

Long Range Financial Forecast Preview

Ways and Means Committee
October 1, 2015

Long Range Financial Forecasting

- Definition
 - To project revenues and expenditures, using future spending estimates, assumptions about economic conditions and other salient variables
- Purpose
 - To provide information for long range municipal and strategic planning
 - To determine the Town's financial capacity to accomplish certain long term goals

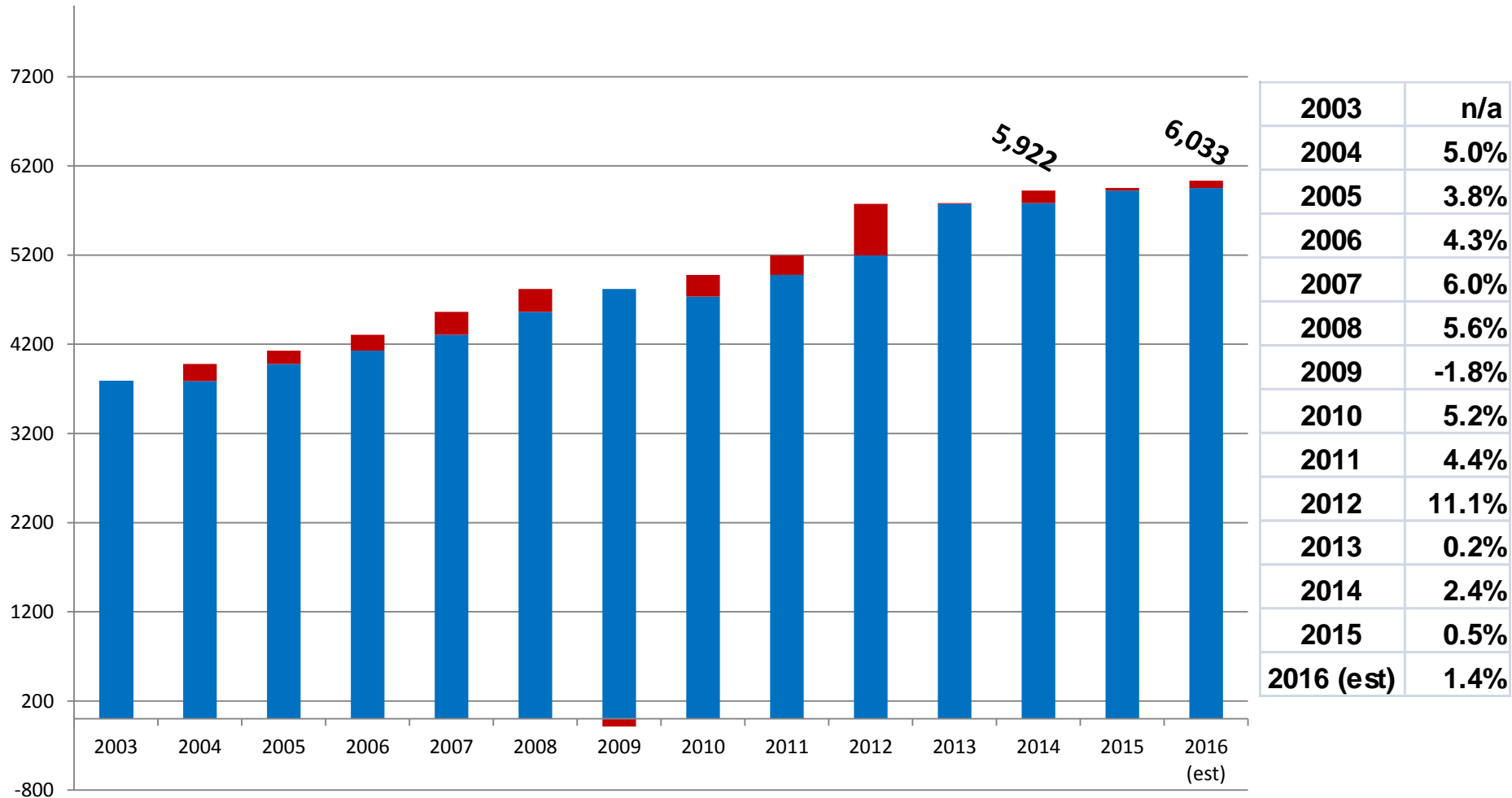
This Long Range Financial Forecast

- Two prong approach
 - Standard forecast w/growth of base expenditure budgets, moderate capital plan and revenues based on the third year planned reduced levy
 - Identifies a substantial budget deficit that needs to be addressed
 - Alternative forecast with some different short term and near term assumptions
 - Transition plan from FY17 partial to FY18 full levy growth
 - Serious review of existing capital project progress, project backlog and capacity to complete new projects

This Long Range Financial Forecast

- Take into consideration the success of the average residential tax bill goal: keep annual increase under \$100
 - FY15 average increase was \$30
 - FY16 anticipate average increase of \$81.35
 - Over 2 FYs increase of \$111 versus \$200
- Scale back capital budget estimates; Debt Service reduction
 - We have a backlog of projects in the queue; limit new authorizations and manage backlog for a couple of years
 - The adjusted forecast limits capital budgets to the debt service limit

Moderating the Avg Single Family Tax Bill



This Long Range Financial Forecast

FY2016 - FY2020 Projected Budget

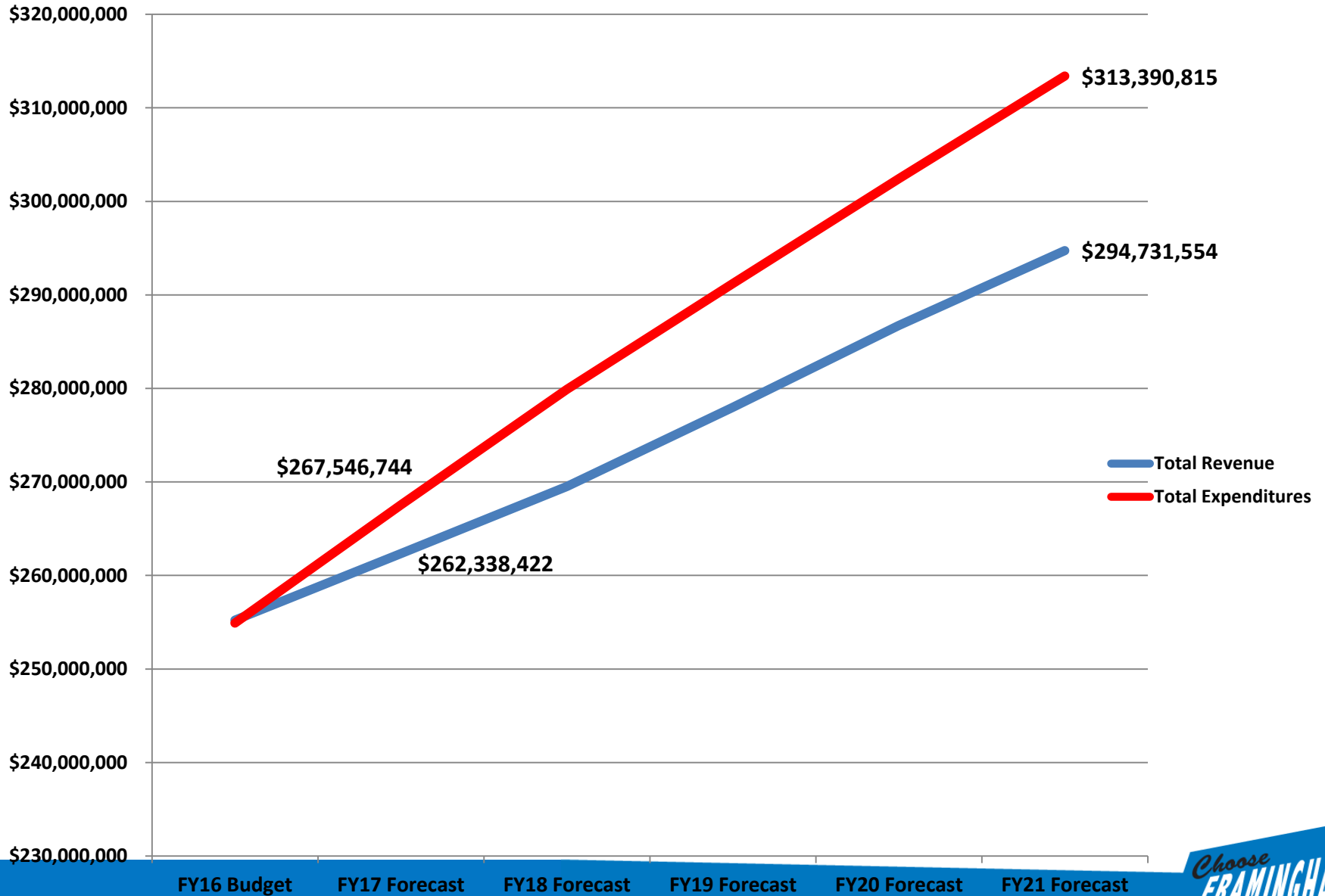
	FY16 Budget	FY17 Forecast	FY18 Forecast	FY19 Forecast	FY20 Forecast	FY21 Forecast
Projected Balance	312,783	(5,208,321)	(10,380,324)	(13,219,501)	(15,701,580)	(18,659,260)

- 1.25% FY17 Levy growth, 2.5% in subsequent years
- Moderate reduction in capital investment over the next 5 years
- Natural/Inflation growth in expenses

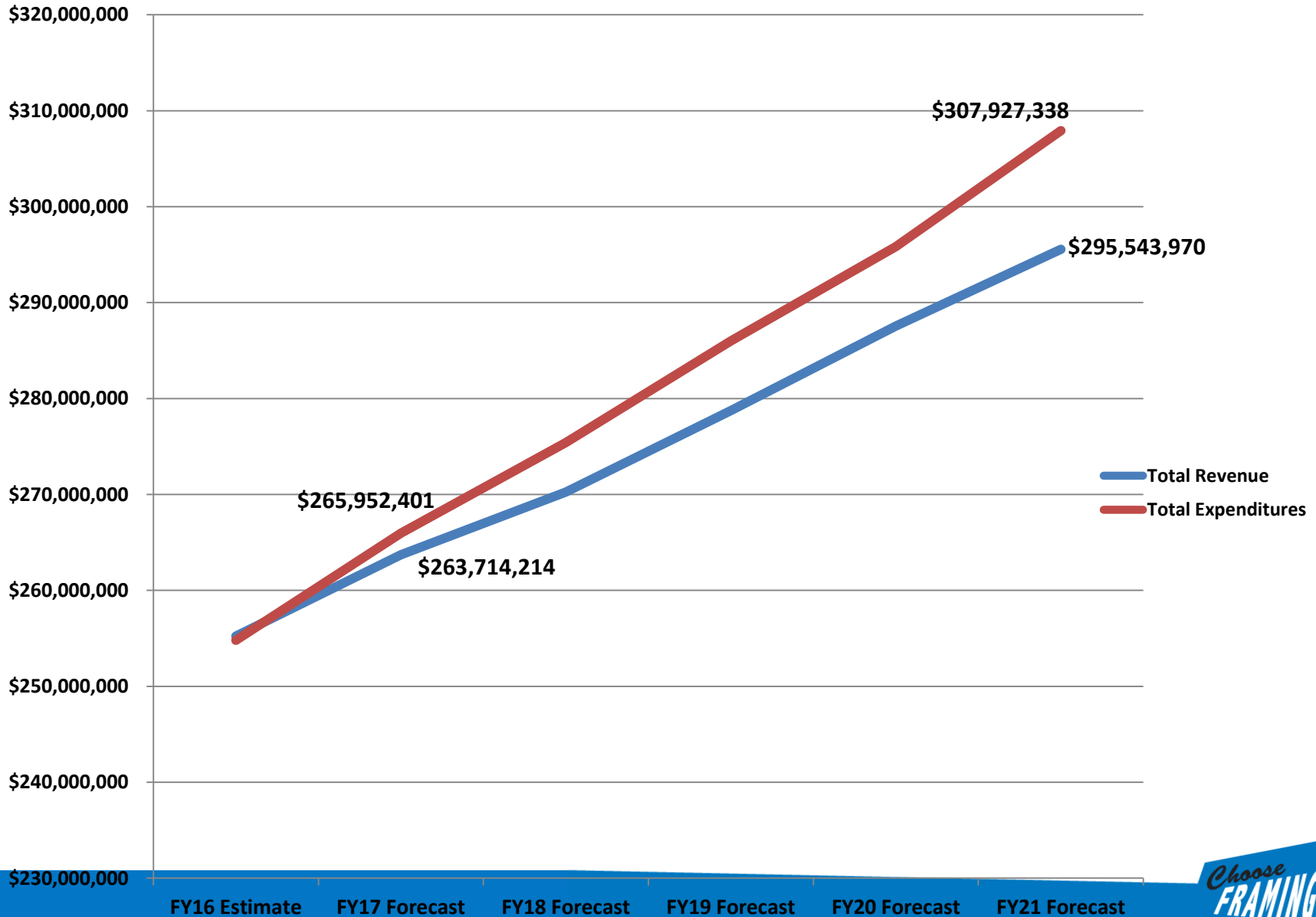
Projected Balance	312,783	(2,238,188)	(5,162,594)	(7,249,382)	(8,274,315)	(12,383,368)
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- 1.75% FY17 Levy Growth, 2.5% in subsequent years
- Significant reduction in capital investment
- Restricted growth in discretionary costs
- Add \$500,000 in free cash to existing revenue estimate

Summary Outlook: Natural Growth



Summary Outlook: Restricted Growth



Additional Revenue Assumptions

- Property Tax Levy
 - FY18, FY19, FY20 and FY21 assume annual base levy growth of 2.5%
 - New tax growth from development ranges from \$1.1M to \$1.4M per year
- State Aid
 - 5-7% growth in Chapter 70 Aid
 - 3% growth in Unrestricted Gen'l Gov't Aid
- Local Receipts
 - Overall 1.2 - 3.2% growth; subcategories range from 0-8%

Revenue Assumptions (cont.)

- Free Cash
 - Use significant amounts as part of two year levy offset (FY16 and FY17)
 - Allocate enough to Stabilization Fund to maintain 5% policy goal
 - Allocate almost \$1M to Capital Stabilization Fund annually
 - Allocate a fixed portion of net free cash to OPEB Trust

Spending Assumptions

- No new programs or additional staff for municipal departments
 - Salary growth of 2-4% per year
 - Operating cost growth of 0-5% per year
 - Energy cost growth of 3% per year
- School Department Level Service
 - Base budget growth of 4% per year

Near Term Tax Estimate

- 3 Year Budget Plan goal for FY15-17 to increase the average single family tax bill by less than \$100 per year
 - FY15 was \$30
 - FY16 estimate is \$81.35
 - FY17 at a 1.75% levy would be \$118.73
 - Total 3 yr average SF home increase of \$230; well under the \$300 cap

Summary Outlook

- FY18-20 shows deficits which means more cost control and revenue alternatives
 - By making a .5% change in the levy in FY17 we add \$4.6 million to the stream of revenue through FY21
 - Limit the authorization of capital projects to the debt service limit
 - Will be ending first term of GIC, health insurance decision-making will be critical
 - Stay with in established pattern of wage settlements

But...What's Missing?

- There is an enormous need to invest in Town-owned buildings (Schools and Community buildings)
 - Over the next 5 years
- There is substantial roadway, bridge and stormwater work that is not included in the financials of these forecast scenarios
 - Over the next 5 years

Water Enterprise Fund Forecast

- Very moderate growth in personnel and operating expenses
- Budget drivers are MWRA assessment and debt service
 - MWRA is 37% of FY17 budget forecast
 - Debt Service is 37% to FY17 budget forecast
- Managing capital budget and issuance of existing debt will make the largest impact on rate growth
- Judicious use of retained earnings will help smooth rate spikes

Water Enterprise Fund Forecast

FY2017 - FY2021 Financial Forecast

	FY16 Budget	FY17 Forecast	FY18 Forecast	FY19 Forecast	FY20 Forecast	FY21 Forecast
Revenue						
Water Billings	\$19,410,935	\$21,133,292	\$23,277,872	\$25,520,963	\$26,436,828	\$27,252,618
Billing Growth Rate		8.9%	10.1%	9.6%	3.6%	3.1%
Retained Earnings	\$296,600	\$1,300,000	\$1,300,000	\$500,000	\$0	\$0
Other Misc. Revenues	\$296,500	\$296,500	\$296,500	\$296,500	\$296,500	\$296,500
Fire Service	\$538,819	\$554,984	\$571,633	\$588,782	\$606,446	\$624,639
Total Revenue	\$20,542,854	\$23,284,776	\$25,446,006	\$26,906,245	\$27,339,774	\$28,173,757
Expenditures						
Operating Expense	\$4,851,892	\$4,945,511	\$5,017,136	\$5,136,849	\$5,232,477	\$5,336,404
Health Insurance	\$454,621	\$473,564	\$454,621	\$472,806	\$496,446	\$521,268
OPEB	\$0	\$80,000	\$70,948	\$73,985	\$77,154	\$80,459
Debt Service	\$5,444,423	\$7,411,062	\$8,927,013	\$9,902,850	\$9,919,935	\$10,105,352
MWRA Assessment	\$ 8,243,826	\$ 8,680,749	\$ 9,140,828	\$ 9,405,912	\$ 9,697,496	\$ 10,211,463
Indirect Costs	\$1,548,092	\$1,594,535	\$1,658,316	\$1,724,649	\$1,793,635	\$1,865,380
Total Expenditures	\$20,542,854	\$23,185,420	\$25,268,862	\$26,717,051	\$27,217,143	\$28,120,327
Expenditure Growth Rate		12.9%	9.0%	5.7%	1.9%	3.3%
Projected Balance	0	99,356	177,144	189,194	122,631	53,430

Sewer Enterprise Fund Forecast

- Very moderate growth in personnel and operating expenses
- Budget drivers are MWRA assessment and debt service
 - MWRA is 42% of FY17 budget forecast
 - Debt Service is 39% to FY17 budget forecast
 - There has been more investment in sewer infrastructure
- As with Water, use of retained earnings and limited future capital budgets

Sewer Enterprise Fund Forecast

FY2017 - FY2021 Financial Forecast						
	FY16 Budget	FY17 Forecast	FY18 Forecast	FY19 Forecast	FY20 Forecast	FY21 Forecast
Revenue						
Sewer Billings	\$24,485,328	\$28,757,685	\$31,465,005	\$33,540,898	\$34,513,793	\$34,872,832
Billing Growth Rate		17.4%	9.4%	6.6%	2.9%	1.0%
Town of Ashland Transport Fee	\$ 877,952	\$ 851,901	\$ 947,936	\$ 971,797	\$ 997,845	\$ 1,024,718
Retained Earnings	\$119,000	\$1,000,000	\$800,000			
Other Misc. Revenues	\$296,486	\$296,611	\$296,236	\$296,111	\$295,986	\$296,111
Total Revenue	\$25,778,767	\$30,906,197	\$33,509,177	\$34,808,806	\$35,807,624	\$36,193,660
Expenditures						
Operating Expense	\$3,885,853	\$4,055,328	\$4,244,008	\$4,321,480	\$4,406,257	\$4,492,844
Health Insurance	\$433,097	\$346,478	\$353,408	\$367,544	\$385,922	\$405,218
OPEB	\$0	\$46,418	\$48,404	\$50,476	\$52,638	\$54,893
Debt Service	\$7,650,939	\$11,903,899	\$13,935,511	\$14,433,927	\$14,473,571	\$14,689,924
MWRA Assessment	\$ 12,015,537	\$ 12,784,531	\$ 13,116,929	\$ 13,746,542	\$ 14,640,067	\$ 14,596,147
Indirect Costs	\$1,434,330	\$1,477,360	\$1,536,454	\$1,597,912	\$1,661,829	\$1,728,302
Total Expenditures	\$25,419,756	\$30,614,014	\$33,234,715	\$34,517,882	\$35,620,284	\$35,967,328
Expenditure Growth Rate		20.4%	8.6%	3.9%	3.2%	1.0%
Projected Balance	359,011	292,183	274,462	290,924	187,341	226,332