Long Range Financial Forecast

Special Town Meeting

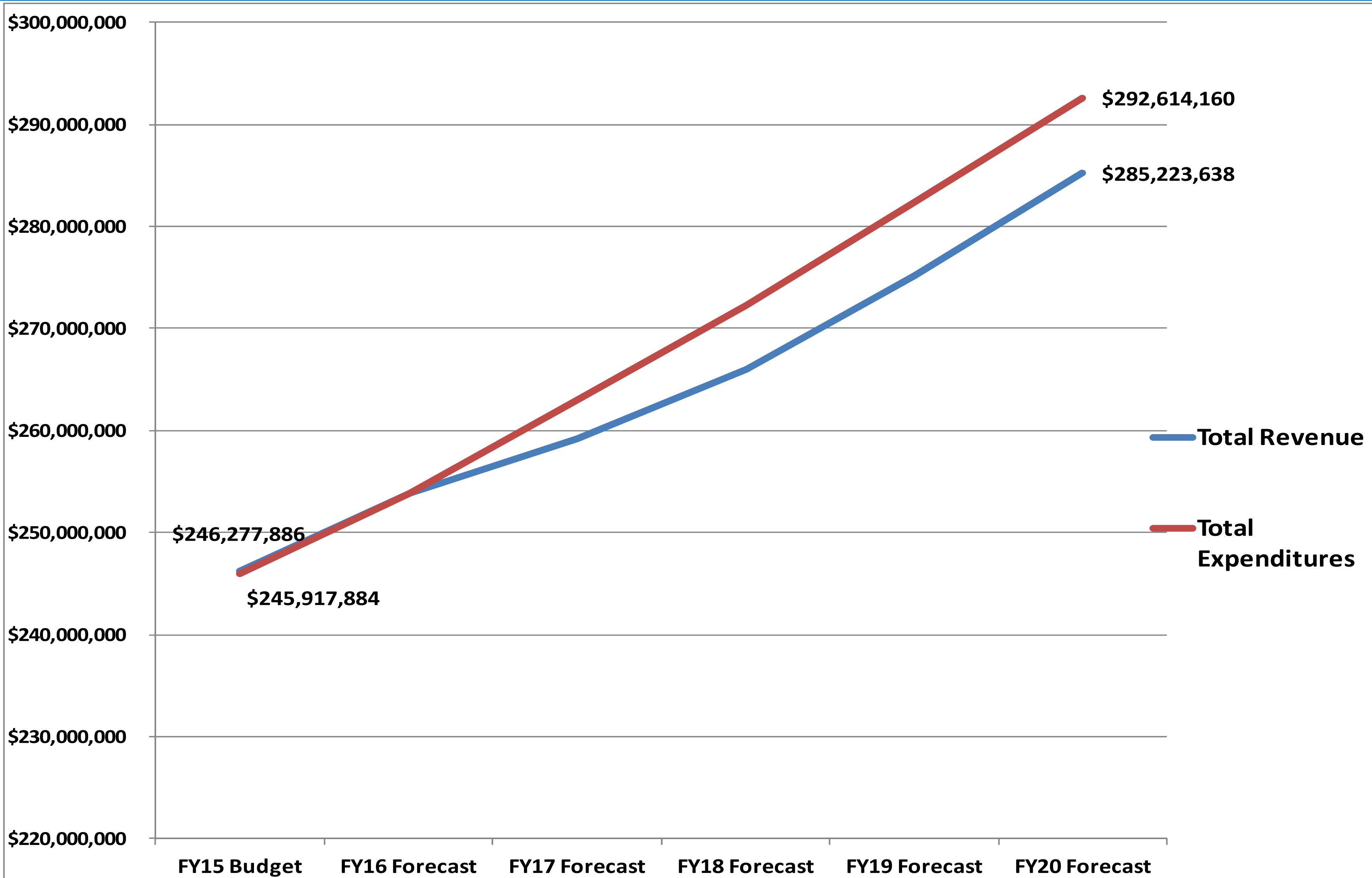
Article 1: Reports-1a & 6

October 21, 2014

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

Long Range Summary Outlook



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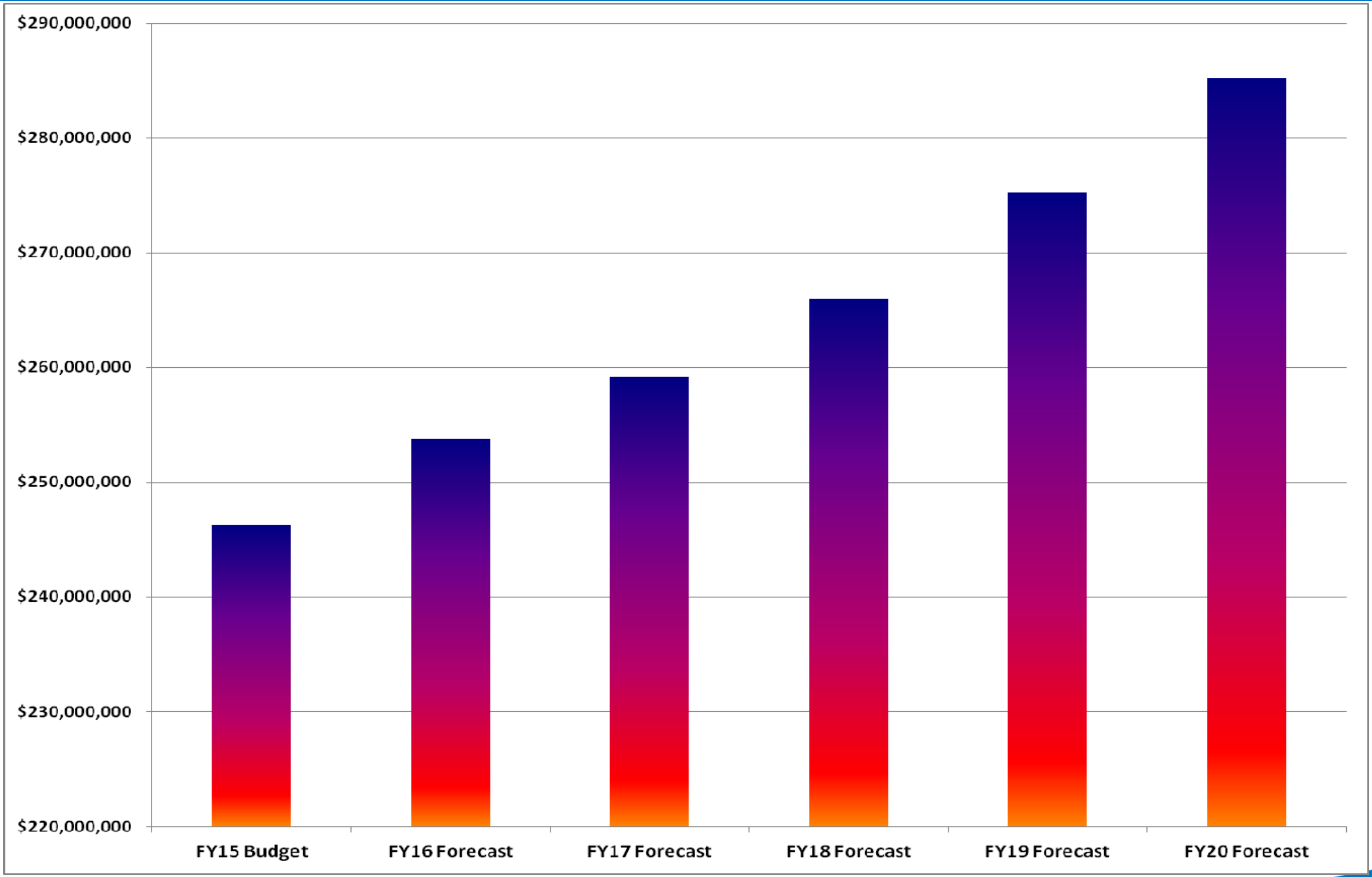
Revenue Assumptions

- Property Tax Levy
  - FY16 & FY17 assumes annual base levy increase of 1.25%
  - FY18, FY19 and FY20 assumes annual base levy growth of 2.5%
  - New tax growth from development ranges from $1M to $1.3M per year
- State Aid
  - 5-7% growth in Chapter 70 Aid
  - 2% growth in Unrestricted Gen'l Gov't Aid

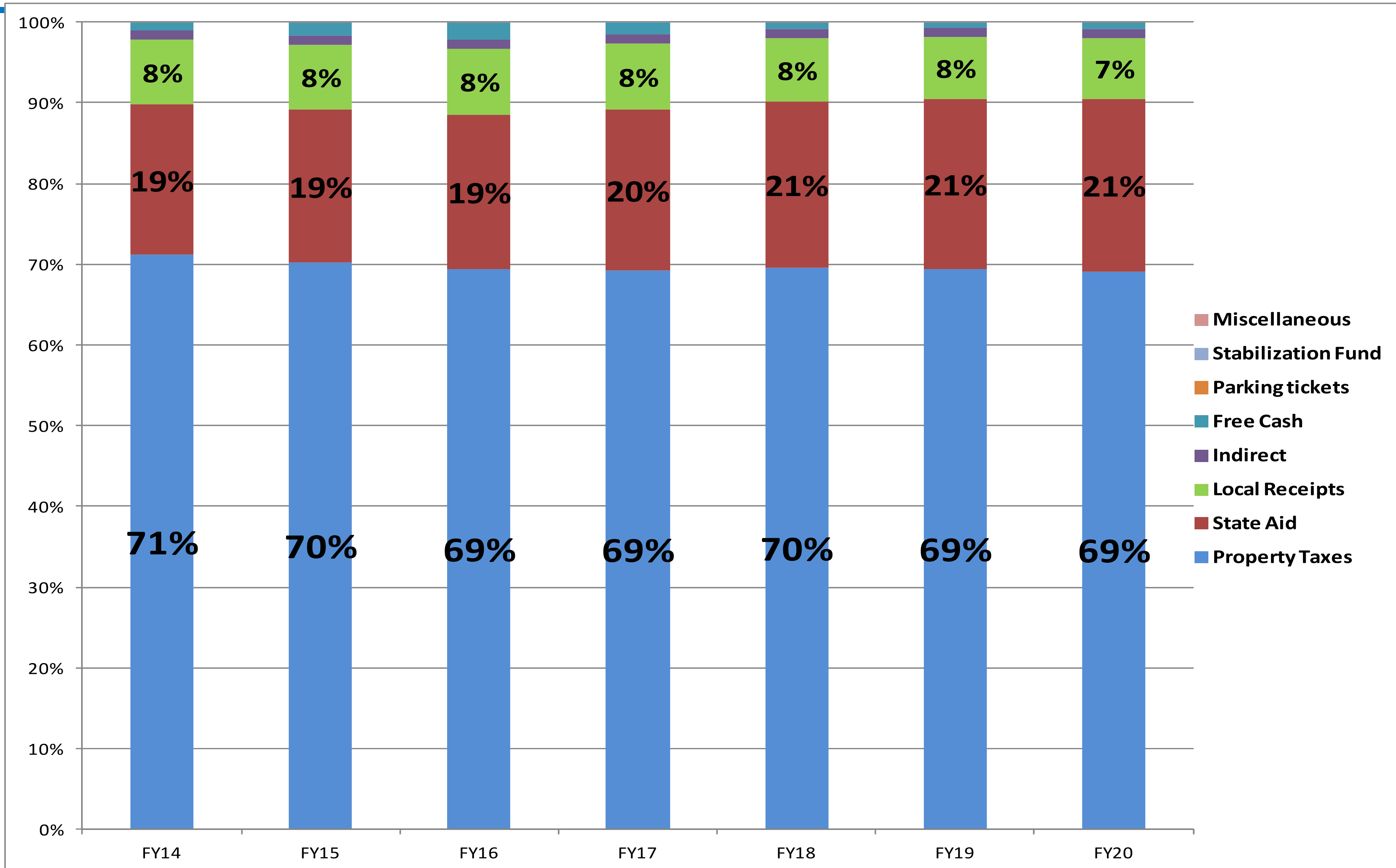
Revenue Assumptions (cont.)

- Local Receipts
  - 2% growth in local taxes (excise/meals)
  - 5% growth in permits and licenses
- Enterprise Indirects
  - 3% growth per year
- Free Cash
  - Use significant amounts as part of two year levy offset
  - Allocate enough to Stabilization Fund to maintain 5% policy goal
  - Allocate at least 15% of net free cash to Capital Stabilization Fund
  - Allocate at least 15% of net free cash to OPEB Trust

Total Revenue Growth Trend



Revenue Type Trends



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Spending Assumptions

- No new programs or additional staff for municipal departments
  - Salary growth of 3-4% per year
  - Operating cost growth of 1-5% per year
  - Energy cost growth of 3% per year
- School Department has rebuilding funding for FY16 included in the forecast
  - Base budget growth of 4% per year in FY16 to FY20

Spending Assumptions (cont.)

- Health insurance spending increases by 2-5% over the length of the forecast
  - Building on significantly lower FY15 base
  - Higher growth in out years
- Debt Service estimates assume some deferral of capital spending
  - Fuller/Farley assumed in FY18 with higher DS in FY19-20
  - Assumes major GF projects spread out borrow timeline

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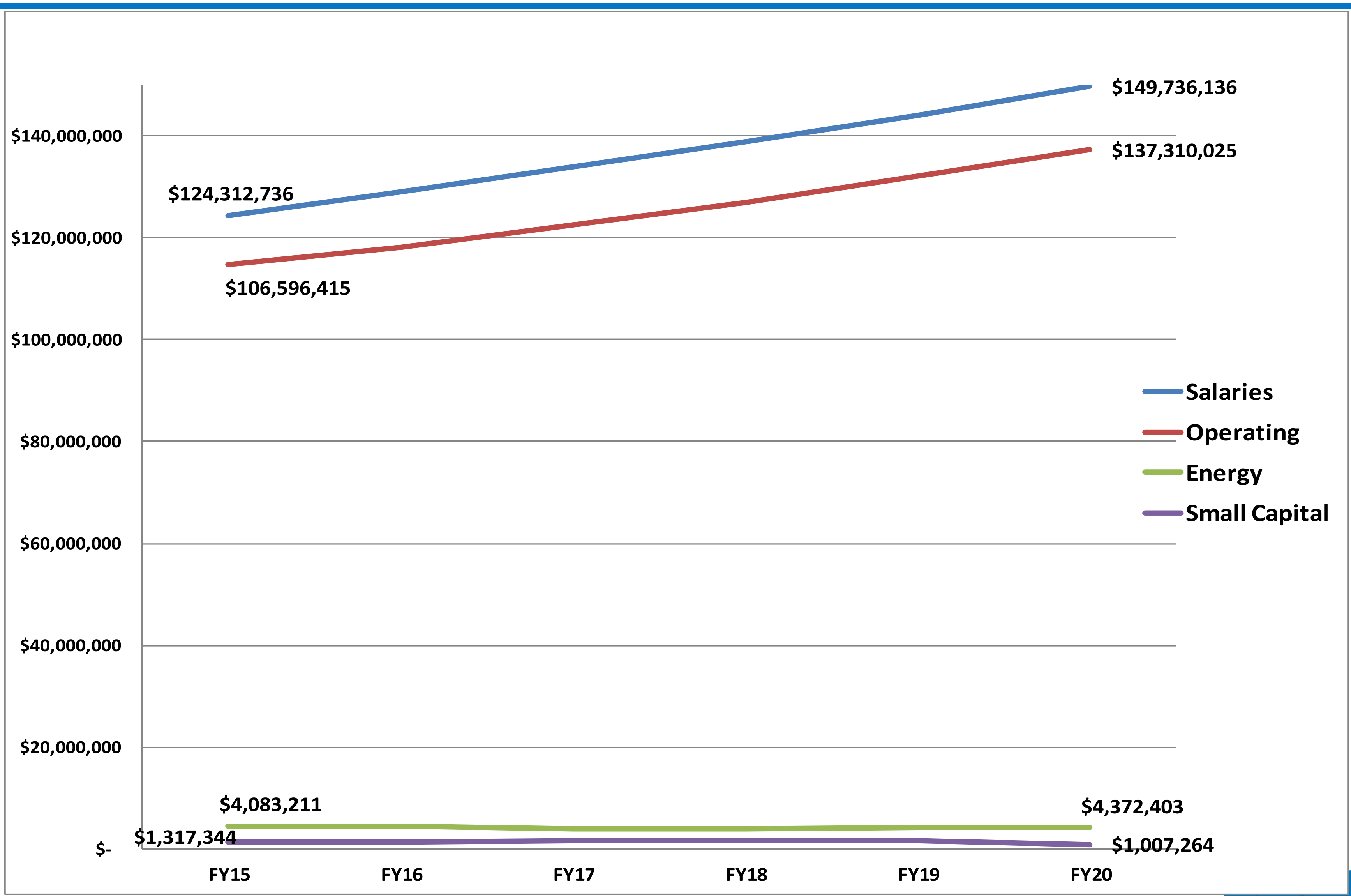
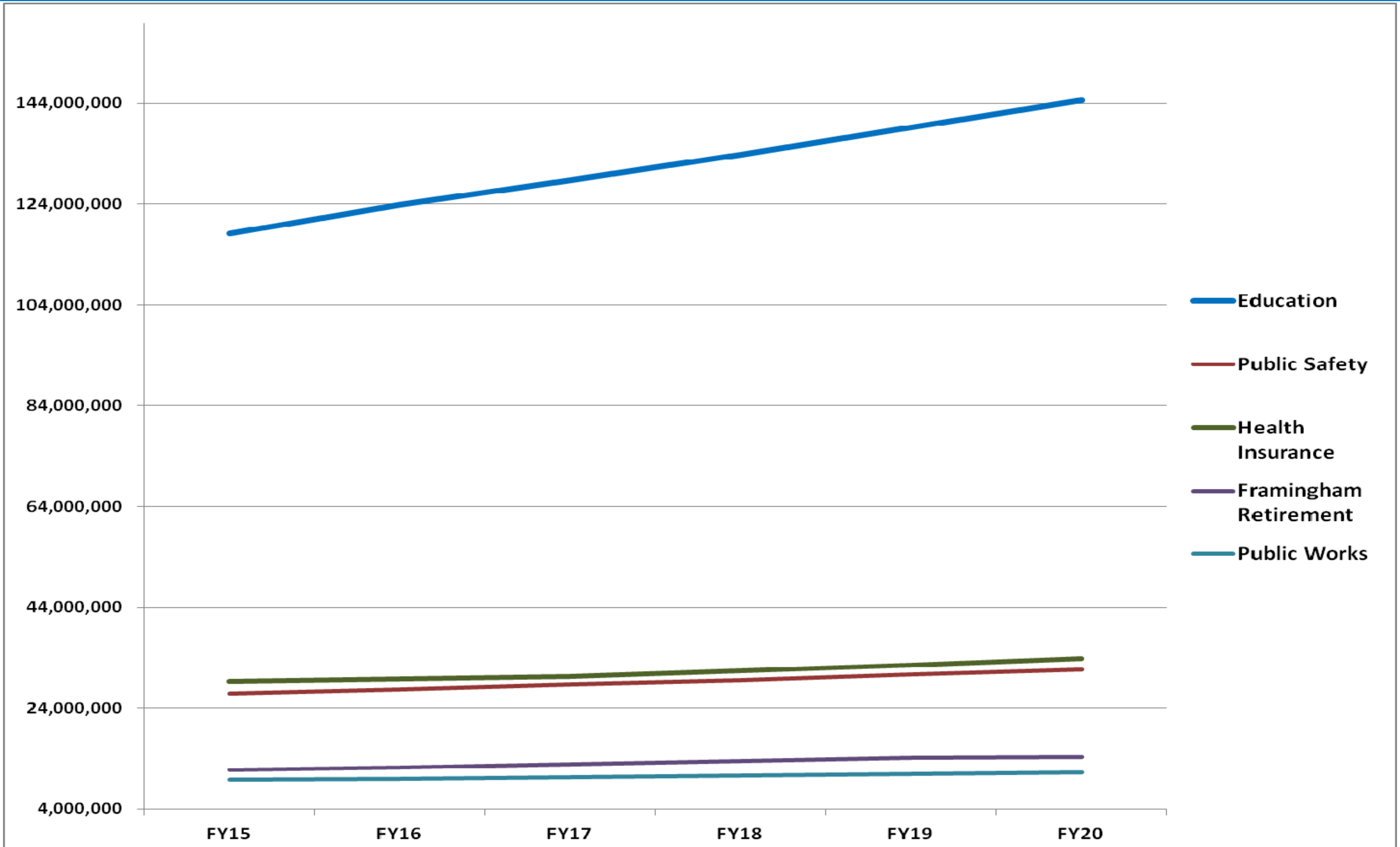
Spending Assumptions

- Retirement Contributions continue on schedule to fully fund in 2030
- Property and Liability Insurance increases at 10% per year
- Other centrally budgeted benefit costs increase less than 2% per year

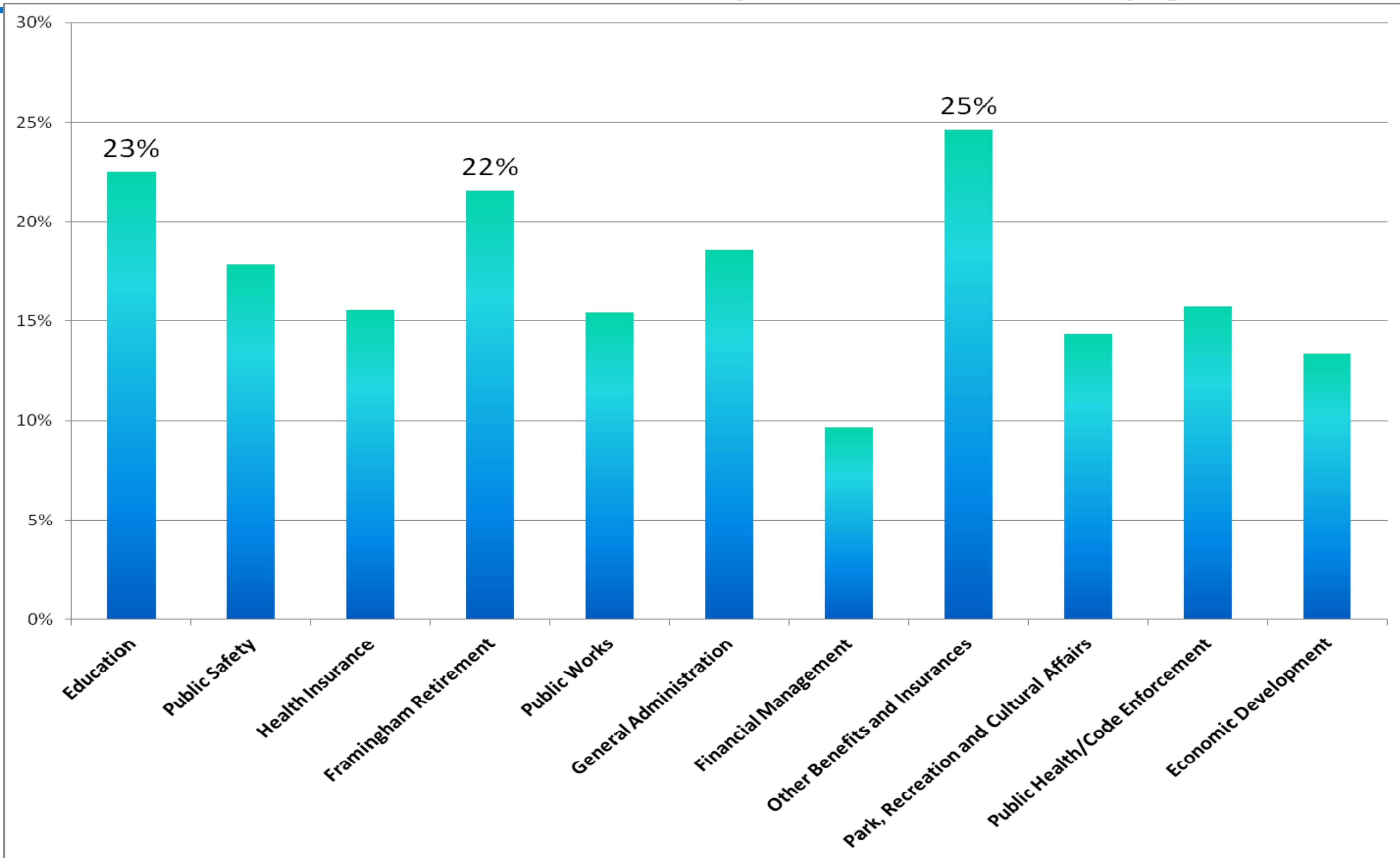
Spending Trends by Cost Type



Spending Trends: Top 5 Service Costs



5 Year Growth by Service Type



Near Term Tax Estimate

- The 3 Year Budget Plan for FY15-17 includes a goal to increase the average single family tax bill by less than $100 per year
  - FY16 projections indicate this can be done
  - FY17 would have to resolve estimated deficit of $3.8 million-not impossible
  - Assumes moderate change in values and no large swing in value toward residential or commercial
  - Smaller tax burden reserves built into FY16 & 17

Summary Outlook

- FY16 Goal of 1.25% Levy and avg SF tax bill increase of less than $100 can be done
- FY17 Goal of the same will be more challenging
- FY18-20 shows significant deficits which means more cost control and revenue alternatives
  - Debt service from Fuller/Farley project in FY19-20 is included within the levy for this estimate, if debt excluded it would be removed
  - Timing of debt service can be managed aggressively to help reduce the deficit amounts, but will not resolve deficits
  - Will be ending first term of GIC, health insurance decision-making will be critical

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Summary Outlook

- State aid continues to underfund mandates- need to keep pressure on
  - Fix Ch 70 formula
  - Fund Special Ed circuit breaker
  - Fix homeless transportation both reimbursement and service delivery state wide
  - Limit increases on state charges
- Stay within pattern of wage settlements

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