Long Range Financial Forecast Preview

Board of Selectmen

October 4, 2016

Long Range Financial Forecast

- Three major issues affect Sustainability:
  1. School cost overwhelming our ability to pay; education is by far the largest spending item.
     - The School GF appropriation has grown by more than $48 million, or 60% since 2007.
  2. Substantial annual increases in Chapter 70 aid has helped fuel the increases in the School budget; BUT we have caught up with our Chapter 70 shortfall; no more substantial annual increases.

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Long Range Financial Forecast

- Three Major issues… (cont.)
  3. Our capital investment requirements, especially for buildings and roads, total hundreds of millions of dollars; we cannot afford nor can we manage to do everything in the capital plan. Current priorities: Fuller School and the Memorial Building renovation will require continued investment of free cash into capital reserves and a debt exclusion.
     - Disposal of assets for both working capital and reduction of maintenance cost should be encouraged.

Long Range Financial Forecast

Last Year's Forecast:

		FY17 Budget	FY18 Forecast	FY19 Forecast	FY20 Forecast	FY21 Forecast
Projected Balance	312,784	(2,020,086)	(4,678,717)	(6,492,157)	(7,239,271)	(11,066,658)

- 1.75% FY17 Levy Growth, 2.5% in subsequent years
- Significant reduction in capital investment
- Restricted growth in discretionary costs
- Use $500,000 in added free cash to existing revenue estimate

This Year's Forecast:

	FY17 Budget	FY18 Forecast	FY19 Forecast	FY20 Forecast	FY21 Forecast
Projected Balance	922,978	(1,903,161)	(5,024,306)	(6,804,769)	(8,965,855)

- 2.5% Tax Levy
- Significant restriction in capital budget
- Restricted growth in discretionary spending
- Includes $1.2 million in free cash

Revenue Assumptions

- Total Revenue Increase ranges from 2.7% to 3.4%
- Property Tax Levy
  - Annual base levy growth of 2.5%
  - New tax growth from development approx. $2.5+ million per year
- State Aid
  - **2%** growth in Chapter 70 Aid
  - 3-4% growth in Unrestricted Gen'l Gov't Aid

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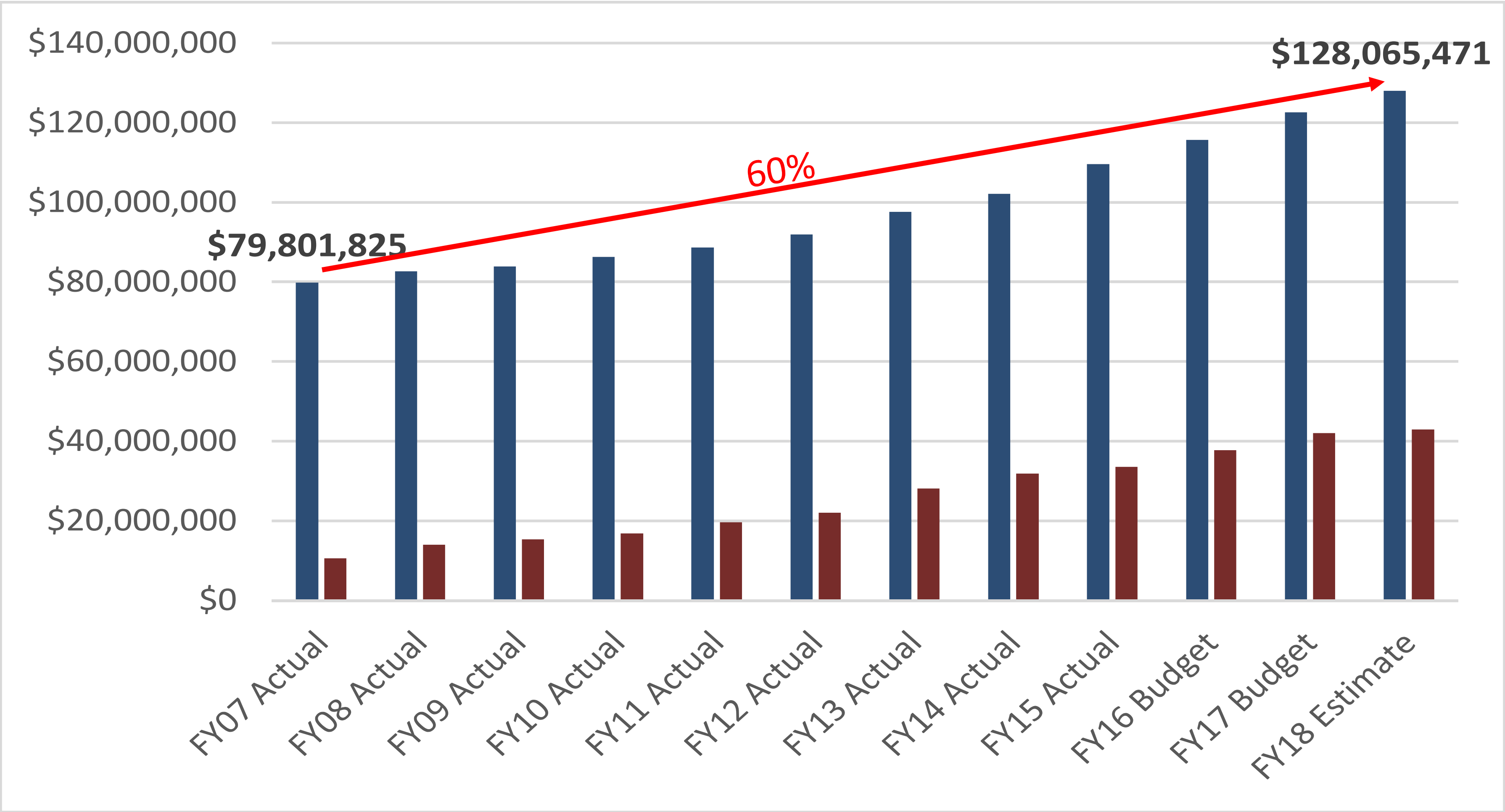
Revenue Assumptions (cont.)

- Local Receipts
  - Overall 1.2 – (1.8%) change
- Free Cash
  - Use $2M in FY18 to ease into 2.5% levy restriction
  - 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

- Spending growth of 3.5% to 3.7%
- No new programs or additional staff for municipal departments: 3.2% growth in FY18
  - Salary growth of 2-4% per year
  - Operating cost growth of 0-4% per year
  - Energy cost growth of 3% per year
- School Department Level Service
  - Base budget growth of 4.5% per year
- Debt Service is based on a very restricted capital budget for the near term

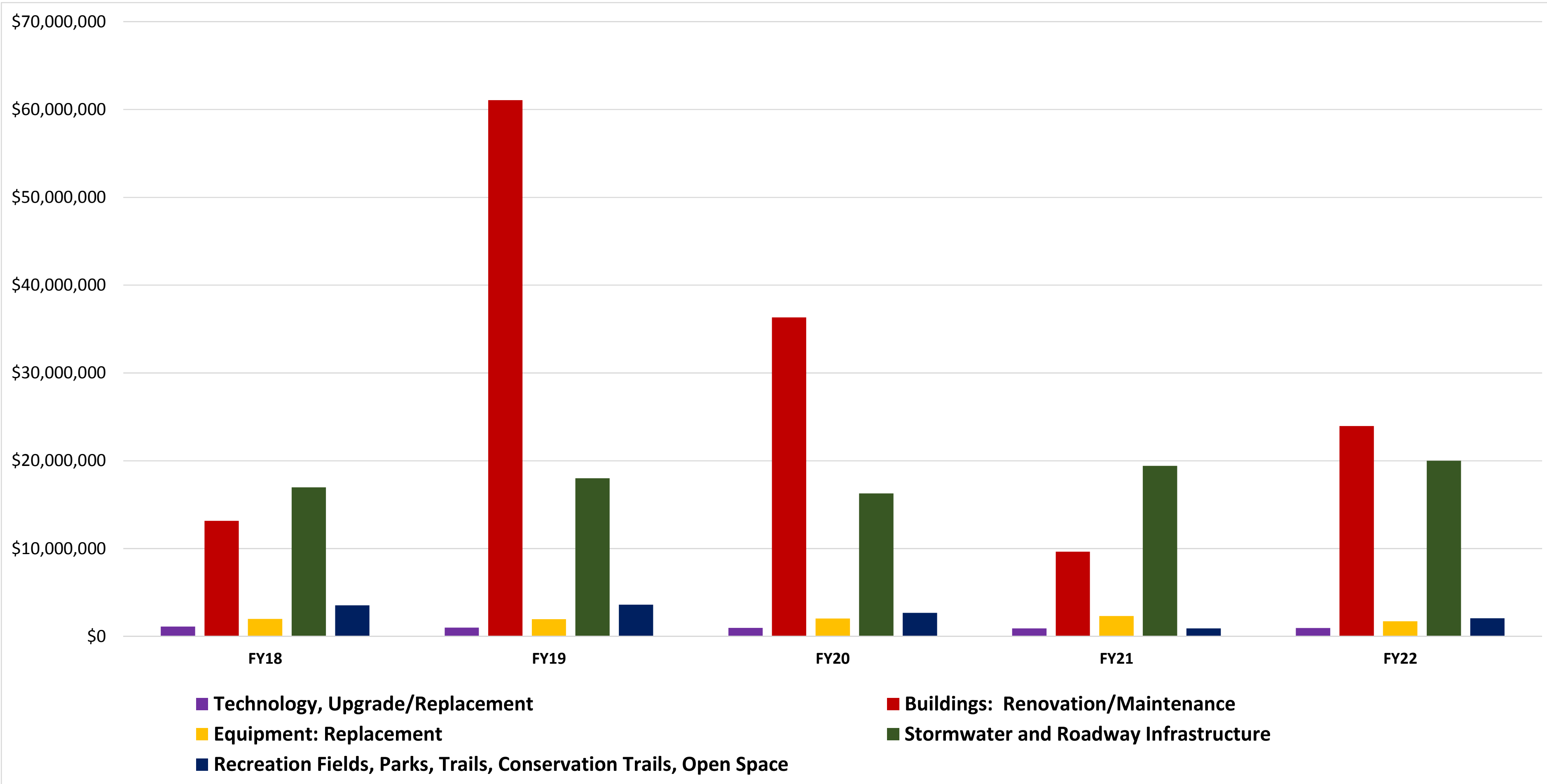
Education Spending FY07 to FY18 est



Long Range Financial Forecast

- Capital Investment Forecast
  - Assumes 25%-30% of capital requests get authorized, at least for next three years
  - The plan must be sustainable – focus on highest priority items in next 5 years
  - Allocate $5M to Fuller; continue contribution to capital stabilization fund to allocate to another major building project – Memorial Building renovation
  - Assumes debt exclusion for school impacts minimally in FY20

Capital Improvement Requirements



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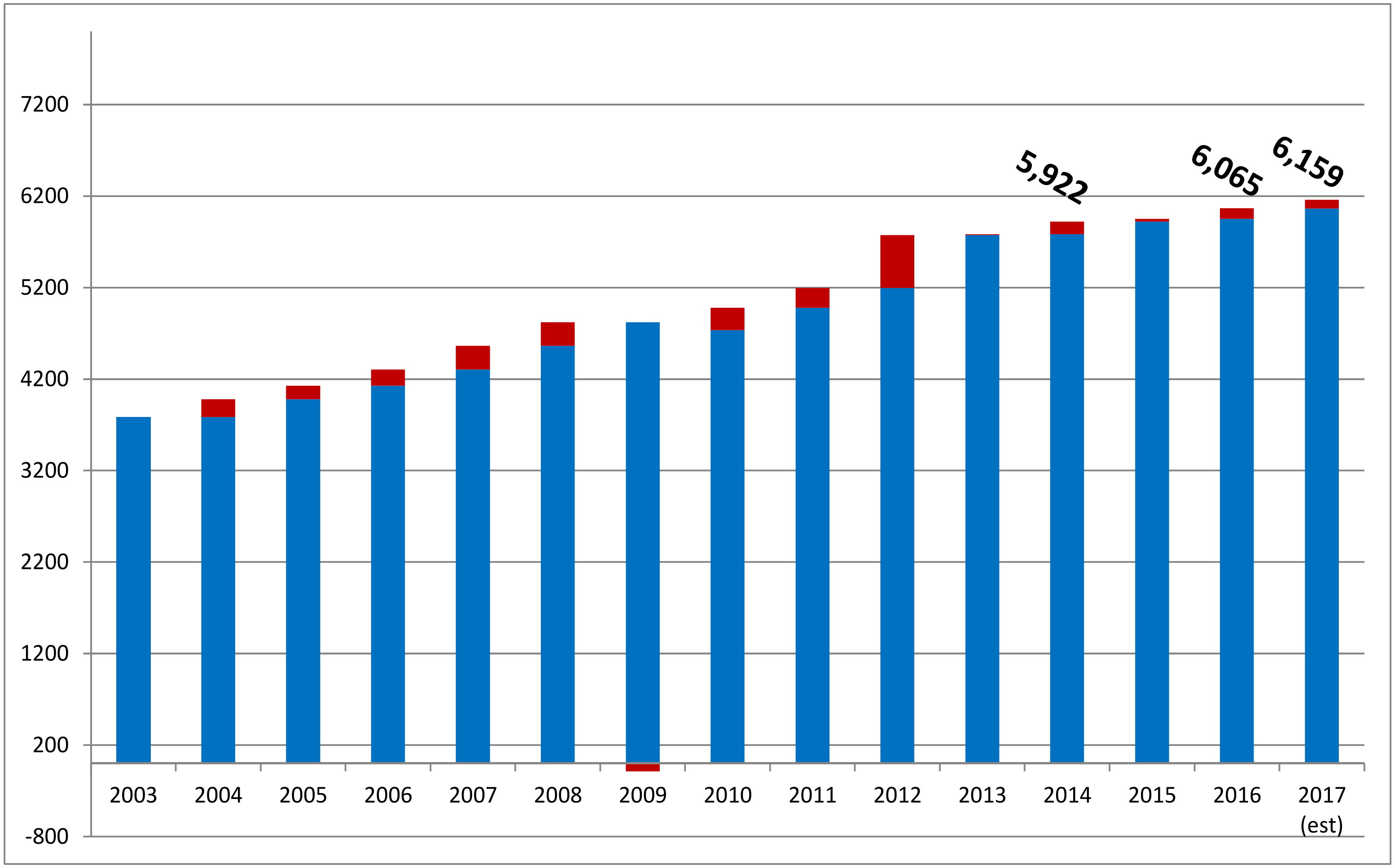
Near Term Tax Estimate

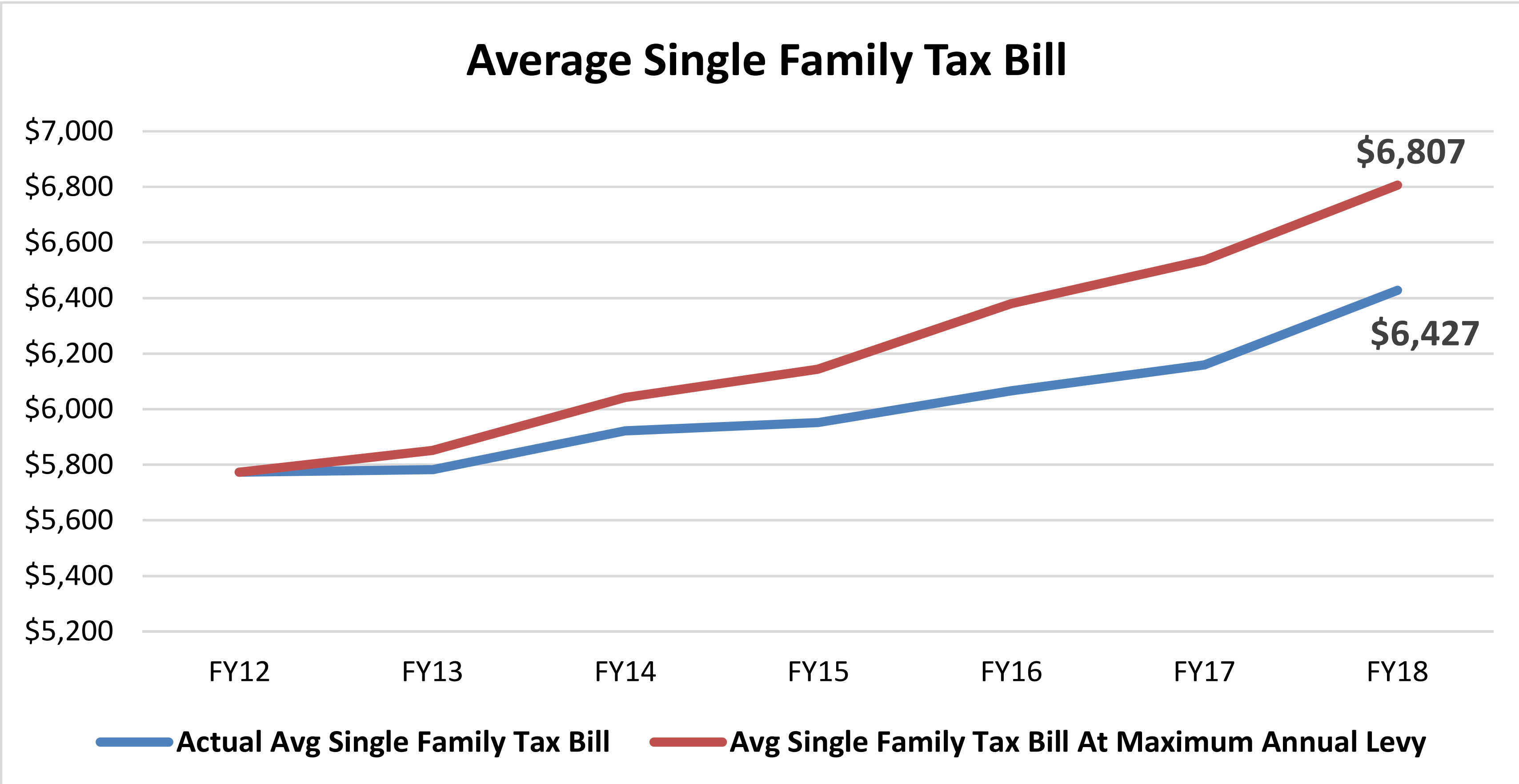
- Resume 2.5% levy means return to historic range of average single family tax bill annual increases
  - 2004 to 2008 ranged from 3.8% to 6% increase
- Estimate $267 increase in single family tax bill for FY18
  - 4.3% increase
  - $22.25 per month

Moderating the Avg Single Family Tax Bill



2003	n/a
2004	5.0%
2005	3.8%
2006	4.3%
2007	6.0%
2008	5.6%
2009	-1.8%
2010	5.2%
2011	4.4%
2012	11.1%
2013	0.2%
2014	2.4%
2015	0.5%
2016	1.9%
2017(est.)	1.5%

The Taxpayer keeps the $$$



If we taxed to the maximum 2.5% levy, the average residential taxpayer would have paid $883 more from FY13 to FY18

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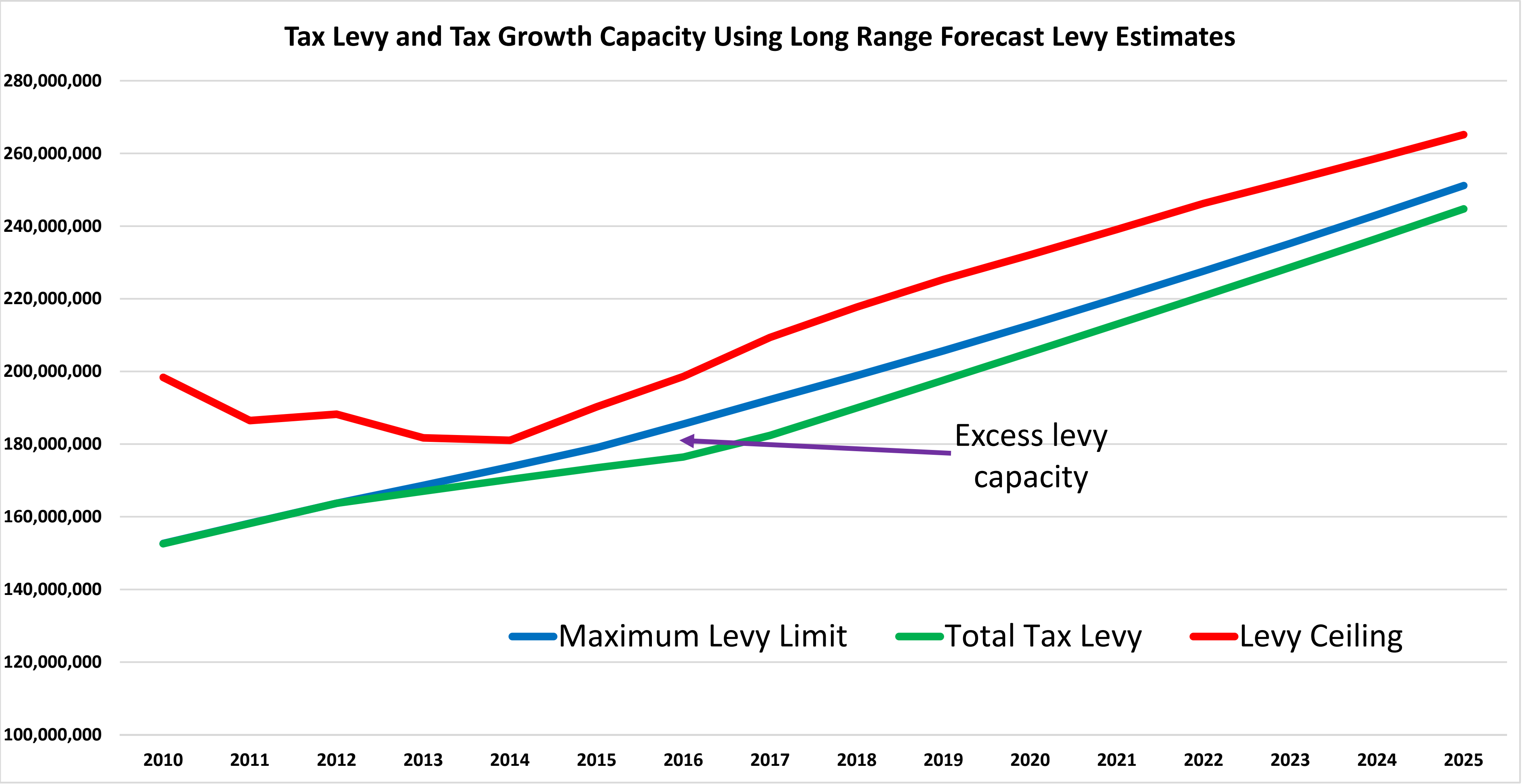
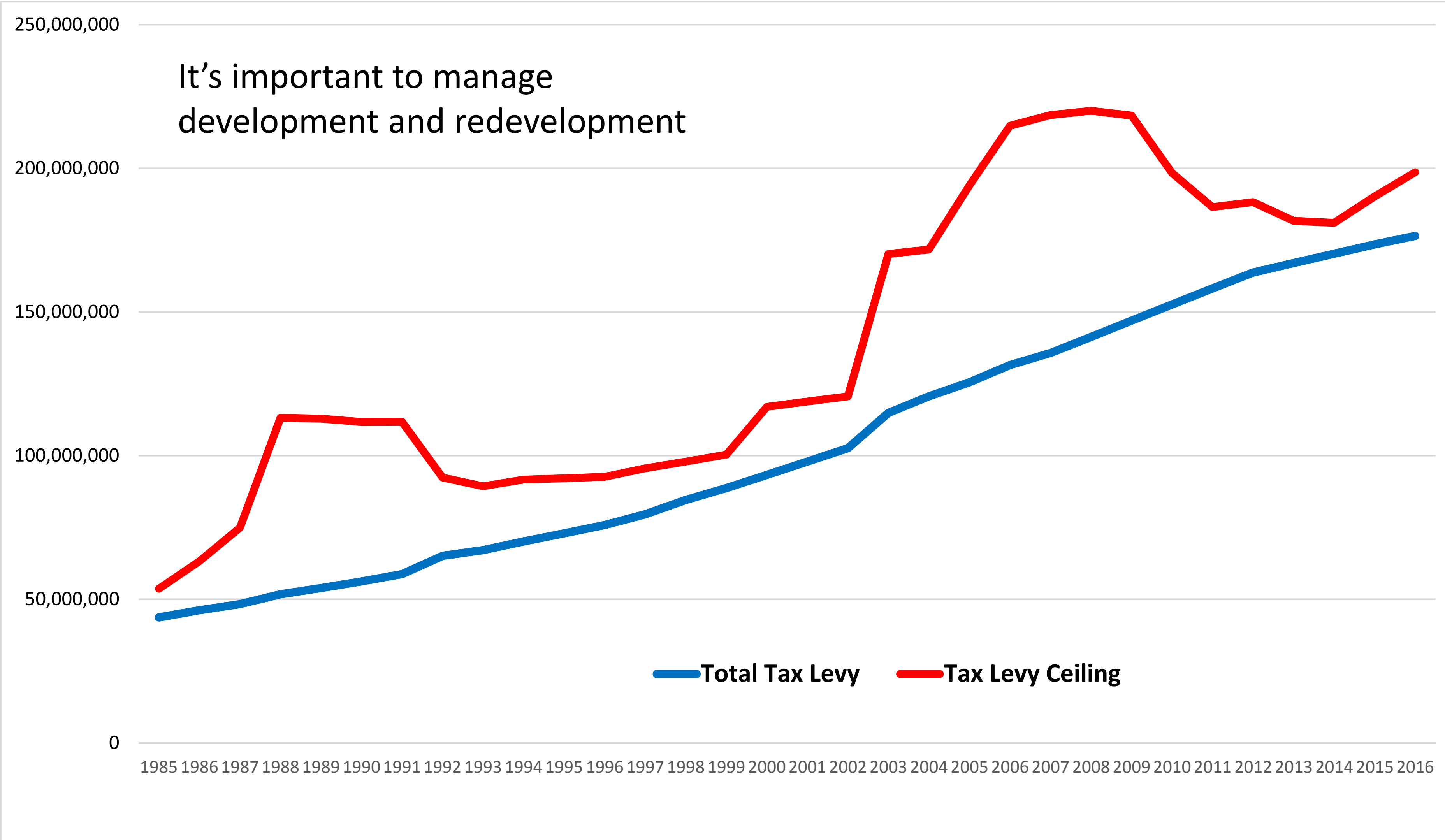
Tax Levy and Tax Ceiling



Levy Ceiling-Economically Cyclical



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Summary Outlook

- Limit growth in spending-Sustainability
  - Must get School spending within affordable growth parameters
- Maximize existing resources – determine how best to invest
  - Invest in only highest priority capital in the short term
  - Continue growth of reserves to offset future capital costs
- Keep financial flexibility with levy capacity and tax burden management