

Town of Easton
Summary Report of Financial Condition
Fiscal Year 2013



Prepared for the Easton Board of Selectmen
and Finance Committee
By Town Administrator David A. Colton

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This is the third annual financial condition report to the Town. It is intended to help inform Selectmen and Finance Committee financial decision making as the budget process proceeds each year. This report will precede or accompany the preliminary budget submittal that we make each winter. Information in the report relies on several sources including the Commonwealth of Massachusetts Department of Revenue (DOR), First Southwest Company (The Town's financial advisor), and the Massachusetts Public Employees Retirement Administration Commission (PERAC).

The report provides financial analysis in five key areas: Revenue and Expenditures, Tax Levy (including new growth and overrides), Reserves, Debt, and Pension Liability. Except for this overview, we will mostly let the numbers speak for themselves adding commentary for the purpose of clarification.

The first thing to note is that the Town of Easton finished fiscal year 2013 in the black by \$1,325,548 which compares well with the previous year (\$1,474,765). This is a good sign that the town is moving away, albeit slowly, from the fiscal impacts created by the recession of 2009. We can attribute this to careful estimation of revenues by the financial team, disciplined management of spending by department heads, a cooperative working relationship between the town government and school administration and reasonable settlements of collective bargaining agreements with our employees. Increased costs and reductions in revenue due to economic conditions beyond our control always present challenges. However, as long as we maintain a disciplined approach to budgeting, the Town should continue to reflect a positive balance sheet.

Financial discipline is also evident in the amount of free cash generated each year. Despite all of the challenges, free cash balances have held relatively steady with the exception of 2009 when a mid-year cut in local aid was mitigated through unplanned use of free cash¹. Our reserve position continues to improve and now stands at 6% of relevant expenditures.

The Town of Easton has and will continue to levy taxes to the statutory limit which stood in excess of \$45.5M in fiscal 2013. The levy² is limited by proposition 2 ½ and includes amounts voted at an override election and new growth. Prior to FY 2009 new growth exceeded half a million dollars per year on a consistent basis, but between 2009 and 2011, it leveled off at below \$400,000 per year. New growth continues to lag pre-recession levels which bear watching because insufficient economic development and property tax growth will lead to deterioration in public service delivery.

Long term financial conditions are always a concern. Debt and pension liability are two areas that this report tracks³. Our level of total debt is modest relative to some nearby communities and our credit rating of Aa3 is pretty strong. Pensions are managed by the Bristol County Retirement System. The latest published data is from FY 2012 and shows significant improvement over the previous year for return on investment. Bristol County's return is out-performing other systems and its funded ratio is in line with other county pension systems. Bristol County is on track to be

¹ See Table 5 - pg. 9

² See Table 2 - pg. 6

³ See Tables 7, 8 - pg. 11, 12 respectively

fully funded by 2030 which compares favorably to the Commonwealth's target of 2040.

Table 1

Final Statement of General Fund Revenue and Expenses			
Fiscal Year 2013			
			% of
	<u>Amount</u>		<u>Total</u>
Revenues:			
Tax Levy	\$45,114,307		67.6%
Local Aid	\$12,524,315		18.8%
Local Receipts	\$6,602,079		9.9%
Use of Reserves	\$1,954,901		2.9%
Other	\$547,753		.8%
Total Revenues	\$66,743,355		100.0%
Expenditures:			
Operating Budget	\$48,746,535		74.5%
Transfer to Stabilization	\$275,000		.4%
Debt Service	\$4,701,258		7.2%
EE Benefits and Insurance	\$10,996,219		16.8%
Regional School	\$698,795		1.1%
Total Expenditures	\$65,417,807		100.0%
Net:	\$1,325,548		

Table 2

Tax Levy FY 2003-2013			
Year	Actual Levy	Levy Limit	
2003	\$25,807,957	\$25,820,191	
2004	\$27,224,489	\$27,235,172	
2005	\$29,005,102	\$29,031,179	
2006	\$31,350,853	\$31,360,796	
2007	\$36,065,634	\$36,066,695	
2008	\$37,650,812	\$37,674,741	
2009	\$39,433,261	\$39,452,762	
2010	\$41,261,393	\$41,285,551	
2011	\$42,667,348	\$42,671,102	
2012	\$44,064,182	\$44,089,596	
2013	\$45,522,543	\$45,537,416	

Increases include new growth and override amounts for excludable debt.

An operational override was passed in 2006 and took effect in FY 2007.

Table 3

Tax Levy Breakdown FY 2003-2013				
		Operational	Debt	Total
<u>Year</u>	<u>Base Levy</u>	<u>Override</u>	<u>Exclusion</u>	<u>Levy</u>
2003	\$25,190,998		\$616,959	\$25,807,957
2004	\$26,437,412		\$787,077	\$27,224,489
2005	\$28,045,037		\$960,065	\$29,005,102
2006	\$29,311,343		\$2,039,510	\$31,350,853
2007	\$31,067,313	\$3,400,000	\$1,598,321	\$36,065,634
2008	\$35,927,484		\$1,723,328	\$37,650,812
2009	\$37,202,330		\$2,230,931	\$39,433,261
2010	\$38,488,317		\$2,773,076	\$41,261,393
2011	\$39,851,840		\$2,815,508	\$42,667,348
2012	\$41,304,500		\$2,759,682	\$44,064,182
2013	\$42,761,294		\$2,761,249	\$45,522,543

Table 4

New Growth FY 2003-2013		
Year	Amount	
2003	\$515,905	
2004	\$614,782	
2005	\$961,817	(1)
2006	\$548,394	
2007	\$1,014,056	(2)
2008	\$621,330	
2009	\$371,633	
2010	\$360,098	
2011	\$380,307	
2012	\$469,919	
2013	\$413,005	
<p>New Growth-is generated by an increase in the valuation of properties due to new construction or other improvements. The net increase in value is multiplied by the prior year's tax rate to determine the dollar amount of new growth.</p>		
<p>(1) Reflects 18 months of growth (valuation timeframe changed from calendar to fiscal year)</p>		
<p>(2) Includes one-time increase in growth resulting from condominium conversion of large rental housing complex.</p>		

Table 5

Free Cash Balances FY 2003-2013		
Certification		
Date		Amount
7/1/2003		\$747,496
7/1/2004		\$1,057,898
7/1/2005		\$1,414,793
7/1/2006		\$1,366,111
7/1/2007		\$1,612,338
7/1/2008		\$1,511,527
7/1/2009		\$688,651 ⁽¹⁾
7/1/2010		\$1,515,679
7/1/2011		\$1,402,992
7/1/2012		\$1,776,910
7/1/2013		\$1,865,659
<p>Surplus created by unexpended amounts in budgetary accounts and local revenues in excess of estimated revenues. This balance less uncollected property taxes is free cash & may be spent with the approval of Town Meeting.</p>		
<p>⁽¹⁾ Free cash was unusually low this year due to mid-year cuts in state aid and revenue shortfalls in motor vehicle excise taxes and licenses & permits.</p>		

Table 6

Computation of Town Reserve Position			
Relative to Certain Expenditures*			
	Amount		%
FY 2013 Operating Budget	\$48,746,535		
Transfer to Unemployment Trust	25,000		
Debt Service	4,701,258		
EE Benefits and Insurance	10,996,219		
Regional School	698,795		
Total Expenditures	\$65,167,807		
Goal: Rule of thumb suggested reserves (Free Cash and Stabilization Funds) be 5% of above expenditures	\$3,258,390		5.00%
Actual Reserves as of 6/30/13:			
Free cash	\$1,865,659		
Stabilization	1,635,176		
Capital Stabilization	412,108		
Total Reserves	\$3,912,943		6.00%
Difference	\$654,553		1.00%
* Excludes enterprise funds			

Table 7

Per Capita Debt as of 6/30/13					
Credit Rating of Selected Towns					
		<u>Per Capita Debt</u>		<u>Credit Rating</u>	
Easton		\$1,768		Aa3	
Sharon		\$1,859		Aa2	
Mansfield		\$1,789		Aa2	
Stoughton		\$1,152		A1	
Norton		\$1,004		Aa3	
Raynham		\$1,496		A1	
Foxboro		\$2,053		Aa2	
Canton		\$3,063		AAA	
West Bridgewater		\$1,392		A1	
Per capita debt: 2013 long-term debt outstanding divided by 2010 population					
2012 State average = \$1,957					

Table 8

Funded Ratio and Return on Investment			
Bristol County and select MA Retirement Systems			
		<u>Ratio</u>	<u>ROI</u>
Bristol County		59.30%	15.79%
Brockton		72.30%	12.27%
Hampden County		48.90%	13.13%
Norfolk County		60.00%	13.19%
Taunton		61.90%	12.23%
Commonwealth of MA		81.00%	13.87%
2012 values from PERAC website.			