



Town of Lunenburg

Financial Forecast Presentation December 3, 2015

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Why Forecast?

- Best Financial & Management Practices
- Required by Town's Charter, Section 4-2 (s)
- Bond Rating Agencies look favorably upon communities that annually prepare a forecast document.

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[Forecasting v. Budgeting]

- Forecast provides a long-term and comprehensive financial perspective on service delivery using both known information & hypothesis (assumptions)
- Budget is a specific plan detailing service delivery in the coming fiscal year

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[Goals of Forecasting]

- Gain a Long-term perspective/ basis for planning
- Determine whether fiscal problems are on the horizon
- Time to plan for change, favorable or unfavorable
- Reinforce the need for long-range considerations during the annual budget process

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[Forecasting- Key Concepts]

- Projections are not inalterable prophecies, but merely guidelines which may be adjusted as necessary
- Once you develop baseline projections, it's relatively easy to adjust the underlying assumptions to address issues
- Forecasted shortfall does imply that some action will be taken, or at least planned, to avoid the financing problem
 - Action to balance the budget
 - Raise revenue; Reduce expense; Adjust service levels

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[Forecasting Tools & Guides]

- MGL, Town Bylaws, other Generally Accepted Standards
- Financial Policies
- Trends Analysis
- Debt Service Schedules
- Union Contracts
- Assumptions

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[Tools: MGL, Town Bylaws, or other Generally Accepted Standards]

- MGL governs labor, employee benefits, & requires delivery of certain services
- Town Bylaws require delivery of certain services; enforcement of bylaws
- GAAP/ GASB standards, min. manning standards, etc.
- Net School Spending
- Library Certification to receive State Aid
- What about other services that aren't mandated? Are they any less important? COA, Public Safety, DPW

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[Tool: Financial Policies]

- Financial Management Policies & Objectives adopted by the Board of Selectmen Fall 2014
- Address:
 - Stabilization Fund & General Reserve Account
 - Free Cash
 - Capital Projects/ Purchases
 - Borrowing & Debt Burden

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Tools: Trends Analysis & Contractual Obligations

- Financial Trend Monitoring Report
 - Evaluates Financial Condition, through analysis of indicators.
 - Indicators identify the factors that affect financial condition and arranges them to facilitate analysis and measurement
 - Review of last 5-10 years worth of data
 - Forecasting relies heavily on trends analysis as overall trends are generally linked together
 - Should be updated & expanded if possible, on an annual basis
- Union Contracts
- Existing Debt Service Schedules

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Assumptions for Financial Forecast- FY2017 - 2021

Use data obtained from all sources mentioned to make assumptions about:

- Revenues
 - Future of the Local Economy
- Service Levels
- Cost of services

A detailed list of assumptions is provided in the packet

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Assumptions for Financial Forecast- FY2017 - 2021

Existing Conditions:

	FY2015	FY2016	FY2017	FY2017
		After Recap	Forecast	Target
Revenue	\$ 33,703,066	\$ 35,433,425	\$ 36,295,345	\$ 36,445,345
Expenditures	\$ 33,501,856	\$ 35,433,425	\$ 36,705,478	\$ 36,445,345
Difference:	\$ 201,211	\$ -	\$ (410,132)	\$ 0

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Assumptions for Financial Forecast- FY2017 - 2021

Existing Conditions:

	FY2018	FY2019	FY2020	FY2020
Revenue	\$ 37,154,865	\$ 38,102,354	\$ 39,071,691	\$ 39,999,470
Expenditures	\$ 37,566,952	\$ 38,661,282	\$ 39,916,004	\$ 41,149,519
Difference:	\$ (412,086)	\$ (558,927)	\$ (844,313)	\$ (1,150,049)

Notes: FY18 total debt service decreases by \$243,757. Non-Exempt Debt decreases by \$152,827 which is why projected deficit is lower than what you might expect. The trend continues in FY19 and FY20. Also, Capital Budget is increased by \$150k in FY20 and FY21.

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Above Level Service Recommendations:

	FY2017 Forecast	FY2018 Forecast	FY2019 Forecast	FY2020 Forecast	FY2021 Forecast
Above Level Service Recommendations:					
Police, 3 Patrol Officers	\$ 172,685	\$ 177,002	\$ 181,427	\$ 185,963	\$ 190,612
Fire, Per Diem Ambulance 24/7	\$ 192,192	\$ 196,036	\$ 199,957	\$ 203,956	\$ 208,035
LPS, Superintendent's Recommendation	\$ 437,877	\$ 642,804	\$ 865,298	\$ 1,106,531	\$ 1,367,745
DPW, Additional Laborer/ Heavy Equipment Operator	\$ 38,160	\$ 39,114	\$ 40,092	\$ 41,094	\$ 42,121
DPW, Pavement Management	\$ 350,000	\$ 358,750	\$ 367,719	\$ 376,912	\$ 386,335
DPW, Stormwater Management Projects	\$ 200,000	\$ 205,000	\$ 210,125	\$ 215,378	\$ 220,763
Unclassified, Employee Benefits	\$ 43,950	\$ 46,567	\$ 49,382	\$ 52,345	\$ 55,468
Total:	\$ 1,434,864	\$ 1,665,293	\$ 1,913,999	\$ 2,182,179	\$ 2,471,096
<u>Existing Deficit, Current Conditions</u>	<u>\$ 410,132</u>	<u>\$ 412,086</u>	<u>\$ 558,927</u>	<u>\$ 844,313</u>	<u>\$ 1,150,049</u>
Projected Deficit including Above Level Recommendations	\$ 1,844,997	\$ 2,077,379	\$ 2,472,927	\$ 3,026,492	\$ 3,621,145

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Revenue Assumptions- Property Tax

- Property Tax – 2.5% increase
- New Growth- est. \$275k, includes Building 4 at Tri-Town Landing (\$50k)
- Exempt Tax- slight decrease; does not yet include an estimate for 01/16 borrowing for School Construction Project; \$5M +/-

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[Revenue Assumptions- State Aid]

- No Consensus Revenue Hearing yet
- Governor's Budget not due out until end of January
- For now, assume +2% in all accounts, except Veteran's Benefits
- Chapter 40S funding is included in FY17 Target Budget only

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[40S – Smart Growth Revenue]

- A municipality with a Smart Growth Zoning District approved by DHCD under MGL Ch.40R may receive an annual reimbursement under MGL Ch.40S for additional education costs attributable to public school students living in a smart growth housing development that are not defrayed by new revenues from property tax, MVX or Ch.70 generated by the development
- Additional education costs are based on the number of additional pupils in the new housing units on the previous Oct. 1 and the actual net school spending per pupil established under Ch.70 for the district.
- Application made in Sept; State award in October; funds received in November (for expenses occurred in prior FY)

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[40S – Smart Growth Revenue]

- Poses an interesting budgeting question
 - How should we account for 40S going forward?
 - FY15 Receipt = \$183,618
 - FY16 Receipt = \$166,960 (should have received \$238,513)
 - Have included \$150k as a revenue source in FY17 Target Budget
- We have yet to see the data behind the calculation, so it is hard to estimate any future awards
- Future awards subject to inclusion in State Budget. Currently only 2 towns receiving 40S
 - Have been advised by DOR that this line item is “ripe to be cut.”

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[Revenue Assumptions- Local Receipts]

- Overall projected increase is +\$96,730, or 3.59%
- Solar Net Metering Credits = +\$13k
- Motor Vehicle Excise is + \$36,750
- All other categories, +2% with the exception of Meals Tax at +2.5%

- Not yet included: increased fees from updated Traffic Rules & Orders

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Revenue Assumptions- Available Funds

- Budgeted as needed to cover appropriate expenses
- Overall decrease because nothing yet included for Unexpended (Capital) Articles
- Free Cash appropriation of \$250,000
 - \$78,060 to deposit into Stabilization Fund
 - \$171,940 to offset Capital
 - Remaining Balance is \$13,188
- No draw on Stabilization Fund

- Total New Revenue for FY17 = \$861,920
 - +\$150,000 in 40S under Target Budget (\$1,011,920)

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Expenditure Assumptions- Service Levels

- Forecast document will:
 - Adhere to adopted financial policies
 - Make deposit to Stabilization Fund to maintain required balance
 - Honor all contractual obligations, such as debt service schedules and union contracts
 - Provide same level of service, except where noted
 - 2 -3% increase in most services & commodities
 - Utility costs projected in accordance with contracts & usage, no credit (yet) for proposed Nexamp project
 - Retirement Assessment +9%, more in January
 - Health Insurance +7%, more in February
 - Potential impact of Affordable Care Act, "Cadillac Tax"

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Expenditure Assumptions

Forecast, FY17		
68.08%	\$ 816,161	Education
6.63%	\$ 79,469	Public Works
6.11%	\$ 73,243	Public Safety
-1.36%	\$ (16,266)	Exempt Debt Service
14.27%	\$ 171,072	Health Insurance/ Other Insurances
-1.51%	\$ (18,134)	Non-Exempt Debt Service
5.15%	\$ 61,687	General Administration/ Land Use/ COA
1.71%	\$ 20,523	Retirement Assessment
0.92%	\$ 10,987	Library
	\$1,198,741	Total
	\$ 54,687	Change in Non-Appropriated Expenditures
	\$18,625	Change in Other Warrant Articles
	\$1,272,053	Total Increase, All Expenditures

Target Budget, FY17		
70.55%	\$ 670,950	Education
5.08%	\$ 48,314	Public Works
4.56%	\$ 43,356	Public Safety
-1.71%	\$ (16,266)	Exempt Debt Service
15.39%	\$ 146,377	Health Insurance/ Other Insurances
-1.91%	\$ (18,134)	Non-Exempt Debt Service
2.16%	\$ 20,523	Retirement Assessment
4.72%	\$ 44,889	General Administration/ Land Use/ COA
1.16%	\$ 10,987	Library
	\$ 950,995	Total
	\$ 54,687	Change in Non-Appropriated Expenditures
	\$ 6,238	Change in Other Warrant Articles
	\$ 1,011,920	Total, Increase, All Expenditures

Percentages represent percent of the total increase.

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Making the Case for Schools

- Included Superintendent's request for 7% increase, +\$1,226,056
 - \$788,179 (4.5%) in "Existing Conditions" Forecast
 - Existing Conditions:
 - Meet contractual obligations
 - Convert 1 Asst. Principal position to Principal position to accommodate transition from 3 to 4 schools; no net increase in District Admin
 - Special Education teacher at Primary; 6 long-term sub Paraprofessionals; Nurse at THMS- all to avoid out-of-district placement
 - Increased health insurance costs

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Marking the Case for Schools

- \$437,877 (2.5%) in “Above Level Recommendations” – to address increased enrollment
 - Grade 3 teacher
 - Reinstate pt PE position
 - Technology teaching & Technology support positions
 - Restore Custodial position
 - Additional IT support

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Making the Case for Public Safety

- Police, +\$48,913
 - Same service level, additional funding for OT, Lockup
 - CBA- up for negotiation 06.30.16
 - Above Level Recommendation, 3 Patrol Officers to meet service level demands
- Radio Watch, -\$15,100
 - Same service level, +\$6k for Desk Officer position
 - Desk Officer, M-F, 7AM – 7PM
 - Additional Member Community as of 07.01.16 (Bolton)
 - Additional Member Community as of 07.01.17 (Berlin) which will further decrease Assessment by \$12,601

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Making the Case for Public Safety

- **Fire, +\$14,061**
 - Same service level
 - 7 day, 7AM – 7PM coverage
 - CBA, expired 06.30.14

 - Above Level Recommendation: 24/7 Ambulance coverage w/ Per Diem Staff = \$192,192

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Making the Case for Public Works

- **Above Level Recommendation: 1 FT Laborer/Equipment Operator to staff two 3-person crews w/ 1 supervisor**
- **Storm Water Management Projects**
 - Each regulated MS4 (storm water drainage system) is required to develop and implement a storm water management program (SWMP) to reduce the contamination of storm water runoff and prohibit illicit discharges. \$40k, annual expense. May be more depending upon program requirements. [Storm Water Utility Fee](#)
- **Hazard Trees**
 - priority list of trees for removal & remove in systematic manner. \$20k, annual expense

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Making the Case for Public Works

- Facilities Management

- Net Metering Credit Agreement not yet included, \$20 – 30k savings
- Town Hall Renovation, not included

- Pavement Management

- Chapter 90 – FY16, \$419,626
- Operating Budget - \$250,000
- Annual Allocation is roughly \$670k; Need is \$1M+

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Making the Case for Roads

- Funding for Pavement Management

- Deferred maintenance on roads impacts useful life of all vehicles & equipment; buses; USPS
- Accepted Plan calls for \$1M+ per year
- Transfer budgetary savings from retired non-exempt debt to fund pavement management projects, as it becomes available

Issues to consider:

1. No increase until FY18 & you don't reach goal until FY19/ FY20
2. Other capital needs

Fiscal Year	State	Local	Retired		Total
			Debt Service		
2012	\$ 426,148	\$ -			\$ 426,148
2013	\$ 424,050	\$ -			\$ 424,050
2014	\$ 422,120	\$ 107,215	\$ -		\$ 529,335
2015	\$ 420,461	\$ 241,490	\$ -		\$ 661,951
2016	\$ 419,626	\$ 250,000	\$ -		\$ 669,626
2017	\$ 419,626	\$ 250,000	\$ -		\$ 669,626
2018	\$ 419,626	\$ 250,000	\$ 152,827		\$ 822,453
2019	\$ 419,626	\$ 250,000	\$ 282,476		\$ 952,102
2020	\$ 419,626	\$ 250,000	\$ 439,568		\$ 1,109,194
2021	\$ 419,626	\$ 250,000	\$ 472,611		\$ 1,142,237

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Making the Case for General Administration

- Projected increase in FY17 under forecast is \$58,599
- Contractual obligations
- Increase in Annual Audit & GASB #45 Audit in FY17
- Additional Election

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Debt Service

	After Recap		FY2017	FY2018	FY2019	FY2020	FY2021
	FY2015	FY2016					
Total: Debt Service	\$ 2,978,055	\$ 4,557,920	\$ 4,523,520	\$ 4,279,762	\$ 4,126,193	\$ 3,944,338	\$ 3,820,568
offsets:							
Tax, Outside Prop 2 1/2	\$1,031,125	\$ 2,494,847	\$ 2,478,581	\$ 2,394,865	\$ 2,375,399	\$ 2,358,872	\$ 2,280,666
Sewer Betterment	\$ 770,439	\$756,878	\$ 748,441	\$ 741,576	\$ 737,711	\$ 740,388	\$ 728,194
Water Betterment	\$ 62,781	\$ 62,781	\$ 62,781	\$ 62,781	\$ 62,781	\$ 62,781	\$ 62,781
Septic Receipts	\$ 10,868	\$ 10,868	\$ 10,868	\$ 10,868	\$ 10,868	\$ -	\$ -
Bond Premium	\$ 3,178	\$ -	\$ 2,424	\$ 2,074	\$ 1,760	\$ 1,441	\$ 1,114
MSBA	\$ 534,199	\$ 534,199	\$ 534,198	\$ 534,198	\$ 534,198	\$ 534,198	\$ 534,198
Net Impact: General Fund	\$ 565,465	\$ 698,347	\$ 686,227	\$ 533,400	\$ 403,476	\$ 246,659	\$ 213,616
"Surplus":				\$152,827	\$282,751	\$439,568	\$472,611

FY2023: Primary School & Public Safety Building Paid
 FY2025: Public Library Paid

	After Recap		FY2017	FY2018	FY2019	FY2020	FY2021
	FY2015	FY2016					
Tax, Outside Prop 2 1/2	\$1,031,125	\$2,494,847	\$2,478,581	\$2,394,865	\$2,375,399	\$2,358,872	\$2,280,666
Impact on Tax Bill, Average Assessed Valuation	\$ 221.56	\$ 536.06	\$ 532.57	\$ 514.54	\$ 510.40	\$ 506.85	\$ 490.04

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What's Not Included?

- Above Level Recommendations

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Total:	\$ 1,434,864	\$ 1,665,293	\$ 1,913,999	\$ 2,182,179	\$ 2,471,096

- Realistic expenditure for capital
 - Forecast is \$600k per year; \$750k beginning in FY20

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What's not included?

- Town Hall Renovation or Relocation
 - Building Reuse Study, Phase 1 anticipated completion 12.31.15
- OPEB

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed	Unfunded Liability
2015	\$ 3,499,773	\$ 1,105,658	32%	\$ 2,394,115
2014	\$ 3,869,150	\$ 1,291,640	33%	\$ 2,577,510
2013	\$ 3,797,000	\$ 1,218,000	32%	\$ 2,579,000
2012	\$ 4,160,000	\$ 1,394,000	33%	\$ 2,766,000
2011	\$ 4,071,000	\$ 1,274,000	31%	\$ 2,797,000
2010	\$ 4,609,000	\$ 1,263,000	27%	\$ 3,346,000

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[Forecast- Next Steps]

- Continued discussion of Assumptions, if needed
- Firm up Revenue Estimates
- Departments prepare actual requests
- Receive insurance renewals & other Assessments
- Begin review of FY2017 Budget
 - Town Manager's Recommendation 02/05/16
 - Target & Above Target
 - Target Budget produces about \$0k deficit
 - BOS & FinCom Review, February – March 2016
 - Annual Town Meeting- May 7, 2016
- Proposed Detailed Schedule for 2016 ATM in packet

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