"What You Don't Know Can Hurt You"

Check your understanding against my comments

Discussion Points

1. Do you know if the Town's growth in tax revenue has kept pace with inflation? In 1982 Proposition 2½ was put into effect which allowed the tax levy capacity to be increased by 2½ percent each year. So except for overrides of Proposition 2½, the available tax levy capacity increases by 2½ % yearly. In the years from 2009 to 2015 inflation averaged 1.86%. So, in Ashburnham because we have taxed to the levy limit, the tax revenues have exceeded the rate of inflation.
2. Do you know if the Town's collection rate for property taxes is within the range considered favorable by bond rating agencies? The only things in life that are guaranteed are death and taxes. In FY15 we collected at a 98.5% level. This was only as of the end of the fiscal year, after which there are penalties that are applied. The second step for collection is to put a lien on the property. If this does not get the collection then the town will foreclose on the property and if needed sell to collect taxes due. So in the end we get the money. In terms of Bond rating Ashburnham has the best rating a town of our size can have - an A1. Ratings go from Aaa to B with numerical modifiers from 1 to 3, 1 being the high end of the designation.
3. Do you know if revenue per capita is increasing at a rate comparable to expenditures per capita? Because we work to a balanced budget our revenues meet our expenditures. At the end of the year any money not spent comes back as free cash which in the last seven years has either been used for one time purchases, additional road work, or adding to our Stabilization and Capital Improvement funds, which allows us the A1 rating, so yes our revenues are comparable to our expenditures within about 1%.
4. Do you know if the Town is increasing or decreasing its reliance on State and Federal money? The Town has decreased its reliance on State and Federal money for budget purposes. In 2009 our state aid was $1,019,762 and in FY16 is $914,107 almost a 10% decrease. This means that other revenues must make up the difference and we look at many other ways to subsidize the taxes such as Solar PILOT payments, increase in MVE taxes, ambulance fees to name a few.
5. Do you know what percentages of the Town's operating revenues are attributable to economic growth? Do you know if it is trending up or down? Economic growth is about 8% and is trending up. We see it in our new growth number as well as our local revenues, both of which since 2009 have shown a small but increasing trend.
6. Do you know if the Town's operating budget is increasing or decreasing its reliance on one-time revenues? We are proud of the fact that we use no one-time revenues for the operating budget. Much of the free cash that we see at the end of the year is due to unexpected or one time funds and is either used for one time purchases or added to our reserves.
7. **Do you know what percentage of the operating budget is devoted to personnel wages and benefits? Is it trending up or down**? Several years ago when I was working with the School District on budget issues we were at about 45%. It has been on the increase, but with the new collective bargaining agreements we were able to mitigate much of the increases by modifying salary matrixes to eliminate large step values even if it meant extending them out.
8. Do you know what total employee benefits are as a percentage of wages and salaries? Employee benefits are about 30% but growing. In FY16 alone we have seen a double digit increase to premiums and FY17 does not look any better. We're going out to bid to get additional vendors pricing as well as working with our employees regarding making plan modifications. We have a consortium with Westminster and the District for our health coverage and one current contract, which ends this year didn't allow modification.
9. Do you know what the Town's unfunded liabilities are and if they are growing or shrinking? Our unfunded liability for retirement is shrinking but is still in the $10M range. We pay $600K per year to WCRR (Worcester County Regional Retirement) and hopefully by 2034 we will be fully funded. OPEB (Other Post-Employment Benefits) which includes retiree health care coverage (MGL Chapter 32b section 9a) was accepted by voters in 2013 and is estimated to reach $5M. With the few retirees that we

currently have on our plans there has been minimal impact and we have voted each year to put some of our free cash aside to help cover the impact, but as more employees retire it will grow and a sustainable plan will need to be in place. We also have a sick leave buy back at retirement for employees hired prior to July 2009 which we have funded though free cash as employees retire. Our current exposure is $150K, and will be spread out over the next 10–15 years.
10. Do you know if the Town's debt service is within the range considered favorable by bond rating agencies? Is it trending positively or negatively? Prior to the issuance of the bonds for the Briggs Elementary Project in 2014 our municipal debt service percentage to budget had dropped from 11.44% in 2010 to 9.78% in 2013. It has increased with Briggs to about 13% but we have not seen any negative effect on our rating. Debt service from the District has continued to drop as there is only the Oakmont bond left. It is currently at 3% of our total assessment. Every year as the debt service declines our percentage to budget will decrease and other than the two projects (DPW and Overlook school projects) whose cost impact will be several years out, there should be no further debt for many years. The DPW and Overlook debt payment impact will hopefully be minimized using creative financing through USDA and grants.
11. Do you know if the Town is maintaining an appropriate level of financial reserves to protect against unforeseen circumstances? We currently have over $770,000 in available reserves or about 4% of our budget. The state would like to see us have from 5 to 10%. We have over the past seven years increased this amount from 1%. There is also $50,000 under the control of the Advisory Board for unexpected expenses that can be drawn upon which if not used goes toward free cash. Along with putting more money aside due to our rigorous Capital Plan the need for these funds has greatly diminished.
12. Do you know what the key areas of budgetary exposure will be over the next 3-5 years that could potentially affect the Town's Financial Condition? What, if anything, can be done to mitigate these exposures? Unfunded Mandates that the government keeps putting on communities in all areas whether we are talking about everything from health care, to records keeping, the government can mitigate these exposures by funding the mandates that they deem so vital to the general public. We also have three projects that are in our immediate future being the new DPW facility, project planning for the use of the current DPW location and its integration with the center of town, and the repairs and alterations at Overlook Middle School. To mitigate these costs we are looking at USDA Loans/Grants for the DPW that will be low interest and over 40 years. There are also grants for infrastructure and planning for the center of town development, and the District has also secured grants and will use energy savings to help pay for the loans.