# Long Range Financial Forecast Preview

Board of Selectmen

October 7, 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

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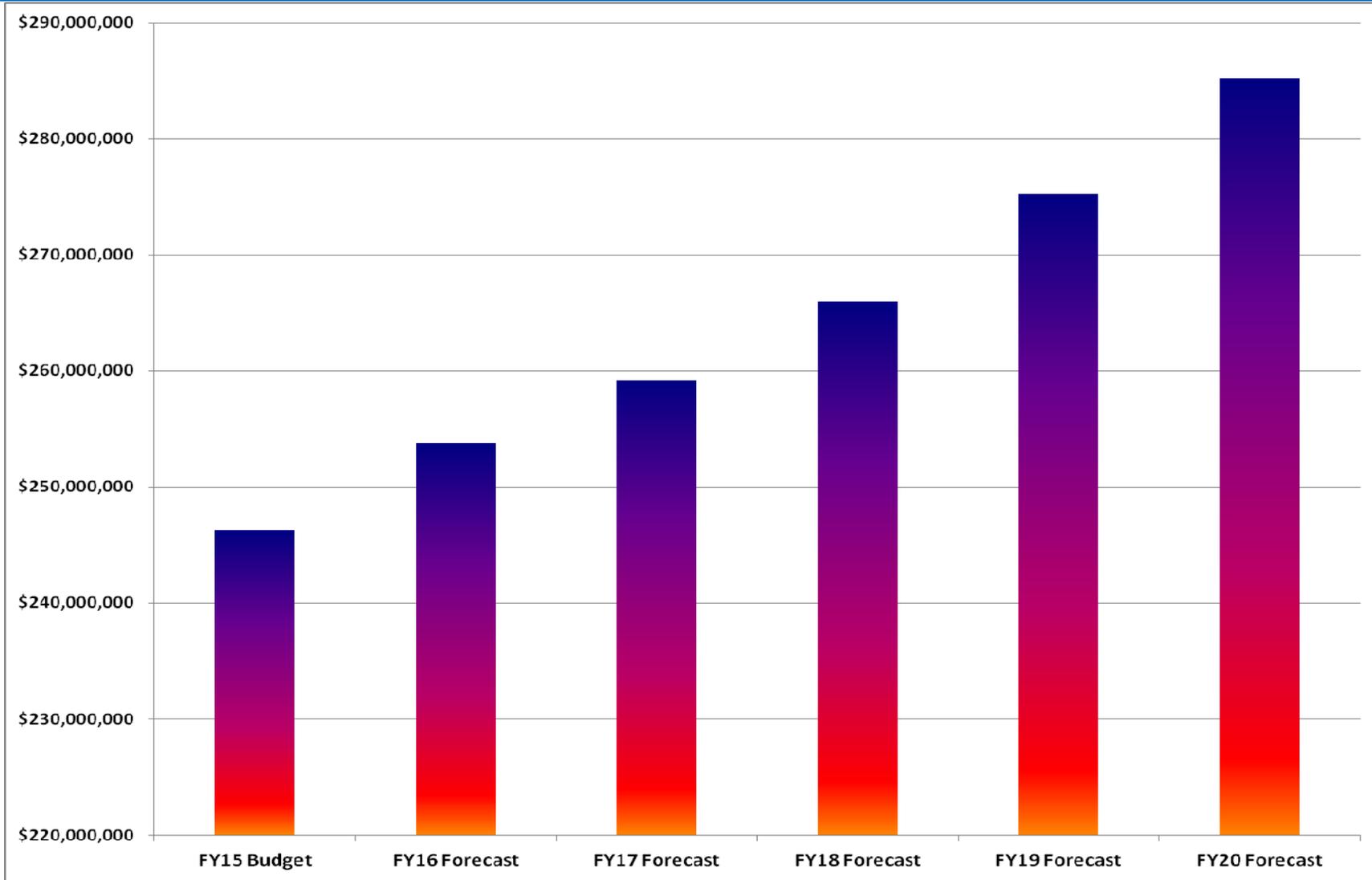
# Long Range Summary Outlook
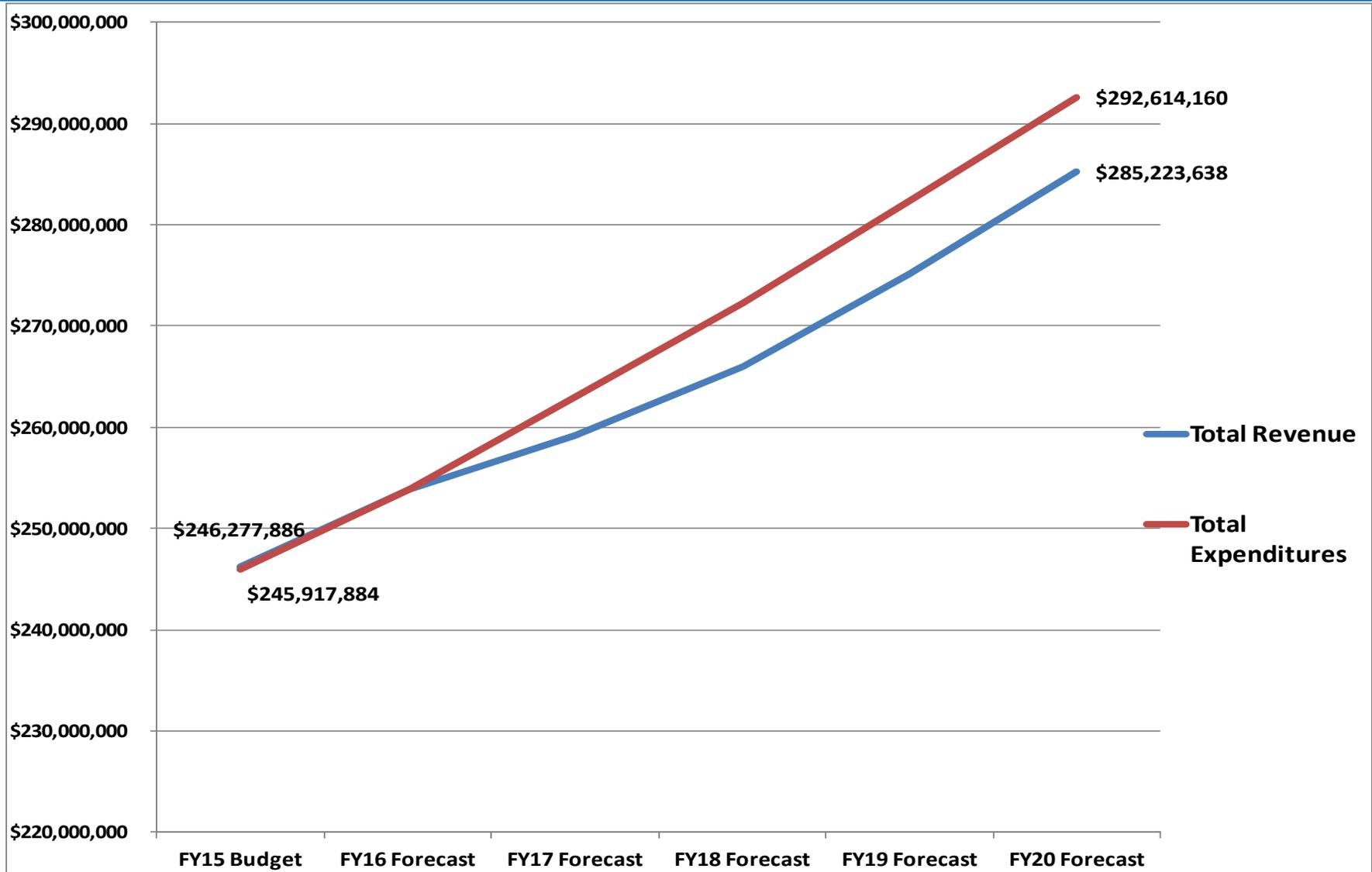
# Revenue Assumptions

- 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
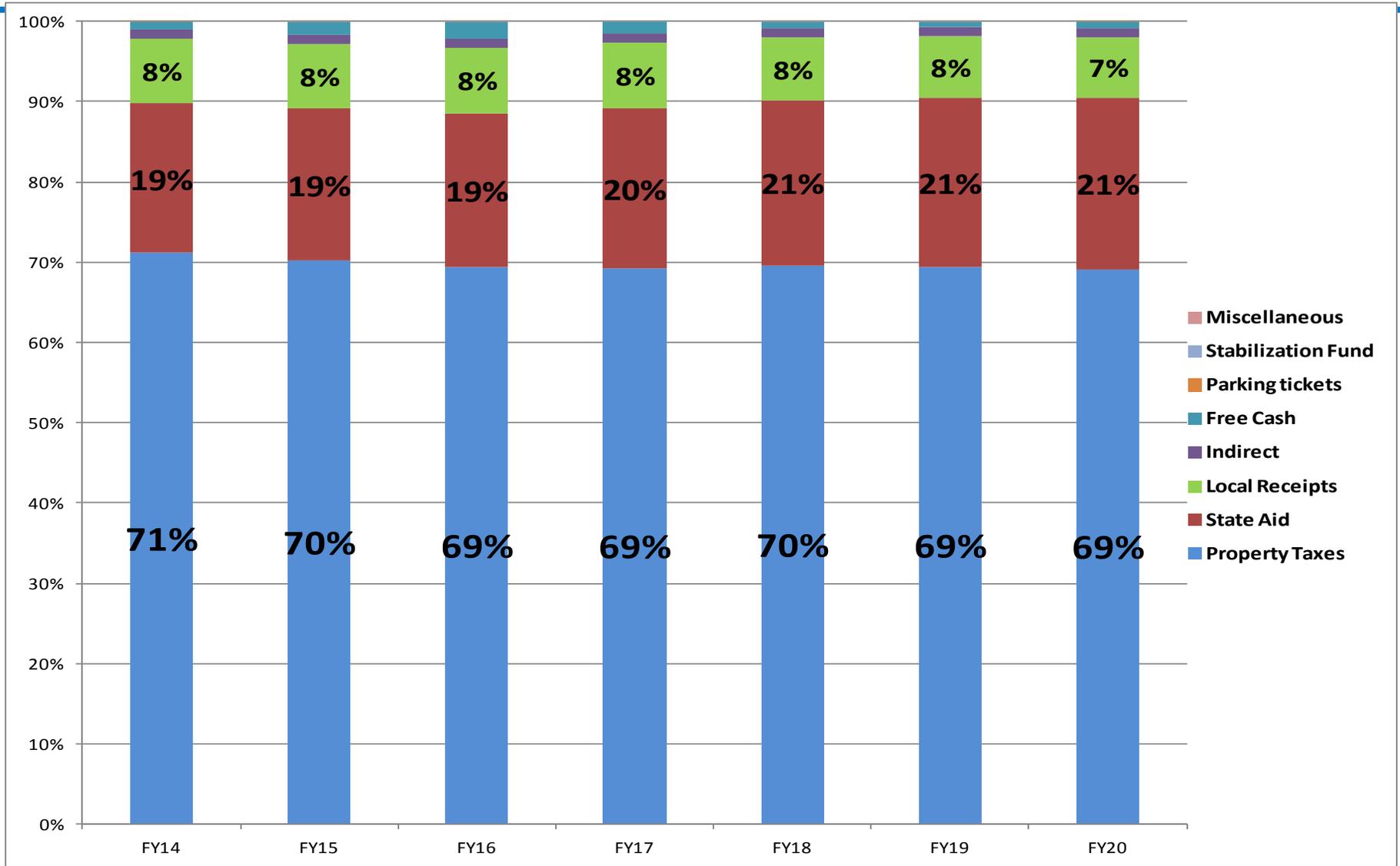
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# Revenue Assumptions (cont.)

- 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

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# Total Revenue Growth Trend



| | FY15 Budget | FY16 Forecast | FY17 Forecast | FY18 Forecast | FY19 Forecast | FY20 Forecast |

# Revenue Type Trends



| | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 |
|---|---|---|---|---|---|---|---|
| Local Receipts | 8% | 8% | 8% | 8% | 8% | 8% | 7% |
| State Aid | 19% | 19% | 19% | 20% | 21% | 21% | 21% |
| Property Taxes | 71% | 70% | 69% | 69% | 70% | 69% | 69% |

Legend (top to bottom):
- Miscellaneous
- Stabilization Fund
- Parking tickets
- Free Cash
- Indirect
- Local Receipts
- State Aid
- Property Taxes

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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
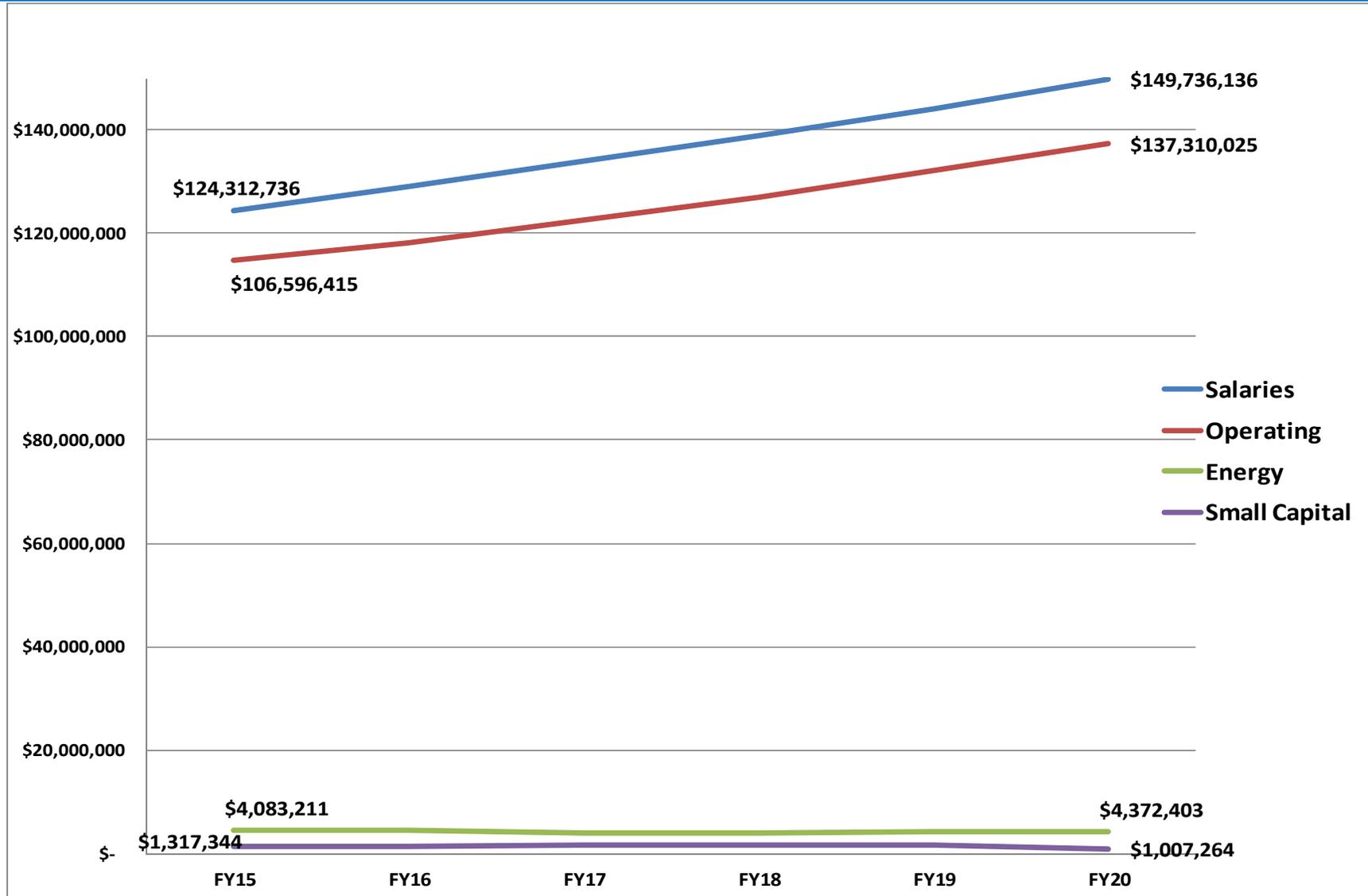  - Base budget growth of 4% per year in FY16 to FY20

# 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
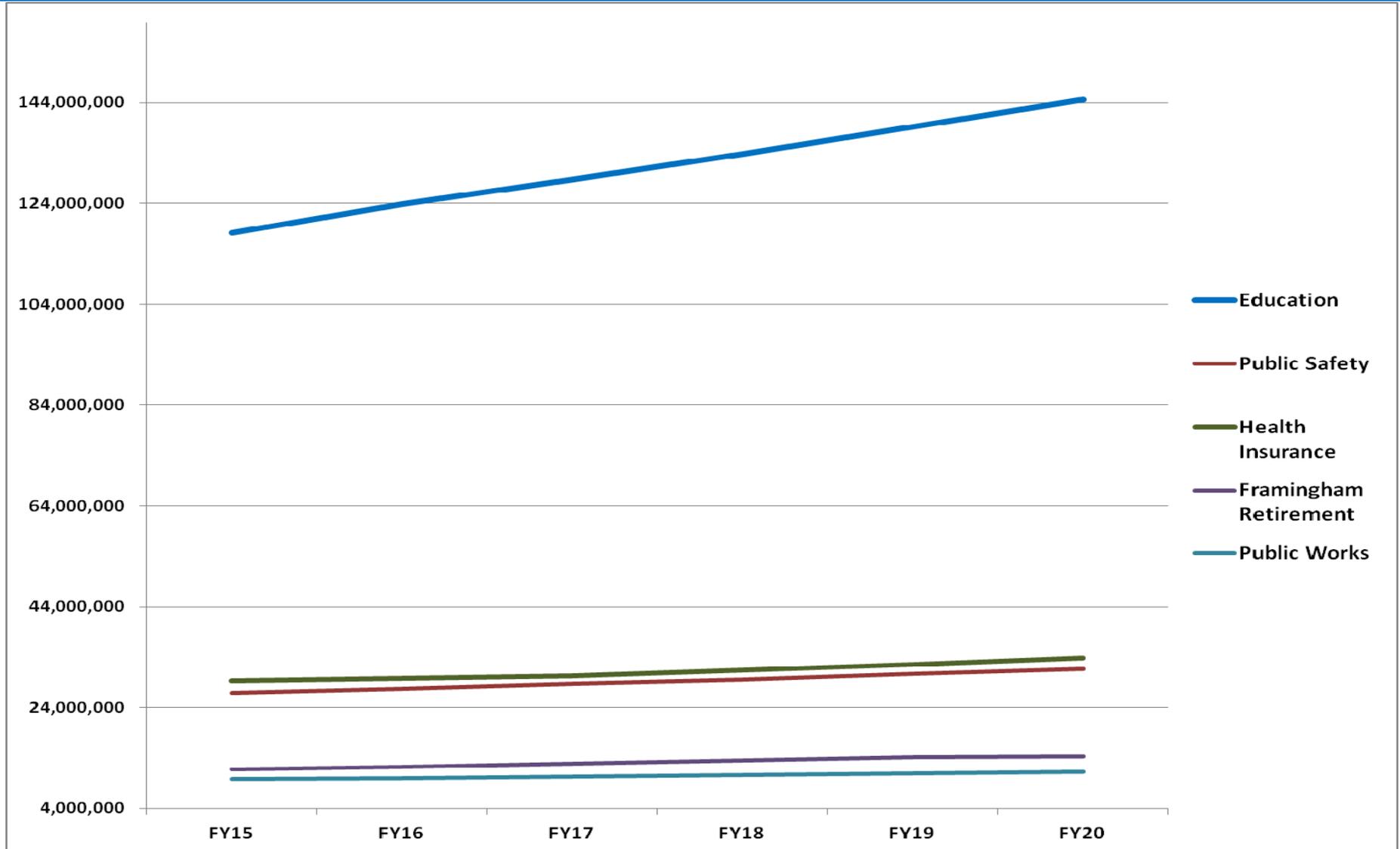  - Assumes major GF projects spread out borrow timeline

# Spending Assumptions

- Retirement Contributions continue on schedule to fully fund in 2030

- Property and Liability Insurance increases at 10% per year

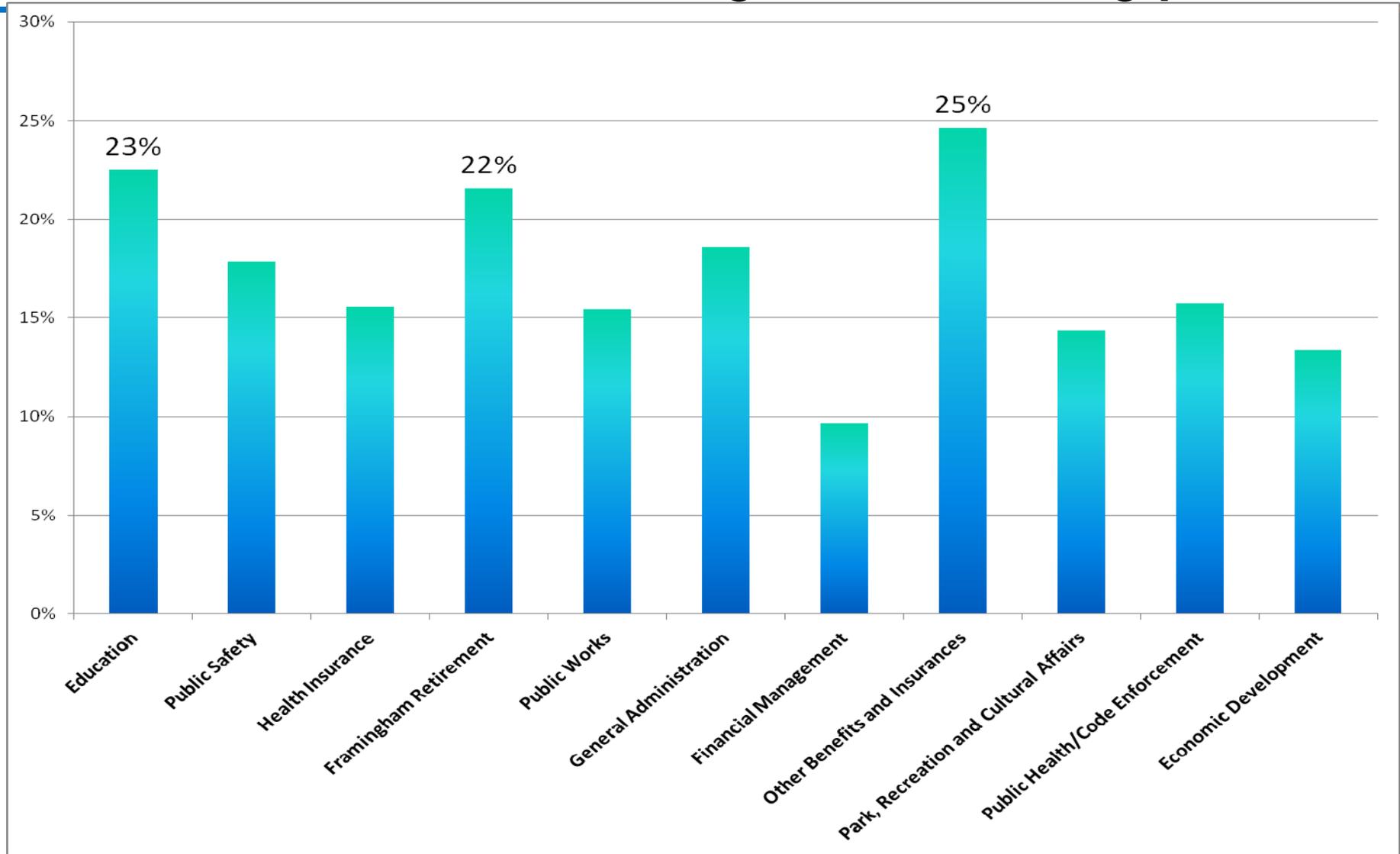- Other centrally budgeted benefit costs increase less than 2% per year

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# Spending Trends by Cost Type



- Salaries: $124,312,736 (FY15) → $149,736,136 (FY20)
- Operating: $106,596,415 (FY15) → $137,310,025 (FY20)
- Energy: $4,083,211 (FY15) → $4,372,403 (FY20)
- Small Capital: $1,317,344 (FY15) → $1,007,264 (FY20)

Legend:
- Salaries
- Operating
- Energy
- Small Capital

# 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

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# 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