

A Look at Town Finances

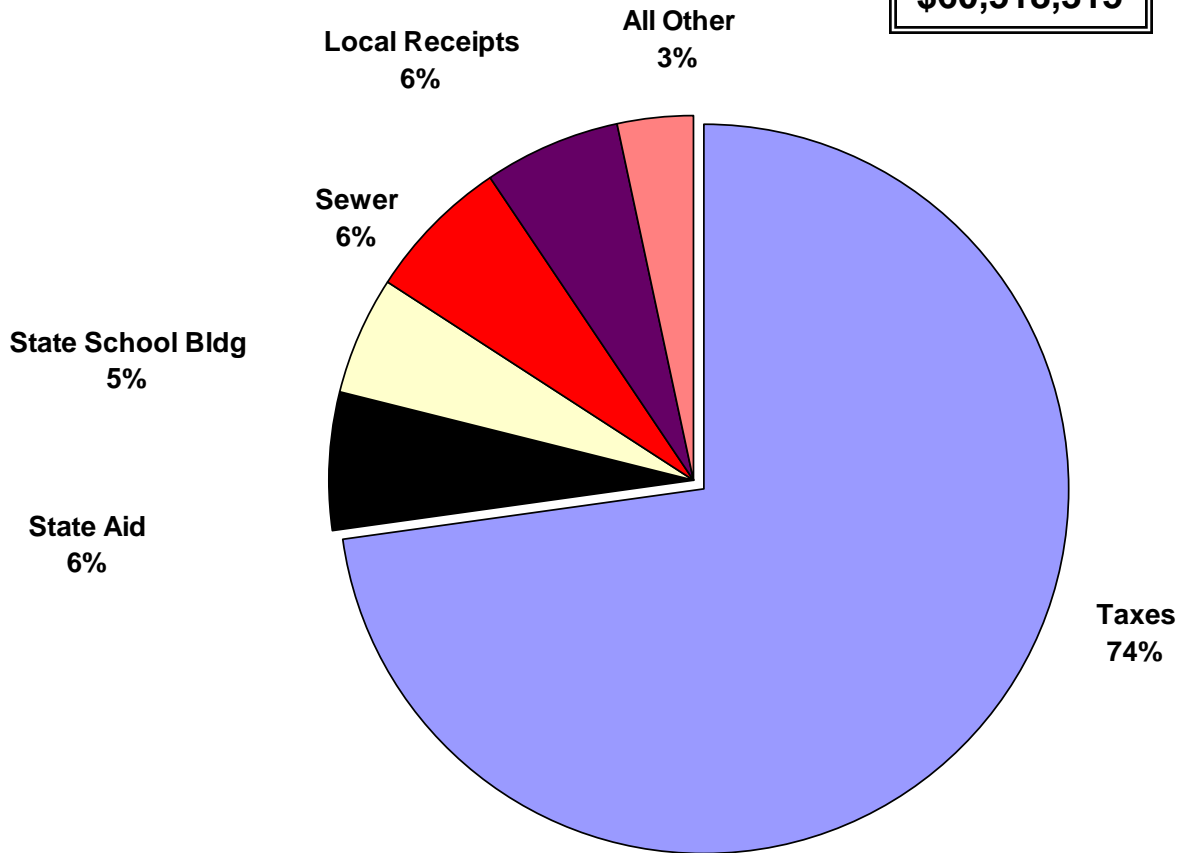
February 7, 2007

Pam Dukeman

Finance Director

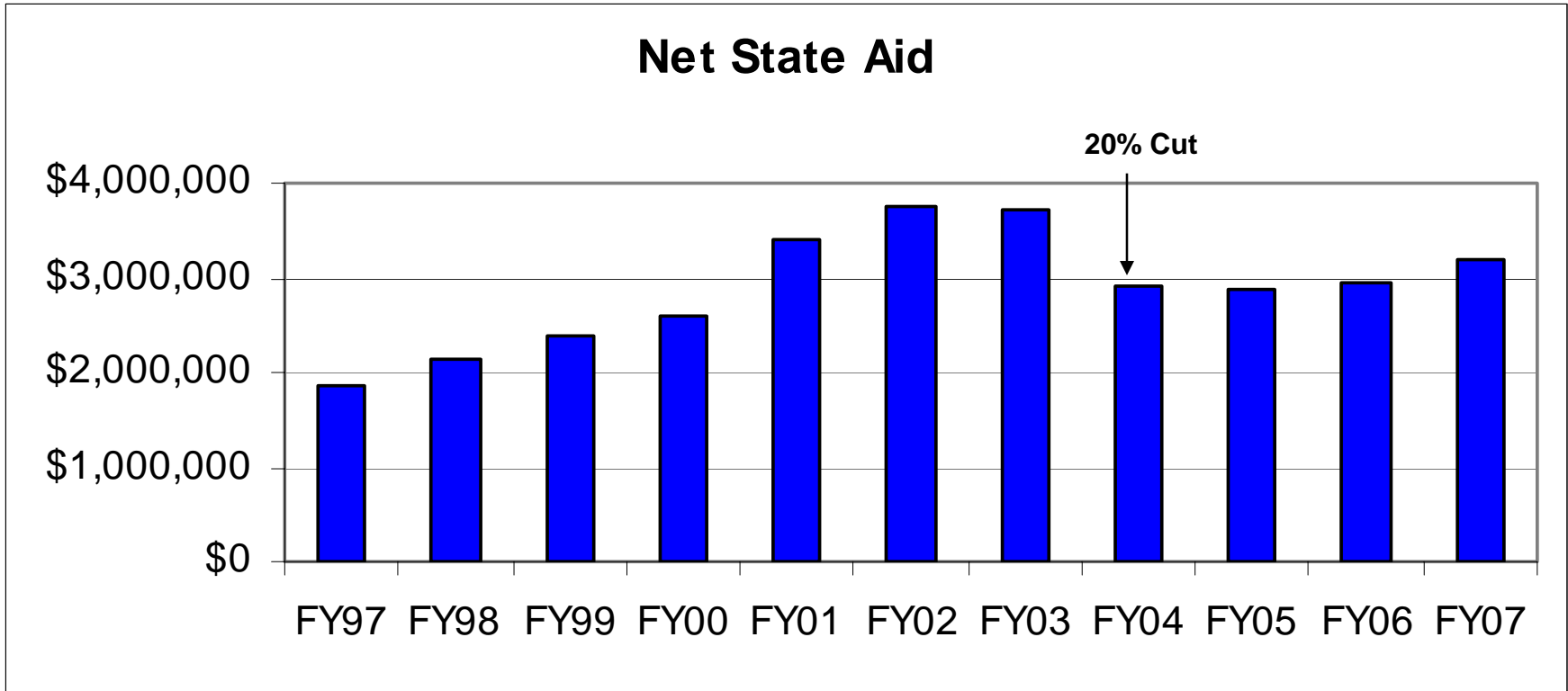
FY07 Revenue – Where Does the Money Come From?

\$60,518,315



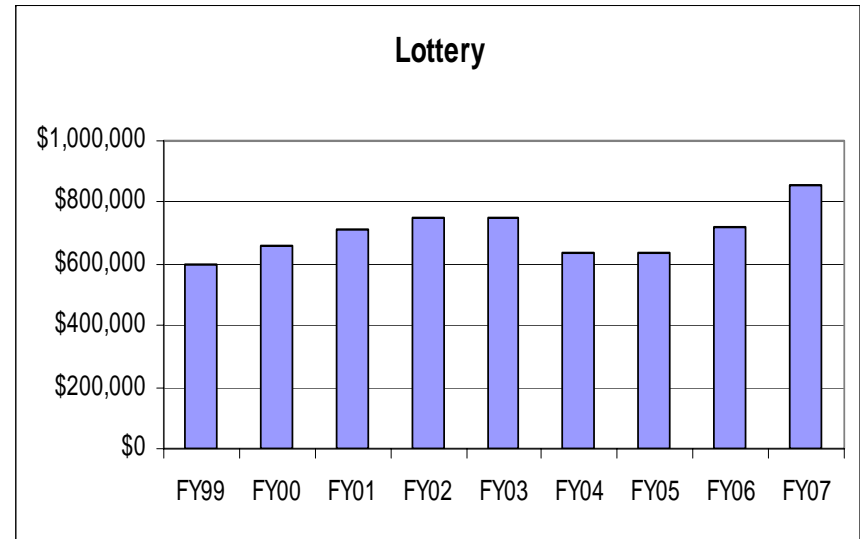
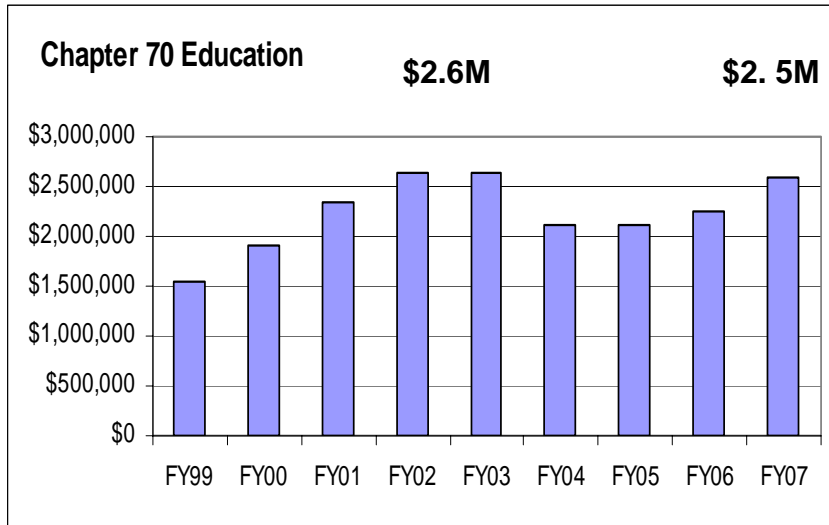
	FY07
Taxes	\$43,967,446
State Aid	\$3,717,104
State School Bldg Reimbursement	\$3,193,029
Sewer	\$3,889,149
Local Receipts	\$3,662,483
Free Cash	\$1,050,000
Available Funds	\$1,039,104
	\$60,518,315

FY07 State Aid – Lower Than FY02



- **State aid, while increased in FY07, has not recovered to FY02 levels.**

Major Categories of State Aid – Chapter 70 and Lottery

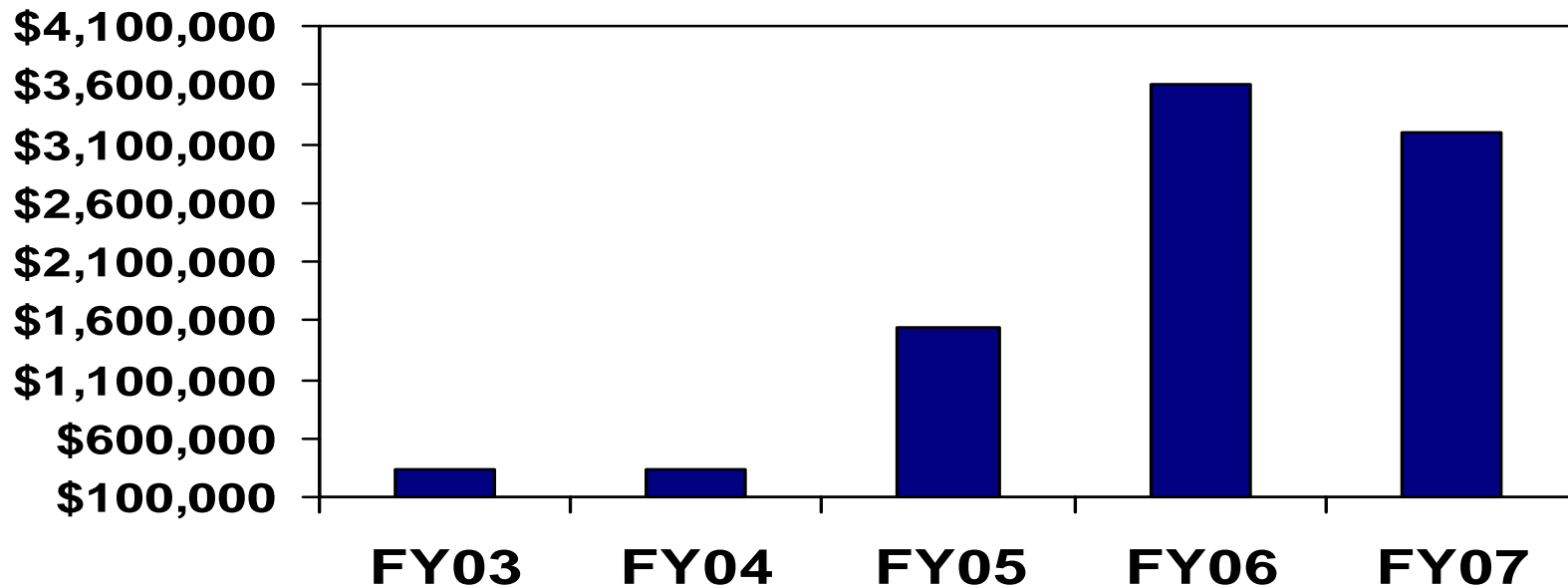


Chapter 70	
FY99	\$1,539,577
FY00	\$1,908,727
FY01	\$2,345,177
FY02	\$2,635,628
FY03	\$2,635,628
FY04	\$2,108,502
FY05	\$2,108,502
FY06	\$2,250,702
FY07	\$2,588,559

Lottery	
FY99	\$596,949
FY00	\$658,858
FY01	\$711,529
FY02	\$747,149
FY03	\$747,149
FY04	\$635,077
FY05	\$635,077
FY06	\$721,560
FY07	\$857,639

State School Building Reimbursement – Directly Pays the Debt Cost

School Building Annual Payments



FY03	FY04	FY05	FY06	FY07	FY08
\$330,466	\$327,161	\$1,544,068	\$3,600,190	\$3,193,029	\$3,193,029

■ We are now receiving payments for all of our projects:

- Middle School
- Martha Jones
- Downey
- High School



Major Revenue Source - Taxes

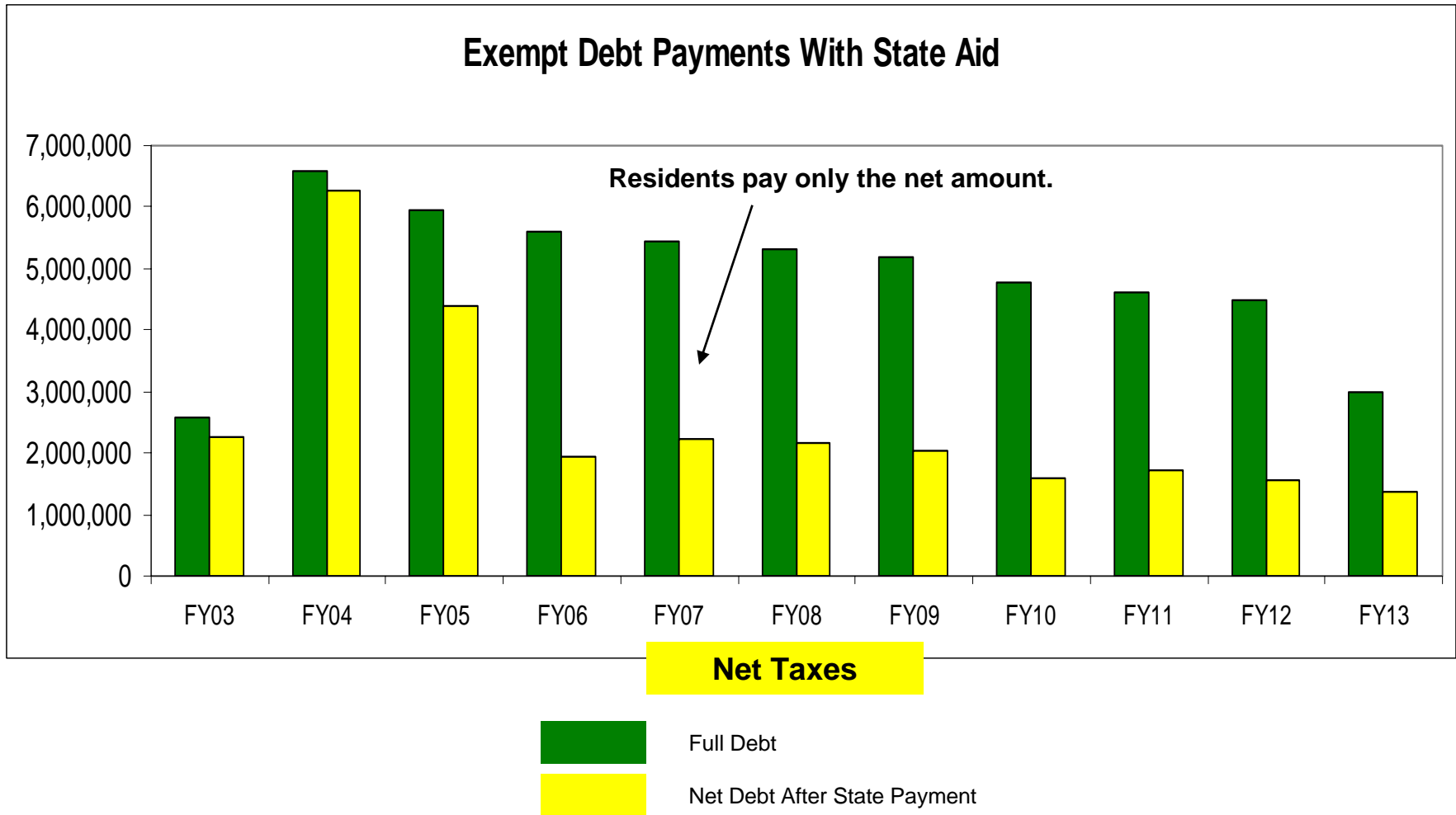
- Property tax levy:
 - Revenue a community can raise through property taxes.
 - Proposition 2 ½ places constraints on the amount of the levy raised by a community and on how much the levy can be increased from year to year.

- There are 2 categories of taxes:
 1. General Taxes:
 - Can increase by 2.5% each year.
 - Also can include taxes from new construction.
 - Can increase more than 2.5% with a voter approved override.

 2. Exempt Debt:
 - Principal & interest for bonds for projects voted outside of Proposition 2 ½.
 - Exact amount of debt cost is taxed.
 - Not limited to 2.5% increase – It is what it is.

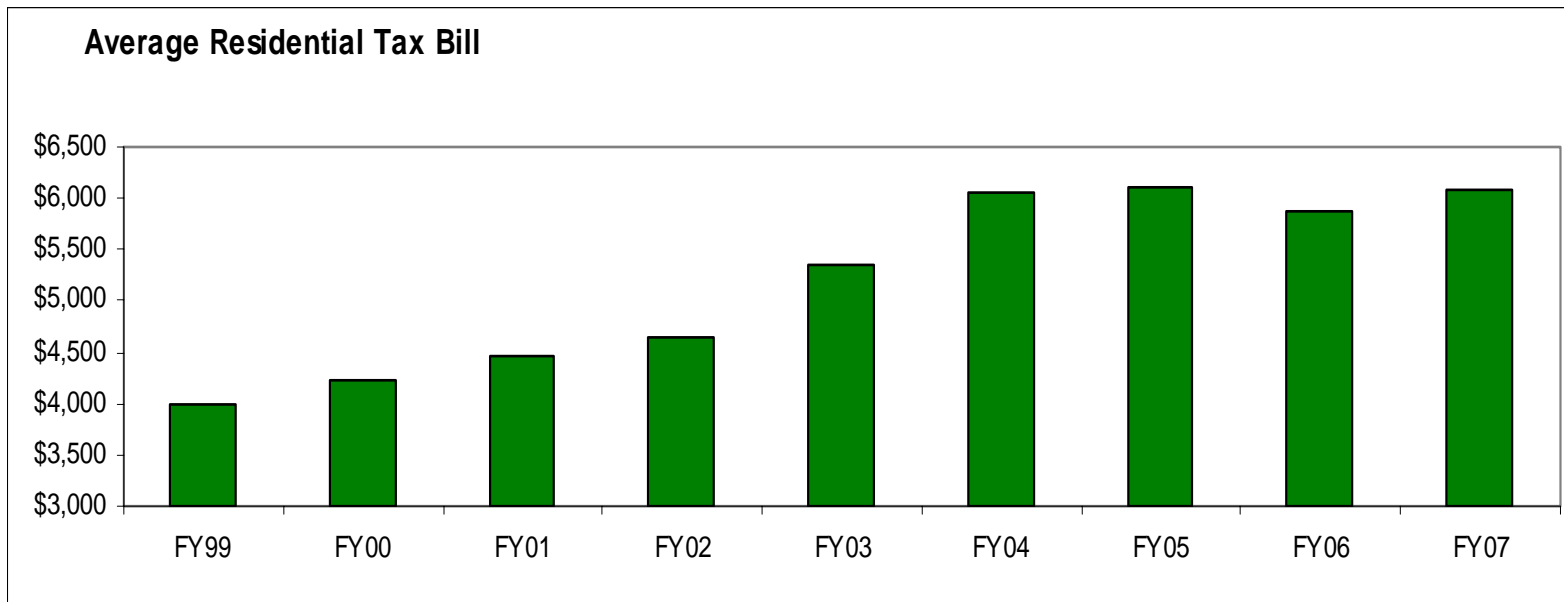
Proposition 2 ½ governs total taxes raised by the Town, not an individual home's bill.

School Building Reimbursement – Impact on Taxes



State payments directly reduce debt portion of residents' property taxes.

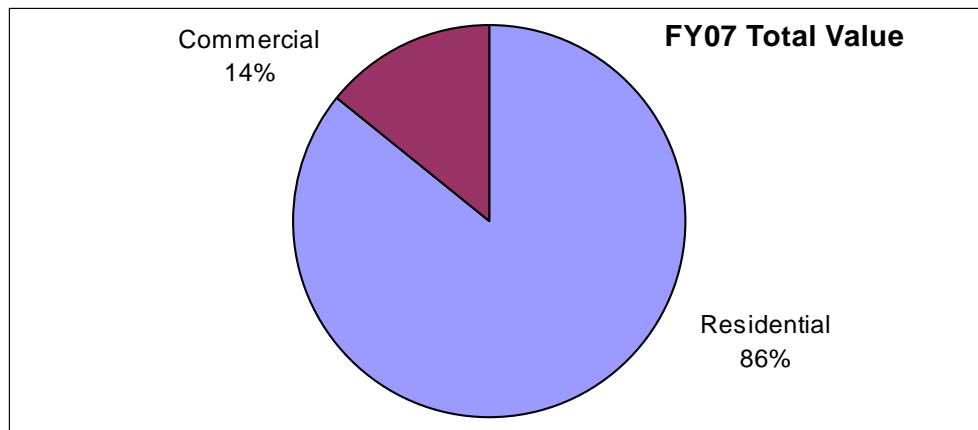
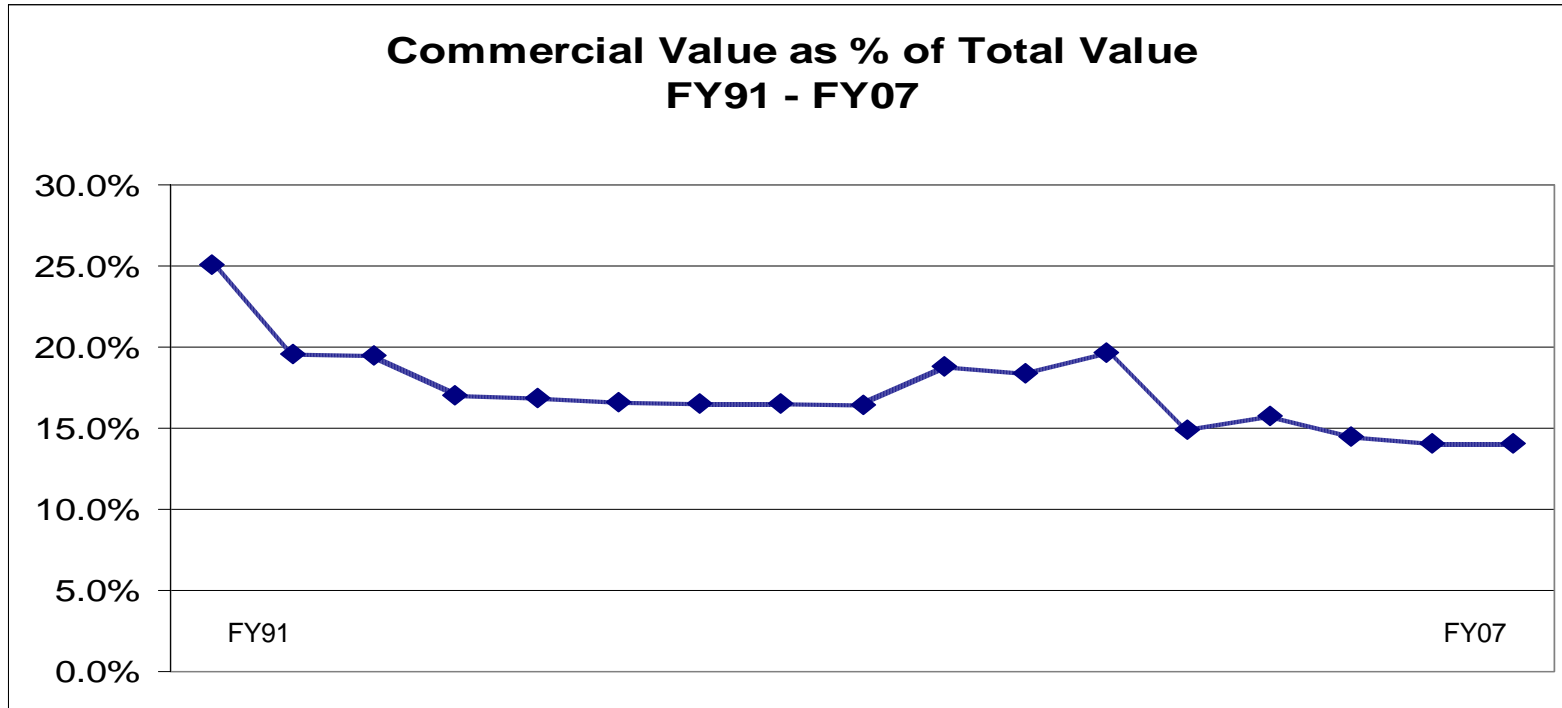
A Look at Taxes



	FY02	FY03	FY04	FY05	FY06	FY07
Average Tax Bill Increase	3.74%	15.57%	13.2%	0.67%	(-3.84%)	3.5%
Average Tax Bill	\$4,637	\$5,319	\$6,066	\$6,107	\$5,873	\$6,076

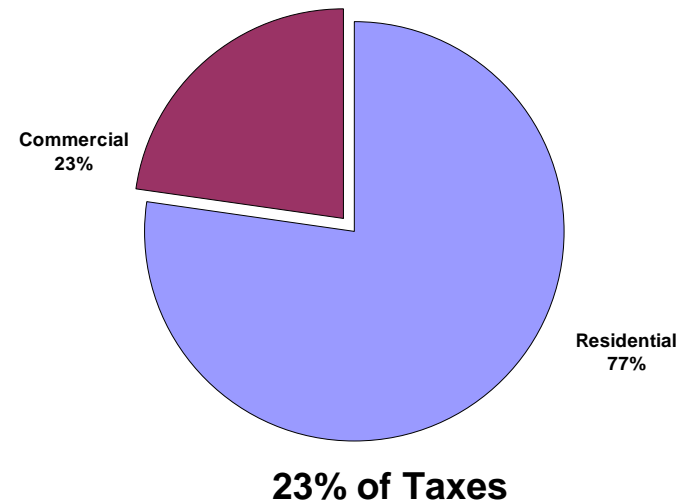
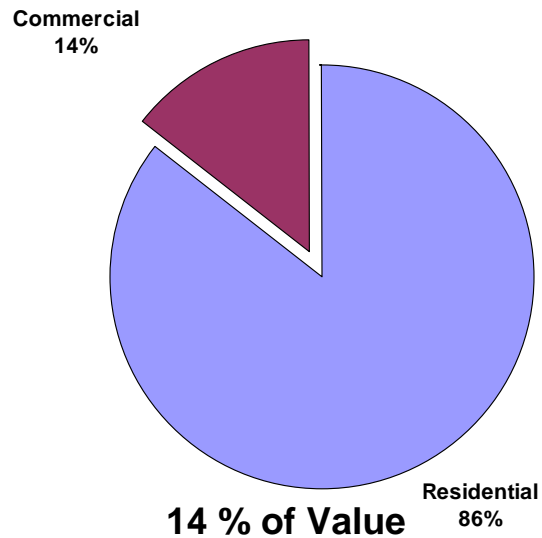
- Large increases in FY03 and FY04 due to school construction.
- Increases since mitigated due to the receipt of State reimbursement.
- FY03 School override \$1.6 million.
- Proposition 2 ½ limits the total taxes collected by the Town. Individual tax bills are based on value.

Commercial as % of Total Town Value



Importance of Commercial Value

The Town's commercial property is an important component of the Town's overall tax base. Commercial property is taxed at a higher rate than residential (\$19.81 vs. \$10.73).



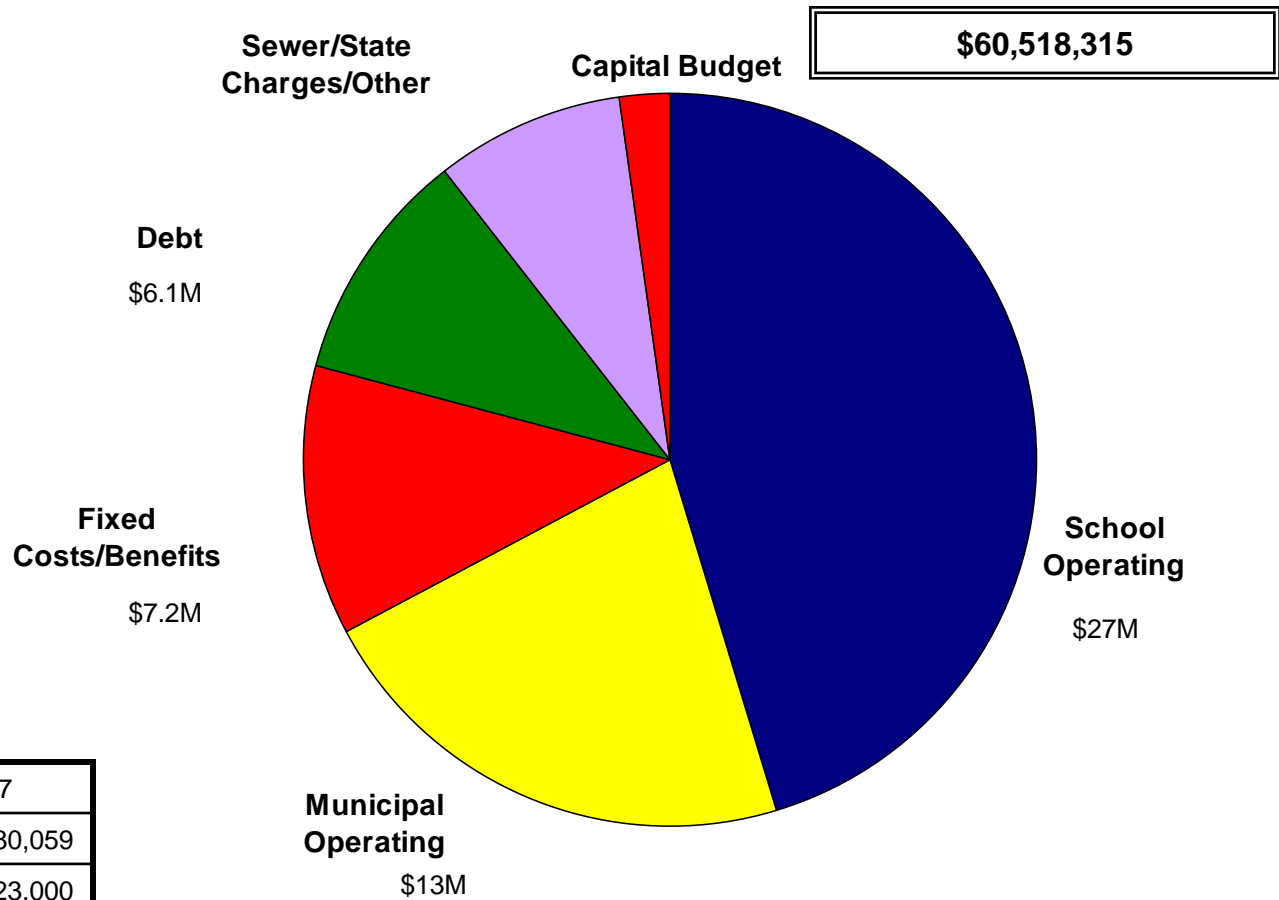
Valuable Revenue Impact

- Commercial 14.1% of total value; but paid 23.2% of total taxes.
- Annual savings of \$725 from split tax rate in FY07.

Limited Operating Budget Impact

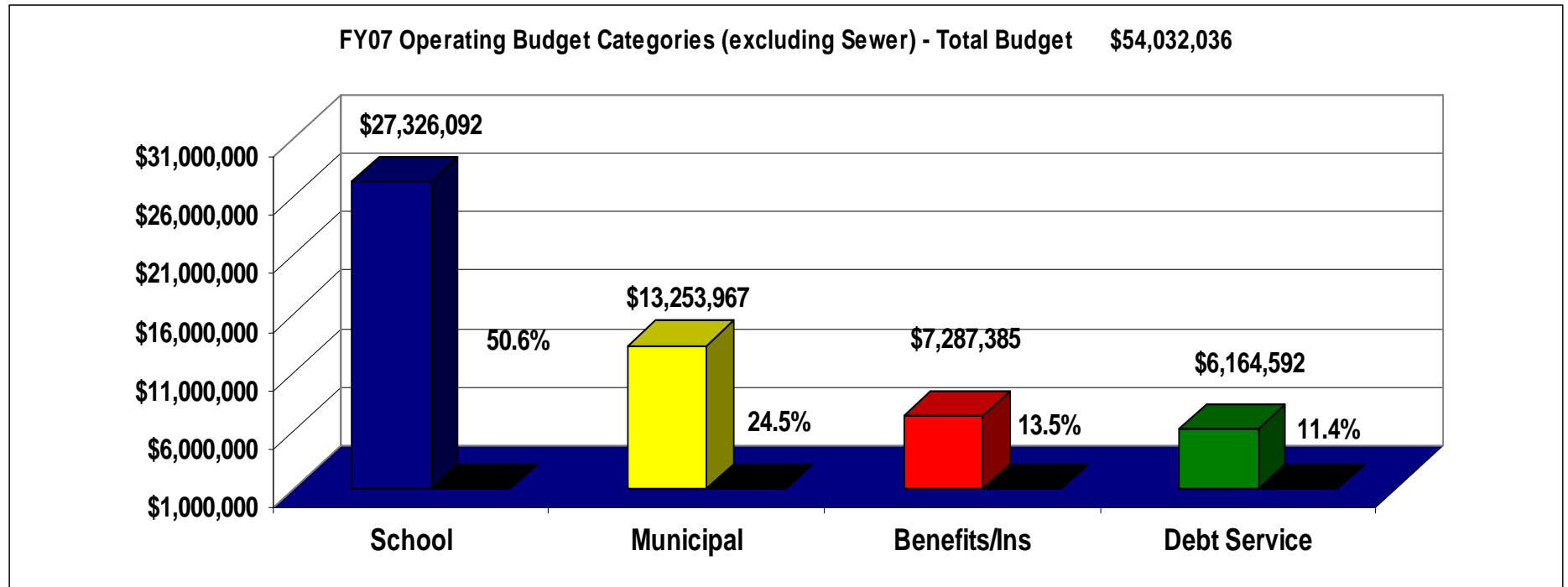
- Commercial property does not use primary services:
 - School system
 - Trash services.

The FY07 Budget Categories – How is the Money Spent?



	FY07
School & Municipal Operating	\$40,580,059
Capital - Annual	\$823,000
Debt	\$6,164,592
Fixed Costs/Benefits	\$7,287,385
Sewer/State Charges/Other	\$5,663,279
	\$60,518,315

A Look at The FY07 Operating Budget Categories.....



Note: Debt and Benefit budgets not allocated in School or Municipal budgets shown above.

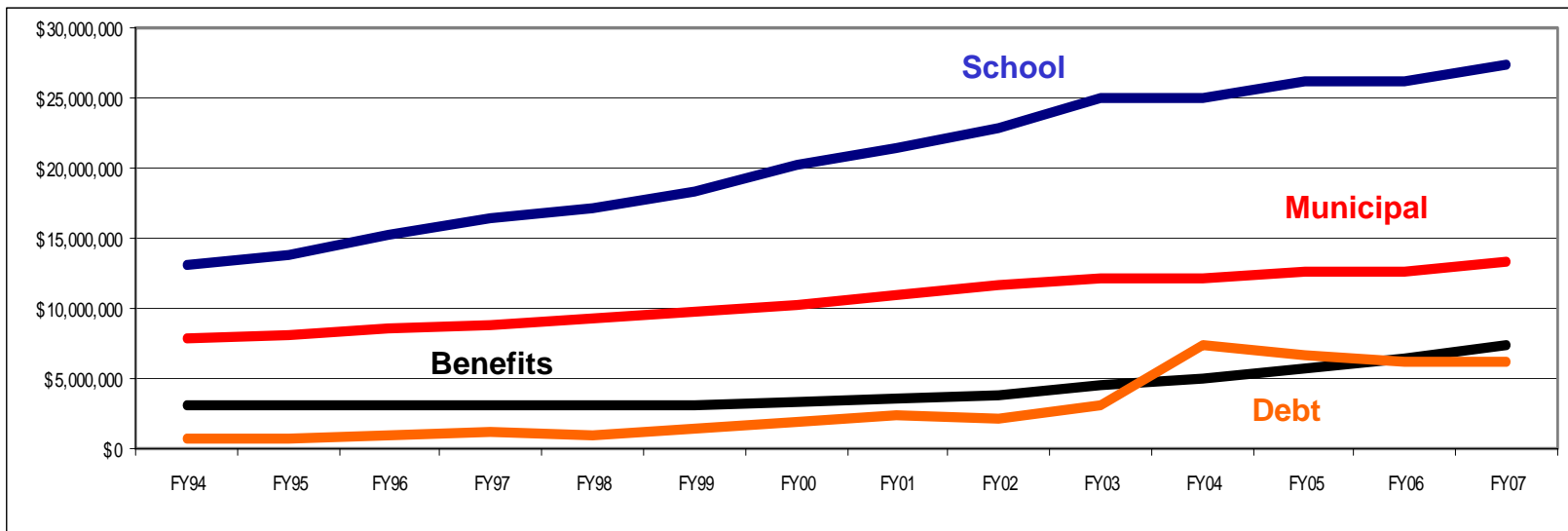
Benefits, Insurance, and Debt Service are fixed, restricted accounts.

School Benefits	\$3,749,056
Municipal Benefits	\$2,542,329
Insurance/Reserves	\$996,000
Total	\$7,287,385

A Look at the Budget History.....

FY04 – FY07
 School and Municipal averaged
 2% increase/year.

Budget	% Change in Budget				
	FY03	FY04	FY05	FY06	FY07
School Budgets	8.2%	0.4%	4.7%	.1%	4%
Municipal Budgets	4.5%	0.0%	3.4%	1.2%	4.5%
Benefits/Insurance/ Reserves	13.4%	10.9%	14.3%	11.2%	13.6%
Debt Service	33.8%	56.7%	-7.7%	-6.3%	-2.2%

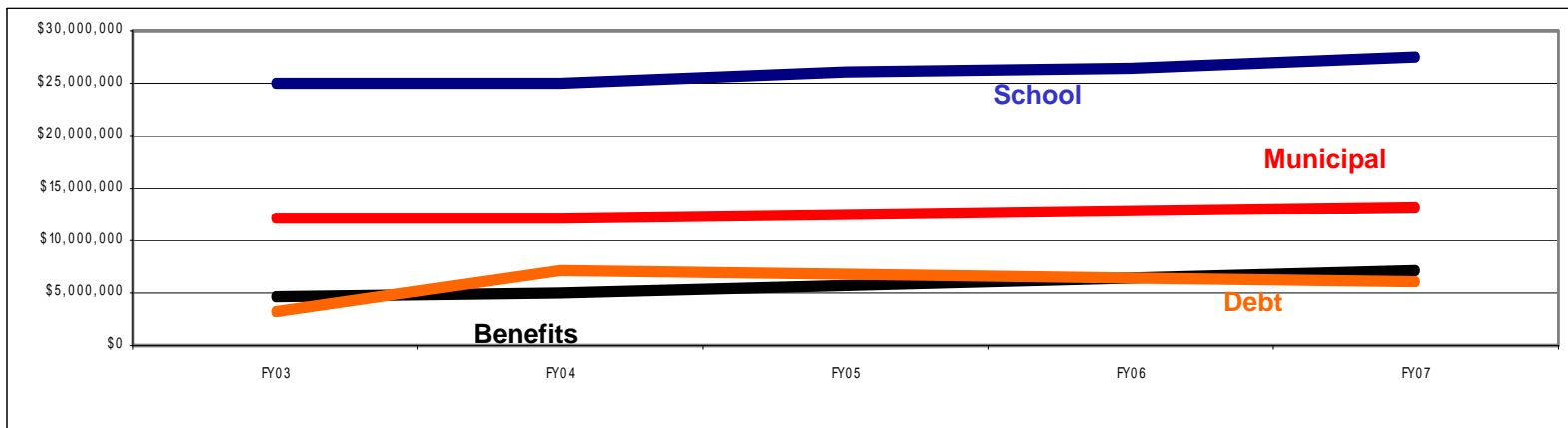


Budget	\$ Budget				
	FY03	FY04	FY05	FY06	FY07
School Budgets	\$24,956,196	\$25,062,489	\$26,237,002	\$26,268,304	\$27,326,092
Municipal Budgets	\$12,127,081	\$12,127,081	\$12,540,894	\$12,688,282	\$13,253,967
Benefits/Insurance Reserves	\$4,497,240	\$5,045,017	\$5,767,904	\$6,413,450	\$7,287,385
Debt Service	\$3,157,965	\$7,286,431	\$6,722,777	\$6,302,362	\$6,164,592

A Look at the Budget History.....

FY04 – FY07
 School and Municipal averaged
 2% increase/year.

Budget	% Change in Budget				
	FY03	FY04	FY05	FY06	FY07
School Budgets	8.2%	0.4%	4.7%	.1%	4%
Municipal Budgets	4.5%	0.0%	3.4%	1.2%	4.5%
Benefits/Insurance/ Reserves	13.4%	10.9%	14.3%	11.2%	13.6%
Debt Service	33.8%	56.7%	-7.7%	-6.3%	-2.2%



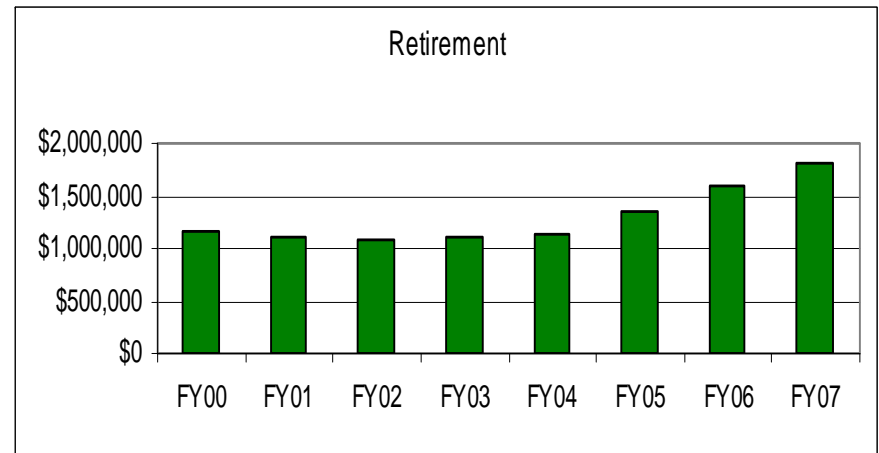
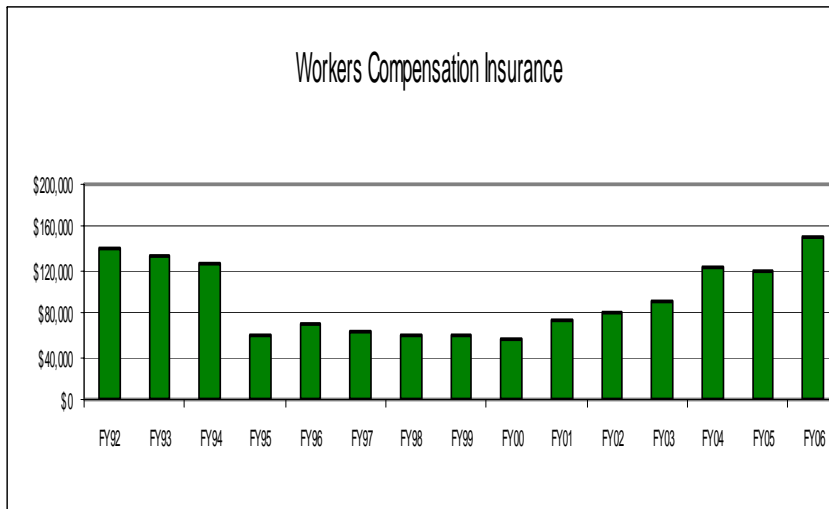
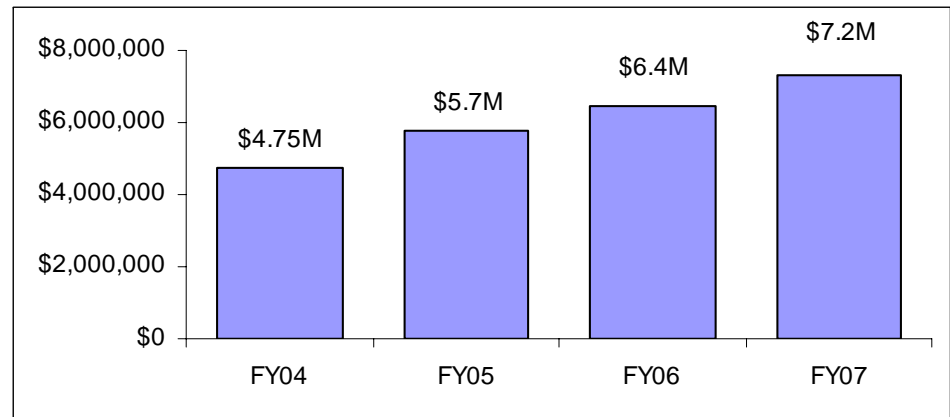
Budget	\$ Budget				
	FY03	FY04	FY05	FY06	FY07
School Budgets	\$24,956,196	\$25,062,489	\$26,237,002	\$26,268,304	\$27,326,092
Municipal Budgets	\$12,127,081	\$12,127,081	\$12,540,894	\$12,688,282	\$13,253,967
Benefits/Insurance Reserves	\$4,497,240	\$5,045,017	\$5,767,904	\$6,413,450	\$7,287,385
Debt Service	\$3,157,965	\$7,286,431	\$6,722,777	\$6,302,362	\$6,164,592

Fixed Costs – Fastest Growing Component of Budget

Fixed costs increases take most of new revenue available within Proposition 2 ½. Limited revenue is available for school and municipal operating budgets. Similar issues are being experienced by many municipalities.

Increases in fixed costs

- Health insurance.
- Pension costs.
- Payroll taxes.
- Comprehensive insurance.



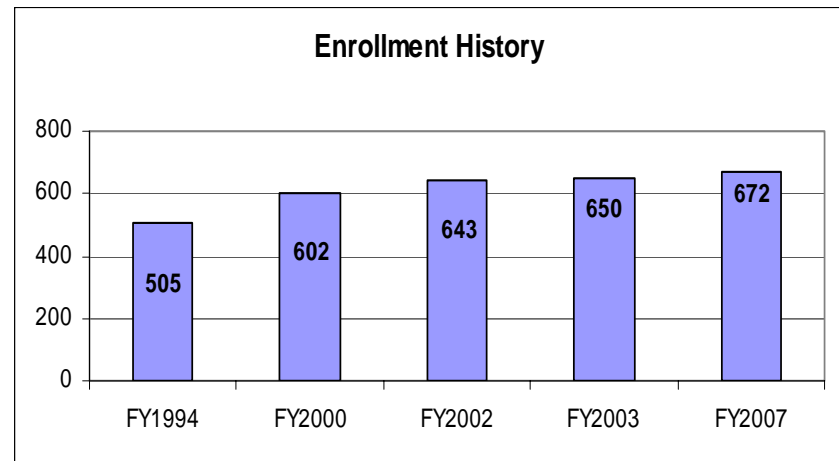
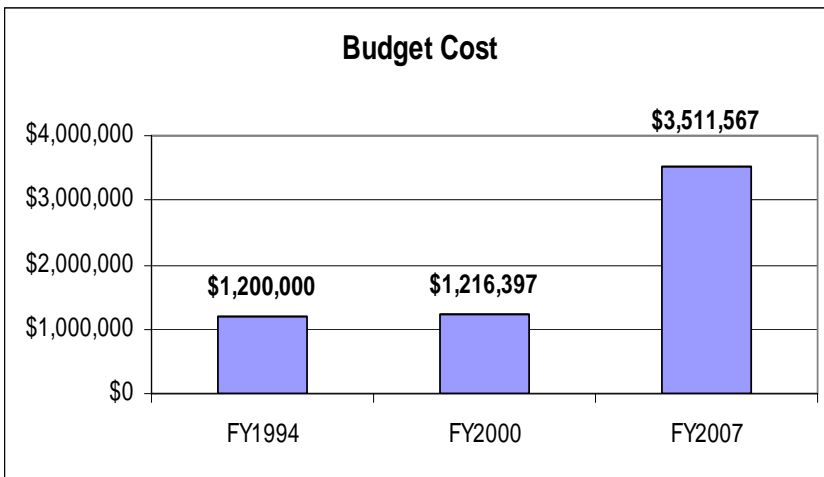
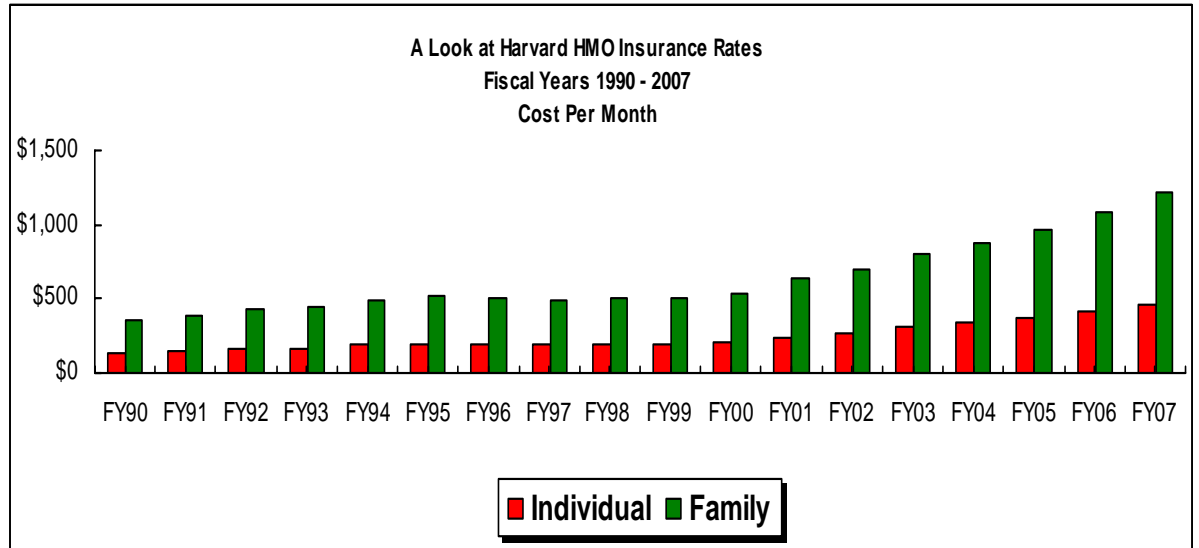
Health Insurance – For all School and Municipal Employees and Retirees

Health Insurance

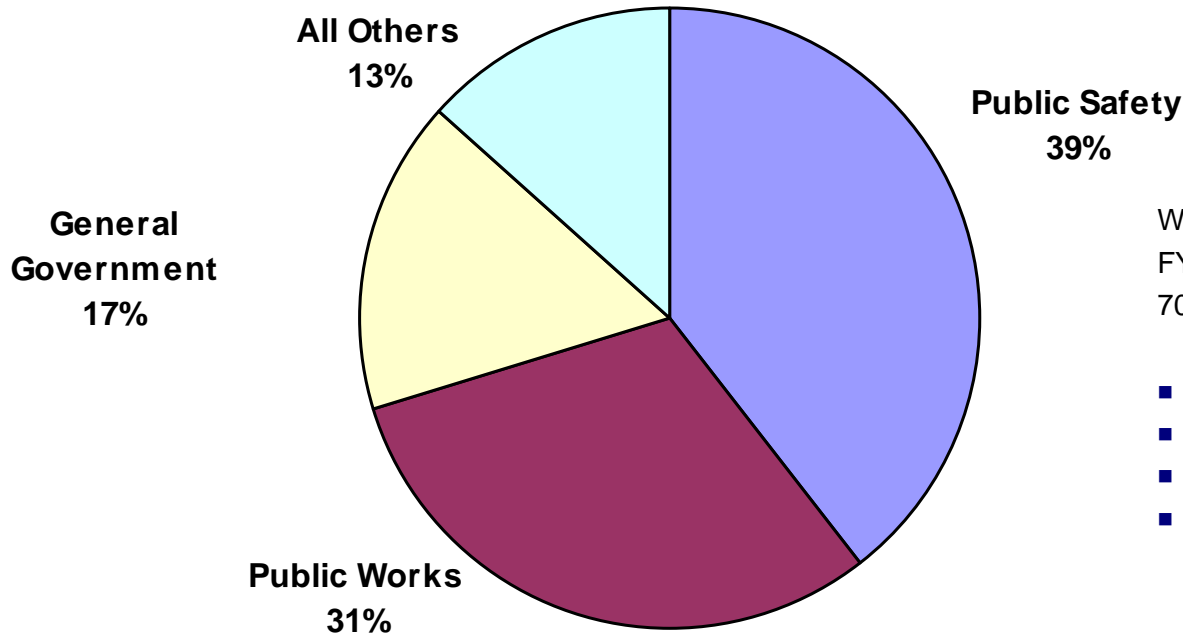
- Rising rates.
- Increasing number of retirees covered.

Steps Taken to Control Costs

- Employees contribute 40% of HMO/50% of PPO premium cost; and
- Town benefits from joint purchasing group.



FY07 Municipal Budget



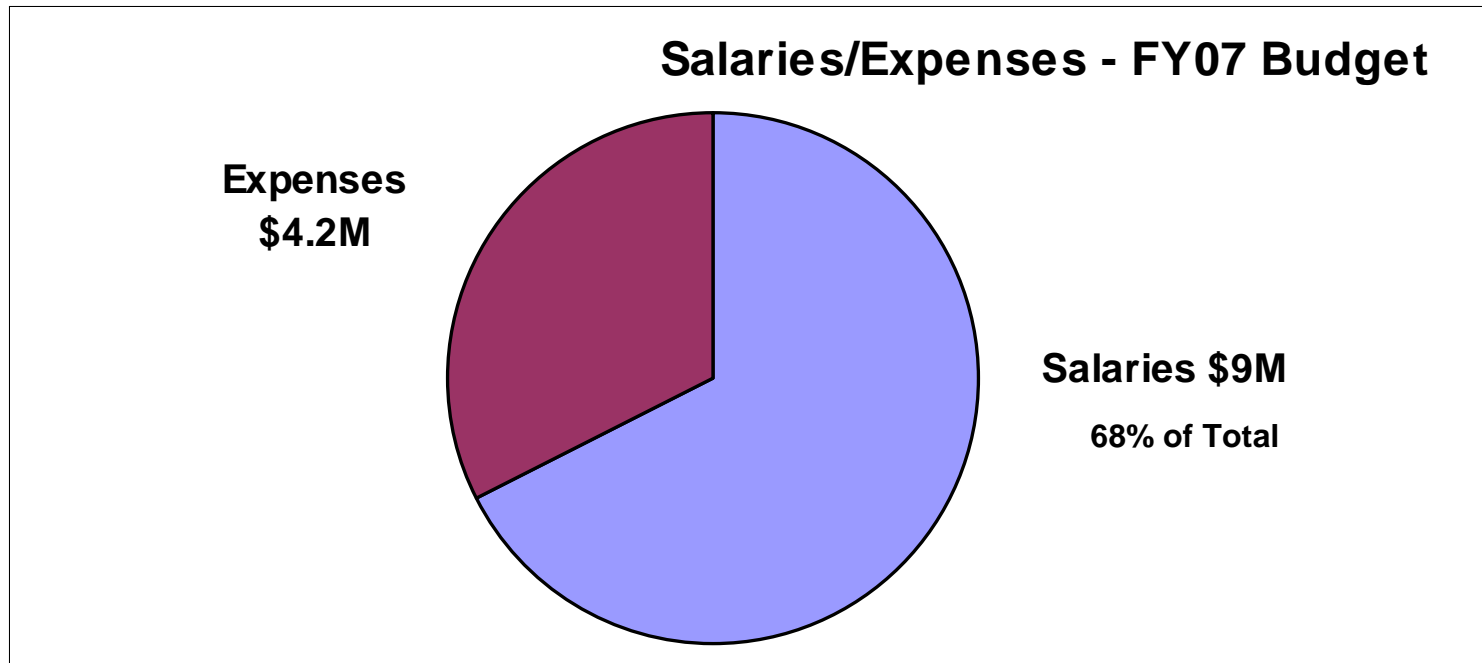
What we do:
 FY07 Municipal Budget \$13.2M
 70% or \$9M provides for:

- Police and Fire public safety protection.
- Ambulance services.
- Public Works services.
- Trash/recycling.

Function	Amount	% of Total
Public Safety	\$5,256,142	39%
Public Works	\$4,026,688	31%
General Government	\$2,215,612	17%
Library, Recreation and All Others	\$1,755,525	13%
Total	\$13,253,967	100%

FY07 Municipal Budget Continued....

The major portion of the municipal budget is spent on personnel for providing Police, Fire, and DPW services.



Salary is 68% of budget.



A Look at FY08.....Another Difficult Budget Year

- **FY08 Projections**

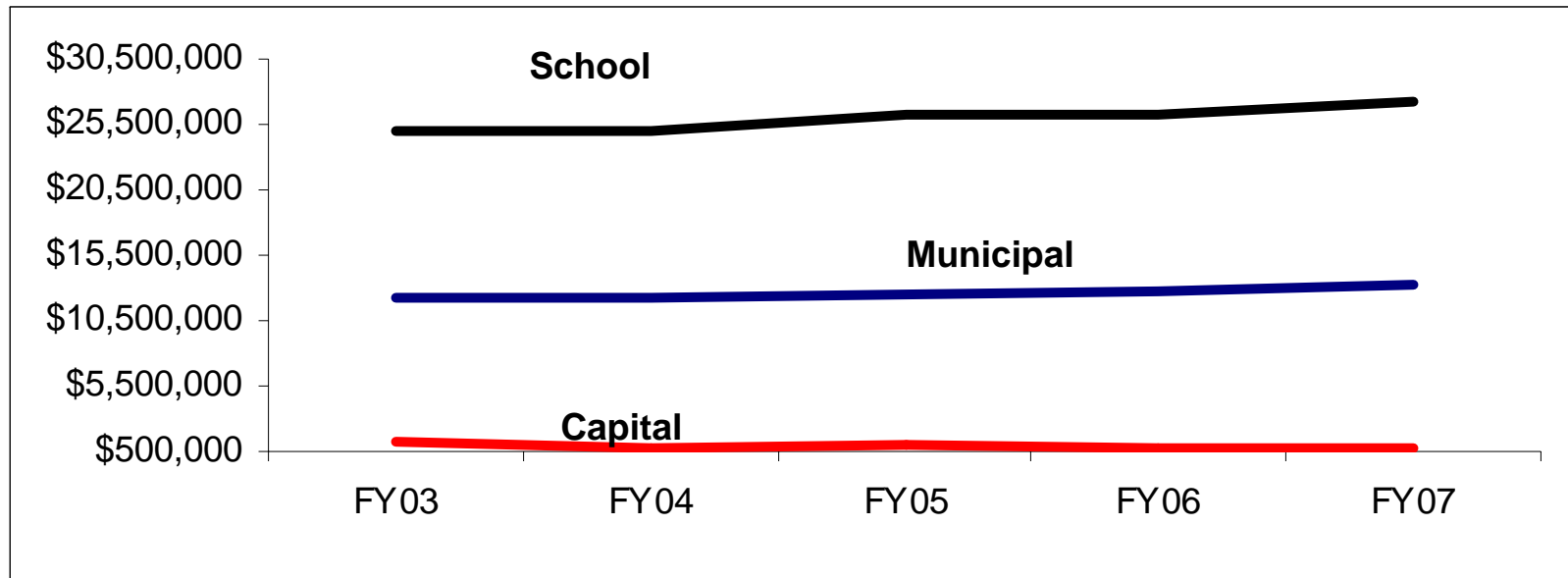
- For FY08, there will not be sufficient new revenue for operating budget increases.
- New tax revenue – Prop 2 1/2 and new growth - \$1.5 million
- Less Fixed cost growth – approx \$700,000
- \$800,000 available for school and municipal operating budgets. \$800,000

This will fund a 2% increase to the School and Municipal operating budgets.

- Projections to update:

- State aid???
- Updated fixed costs budgets with actual rates.

Continued Operating and Capital Budget Challenges



Insufficient Revenue for Core Services

- Limited revenue within Proposition 2 ½ absorbed for increases in fixed costs.
- Cannot fund current services and programs.
- This is an ongoing structural problem, not one-time occurrence.

Structural Imbalance – Options to Solve

- Continued reduction to services.
- New revenue options:
 - State aid.
 - Property tax override increases.
 - Commercial tax revenue.