Projected debt service



FY15-17 Projection assumptions



Sources

- New growth \$1.5m
- State aid 2%
- Local revenue 2%

Uses

- Schools 4%
- Facilities 2.5%
- Other Depts. 2.5%
- Health insurance 5%
- Other EE benefits 2.5%

Projected deficits



	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>
Projected deficit	\$ (4,245,643)	\$ (4,526,839)	\$ (4,780,414)
Potential override	3,500,000	3,587,500	3,677,188
Remaining deficit	<u>\$ (745,643)</u>	<u>\$ (939,339)</u>	<u>\$ (1,103,226)</u>

- Need to manage use of Free Cash within parameters established in new Reserves Policy
- Higher rate of expense growth (vs. assumptions) will result in larger deficits

Median tax bill



	<u>Median Tax Bill</u>			
	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>
Prior fiscal year	\$ 9,833	\$ 10,050	\$ 10,602	\$ 10,854
2.5% increase	246	251	265	271
\$3.5 million override	-	316	8	8
Decrease in excluded debt service	(28)	(15)	(21)	(46)
Tolles-Parsons Center	-		51	(1)
Fuller Brook Park	-	-	30	(1)
Facilities projects	-	-	TBD	TBD
	<u>\$ 10,050</u>	<u>\$ 10,602</u>	<u>\$ 10,854</u>	<u>\$ 11,087</u>
% Increase	2.2%	5.5%	2.4%	2.1%

Items not yet included in TWFP



- Facilities projects
- Potential impacts of Schools' strategic planning and enrollment study
- High School Stadium
 - \$5.8M - \$6.2M estimate per Stadium Task Force
- 900 Worcester Street - costs beyond those appropriated at Special Town Meeting

Questions ?

