

Town of Mansfield Finance Committee Presentation to Town Meeting

May 2, 2017

Finance Committee Members

Walter Wilk	Regional Risk/Insurance Brokerage Managing Director
Scott Feely	Retired from financial services
Liz Christo	Accountant / School Business Manager
Michael O'Brien	Attorney
Yogen Chemburkar	Engineering Manager
Michael DeSantis	Retired from financial services
Brian Eagle	Public Policy Professional

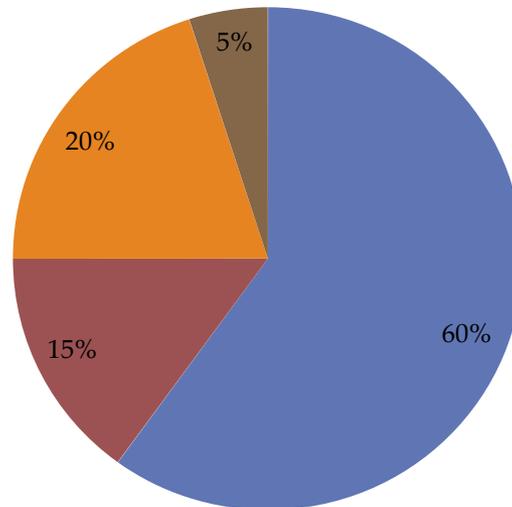
Our Budget Story

- We're in better fiscal shape today versus 6 years ago with the budget largely free of accounting tricks and 1 time solutions.
- We have strong fiscal management reflected by how state and private lenders view us.
- Limited room in the short term to raise revenue/cut expenses and keep level services.
- Significant fiscal questions for town to start addressing today.

Operational Budget Expenditures

Where Does Your Money Go?

■ Salaries ■ Healthcare ■ Discretionary ■ Debt



Salary & healthcare drive budget, leaving 25% in discretionary spending.

	6 Years Ago	Today	Impact
Town Bond Rating	AA2	AA +	Saving Town ten's of thousands in borrowing costs.
Free Cash used to balance budget	\$1.5M	\$400K	Free cash used for needs not buget shortfalls.
Departments with 3-5 year plans	Few	Most	Planning, long term hiring and capital plans
Reserve Funds	Depleted or Non Existent	Largely Filled	Ability to weather one time unusual costs.
Infrastructure Capital	Very low. Town ignoring needs.	\$741,000 Chapter 90 \$2M in bonding a year	Town meeting infrastructure needs. Still 5 years to catch up.
Capital Improvement Program	Close to zero.	Consistent capital funding to support planned expeditures	Planned long term improvments versus remedial actions.
School Class Spending and Size	Class Size and per student spending below peer towns and state targets.	Class Size and per student spending above peer towns and state targets.	Continued improvement in class size and school peer rankings

Where We Were 6 Years go

- \$1.5 Million Free cash used to “balance” the budget.
- No department had 3 or 5 year plans for capital and hiring.
- Town ignoring infrastructure needs.
- Bond rating was AA2.
- Reserve funds depleted or non-existent.
- Capital projects funded out of operating budgets or ignored.
- Average school class size above peers. Per pupil spending below peer and State targets.
- Capital improvement program lacked funding .
- Capital improvements delayed and remedial cost increased due to delays.

Where We Are Today

- Free cash used for needs not budget balancing gimmicks.
- All Departments have at least 3-year & 5-year capital and strategic plans.
- Town meeting infrastructure needs; Still 5 years to catch up.
- Bond rating has increased to AA+ reducing our borrowing costs.
- Reserve funds nearly fully funded.
- Operating budgets only contain operational and personnel expenses not long term capital costs.
- School class size lower than peers and per pupil spending better than peers and state targets.
- The capital improvement program is being used to address capital needs.

Challenges That We Face Next Year

- **Unsustainable Healthcare Cost.**
 - FY18 healthcare costs increased 10% over FY17.
 - FY19 costs slated to increase 12% - 19% yearly.
 - 1% increase = \$150,000.
- **Industrial Park failing to provide expected tax revenue.**
 - Zoning changes to increase density and drive higher taxable buildings.
 - Estimated \$500K in revenue by 2017 is actually less than \$100K.
- **Stagnate State and Federal Aid.**
 - State aid up 1.2% and unlikely to increase in foreseeable future.
 - Federal aid could decline
- **Lack of positive Business Environment impacting growth.**
 - Loss of businesses impacts town budget directly through lost taxes and indirectly through support businesses and services such as police/fire details and restaurant traffic.

What Does This Mean?

- We start FY18 with at least a \$1.7 million deficit just to provide level services.

Options To Sustain Level Services

Near Term Revenue Increases or Expense Decreases

- Bring healthcare more in line with State plan (make switch 7-1-18). This will provide 1-2 years of a financial buffer by reducing double digit increases.
- Sell/Auction all parcels owed to Town through tax title which will help to put parcels back on tax rolls and provide a bump in Free Cash.
- Review service fees. (All fees have been reviewed over the last 3 years.)

2- 3 Years Revenue Increases or Expense Decrease

- Town to develop an aggressive strategy to increase Business Tax Revenue through density increases, not tax increases.
- Increase commercial tax base (new growth).

If we do not implement the above plan our options are:

- Reduce school/municipal head count.
- Levy an override (requires Town Meeting approval and ballot vote).

Recommendations

- Approve FY18 budget as presented
- Address healthcare prior to the costs busting another budget.
- Move on tax title properties immediately

Next Steps

- Reconvene budget sub-committee after 7-1-17 to develop a plan by 10-1-17 as to how to address healthcare costs.
- Develop a robust plan to sell off tax title properties by 10-1-17.
- Develop a robust plan to draw office buildings, hotels, and retailers to Mansfield.

Questions?