Budget Update

March 12, 2007
Components of the Budget

• Costs
  – Operational Budgets
  – Fixed or nondiscretionary costs
    • Debt service
    • Health insurance
    • General liability and workers comp
    • Pension assessments
    • Utilities

• Revenues
  – Local Property Taxes
  – State Aid
  – Local Receipts
    • Excise Tax
    • License fees
    • Permit fees
Budget

• More than 70% of the budget is for payroll
• Staffing levels, until this year, have been stable
• Fixed or nondiscretionary costs have been increasing
• Rate of annual budget growth has gone from 13% in 2001 down to 3.5% for the current year
Budget Trends

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>$31.2</td>
<td>13%</td>
</tr>
<tr>
<td>1993</td>
<td>$27.2</td>
<td>(9%)</td>
</tr>
<tr>
<td>1995</td>
<td>$26.3</td>
<td>6%</td>
</tr>
<tr>
<td>1997</td>
<td>$28.0</td>
<td>10%</td>
</tr>
<tr>
<td>1999</td>
<td>$30.8</td>
<td>4%</td>
</tr>
<tr>
<td>2001</td>
<td>$32.3</td>
<td>9%</td>
</tr>
<tr>
<td>2003</td>
<td>$35.5</td>
<td>13%</td>
</tr>
<tr>
<td>2005</td>
<td>$38.9</td>
<td>9%</td>
</tr>
<tr>
<td>2007</td>
<td>$41.7</td>
<td>4%</td>
</tr>
<tr>
<td>2009</td>
<td>$47.4</td>
<td>7%</td>
</tr>
<tr>
<td>2011</td>
<td>$52.1</td>
<td>7%</td>
</tr>
<tr>
<td>2013</td>
<td>$56.1</td>
<td>4%</td>
</tr>
<tr>
<td>2015</td>
<td>$59.0</td>
<td>5%</td>
</tr>
<tr>
<td>2017</td>
<td>$61.8</td>
<td>4%</td>
</tr>
<tr>
<td>2019</td>
<td>$63.4</td>
<td>4%</td>
</tr>
<tr>
<td>2021</td>
<td>$66.6</td>
<td>4%</td>
</tr>
</tbody>
</table>
FY 2007 Budget

- Education: 58%
- Public Safety: 12%
- Fixed Costs: 20%
- General Government: 4%
- Library: 1%
- Health & Human Services: 1%
- Public Works: 4%
Revenues

- Property Taxes at maximum levy capacity
  - Raising about $1.4m per year in new dollars
- Stabilization Fund is now at $1.6m, due to the additional state aid we received this year
- Free Cash – Annual operating surplus, is smaller every year
- State Aid?
State Aid

• Is not known until late June or July
  – 2003, Gov. Romney reduced state aid mid-year
• Generally tracks with the economy
  – History has shown reductions can and do occur
• Has not kept pace with increasing local costs
• Can we count on another increase?
Will There Be More State Aid?

The graph shows the state aid in millions for the years 1991 to 2007. The aid amounts are as follows:

- 1991: $6.0 million
- 1993: $5.1 million
- 1995: $5.2 million
- 1997: $6.5 million
- 1999: $8.4 million
- 2001: $10.7 million
- 2003: $12.9 million
- 2005: $14.5 million
- 2007: $16.3 million
Revenue Summary

• Property taxes have grown at a steady trend, increasing approximately $1.4 million per year
• Local receipts will grow at a modest rate
• State aid is projected to stay level, which is consistent with long term trends and with forecasts by the Massachusetts Taxpayers Foundation
Balancing the Budget

• Expenses rising faster than our ability to bring in new money
• Stabilization Fund intended to offset this problem, but has been depleted
  • Resulting deficit - $1.4m without negotiated raises
  • Our “cost of doing business” without new employees, is going up $3-4 million per year, but we are only getting $1.5 million in new revenues
Financial Forecasting

• In 1999, the current situation was forecasted
• Increase the stabilization fund from less than $2 million to $10 million during strong economy from 1999 to 2003
• Other area communities either:
  – Cut services and personnel, or
  – Passed Proposition 2 ½ Overrides
Stabilization Fund
Where Did It All Go?


Millions

$0 $2 $4 $6 $8 $10 $12

What Do We Do Now?
Budget Notes

• House 1, the Governor’s budget, calls for us to receive an additional $593,654. The increase has been added to our projections
• There will be at least 3 more versions of the state budget before it becomes final in July
• Additional aid is factored into override projections
Budget Notes

• FY07 Budget (current year)
  – Cut 3 police officers, 3 firefighter/paramedics, 2 public works employees, several school positions, and eliminated Sunday hours for library

• Fixed costs projected to rise $2.2 million for FY08
# How Do We Compare With Our Neighbors?

<table>
<thead>
<tr>
<th>TOWN</th>
<th>FY 2007 TAX RATE</th>
<th>AVERAGE ASSESSED VALUE SINGLE FAMILY HOME</th>
<th>AVERAGE SINGLE FAMILY HOME TAX BILL</th>
</tr>
</thead>
<tbody>
<tr>
<td>MARSHFIELD</td>
<td>$8.14</td>
<td>$453,700</td>
<td>$3,693.12</td>
</tr>
<tr>
<td>SCITUATE</td>
<td>$8.31</td>
<td>$543,900</td>
<td>$4,519.95</td>
</tr>
<tr>
<td>HINGHAM</td>
<td>$9.00</td>
<td>$688,600</td>
<td>$6,197.40</td>
</tr>
<tr>
<td>HANSON</td>
<td>$9.38</td>
<td>$375,200</td>
<td>$3,519.36</td>
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<tr>
<td>HULL</td>
<td>$9.75</td>
<td>$417,900</td>
<td>$4,074.52</td>
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<tr>
<td>ROCKLAND</td>
<td>$9.78</td>
<td>$330,000</td>
<td>$3,227.40</td>
</tr>
<tr>
<td>DUXBURY</td>
<td>$10.14</td>
<td>$649,100</td>
<td>$6,581.86</td>
</tr>
<tr>
<td>KINGSTON</td>
<td>$10.31</td>
<td>$407,300</td>
<td>$4,199.26</td>
</tr>
<tr>
<td>PEMBROKE</td>
<td>$10.41</td>
<td>$392,800</td>
<td>$4,088.73</td>
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<tr>
<td>COHASSET</td>
<td>$10.50</td>
<td>$825,000</td>
<td>$8,662.50</td>
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<tr>
<td>HANOVER</td>
<td>$10.63</td>
<td>$482,900</td>
<td>$5,133.23</td>
</tr>
<tr>
<td>NORWELL</td>
<td>$10.69</td>
<td>$622,500</td>
<td>$6,654.52</td>
</tr>
<tr>
<td>HALIFAX</td>
<td>$11.78</td>
<td>$351,600</td>
<td>$4,141.84</td>
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<tr>
<td>PLYMPTON</td>
<td>$12.07</td>
<td>$384,900</td>
<td>$4,645.74</td>
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<tr>
<td><strong>Average</strong></td>
<td><strong>$10.21</strong></td>
<td><strong>$497,823</strong></td>
<td><strong>$5,049.72</strong></td>
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</tbody>
</table>
3 Year Override Budget

• Comprehensive Override – $4 million (was $4.5 million)
  - Restore staffing/services eliminated in FY2007 Budget
    – Will fund above staff/service level for FY2008, FY2009, and FY2010
    – Will add $.84 (was $.94) to the tax rate of $8.14
One Year Override Budget

- Comprehensive Override – $2 million
  - Restores staffing/services eliminated in FY2007 Budget
  - Will fund above staff/service level for FY2008
  - Will add $.42 (vs. $.84 for 3 yr override) to the tax rate of $8.14
3 Year v. 1 Year Override

- Both override options:
  - Restore critical positions lost in 07 budget
  - Prevent further cuts in staff and services
  - Include latest state aid projection from Governor
3 Year v. 1 Year Override

• The Differences
  – Reduces impact on taxpayers by one-half
    • Impact on $400k home - $168 per year, vs. $336 per year
  – Only addresses structural deficit for 2008
Impact of 3 year override

-Impact on home assessed at:

- $300,000 – $252 per year added to tax bill
- $400,000 – $336 per year added to tax bill
- $500,000 – $420 per year added to tax bill
Impact of 1 year override

–Impact on home assessed at:

• $300,000 – $126 per year added to tax bill
• $400,000 – $168 per year added to tax bill
• $500,000 – $210 per year added to tax bill
## $4M Three Year Override

### Year 1 | Year 2 | Year 3 | Year 4
--- | --- | --- | ---
**FY 2008** | **FY 2009** | **FY 2010** | **FY 2011**
Projected |

- Proj GF Budget Payroll: $42,701,005
- Proj GF Budget Expenses: $27,867,556
- Town Meeting Articles: $188,782
- Overlay, Offsets, Deficits: $1,489,777

### Projected Appropriations

| Year 1 | Year 2 | Year 3 | Year 4 |
--- | --- | --- | ---
$72,247,120 | $74,385,393 | $77,095,354 | $78,972,541

- Prop. Taxes: $40,477,663
- OVERRIDE: $4,000,000
- Local & Other Sources: $9,230,995
- State Receipts: $18,936,381
- Stabilization Fund: $0

### Projected Revenues:

| Year 1 | Year 2 | Year 3 | Year 4 |
--- | --- | --- | ---
$72,645,039 | $74,390,922 | $77,105,020 | $77,753,566

### Surplus (Deficit):

| Year 1 | Year 2 | Year 3 | Year 4 |
--- | --- | --- | ---
$397,919 | $5,530 | $9,666 | ($1,218,975)
## $2M One Year Override

<table>
<thead>
<tr>
<th></th>
<th>Year 1 FY 2008</th>
<th>Year 2 FY 2009</th>
<th>Year 3 FY 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proj GF Budget Payroll</td>
<td>$42,701,005</td>
<td>$43,341,520</td>
<td>$43,991,642</td>
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<tr>
<td>Proj GF Budget Expenses</td>
<td>$27,440,546</td>
<td>$28,538,168</td>
<td>$29,679,695</td>
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<tr>
<td>Town Meeting Articles</td>
<td>$188,782</td>
<td>$188,782</td>
<td>$188,782</td>
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<tr>
<td>Overlay, Offsets, Deficits</td>
<td>$1,489,777</td>
<td>$1,226,884</td>
<td>$1,226,884</td>
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<tr>
<td><strong>Projected Appropriations:</strong></td>
<td><strong>$71,820,110</strong></td>
<td><strong>$73,295,353</strong></td>
<td><strong>$75,087,003</strong></td>
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<tr>
<td>Prop. Taxes</td>
<td>$40,477,663</td>
<td>$44,091,236</td>
<td>$45,746,304</td>
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<tr>
<td><strong>OVERRIDE</strong></td>
<td><strong>$2,000,000</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local &amp; Other Sources</td>
<td>$9,230,995</td>
<td>$8,713,305</td>
<td>$8,901,084</td>
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<tr>
<td>State Receipts</td>
<td>$18,936,381</td>
<td>$18,936,381</td>
<td>$18,936,381</td>
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<tr>
<td>Stabilization Fund</td>
<td>$1,200,000</td>
<td>$500,000</td>
<td></td>
</tr>
<tr>
<td><strong>Projected Revenues:</strong></td>
<td><strong>$71,845,039</strong></td>
<td><strong>$72,240,922</strong></td>
<td><strong>$73,583,770</strong></td>
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<tr>
<td>Surplus (Deficit)</td>
<td>$24,929</td>
<td>($1,054,431)</td>
<td>($1,503,233)</td>
</tr>
</tbody>
</table>
No Override

- Council on Aging
- Reduction of volunteer coordinator hours
- Reduction in transportation availability
- Building only cleaned 3 times per week rather than 5 times
No Override

• Library

• Remain closed on Sundays
• Fewer evening hours
• Reduced material budget
  – Books
  – Videos, DVD’s
No Override

- Fire Department

- Further reduction of three firefighters/paramedics
- Total reduction of firefighters from 52 to 46
- Response time will increase
- Certain areas of Town may be left without coverage for some hours of the day
No Override

- Police Department
  - Further reduction of 3 police officers
  - Total reduction of officers from 45 to 39
  - Loss of school resource officer
  - Loss of detective
  - Loss of patrolman
  - Loss or reduction in crime prevention programs
No Override

- School Department

- Further reduction of staff
- Impact on computer & textbook budgets
- Addition of more fees for activities
- Details in school budget presentation
KEY DATES

• March 12, 2007 – Board of Selectmen vote on final language for ballot question(s)
• March 13 – Advisory Board Hearing on the Warrant
• April 23rd – Annual Town Meeting
• April 28th – Annual Town Election