

FY15-19 Long Range Financial Forecast

2013 Fall Special Town Meeting
October 16, 2013



Choose
FRAMINGHAM

Overview

- Provide multiple revenue possibilities
- Look as the large future costs for reduction options
- Create a menu of future choices or consequences of not making those choices
- This is the General Fund only
 - Enterprise fund almost completed

Base Forecast

- Taxes at 2.5% levy increase
- Debt Service limited to 5% of operating budget
- Departmental and centralized costs increased at ordinary rates
 - No new programs-existing only
- Contributions to Stabilization and OPEB Trust is free cash only
- No changes to health insurance coverage or contribution

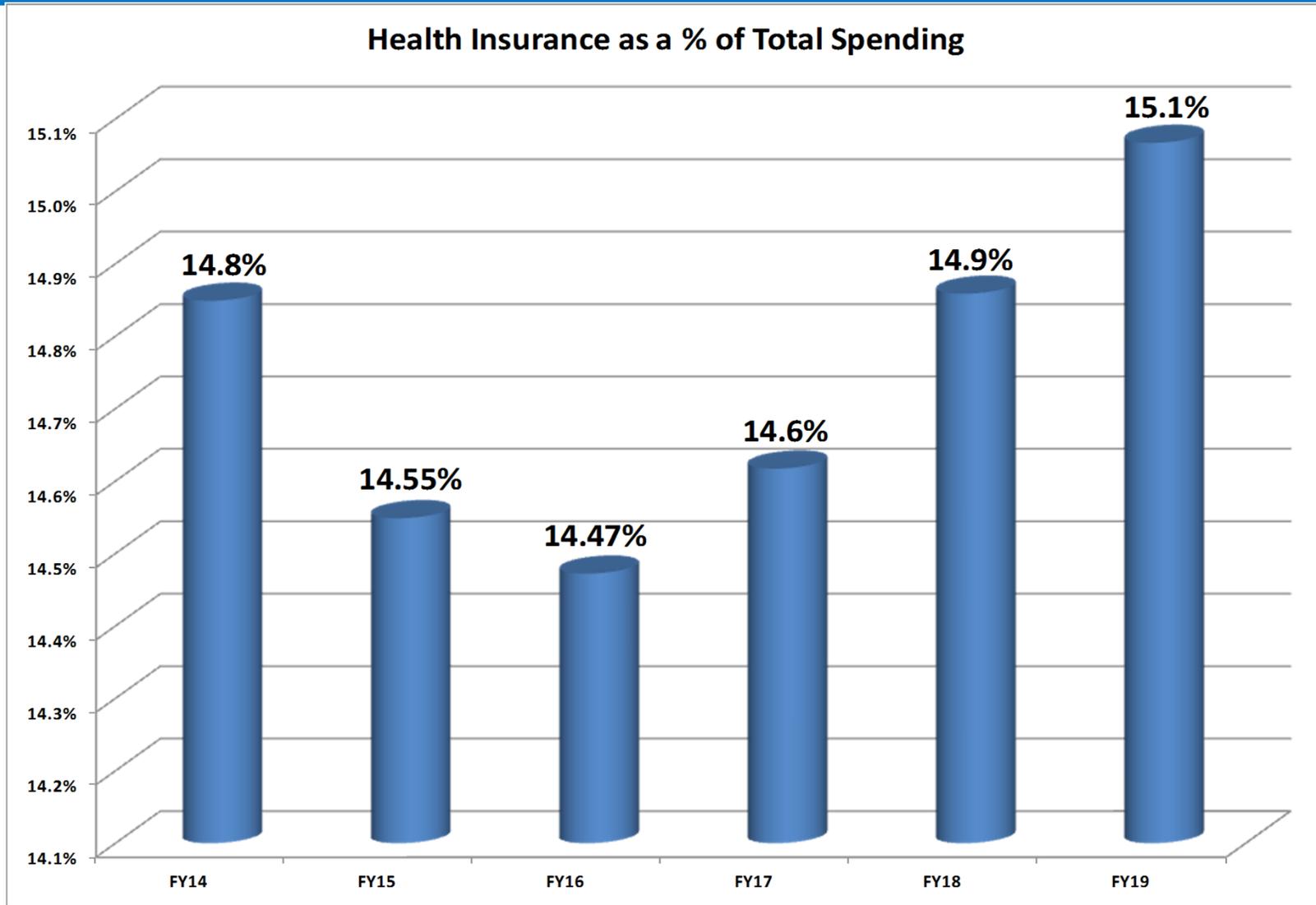
FY2015 - FY2019 Projected Budget Expenditures and Revenues

	FY14 Budget	FY15 Forecast	FY16 Forecast	FY17 Forecast	FY18 Forecast	FY19 Forecast
Revenue						
Property Taxes	\$171,670,158	\$176,881,272	\$182,305,406	\$187,935,291	\$193,770,258	\$199,807,928
State Aid	\$44,503,246	\$46,880,927	\$49,035,860	\$51,982,815	\$55,123,771	\$58,476,381
Local Receipts	\$15,907,675	\$16,268,767	\$16,664,475	\$16,940,651	\$16,431,742	\$16,715,206
Enterprise Indirect Trnsfr	\$2,804,360	\$2,888,490	\$2,975,145	\$3,064,399	\$3,186,975	\$3,314,454
Free Cash	\$2,479,390	\$3,140,000	\$2,040,000	\$1,960,000	\$1,880,000	\$1,800,000
Parking Tickets	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Miscellaneous	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Total Revenue	\$237,429,828	\$246,124,456	\$253,085,886	\$261,948,155	\$270,457,746	\$280,178,969
<i>Revenue Growth Rate</i>	<i>4.1%</i>	<i>3.7%</i>	<i>2.8%</i>	<i>3.5%</i>	<i>3.2%</i>	<i>3.6%</i>
Expenditures						
Municipal Departments	\$54,086,798	\$55,927,842	\$57,830,979	\$59,814,953	\$61,635,369	\$64,130,764
School Departments	\$110,392,989	\$115,164,087	\$120,149,204	\$125,314,015	\$130,756,141	\$136,443,760
Insurances	\$39,512,757	\$40,424,774	\$41,717,368	\$44,109,021	\$46,717,295	\$49,491,319
Retirement (Inc. OPEB)	\$11,998,971	\$12,372,160	\$12,739,499	\$13,391,375	\$14,096,722	\$14,789,455
Debt Service	\$10,892,044	\$13,196,488	\$13,330,713	\$15,263,621	\$15,616,984	\$16,075,266
Stabilization/Reserves	\$1,888,325	\$1,271,445	\$896,445	\$947,301	\$997,301	\$1,048,199
Miscellaneous*	\$250,000	\$0	\$0	\$0	\$0	\$0
Non Appropriations	\$7,998,157	\$8,132,575	\$8,562,229	\$9,015,738	\$9,494,465	\$9,999,854
Total Expenditures	\$237,020,041	\$246,489,371	\$255,226,437	\$267,856,025	\$279,314,276	\$291,978,617
<i>Expenditure Growth Rate</i>	<i>4.7%</i>	<i>4.0%</i>	<i>3.5%</i>	<i>4.9%</i>	<i>4.3%</i>	<i>4.5%</i>
Projected Balance	409,787	(364,915)	(2,140,552)	(5,907,869)	(8,856,530)	(11,799,648)

Consequence of Debt Service Limit

	FY15	FY16*	FY17	FY18	FY19*	5 Year Total
GF Capital Plan	\$22,451,101	\$67,256,310	\$19,586,268	\$30,266,578	\$32,533,706	\$172,093,963
Available Under 5% Debt Service Cap	\$14,400,570	\$37,529,860	\$8,648,574	\$13,789,965	\$19,164,009	\$93,532,978
Need to Defer	\$8,050,531	\$29,726,450	\$10,937,694	\$16,476,613	\$13,369,697	\$78,560,985
% Available	36%	44%	56%	54%	41%	46%
Average Approval Rate	70%	70%	70%	70%	70%	70%
Average Deferral	\$6,735,330	\$20,176,893	\$5,875,880	\$9,079,973	\$9,760,112	\$51,628,189
Lost Capital Maint/ Investment	(\$1,315,201)	(\$9,549,557)	(\$5,061,814)	(\$7,396,640)	(\$3,609,585)	(\$26,932,796)
* includes \$48 million and \$20 million for two school projects that would be bonded for \$28 million and \$12 million assuming MSBA funding of 41%.						

Health Insurance Costs (no change)



Reducing the Levy

Effect of a One Year Levy Reduction						
	FY15	FY16	FY17	FY18	FY19	5 Year Total
2.5% Levy	\$176,881,272	\$182,305,406	\$187,935,291	\$193,770,258	\$199,807,928	\$940,700,154
2% levy (FY15 only)	\$176,022,921	\$181,425,596	\$187,033,486	\$192,845,908	\$198,860,469	\$936,188,380
Revenue Difference	(\$858,351)	(\$879,810)	(\$901,805)	(\$924,350)	(\$947,459)	(\$4,511,774)
1.5% levy (FY15 only)	\$175,164,570	\$180,545,787	\$186,131,681	\$191,921,558	\$197,913,010	\$931,676,606
Revenue Difference	(\$1,716,702)	(\$1,759,619)	(\$1,803,610)	(\$1,848,700)	(\$1,894,917)	(\$9,023,547)

❖ Estimated impact of 2% levy on average single family tax bill: \$26 less than full 2.5% levy

❖ Estimated impact of 1.5% levy on average single family tax bill: \$56 less than full 2.5% levy

Reducing the Levy (2%)

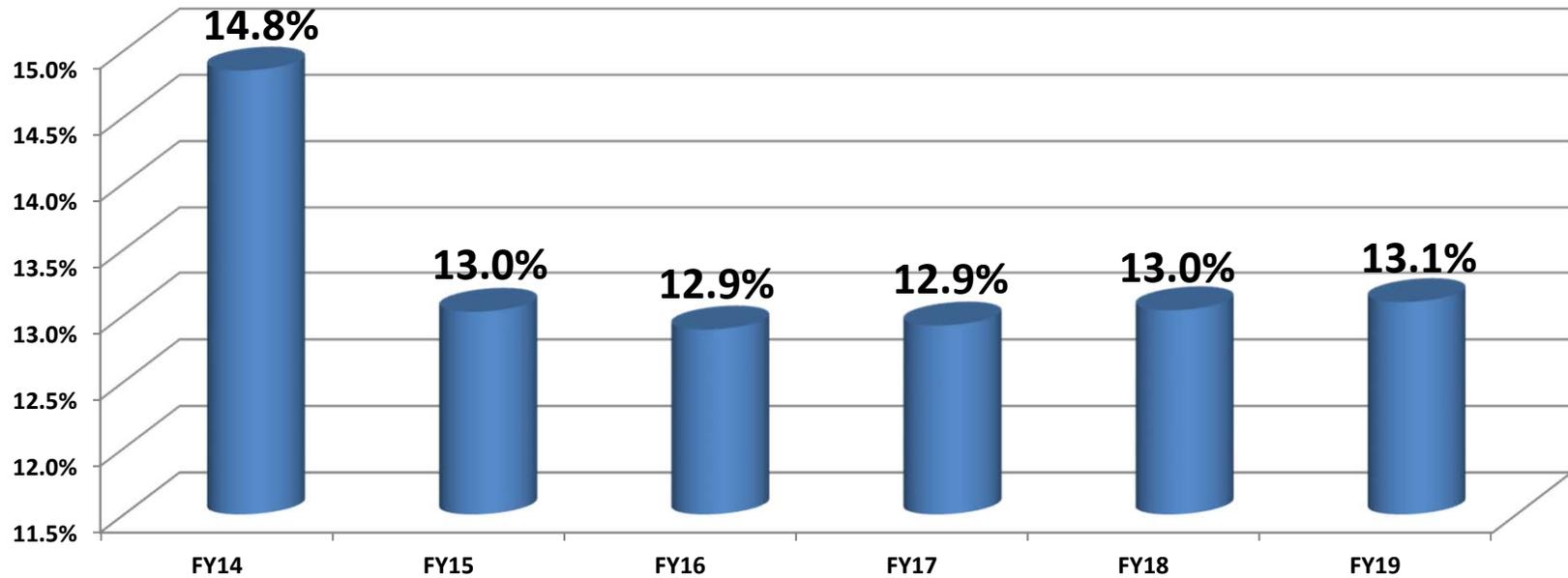
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Parking Tickets	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Miscellaneous	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Total Revenue	\$237,429,828	\$245,266,105	\$252,206,076	\$261,046,350	\$269,533,396	\$279,231,510
<i>Revenue Growth Rate</i>	<i>4.1%</i>	<i>3.3%</i>	<i>2.8%</i>	<i>3.5%</i>	<i>3.3%</i>	<i>3.6%</i>
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Municipal Departments	\$54,086,798	\$55,927,842	\$57,830,979	\$59,814,953	\$61,635,369	\$64,130,764
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<i>Expenditure Growth Rate</i>	<i>4.7%</i>	<i>4.0%</i>	<i>3.5%</i>	<i>4.9%</i>	<i>4.3%</i>	<i>4.5%</i>
Projected Balance	409,787	(1,223,266)	(3,020,361)	(6,809,674)	(9,780,880)	(12,747,106)

Reducing the Levy (1.5%)

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Revenue						
Property Taxes	\$171,670,158	\$175,164,570	\$180,545,787	\$186,131,681	\$191,921,558	\$197,913,010
State Aid	\$44,503,246	\$46,880,927	\$49,035,860	\$51,982,815	\$55,123,771	\$58,476,381
Local Receipts	\$15,907,675	\$16,268,767	\$16,664,475	\$16,940,651	\$16,431,742	\$16,715,206
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Parking Tickets	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Miscellaneous	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Total Revenue	\$237,429,828	\$244,407,755	\$251,326,267	\$260,144,546	\$268,609,046	\$278,284,052
<i>Revenue Growth Rate</i>	<i>4.1%</i>	<i>2.9%</i>	<i>2.8%</i>	<i>3.5%</i>	<i>3.3%</i>	<i>3.6%</i>
Expenditures						
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Projected Balance	409,787	(2,081,616)	(3,900,171)	(7,711,479)	(10,705,230)	(13,694,565)

Reducing Health Insurance Costs

Health Insurance as a % of Total Spending



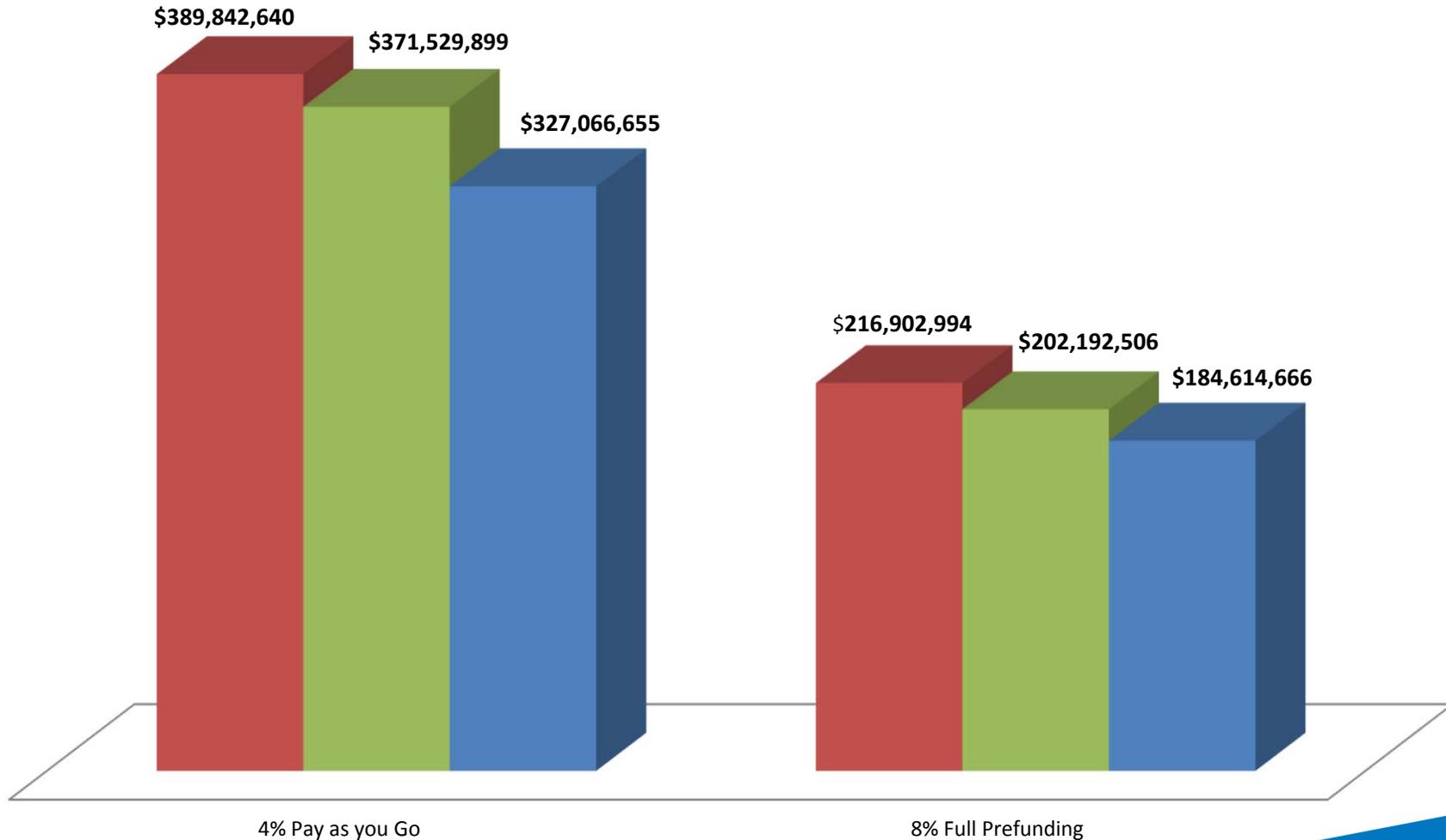
Health Insurance Spending Reduced to 13% of Total Budget						
	FY15	FY16	FY17	FY18	FY19	5 Year Total
No change in Benefits or Contribution Rates	\$35,860,845	\$36,936,670	\$39,152,870	\$41,502,043	\$43,992,165	\$197,444,593
Spending at 13%	\$31,757,691	\$32,488,118	\$34,112,524	\$35,818,150	\$37,537,421	\$171,713,904
Cost Reduction	\$4,103,154	\$4,448,552	\$5,040,347	\$5,683,893	\$6,454,744	\$25,730,689

Forecast w/Reduced Health Insurance

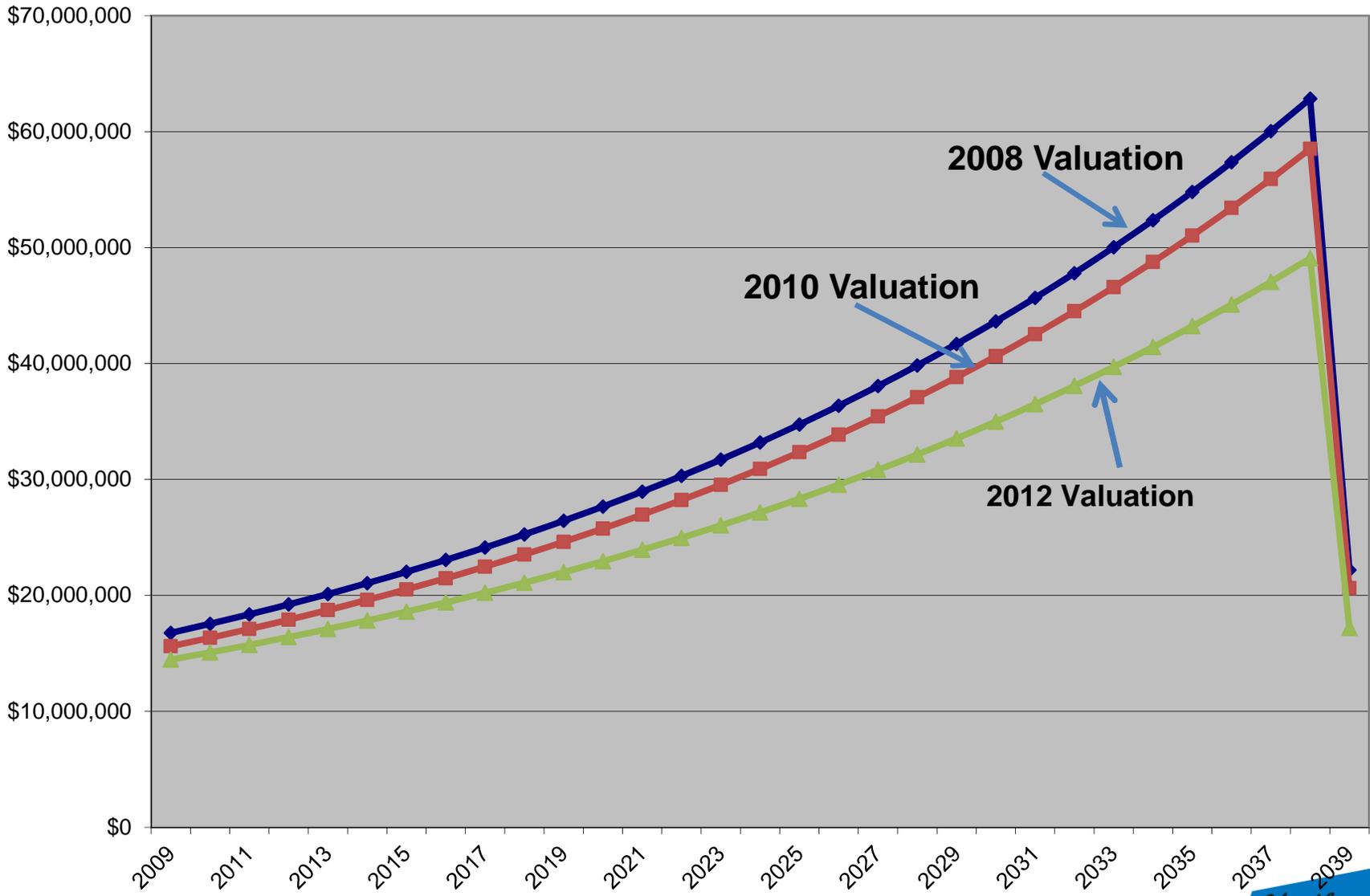
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Total Expenditures	\$237,020,041	\$242,386,217	\$250,777,885	\$262,815,678	\$273,630,383	\$285,416,418
<i>Expenditure Growth Rate</i>	<i>4.7%</i>	<i>2.3%</i>	<i>3.5%</i>	<i>4.8%</i>	<i>4.1%</i>	<i>4.3%</i>
Projected Balance	409,787	3,738,239	2,308,001	(867,523)	(3,172,638)	(5,237,449)

Other Post Employment Benefits (OPEB)

OPEB Valuation Changes 2008-2012



OPEB Funding Schedules over Time



Choose
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Funding OPEB

OPEB Contribution at \$2,000,000 per year						
	FY15	FY16	FY17	FY18	FY19	5 Year Total
Contribution	\$2,000,000	\$4,140,000	\$6,429,800	\$8,879,886	\$11,501,478	\$12,306,581
ROR (end of year)	7%	\$140,000	\$289,800	\$450,086	\$621,592	\$805,103
Free Cash	\$510,000	\$285,000	\$315,000	\$345,000	\$375,000	\$1,830,000
General Fund Revenue	\$1,490,000	\$1,715,000	\$1,685,000	\$1,655,000	\$1,625,000	\$8,170,000

Funding OPEB

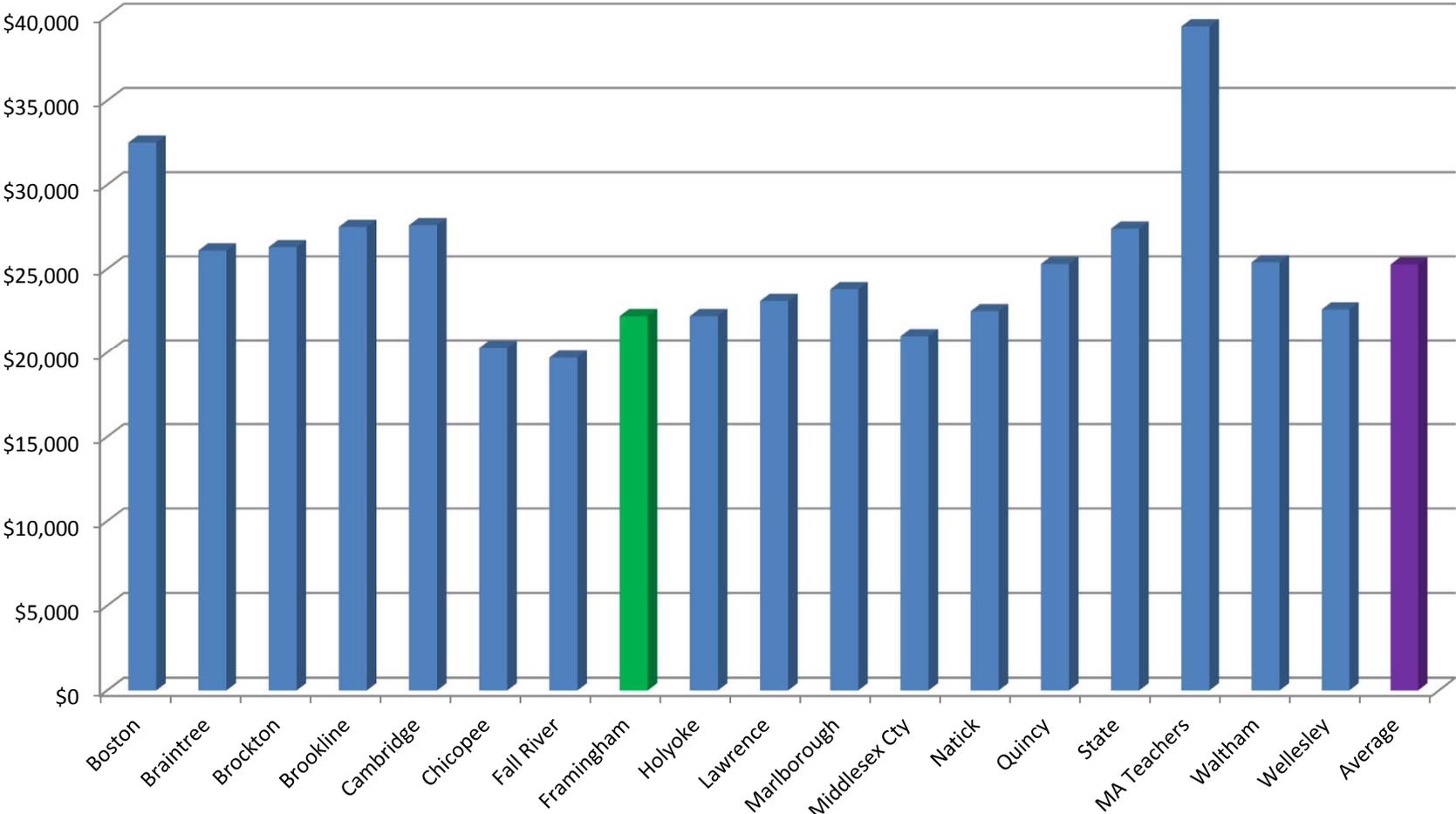
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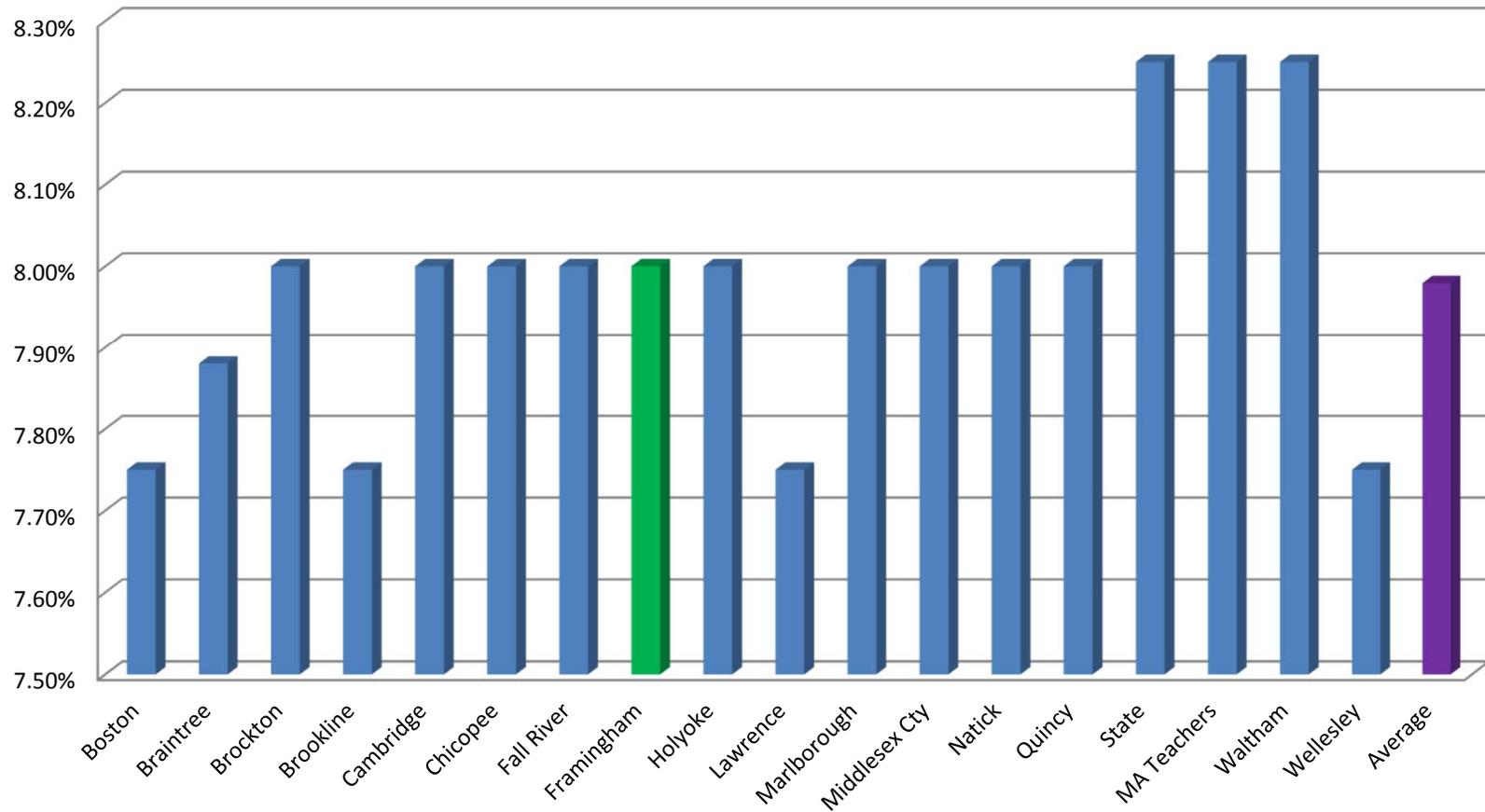
Pensions

Average Framingham RS Pension



Pensions (cont.)

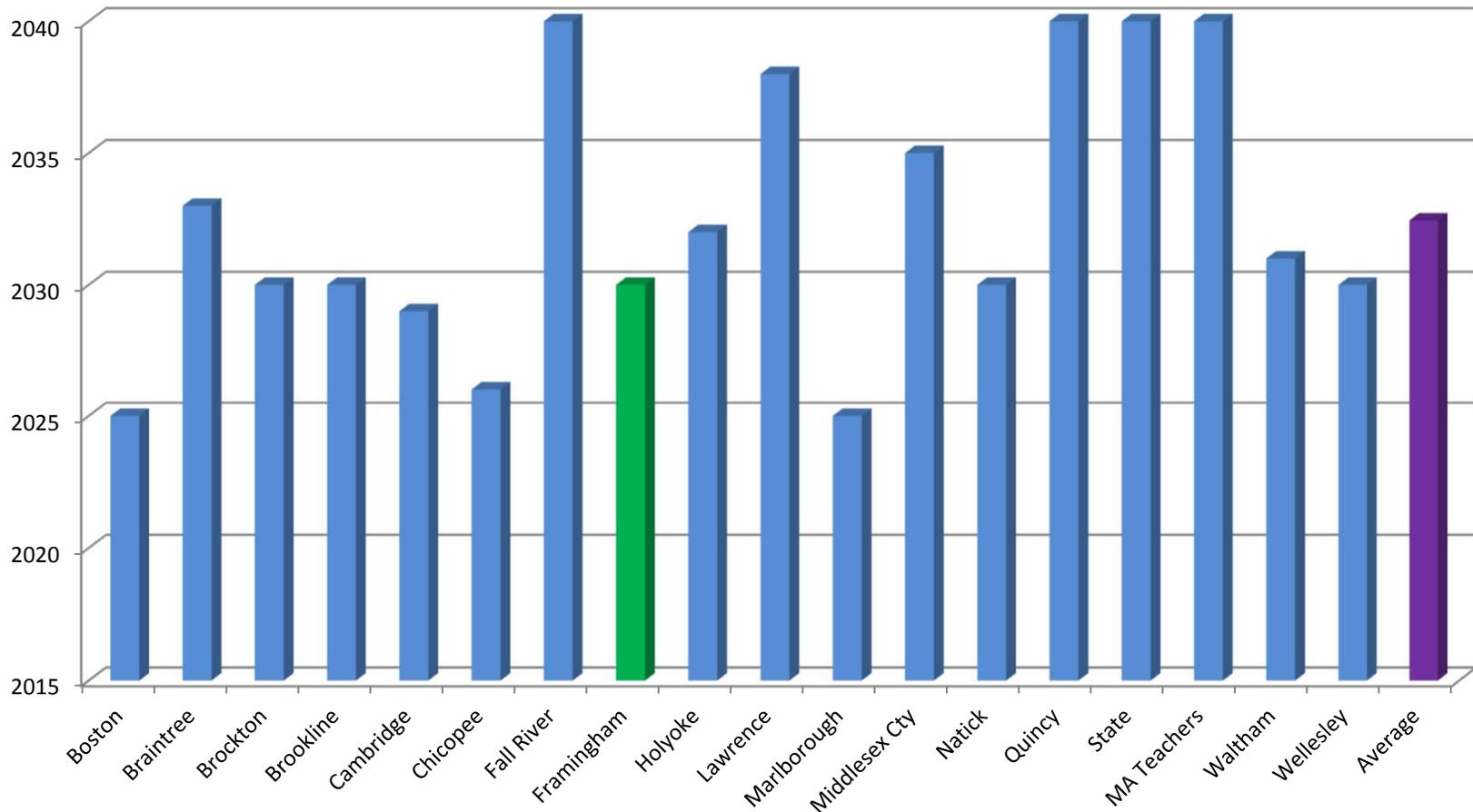
FRS Assumed Rate of Return



The 28 year rate of return (through 2012) is 9.35%

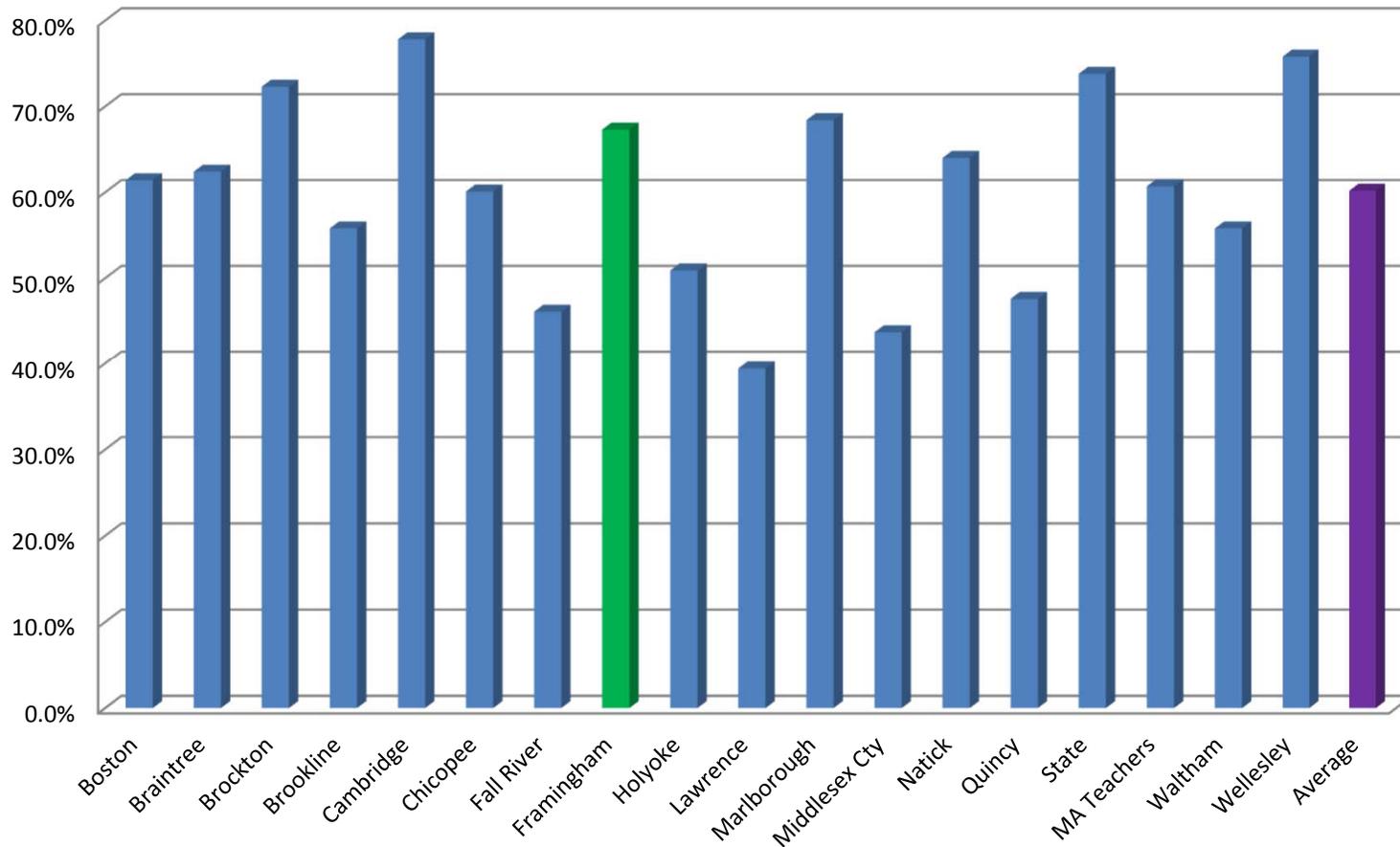
Pensions (cont.)

FRS Year Fully Funded



Pensions (final)

FRS Current % Funded



At 67.3% funded Framingham exceeds the state average of 60.2%