

# FY2017 Preliminary Budget Presentation

David A. Colton  
Town Administrator  
January 25, 2016

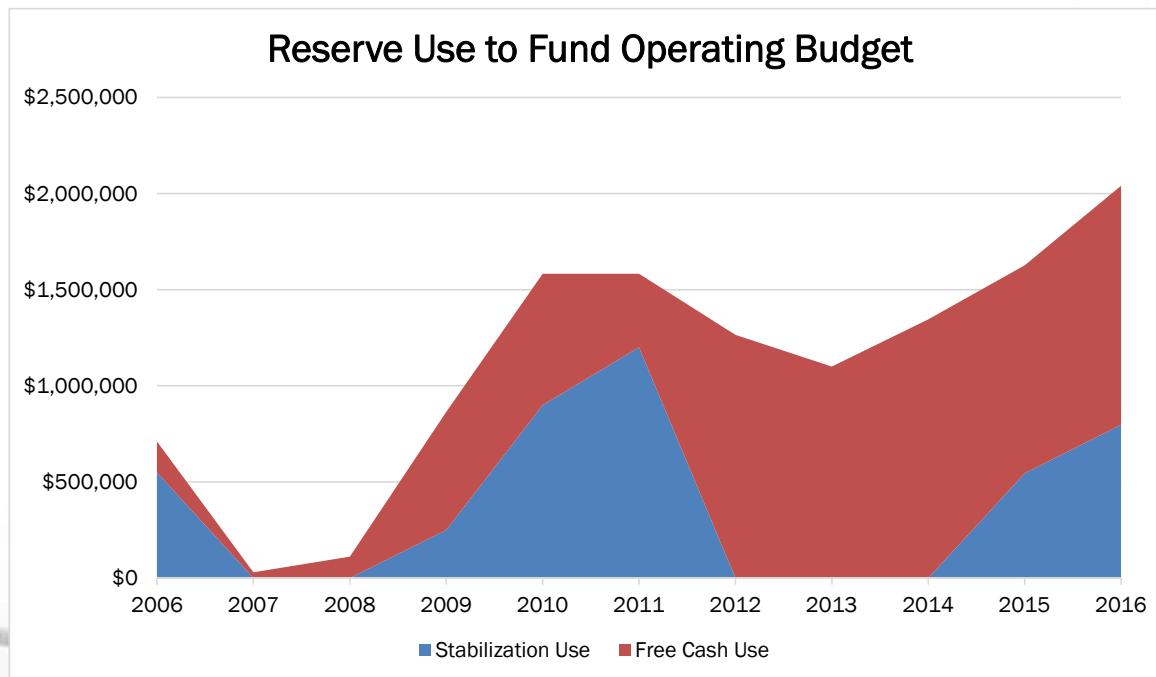


## **Fiscal Year 2017: The Challenge**

- **FY2017 will be our most challenging year since the Great Recession.**
- **Several factors contribute to a financial situation that makes it extremely difficult to present a budget that maintains current service levels.**
- **Absent a new source of revenue, it is not possible to present a budget that will sustain service levels for more than one year.**

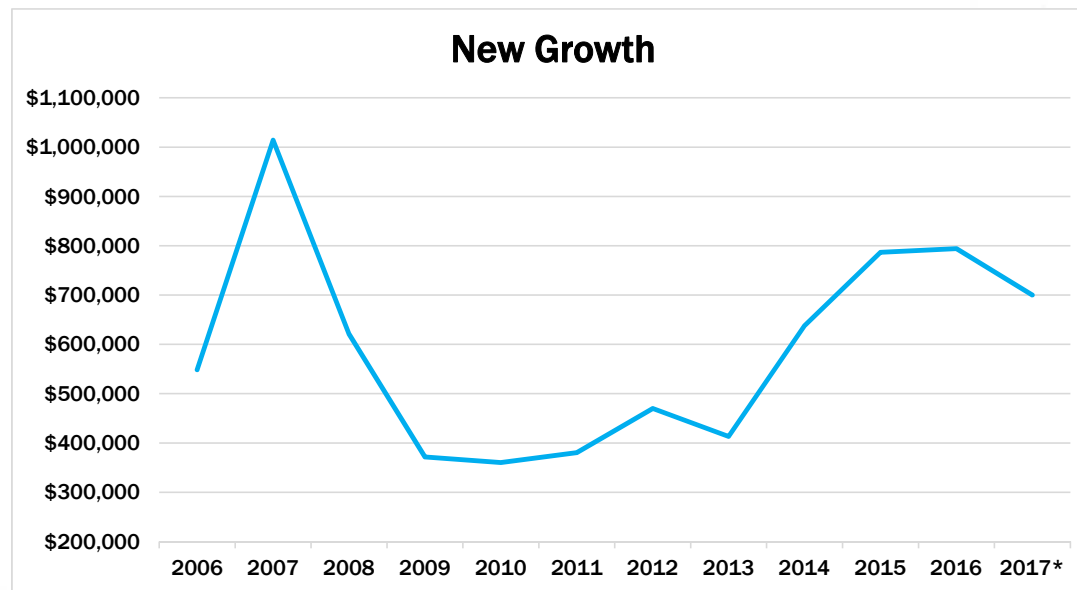
# Post-Recession Revenue Deficit

- Since the onset of the recession and subsequent deep cuts to state aid to the Town, we have been using reserve funds to close a revenue deficit at a rate, if unabated; will result in serious cutbacks in essential services unless replaced with a reliable revenue source.



# Revenue: New Growth

- One revenue source that has shown promise is new growth, which has leveled off after steadily increasing since 2013.



## Promoting New Growth

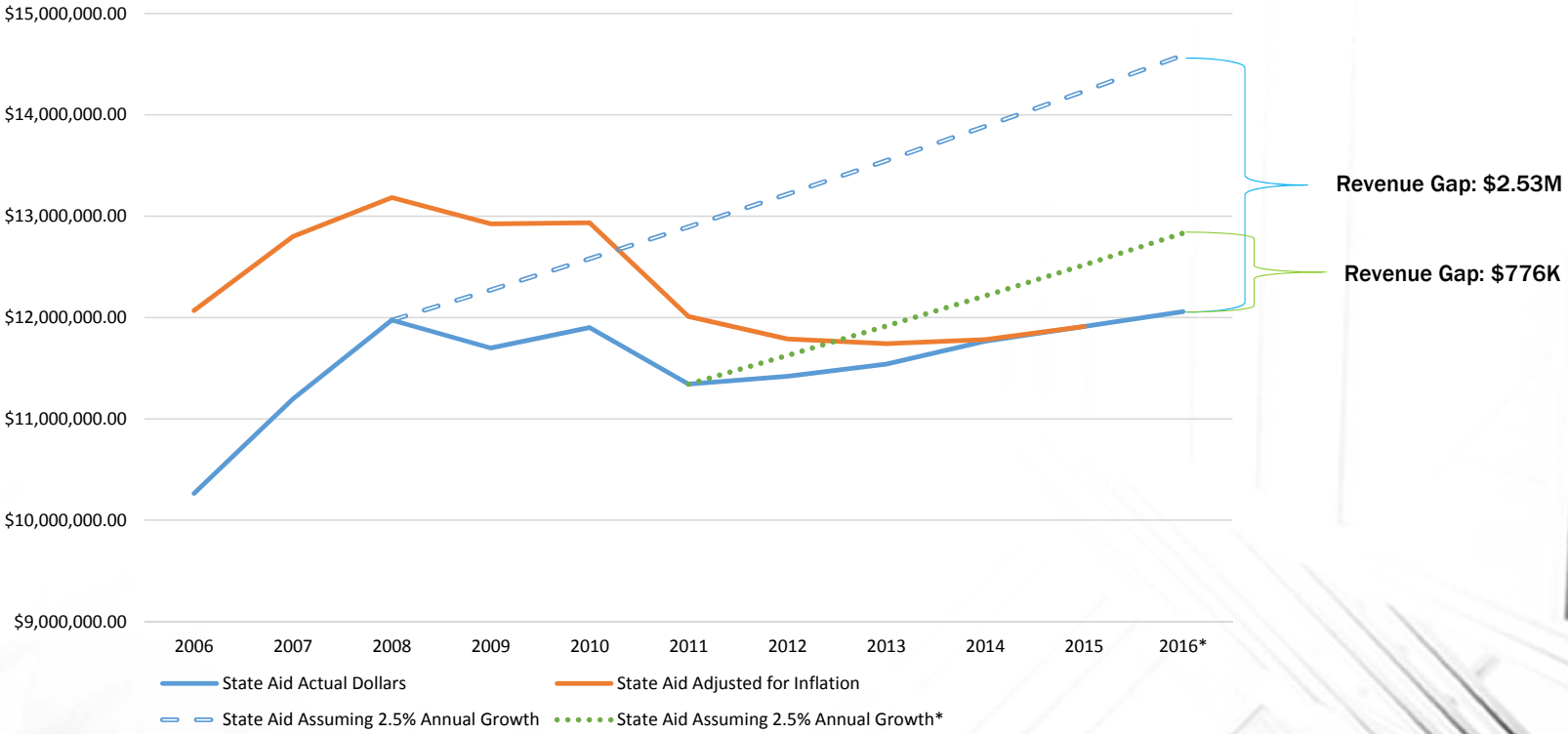
Understanding the significance of this revenue source, the Town has been adopting policies and granting approvals to enhance and diversify growth:

- Expansion of sewer infrastructure
- Inclusive housing policy
- Zoning Reform
- Streamlined permitting
- Changing perceptions

## Revenue: Local Receipts

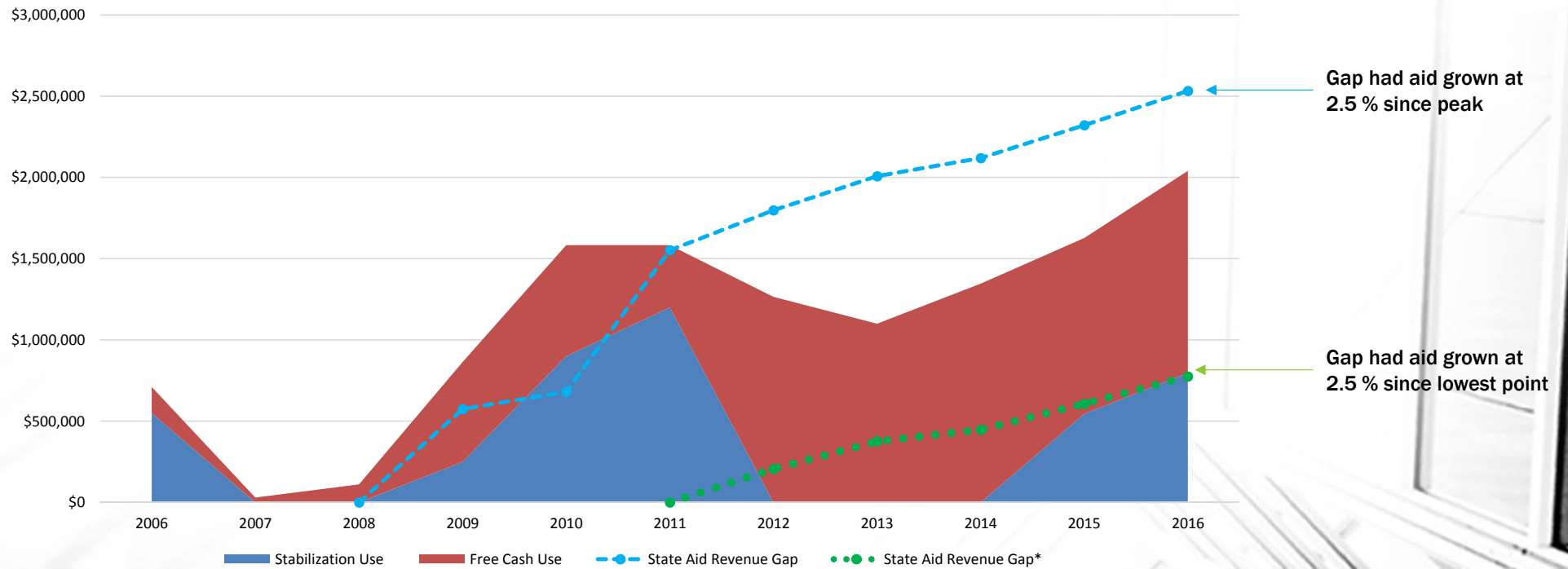
- Revenue from ambulance operations has grown by 169% from FY2007 to FY2015.
- Annual average receipts from FY2007 through 2011 were \$561,427.
- The FY2011 through 2015 annual average is \$997,363.
- This coincides with a period of time that included a steady increase in the number of Firefighter/Paramedics employed by the town and the cancellation, by the town, of an unfavorable agreement with a major health insurer.
- We estimate ambulance receipts for FY2017 at \$1.3M.

# Revenue: State Aid



# Revenue: State Aid

Reserve Use to Fund Operating Budget:  
State Aid Revenue Gap Overlay





# Expenses: Offsetting Rising Costs with Savings

- Revenue growth has not been sufficient to replenish reserves *and* meet rising costs.
- The Town has continually sought to locate and secure cost savings to offset rising costs – a few examples:

Cost Savings	Increasing Costs
Energy – FY17 electricity bill down \$111,000	Snow and Ice – FY16 saw deficit of \$894K, FY17 includes \$298K of that plus \$200K extra to protect against future deficits
Energy – ESCO project completion est. annual savings of \$200,000	Pension System – BCRB assessment for FY17 is approx. \$257K after discount
Energy – Prospect St. Solar Array - \$200,000 annual savings	Regional School Assessment – FY17 assessment up by nearly \$130K
Health Insurance – Transition to GIC during FY2016 saved approx. \$335,000	
Health Insurance – Employee Opt-Out bonus, FY2017 Health savings incentive program	

## Approaching a Balanced Budget

- Without use of stabilization funds, FY2017 budget would level fund *all* operating budgets, resulting in retrenchment and layoffs.
- Alternatively, utilizing the stabilization fund to fund the uncontrollable and fixed costs would allow a modest 2% increase in the operating budgets.

# Balanced Budget Option 1: No Use of Stabilization Funds

## a. Revenue by source and % change over FY 16

i. Taxation	\$ 52,511,679	+3.48
ii. Local Receipts	\$ 6,644,550	+7.91
iii. State Aid	\$ 12,213,229	+1.24
iv. School Building	\$ 983,980	0.00
v. Other sources	<u>\$ 1,800,377</u>	<u>-42.15</u>
vi. Total General Fund	<u>\$74,153,815</u>	<u>+1.49</u>

## b. Expense by use and % change over FY 16

i. Town Departments	\$15,620,331	0.00
ii. Education	\$38,157,137	0.00
iii. Regional School	\$ 836,331	+18.38
iv. Debt Service	\$ 5,000,835	+ 2.42
v. EE benefits, etc.	\$12,961,008	+ 6.67
vi. Other	<u>\$ 1,578,173</u>	<u>+ 2.00</u>
vii. Total General Fund	<u>\$74,153,815</u>	<u>+1.49</u>

# Balanced Budget Option 2: Fund 2 Percent Increase in Operating Budgets with Stabilization Funds

## a. Revenue by source and % change over FY 16

i. Taxation	\$52,511,679	+3.48
ii. Local Receipts	\$ 6,644,550	+7.91
iii. State Aid	\$12,213,229	+1.24
iv. School Building	\$ 983,980	0.00
v. Other sources	<u>\$ 2,875,926</u>	<u>-7.59</u>
Total General Fund	<u>\$75,229,364</u>	<u>+2.96</u>

## b. Expense by use and % change over FY 16

i. Town Departments	\$15,932,737	+2.00
ii. Education	\$38,920,279	+2.00
iii. Regional School	\$ 836,331	+18.38
iv. Debt Service	\$ 5,000,835	+2.42
v. EE benefits, etc.	\$12,961,008	+6.67
vi. Other	<u>\$ 1,578,173</u>	<u>+2.00</u>
Total General Fund	<u>\$75,229,364</u>	<u>+2.96</u>

## Other Considerations

### Revenue:

- Governor Baker presented Chapter 70 and UGGA state aid figures at the MMA Annual Conference on Friday, January 22

### Expenses:

- Final numbers for health insurance and the regional school assessment are not in yet.

### One-Time Revenues:

- Avalon Bay mitigation payment #1: \$650,000
- FEMA reimbursement: \$300,000

**Bottom Line:** we are looking at a +/- 2 percent increase to operating budgets with the prospect of major cuts in FY2018 without an override.

## Override

Any override must, at a minimum, address the structural revenue deficit.

Select Department Heads were asked to submit two budgets.

Departments asked to submit requests for additional funding were Police, Fire, Public Works, and Health and Community Services.

## Departmental Requests

Department	Request (prior to TA cuts)
Public Works	\$505,910
Police	\$280,938
Fire and Ambulance	\$278,367
Health & Community Services	\$251,820
Estimated Employee Insurance	\$184,236
Recommended Reserve Amount	\$1,000,000
<b>Total Departmental Requests</b>	<b>\$2,501,271</b>

## Town Administrator Recommendation

Department	Recommended
Public Works	\$419,790
Police	\$220,938
Fire and Ambulance	\$ 0
Health & Community Services	\$251,820
Estimated Employee Insurance	\$76,765
Recommended Reserve Amount	\$1,000,000
<b>Total Town Administrator Recommendation</b>	<b>\$1,969,313</b>

## Recommendations

1. **Adopt the 2 percent budget**
2. **Seek an Override**
3. **Seek to re-open the health insurance agreement with ALL unions to shift additional premium cost from the town to the employees**
4. **Freeze all non-union Department Head salaries at current level**
5. **Freeze hiring across Town and Schools**
6. **Consider fee increases for programs and services for Town and Schools**





# Thank You

David A. Colton  
Town Administrator  
January 25, 2016