

Reading's Financial Situation

In January 2016 the Town Manager presented comparisons with 25 Peer Communities, a group that was established by independent analysis and adopted by the Finance Committee, to a Financial Forum that included all local elected boards and many residents of the community.

Reading vs. Peer Communities: Revenues

Property taxes provide Reading just over 60% of the annual revenue to support budgets, whereas the average of Peers was almost 67%. Examined more closely, on average, both Reading and Peers collect about \$54 million in local property taxes from single family homes. The difference lies in the fact that Peers collect about \$17 million from their commercial tax base while Reading collects only \$5 million.

Over the past few years Reading has taken many internal steps to establish a foundation to better encourage commercial development, recognizing there is very little vacant land available. These steps ranged from simplifying and streamlining applications processes to a significant revamping of the zoning bylaws. As this foundation is now largely established, and in consideration of the need for the Town to improve tax revenue from the commercial sector, in January the Selectmen instructed the Town Manager to include another planning position in the proposed FY17 budget that would focus exclusively on commercial development opportunities. Funding for this position for at least three years would come from fees paid by recent large development projects and therefore have no impact on the town or school budgets.

Reading vs. Peer Communities: Spending

The Town Manager also examined how Reading allocates funds in the budget process compared to these 25 Peer Communities. The findings were remarkably dull – Reading allocates funds in a very typical way, as is shown by the table below:

	Reading	Peers	Difference
Public Safety	9.2%	8.7%	+0.5%
Culture/Recr.	2.1	1.7	+0.4%
Education	39.3	39.1	+0.2%
DPW	5.1	4.9	+0.2%
Human Svcs	0.6	0.7	-0.1%
Fixed costs	17.7	17.8	-0.1%
Other	22.4	22.8	-0.4%
Gen'l gov't	3.6	4.3	-0.7%

Of some note are the comparatively high levels of funding given to Public Safety and Culture (Public Library) and low levels to general government (Town Hall). Also note that the average allocation to Education does not contradict the low per pupil spending figures reported by the Schools. Indeed Reading ranks 9th of the 26 communities in terms of enrollment as a % of population – in other words we have a lot of students.

Reading's Financial Future

In 1982 Massachusetts voters adopted Proposition 2½ as a cap on property taxes and a measure designed to reign in runaway annual municipal spending. For the next 25 years, average statewide municipal revenue growth was still over 5%; since that point it has steadily declined now to 3.8%. One significant factor limiting this revenue is the collapse of inflation adjusted state aid: since 2001 the Massachusetts Budget and Policy Center cites state aid as declining by 51% in real terms.

As a bedroom community, Reading's smaller commercial tax base has caused the town to lag those annual revenue growth figures shown above by almost 1% each year. The Town Accountant has forecast a 2.9% Reading revenue growth in FY17 and between 2.6% and 2.9% for the next five years, figures which also rely on some amount of economic development.

The Town Manger recently submitted a balanced budget for FY17 to the Finance Committee as required by the Reading Home Rule Charter. The entire budget increased by 2.6%, and both the town and schools had to eliminate some staffing positions in order to balance the budget to available revenues. The forecast for FY18 and beyond looks particularly challenging and significant staff reductions appear likely.

By reputation, Reading delivers both a high quality and volume of services given the funding that is available. We use an extensive planning process that looks ahead several years and we adapt to the rapidly changing present in order to deliver good value. Reading should be proud at how the Town and Schools work together and spend efficiently. Employees and retirees have contributed significantly with increased out of pocket expenses in order to keep health insurance premium increases lower. Wage growth has been very modest, not keeping pace with the level of average pay among our Peer Communities. Financial reserves continue to be at strong levels. Significant ongoing investment in infrastructure has improved the condition of buildings and equipment over the past decade, which has in turn lowered operating costs. In recognition, Standard & Poor's increased our rating to AAA (higher than the federal and state government).

Town and school elected officials and leadership will work together in coming months to establish a path forward to foster an open and honest discussion with the community about the imbalance of revenues available and the demand for services. A future Override is under consideration by the Board of Selectmen. The last Override in 2003 was hoped to last for ten years and, considering the slowing in revenue growth since then, the fact that town and school service levels have remained strong for over 13 years is a testament to staff, elected officials, appointed volunteers and to residents and local businesses that volunteer their time and funding as well.

As always, we will all strive to meet the expectations of the community with whatever level of resources that are made available.

Robert W. LeLacheur, Jr. CFA

Town Manager, Town of Reading

townmanager@ci.reading.ma.us