



# Town of Reading



**Financial Forum  
November 2, 2016**

**Budgets  
FY18-FY22**





# **Financial Forum Agenda**

## **November 2, 2016**

**FINCOM Opening Remarks – Chair Mark Dockser**

**Review of FY16 & Reserves – Town Accountant Sharon Angstrom**

**Update for FY17 – Town Manager Bob LeLacheur**

**Projected FY18-22 Revenues – Sharon Angstrom**

**Preliminary FY18-22 Accommodated Costs – Bob LeLacheur**

**Five –year Operating Budget Outlook – Bob LeLacheur**

**FY18 Operating Budget - All**

**Special Town Meeting litigation – FINCOM vote**

**FINCOM Minutes 8/31/16 & 10/4/16**



# **FINCOM Opening Remarks**

Mark Dockser, FINCOM Chair

## **FY18 Budget Public Meetings in 2017**

January 9,12, 23 & 26	School Committee
January 10 & 11	Board of Selectmen
January 25	Financial Forum (if needed)
<i>February 13</i>	<i>Town Manager Budget to FINCOM</i>

## **FINCOM**

<b>March 1</b>	<b>Overview &amp; Town FY18 Budgets</b>
<b>March 8</b>	<b>Town FY18 Budgets</b>
<b>March 15</b>	<b>School FY18 Budget</b>
<b>March 22</b>	<b>Vote Budgets &amp; Warrant Articles</b>
<b>April 24</b>	<b>Annual Town Meeting</b>



# FY16 Revenues

Sharon Angstrom, Town Accountant

## Total \$1,579,164 million over estimates

**Motor Vehicle Excise taxes	\$402k
*Property taxes - current	\$272k
Property taxes – delinquent	\$359k
**Charges for services & permits	\$236k
Investment Income	\$122k
**State Aid	(\$113k)
Other	\$301k

*\*recurring revenue; \*\* partially recurring revenue*



# FY16 Expenditures

## Total \$1,659,174 million under budget

Capital \$197,000 + Debt \$170,588	\$368k
*Benefits	\$188k
Other	\$136k
FINCOM Reserve Fund	\$ 85k
DPW & Facilities (includes snow)	\$262k
Public Safety	\$173k
Gen'l Gov't	\$169k
Human Svc/Rec	\$160k
School Department	\$119k

*\*recurring cost reduction*



## Reserves – November 2016

Free Cash 6/30/16	\$ 9,197,769
General Stabilization Fund	\$ 1,565,475
Planned use at Subs. Nov. TM	- \$ 139,154
for litigation settlement (est.)	- \$ 1.2 to 2.2 mil.
<u>FINCOM Reserves</u>	<u>\$ 150,000</u>

**TOTAL** **\$8.6 to \$9.6 million**

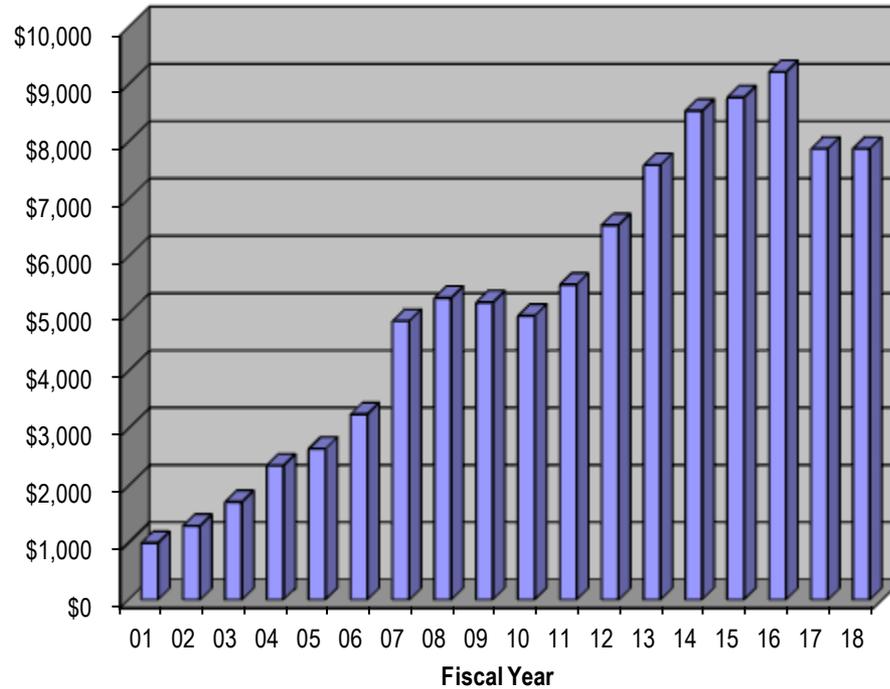
*9.4% to 10.5% of est. \$91.4 mil. FY18 projected revenue*

*FINCOM 7% Minimum Reserves Policy*



# Reserves – November 2016

<u>Fiscal Year</u>	<u>Free Cash</u>
01	986
02	1,288
03	1,704
04	2,339
05	2,634
06	3,234
07	4,863
08	5,267
09	5,189
10	4,953
11	5,499
12	6,535
13	7,585
14	8,531
15	8,766
16	9,210
17	7,871
18	7,871





# FY17 Update

Bob LeLacheur – Town Manager

**Town Hiring Freeze** (August 2016) pending results of Override vote;  
will not be lifted until Town Manager FY18 budget is complete

**Capital projects rescheduled** because of impact of Hiring Freeze and other factors:

\$900,000 of \$1.0 million Birch Meadow Field lighting

\$350,000 Killam Field regrading & parking lot repairs

\$100,000 of DPW Cemetery Building design (continue evaluation only)

**Capital Plan changes dues to RMHS litigation settlement:**

Add ~\$4 million debt repaid over 10 years for RMHS settlement

Defer \$1.7 million Facilities repairs by 1 to 2 years (6 projects)

\$1.4 million Recreation projects by 2 to 6 years (12 projects)

\$1.3 million DPW equipment by 1 to 2 years (9 vehicles)

*No impact on Public Safety vehicles replacement schedule*



# Projected FY18-22 Revenues

Sharon Angstrom, Town Accountant

## **Property Taxes** (72% of Revenues)

+3.1% in FY18 assumes \$500,000 New Growth

+3.0% to +3.1% FY19-21; +3.4% FY22 (\$750k New Growth)

## **Local Revenues** (8% of Revenues)

+6.6% in FY18 (excise taxes – more people)

+2.4% to +3.0% FY19-FY22 (+2.6% avg)

**State Aid** (16% of Revenues) – assume +2.5% annually

## **Other Revenues** (4% of Revenues)

+2.2% in FY18; +1% FY19-FY22



# Projected FY18-22 Revenues

Sharon Angstrom, Town Accountant

## Revenues (without considering Free Cash usage)

FY18 +3.24%

FY21 +2.82%

FY19 +2.89%

FY22 +3.06%

FY20 +2.84%

## FY18 Revenues including past use of Free Cash plus these levels of Free Cash in FY18:

\$2 million +2.99%

\$1.5 million +2.44%

\$1 million +1.89%

none +0.79%



# Projected FY18-22 Accommodated Costs

Bob LeLacheur, Town Manager

	FY18	FY18	FY19-22
Benefits	\$16.9mil	+5.4%	+6.3%
Capital & Debt*	\$7.2 mil	+0.5%	+2.0%
SPED Out of District	\$4.3 mil	+5.0%	+5.0%
Energy	\$2.0 mil	+4.7%	+4.9%
Other	\$4.3 mil	+2.3%	+3.2%

*\*assumes FINCOM continues to shift 0.25% to Operating budgets in FY18 only  
(worth about \$250k)*

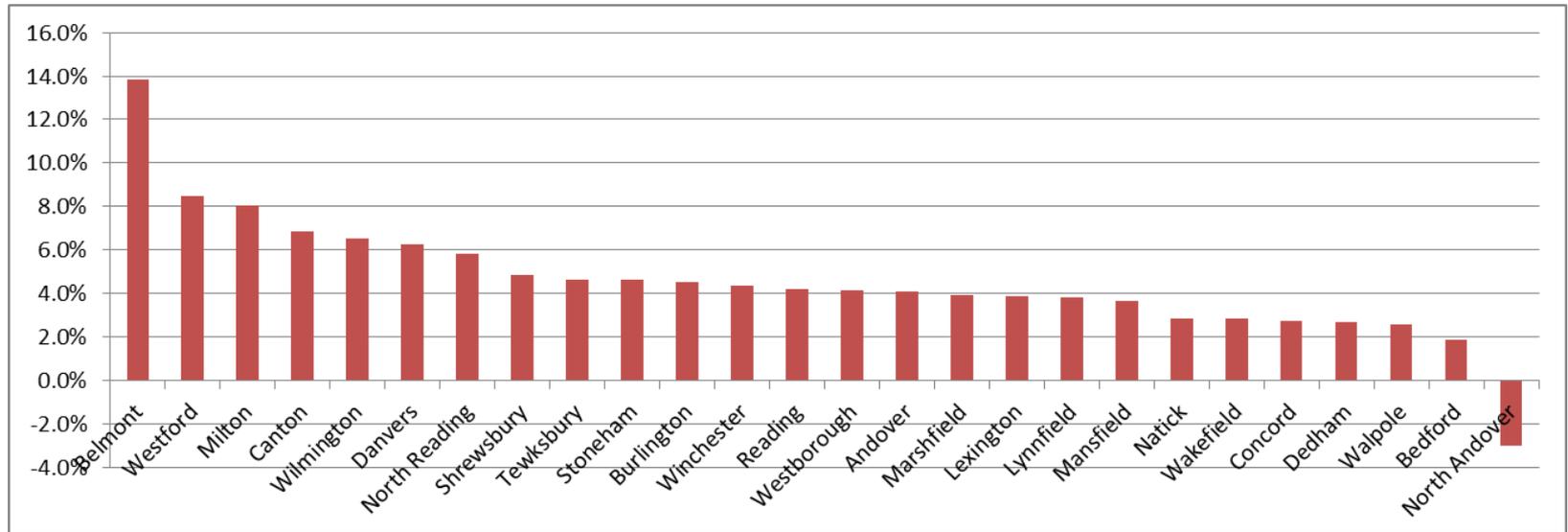


# Projected FY18-22 Accommodated Costs

## Health Insurance: the Past is not the Challenge

FY07 through FY14 Peer Communities annualized Health Insurance expenses

Reading +4.2% which is below +4.6% avg (includes GIC communities)





# Projected FY18-22 Accommodated Costs

## Future Budget Implications: Health Insurance

Based on national trends and discussions with our consultant, we forecast premium increases above 8% annually for the next five years. In line with guidance from FINCOM during the summer 2016 we have **budgeted +7.5%** annually with the understanding that any increases above that will be paid by the strong cash reserves position we have.

Based on our experience with RFPs, the only alternative plan is the GIC. We will again investigate that option for enrollment in the early fall of 2017 for FY19 impact. We remain concerned about the significant subsidy the GIC receives from the state. In order to suppress some costs below market forces, especially in light of the tone of the state's budget.



# Projected FY18-22 Accommodated Costs

## RMHS litigation settlement – financial impact

We assume the \$6 million payment will have these components:

\$0.8mil	remaining construction fund balance
\$1.2mil	Free Cash (as high as \$2.2mil)
?	MSBA reimbursement
\$4.0	mil 10yr debt

Town Counsel and the Town Accountant are striving for MSBA reimbursement – the permanent debt figure will be determined by Free Cash and MSBA participation, with a ‘worst case’ of \$4 million. To pay for that debt, the following capital is deferred:

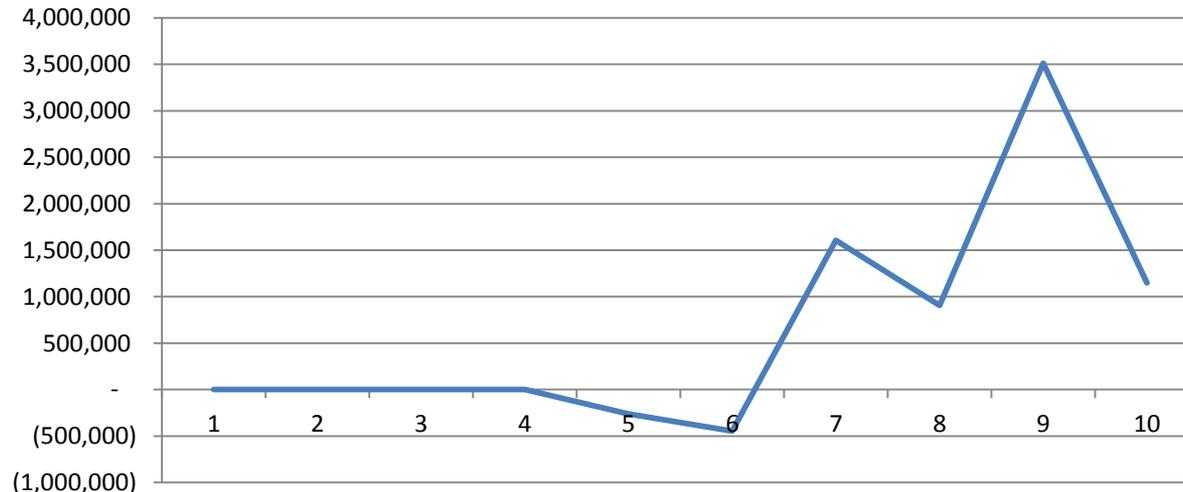
- \$1.7 mil Facilities repairs (+1 to +3 years)
- \$1.4 mil Recreation (+2 to +6 years)
- \$1.3 mil DPW equipment (+1 to +2 years)



# Projected FY18-22 Accommodated Costs

## Infrastructure (capital & debt)

The previous projected 10-yr surplus in the capital plan for Nov TM was \$11.7mil  
Debt for the RMHS settlement has decreased that to \$6.5 mil – still in decent shape  
The chart below shows projected annual deficits/surpluses after adjusting for RMHS





# Projected FY18-22 Accommodated Costs

## Infrastructure (capital & debt)

Future projects included in the Capital Plan without a specific funding schedule yet include the following, which may use up some of this projected surplus:

Killam School (excluded)

DPW Cemetery Building (excluded)

DPW Garage (working on funding by revenues inside the levy)

Town & School Building Security Systems

RMHS HS A/C



# Projected Operating Budgets

## Don't use any Free Cash FY18-22

(\$ millions)	FY18	FY19	FY20	FY21	FY22
<b>Revenues</b>	\$91.4	\$94.1	\$96.7	\$99.5	\$102.5
<b>Accom. Costs</b>	\$34.7	\$36.5	\$38.3	\$40.0	\$42.0
<b>Remainder</b>	\$56.7	\$57.6	\$58.4	\$59.5	\$60.5
<b>add Free Cash</b>					
<b>Available</b>	\$56.7	\$57.6	\$58.4	\$59.5	\$60.5
<b>OPERATING</b>	<b>-0.80%</b>	<b>+1.55%</b>	<b>+1.60%</b>	<b>+1.70%</b>	<b>+1.80%</b>

*Assumes \$250k of FY18 capital is reduced as discussed; this amount is worth 0.4% in the FY18 Operating budgets*



# Projected Operating Budgets

## Use \$1mil. Free Cash FY18-22

(\$ millions)	FY18	FY19	FY20	FY21	FY22
<b>Revenues</b>	\$91.4	\$94.1	\$96.7	\$99.5	\$102.5
<b>Accom. Costs</b>	\$34.7	\$36.5	\$38.3	\$40.0	\$42.0
<b>Remainder</b>	\$56.7	\$57.6	\$58.4	\$59.5	\$60.5
<b>add Free Cash</b>	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0
<b>Available</b>	\$57.7	\$58.6	\$59.4	\$60.5	\$61.5
<b>OPERATING</b>	<b>+1.00%</b>	<b>+1.55%</b>	<b>+1.55%</b>	<b>+1.65%</b>	<b>+1.80%</b>
<b>OPERATING no Free Cash</b>	<b>-0.80%</b>	<b>+1.55%</b>	<b>+1.60%</b>	<b>+1.70%</b>	<b>+1.80%</b>



# Projected Operating Budgets

## Target +3.5% growth

(\$ millions)	FY18	FY19	FY20	FY21	FY22
<b>Revenues</b>	\$91.4	\$94.1	\$96.7	\$99.5	\$102.5
<b>Accom. Costs</b>	\$34.7	\$36.5	\$38.3	\$40.0	\$42.0
<b>Remainder</b>	\$56.7	\$57.6	\$58.4	\$59.5	\$60.5
<b>add Free Cash</b>	\$2.4	\$3.6	\$4.8	\$6.0	\$7.2
<b>Projected Free Cash</b>	<b>\$7.7</b>	<b>\$4.6</b>	<b>\$0.3</b>		
(assume low use for settlement; \$0.5mil use for state aid/health ins; \$1 mil regeneration)	<b>8.2%</b>	<b>4.8%</b>	<b>nil</b>		