

REVIEW: Public Discussion since last spring

Community Listening Sessions

June 1 @ Coolidge MS; June 7 @ Sr. Ctr.; June 16 @ Parker MS

Public Meetings to discuss what we heard from the community

Board of Selectmen (7); School Committee (7) and FINCOM (3) Meetings

Next Steps:

Thursday September 1st

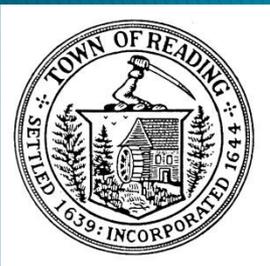
Community Financial Forum 7:00pm RMHS PAC

Monday September 12th

Special Town Meeting

Tuesday October 18th

Special Election



Town of Reading

Budget model in Reading

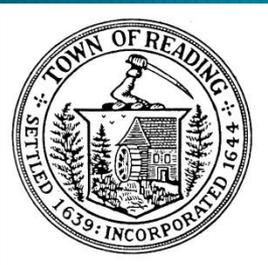
\$90.2 million Revenues (current year FY17)

First take care of these:

\$33.2 million Accommodated Costs {Benefits, Capital, Debt, Energy, Financial, Vocational Education; Out of district SPED; Miscellaneous}

Then this is leftover (current split Schools 64% Town 36%)

\$57.0 million School/Town Operating budgets



Town of Reading

Recent History

	Revenues	Accommodated Costs	Operating Budgets	Signs of Caution
FY18*	+3.0%	+5.9%	-1.7%	
FY12-17	+2.5%	+1.8%	+2.7%	
FY17	+2.9%	+1.7%	+3.40%	Cut in capital spending; layoffs; more Free Cash
FY16	+2.9%	+3.4%	+2.75%	Cut in capital spending; layoffs
FY15	+2.7%	+0.8%	+3.50%	Free Cash use increased to \$2mil
FY14	+2.8%	+1.5%	+3.75%	
FY13	+2.5%	+1.7%	+3.60%	Free Cash use increased to \$1.5 mil
FY12	+1.2%	+1.6%	-0.50%	Layoffs & wage freezes

**estimated; -1.7% assumes no Free Cash used;
-0.6% assumes \$1mil Free Cash used*



Town of Reading

Structural Deficit: \$3 million today

Operating budgets: require +3.5% long term

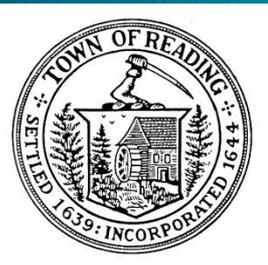
FY17 total budget: \$2.15 million out of balance

FY18 estimated total budget: \$3 million out of balance

Current Structural deficit breakdown:

School budget \$1.92 million

Town budget \$1.08 million

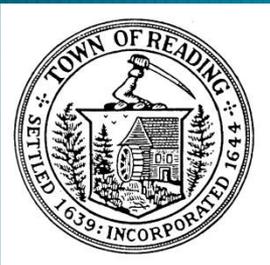
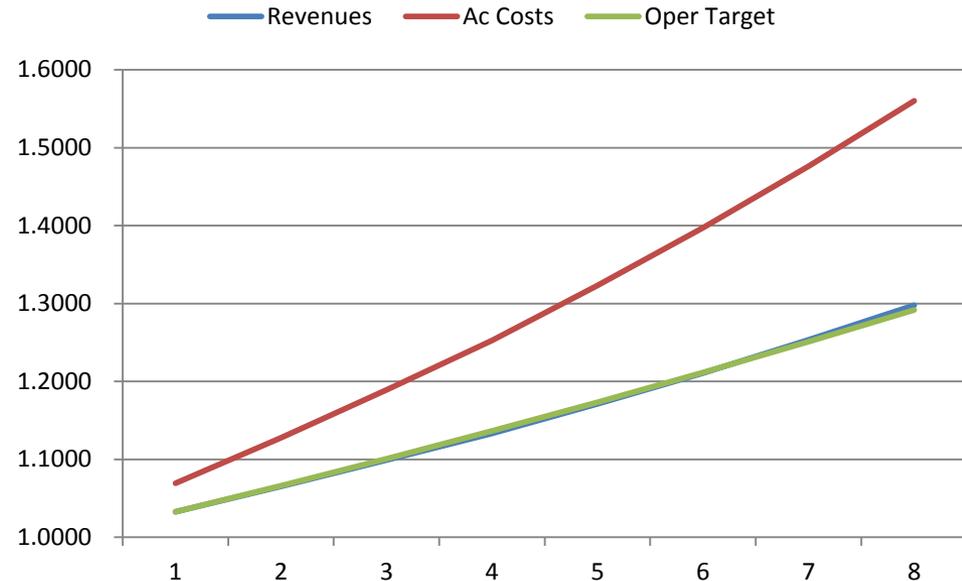


Town of Reading

Structural Deficit: future – forecast to be worse

In the future, our revenues are projected to about cover the +3.5% operating budget target – to the right these two lines are almost identical

However forecast Accommodated costs are clearly a challenge, and they add \$0.7 million annually to the structural deficit



Town of Reading

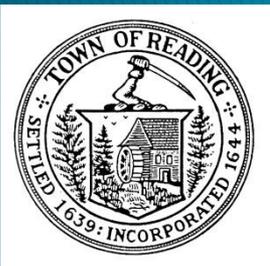
Structural Deficit: Why it is \$6 million

Over eight years, this annual funding gap is therefore forecast at \$5.6 mil.

An Override by state law must be a lump sum

The first part is **\$3 mil.** to fix the current deficit; then an **additional \$3 mil.** to fix this annual gap as shown on the right

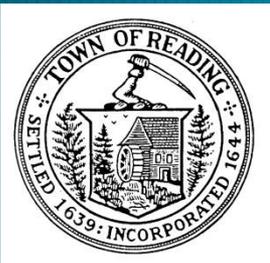
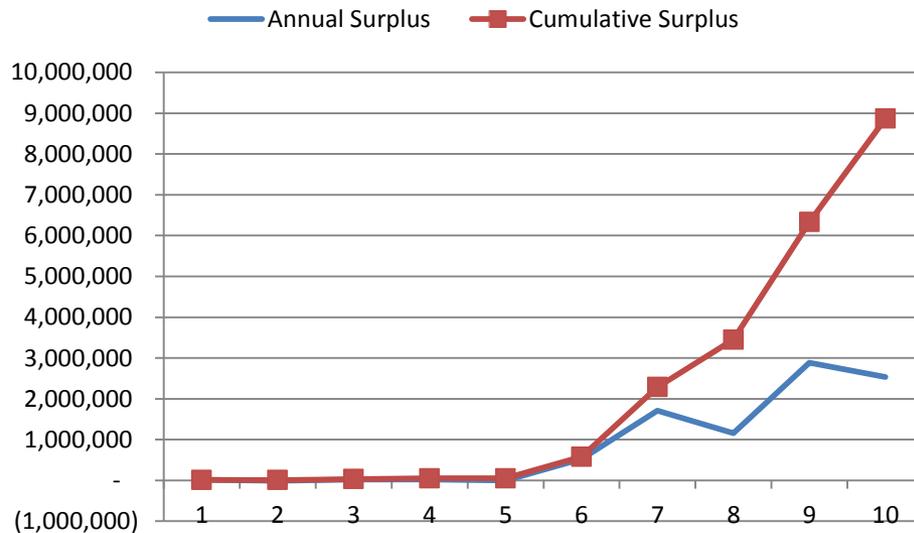
This chart leaves a huge red flag of caution about the future if that is all we did



Town of Reading

Structural Deficit: let's not create a future \$5.6 mil. deficit

Solution: Future Surplus (\$) in Capital Plan



	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Extra Capital	+\$2.0	+\$1.5	+\$1.0	+\$0.5	-\$0.5	-\$1.0	-\$1.5	-\$2.0

Town of Reading

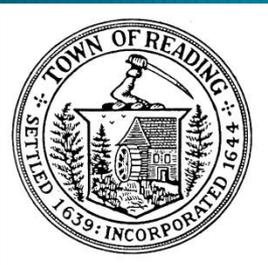
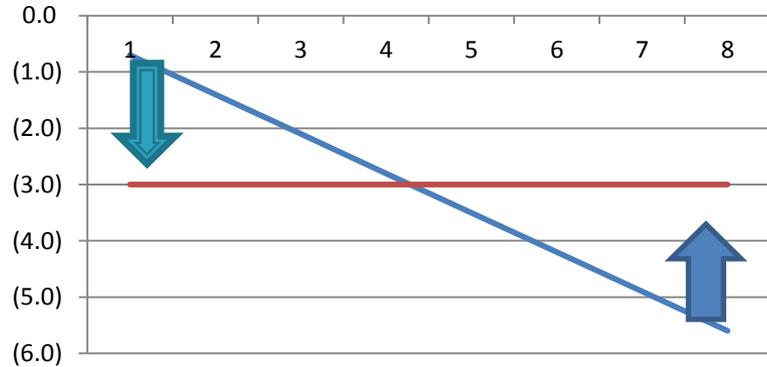
Structural Deficit: Why it is \$6 million

FY18

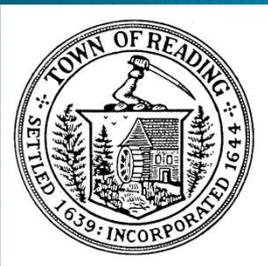
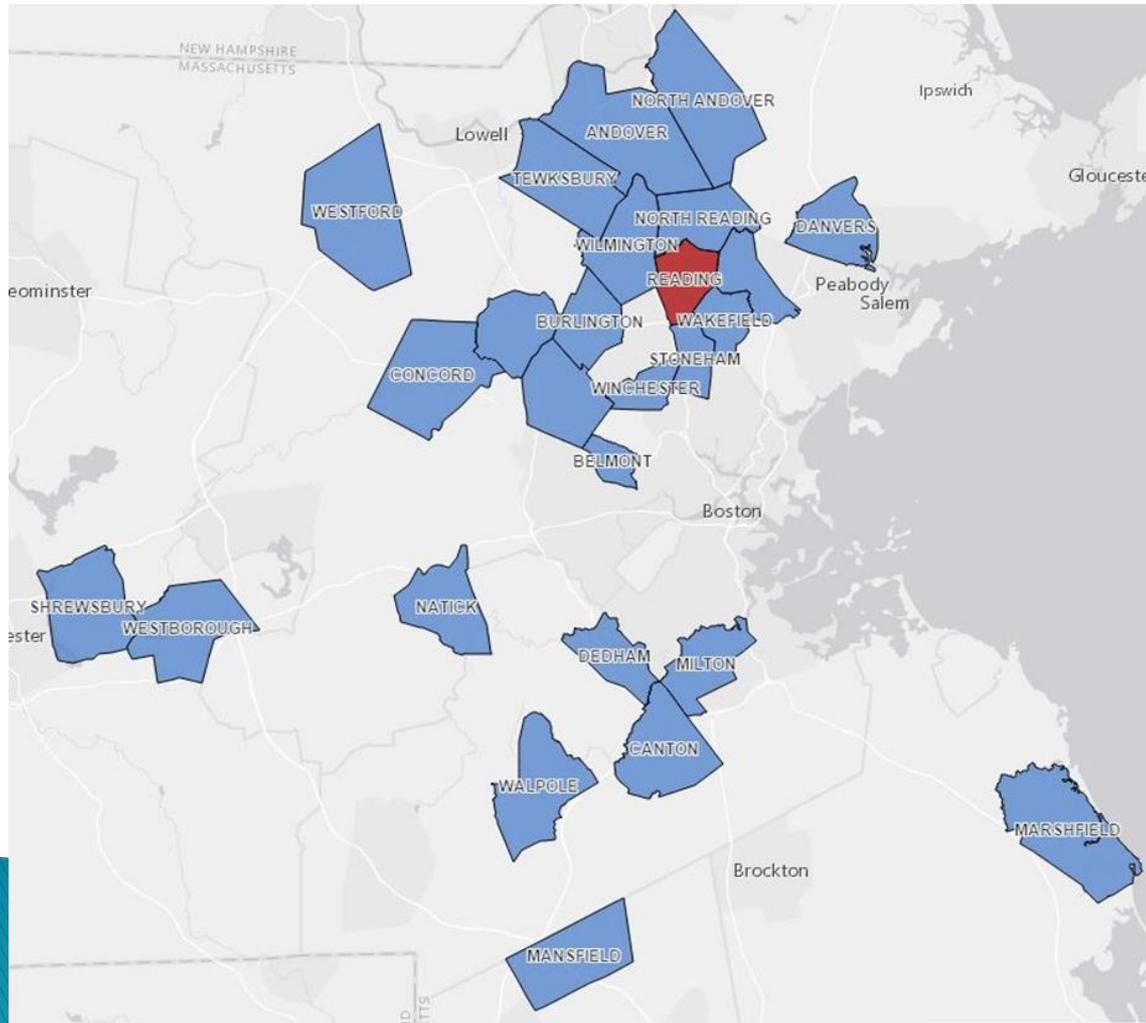
\$3.0 mil. current structural deficit
\$0.3 mil. pension funding
\$2.0 mil. additional capital
\$0.7 mil. savings

Beyond FY18

The additional capital and savings portions will be reduced/eliminated annually as needed to handle the expected +\$0.7 million annual funding gap.

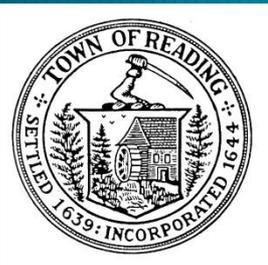


Peer Communities



Peer Revenues

	Reading	Peer Communities
Tax Levy	60.5%	66.6%
<i>Residential</i>	91.4%	76.9%
<i>Residential</i>	<i>\$53.8 mil.</i>	<i>\$54.8 mil.</i>
<i>CIP</i>	8.6%	23.1%
<i>CIP</i>	<i>\$5.0 mil.</i>	<i>\$17.3 mil.</i>
State Aid	13.7%	11.0%
Local Receipts	21.6%	17.5%
Other	4.2%	4.9%



Source: MA DOR

Peer Expenses

% of Budget Spending	Reading	Peer Communities	Difference
Public Safety	9.2%	8.7%	+0.5%
Culture & Recreation	2.1%	1.7%	+0.4%
Education	39.3%	39.1%	+0.2%
DPW	5.1%	4.9%	+0.2%
Human Service	0.6%	0.7%	-0.1%
Fixed Costs & Debt	17.7%	17.8%	-0.1%
Other (Ent Funds)	22.4%	22.8%	-0.4%
Gen'l Gov't	3.6%	4.3%	-0.7%



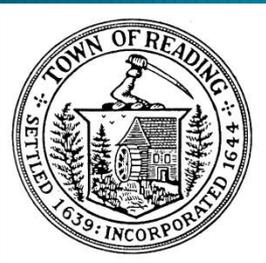
*Source: MA DOR – budgets include Enterprise Funds
Reading \$97 mil.; Peers average is \$108 mil.*

Peer Education Expenses

Peer average is 15.8% enrollments/population; Reading is higher at 17.4%

	Pop.	Enroll	% Enroll	% Budget		Pop.	Enroll	% Enroll	% Budget
Westford	23,265	5,139	22.1%	45.0%	North Andover	29,217	4,795	16.4%	41.0%
Lexington	32,650	6,785	20.8%	36.0%	Walpole	24,818	3,946	15.9%	41.9%
Winchester	22,079	4,505	20.4%	36.8%	Natick	35,214	5,368	15.2%	34.2%
Westborough	18,630	3,624	19.5%	44.4%	Canton	22,221	3,326	15.0%	35.8%
Bedford	13,975	2,522	18.0%	39.7%	Wilmington	23,147	3,448	14.9%	44.0%
Lynnfield	12,395	2,205	17.8%	43.9%	Milton	27,270	4,011	14.7%	38.3%
Andover	34,477	6,076	17.6%	42.3%	Burlington	25,463	3,499	13.7%	39.7%
Mansfield	23,566	4,144	17.6%	44.9%	Wakefield	26,080	3,439	13.2%	31.7%
Reading	25,327	4,407	17.4%	39.3%	Danvers	27,483	3,588	13.1%	31.9%
Belmont	25,332	4,283	16.9%	34.2%	Tewksbury	30,107	3,658	12.1%	36.3%
Marshfield	25,509	4,267	16.7%	44.4%	Dedham	25,299	2,776	11.0%	31.5%
North Reading	15,377	2,556	16.6%	38.8%	Concord	19,285	2,114	11.0%	50.2%
Shrewsbury	36,309	6,016	16.6%	43.4%	Stoneham	21,734	2,317	10.7%	35.2%

Source: MA Department of Education 2014-15



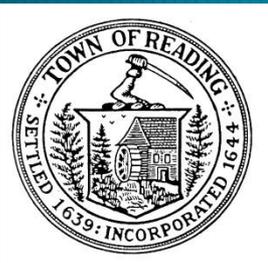
Override

An initiative petition was passed in 1980 and implemented in 1982 that limited the total property tax (the tax levy) increase in MA communities to +2.5% (plus any New Growth). Because of annual changes in assessed values, individual tax bills go up by various amounts, but are limited to +2.5% for the tax levy.

An Override seeks to permanently increase the tax levy by a specified dollar amount. After that, annual increases are again limited to +2.5%

Note that capital or debt exclusions, such as Reading has for both the High School and Library projects, may be added on top of this +2.5% limit, when approved by the voters. These exclusions are temporary – for a specified amount of time – and when the projects are paid for this part of the tax bill vanishes.

Source: MA Department of Education 2014-15



Town of Reading

Residential Taxpayer View – current

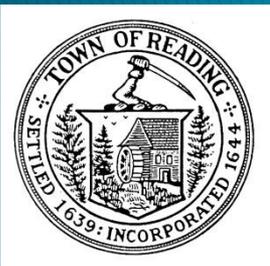
Average \$500,000 single family home (SFH) tax bill:

Tax Bill	Tax Levy	RMHS	Library
\$7,250	\$6,905	\$161	\$184

Taxpayers will have completed repaying excluded debt for the High School project in FY24 and for the Library project in FY25, leading to tax increases below the annual +2.5% levy ceiling as shown below:

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
SFH	\$7,418	\$7,590	\$7,767	\$7,947	\$8,132	\$8,321	\$8,516	\$8,563	\$8,625	\$8,840
Rate	+2.31%	+2.33%	+2.33%	+2.32%	+2.32%	+2.32%	+2.35%	+0.55%	+0.72%	+2.50%

This translates into an average 2.0% annual tax bill increase over the ten year period

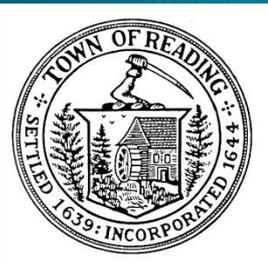


Overrides – what do our Peers do?

Sorted by reliance on Residential Tax Base:

	TOT	Most Recent	t YES	Res%	SPLIT
Milton	8	2009 YES	6/09	96.1	1.61
Winchester	10	2015 NO	3/07	95.0	0.94
Belmont	6	2015 YES	4/15	94.4	1.0
Marshfield	15	2008 YES/NO	4/07	92.1	1.0
READING	5	2003 YES	4/03	91.4	1.0
Concord	22	2006 YES	4/06	91.0	1.0
Stoneham	6	2011 NO		88.9	1.70
Lexington	19	2007 YES	6/07	87.6	1.96
North Reading	14	2009 NO	2/05	87.3	1.0
Lynnfield	4	2011 YES	6/11	87.2	1.19
North Andover	8	2007 YES	6/07	87.2	1.41
Shrewsbury	6	2014 YES	6/14	87.0	1.0
Walpole	4	2012 YES	6/12	86.4	1.33

	TOT	Most Recent	t YES	Res%	SPLIT
Wakefield	1	1990 YES	3/90	84.9	2.02
Westford	21	2006 NO	3/99	84.7	1.01
Tewksbury	2	2007 NO		81.8	1.69
Dedham	0			80.5	2.14
Andover	2	2003 NO		80.2	1.65
Bedford	0			78.6	2.20
Canton	2	2008 YES	5/08	77.4	2.06
Natick	4	2008 YES	3/08	77.4	1.0
Mansfield	2	2000 YES	4/00	76.5	1.34
Wilmington	3	1995 NO		76.4	2.28
Danvers	0			74.0	1.44
Westborough	0			64.5	1.0
Burlington	0			62.7	2.59



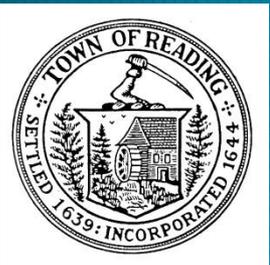
Town of Reading

Structural Deficit – History

Previous Override: \$4.5 million

- Equivalent as % of taxes to \$8.5 million Override in FY18
- 75% spent right away; 85% spent within one year
- No financial modelling looking towards the future
- “Hope this lasts for 8–10 years”

Why did the previous Override last for so long?



Town of Reading

Structural Deficit – History

Efficiencies – the list is quite long, but here are some highlights

Spend money to save money: Performance contracting; some out of district SPED brought in–district; opt–out Health Insurance payments

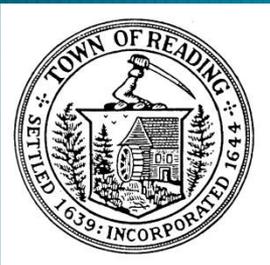
Spend money to generate revenues: Fire Dept. Advanced Life Support

Operational efficiencies: capital spending; rubbish/recycle; technology

Restructuring large departments and single positions

Financial planning (next slide) emphasized

Fees & Revolving Funds increased



There will always be room for improvements,
but we are running out of ideas

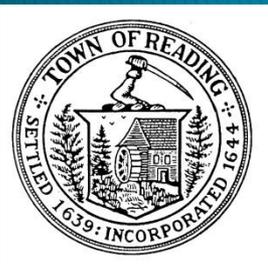
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Financial Planning: Example

\$millions	FY06	FY17	change
Debt	\$4.15	\$1.84	-\$2.31
Prin	\$2.58	\$1.54	-\$1.04
Int	\$1.57	\$0.30	-\$1.27

In FY17, the Town will spend 2.1% of the general fund budget on debt service inside the tax levy, and 80% of those funds are for 'productive' principal payments, repaid for needed capital expenditures that were financed by debt.

In FY06, the Town spent 6.8% on debt service, and almost 40% of that was on 'unproductive' interest payments. If FY06 practices were continued, FY17 School and Town budgets would need to be cut by **over \$4 million**



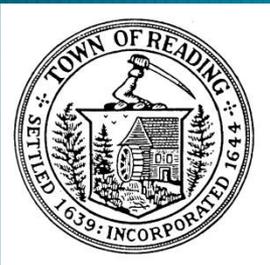
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Override = Structural Deficit ... + More?

During the summer 2016 both the School Committee and Selectmen and their respective staffs debated what services they should seek to restore or add as new to their budgets in the event an Override was requested of the voters.

	\$6mil	\$7.0m	\$7.5m	\$8.0m	\$8.5m	\$9.0m
Structural	\$6.0m	\$6.0m	\$6.0m	\$6.0m	\$6.0m	\$6.0m
Schools		\$640k	\$960k	\$1.28m	\$1.60m	\$1.92m
Town		\$360k	\$540k	\$720k	\$900k	\$1.08m

The Schools requested \$1.925 million and the Town requested up to \$1.08 million – or a combined \$3 million.



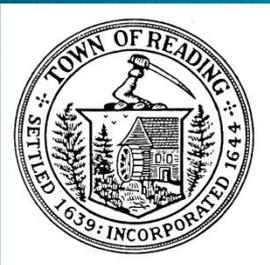
Town of Reading

Taxpayer Impact – Override

For the same average SFH tax bill, a \$6.0 million Override to remedy the current structural deficit for 8 years will cost \$664 above the +2.5% limit as shown below. Over the same ten-year period, this translates into a 2.9% annual increase.

Costs for additional Operating budget funding are also shown below, with a \$9.0 million Override translating to a 3.4% annual increase:

Residential	\$6 mil	\$7 mil	\$7.5 mil	\$8 mil	\$8.5 mil	\$9 mil
\$ 300,000	\$ 398	\$ 464	\$ 497	\$ 530	\$ 563	\$ 596
\$ 400,000	\$ 531	\$ 619	\$ 663	\$ 707	\$ 751	\$ 795
\$ 500,000	\$ 664	\$ 774	\$ 829	\$ 884	\$ 939	\$ 994
\$ 600,000	\$ 797	\$ 929	\$ 995	\$ 1,061	\$ 1,127	\$ 1,193
\$ 700,000	\$ 930	\$ 1,084	\$ 1,161	\$ 1,238	\$ 1,315	\$ 1,392



Town of Reading

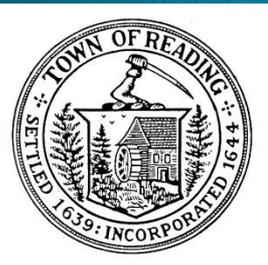
Residential Taxpayer View

After extended discussion, the Board of Selectmen selected a \$7.5 million Override to request from the voters. This figure would be able to restore or add half of what had been requested, plus fund the structural deficit. Here is the tax bill impact:

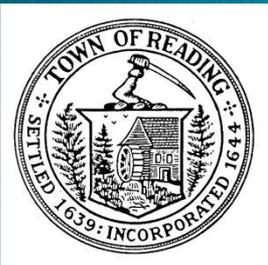
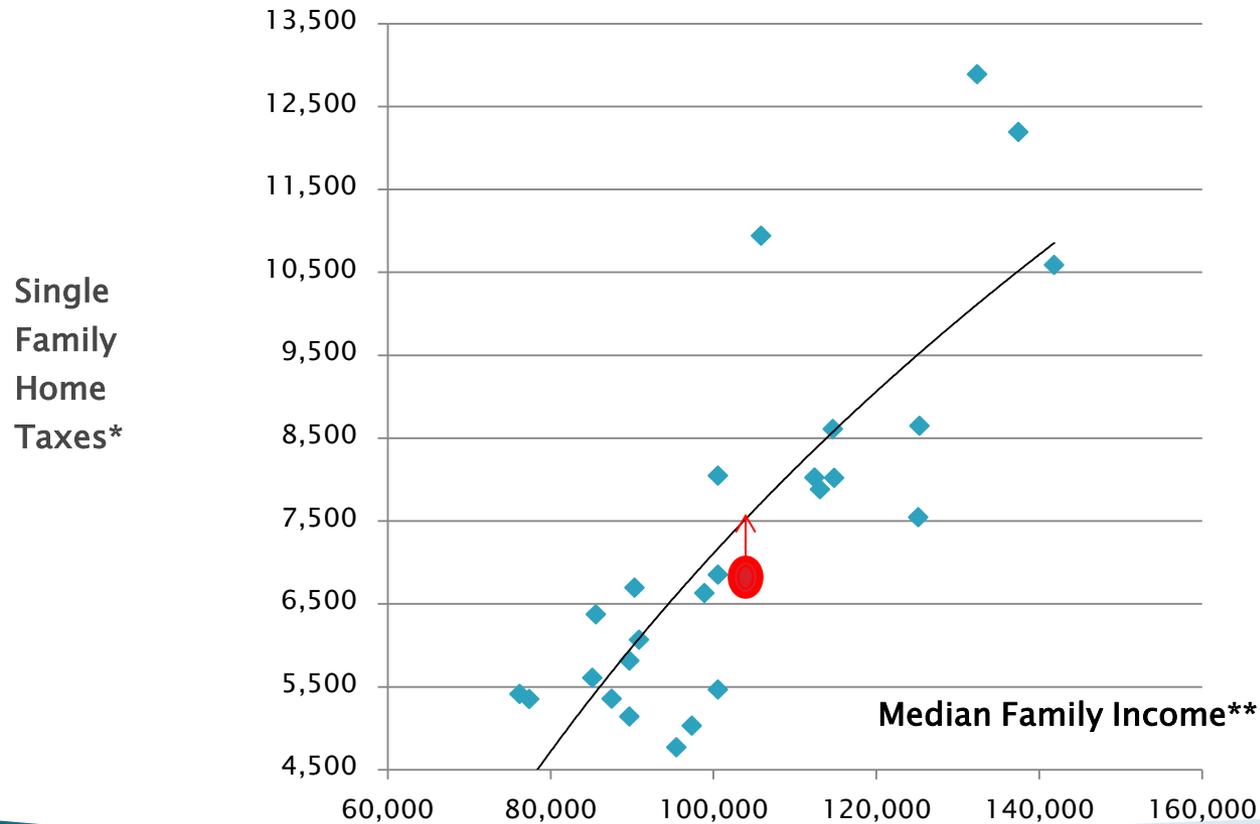
Average \$500,000 single family home (SFH) tax bill with a \$7.5 million Override

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
SFH	\$8,265	\$8,459	\$8,657	\$8,859	\$9,067	\$9,279	\$9,498	\$9,570	\$9,657	\$9,898
Rate	+13.90%	+2.35%	+2.35%	+2.32%	+2.32%	+2.32%	+2.35%	+0.76%	+0.91%	+2.50%

This translates into a +3.1% annual increase



Peer Residential Tax Burden



Reading is taxed \$600 to \$700 below Peers; a \$7.5 million Override brings Reading to \$100 above Peers – until such time as they pass future Overrides

Sources: * DOR 2015 **Boston Globe 2010-2014

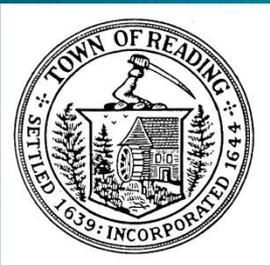
Town of Reading

Structural Deficit – Future

The financial model will allow future Town and School leaders to track annual financial reality versus what we have guessed might happen.

Don't forget that today we have two projects on the horizon as excluded debt – **Killam School** and the **DPW Garage/Cemetery building**. In a perfect world we'd wait until other excluded debt projects are paid off.

We DO NOT want to fall back into spending Operating budget funds on projects of this size, as we did for Barrows and Wood End. The rest of the Capital Plan was then largely ignored, and debt serviced ballooned inside the tax levy.

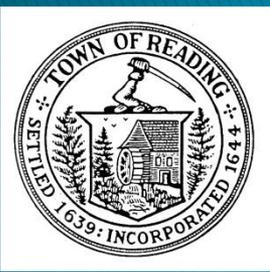


Town of Reading

Structural Deficit – Future

The town is actively engaged in efforts to promote more commercial development that could add as much as \$2 million of New Growth to our annual revenues. These efforts will require another five years, but if successful delay the need for any future Override.

Commercial	# prop	% prop	Avg Val	% C tax	Taxes	Avg Tax
\$100k - \$500k	84	41%	\$ 311,010	8.6%	\$ 379,092	\$ 4,513
\$500k - \$1mil	61	30%	\$ 719,956	14.4%	\$ 637,267	\$ 10,447
\$1mil - \$2mil	35	17%	\$ 1,373,140	15.8%	\$ 697,340	\$ 19,924
\$2mil - \$3mil	8	4%	\$ 2,287,475	6.0%	\$ 265,528	\$ 33,191
\$3mil - \$10mil	12	6%	\$ 4,407,367	17.4%	\$ 767,412	\$ 63,951
\$10mil +	6	3%	\$ 19,120,333	37.7%	\$ 1,664,616	\$ 277,436
	206		\$ 1,475,788		\$ 4,411,255	\$ 21,414



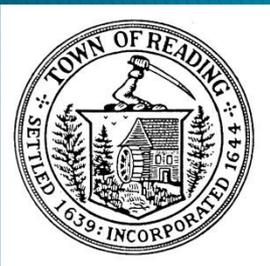
Walker's Brook contributes about \$2 million of the above totals

Town of Reading

Senior Tax Relief – Benefits

Town Meeting on September 12 will consider four Senior Tax Relief proposals, one of which is a significant Home Rule Petition. For those residents that qualify for MA Schedule CB (Circuit Breaker), have owned property for at least the last ten years in Reading, and who pay over 10% of their income in property taxes plus 50% of water & sewer bills, a tax break of between 50% and 200% of the CB income tax break will be deducted from the Reading property tax bill.

For the average CB filer using 2014 state data, this will translate to about a \$1,000 property tax reduction. For those with higher or lower incomes, that figure will range up or down about \$300. We estimate about 300 seniors in the community will be eligible for this tax relief.



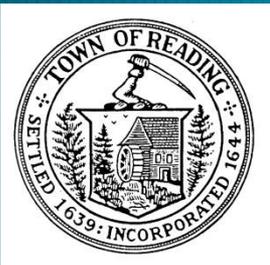
Town of Reading

Senior Tax Relief – Costs

The Selectmen indicated a desire to share the cost of this tax relief among all taxpayers. As we do not have good data on how large the qualified applicant pool will be, that 50% to 200% range will allow the Board to target \$700,000 of tax relief in total to be reallocated.

Residential			
\$	300,000	10%	\$ 48
\$	400,000	31%	\$ 64
\$	500,000	31%	\$ 81
\$	600,000	14%	\$ 97
\$	700,000	14%	\$ 113

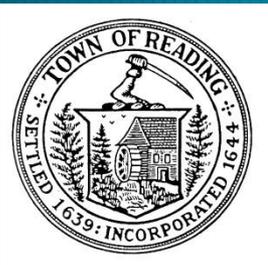
Commercial		
\$100k - \$500k	41%	\$ 63
\$500k - \$1mil	30%	\$ 146
\$1mil - \$2mil	17%	\$ 279
\$2mil - \$3mil	4%	\$ 464
\$3mil - \$10mil	6%	\$ 895
\$10mil +	3%	\$ 3,882



Town of Reading

Impacts of a Yes or No Override Vote

Dr. John Doherty, Superintendent of Schools

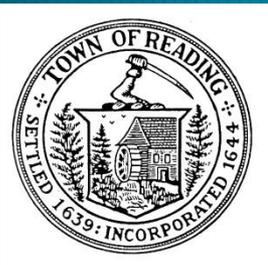


Town of Reading

Impacts of a Yes Override Vote

Town government - Additions of \$540,000

- \$200,000 Retaining and attracting staff
- \$ 85,000 School Resource (Police) Officer
- \$ 75,000 Firefighter/paramedic
- \$ 70,000 Technology equip. (yr 1) then staffing
- \$ 60,000 Library staffing
- \$ 25,000 Town Accountant staffing (PT)
- \$ 25,000 Volunteer Board support (will change each year)



Town of Reading

Impacts of a **No** Override Vote

	FY17	possible reduction	Theoretical 75/25 wage/exp
Admin Svc	\$2.76m	\$100k	1.0 FTE
Public Svc	1.62m	60k	0.8 FTE
Finance	0.78m	30k	0.3 FTE
Pub Safety	9.95m	400k	4.0 FTE
Pub Works	5.61m	225k	2.5 FTE
Pub Library	1.49m	60k	1.0 FTE
Facilities	3.14m	125k	1.5 FTE
	\$25.4mil	\$1.0mil	11 FTEs

The Town Manager has issued a hiring freeze that at present leaves open 3 Public Safety and 1 DPW positions that are now or through retirement expected to be vacant

