



Town of
Acton *Massachusetts*

Finance Committee
Tri-board Presentation
Including Draft FY18 Point-of-View

November 15, 2016

Agenda

- **Finance Committee goals**
- **DRAFT FY18 Point of View**
 - Town financial status
 - Concerns
 - Recommendations
 - New Finance Committee reserve policy
 - Recommendations for FY18
 - Key conclusions

Finance Committee Goals, 2016-2017

- **Settle reserves policy**
- Improve and institutionalize communication with BOS and School Committee
- **Do more outreach/solicit more feedback on Point of View**
- Better publicize our accomplishments/value to the community
- Agree on process of how/why we consider something part of Fincom's purview
- Improve succession planning—associate members
- **Implement committee training around several topics**
- Set calendar
- Invite more interaction with Boxborough Finance Committee
- **Make recommendations for improving financial information in ATM warrant**

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The Town's Financial Status Is Solid

- Standard & Poor's rated Acton AAA
 - Very strong economy
 - Strong management, with good financial policies and practices
 - Strong budgetary performance, repeated operating surpluses
 - Very strong budgetary flexibility
 - Very strong liquidity
 - Very strong debt and contingent liability position, value
 - Current debt to be fully retired by 2030

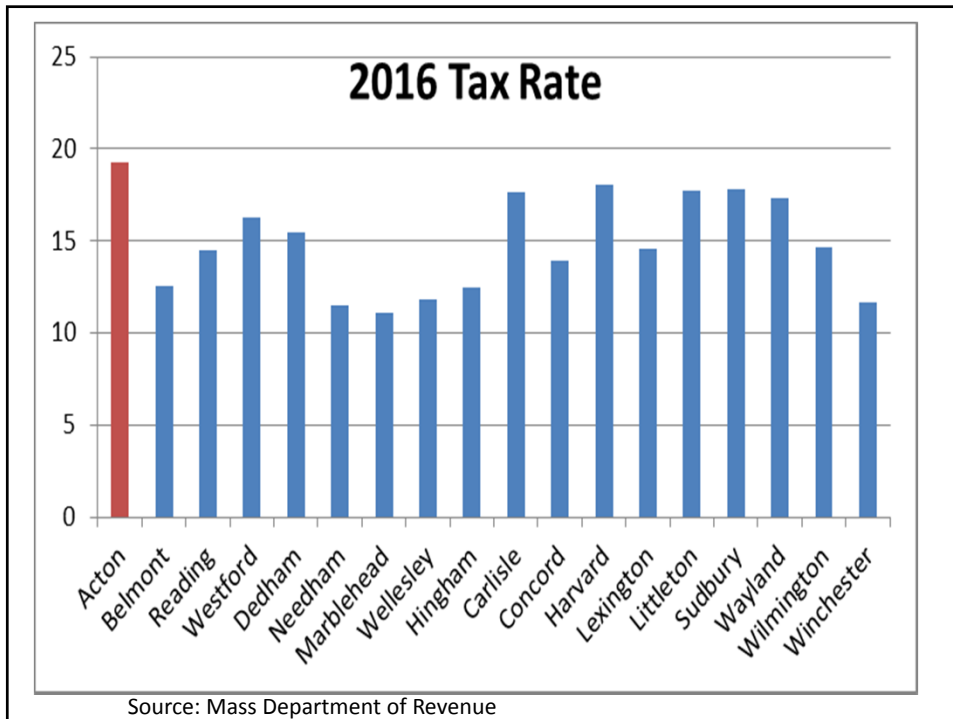
Economic Indicators

- Median family income is \$149,882, 40% higher than Middlesex County and 73% higher than the state median
- Median value of owner occupied housing unit is \$502,000, 24% above Middlesex County and 53% above the statewide number
- Unemployment is down to 3.2% from 4.5% in 2012, 1.4% points better than the state
- Acton has largely recovered from the Great Recession

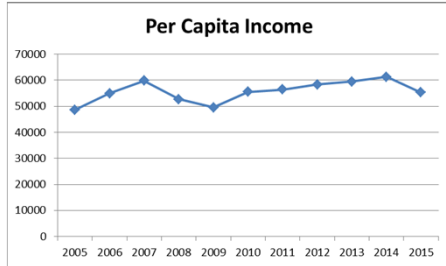
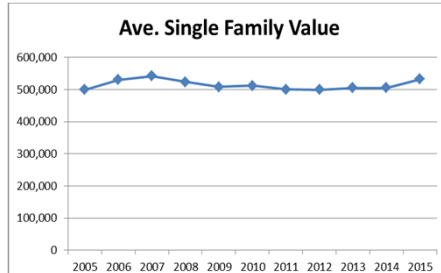
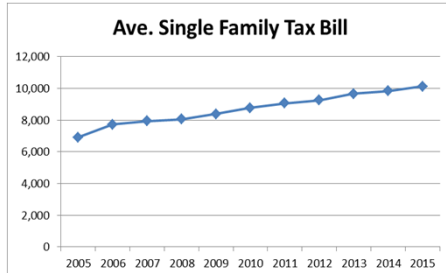
Continuing Budget Surpluses

| Fiscal Year | Town of Acton | | Surplus/(Deficit) | |
|---|---------------|---------------|-------------------|------------|
| | Revenue | Expenditure | Actual | Budget |
| 2016 P | | \$ 86,023,000 | | |
| 2015 | \$ 83,337,915 | \$ 81,817,479 | \$ 1,520,436 | -2,290,000 |
| 2014 | \$ 85,794,512 | \$ 83,826,570 | \$ 1,967,942 | -1,838,000 |
| 2013 | \$ 83,248,530 | \$ 80,051,768 | \$ 3,196,762 | -1,701,000 |
| 2012 | \$ 79,767,576 | \$ 78,502,308 | \$ 1,265,268 | -2,001,000 |
| 2011 | \$ 77,725,090 | \$ 75,314,070 | \$ 2,411,020 | -2,219,000 |
| Average | | | | |
| Ann. % Change | | | | |
| 2011-2016 | 1.8% | 2.8% | | |
| Source Mass Department of Revenue | | | | |
| Includes Acton's share of School Revenues and Expenditures | | | | |

- Although the Town often uses substantial reserves to plug deficits in forecasted operating budgets, it frequently closes out the year with substantial surpluses.
- This is due in part from state regulations which do not allow for a completely accurate revenue forecast



Tax Bills Growing Faster than Home Values or Income



- Tax bills have increased 4.7% per year from 2005-2015
 - Home values have only increased 0.6 % per year
 - Per capita Income has increased only 1.4% per year
- Source: Mass Department of Revenue

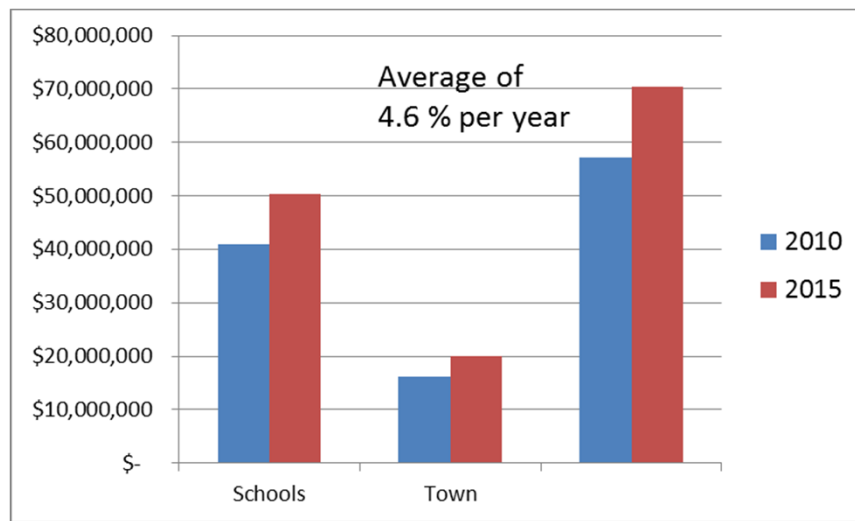
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Concerns

- Compensation growth in excess of 4% is not sustainable
 - With Prop 2 ½ limiting the largest source of revenue, excise and new growth cannot consistently cover this rate or increase.
- State aid is unlikely to increase more than 1%
- Capital and facilities in need of attention
 - Now
 - Needed health & safety repairs and upgrades to existing facilities should be addressed immediately, from BOTH third-party surveys of our infrastructure
 - Intermediate term
 - Repairs to buildings that will remain, without triggering code-mandating changes
 - Long term
 - Replacement of elementary school(s) – addresses large % of our shortfall per Dore & Whittier, and eases overcrowding
 - New fire station

2010 -2015 Compensation Growth



Salaries and Fringes (excluding OPEB) for Town plus Acton % of ABRSD

State Aid is Unlikely to Increase

- “In FY15, there were approximately \$1.188 billion in one-time revenues and savings used to balance the Commonwealth’s budget, up from approximately \$754 million in FY14 one-time solutions”
 - Comptroller of the Commonwealth Statutory Basis Financial Report For the Fiscal Year Ended June 30, 2015.
- “State budget cuts from Governor Charlie Baker are probably coming soon to Massachusetts. The Department of Revenue announced Tuesday that state revenue grew only one-half of 1 percent from August 2015 to August 2016 — a surprisingly tiny amount”
 - By [Joshua Miller](#) GLOBE STAFF SEPTEMBER 06, 2016

Our School Buildings Need Investment

- In their report in February of 2016, school district consulting architects, Dore & Whittier concluded:
 - \$4.4 million is needed for “Health Safety and Welfare,” repairs spanning all of the district’s elementary schools
 - Total identified investment exceeds \$100 million

Our Town Buildings Need Investment

- In their report to the Town in June of 2015, LLB Architects concluded:
 - \$2.1 million is needed in “Critical immediate repairs” for town facilities
 - Total identified investment was in excess of \$16 million

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Finance Committee Reserve Policy

- The Finance Committee believes that it is prudent to set both upper and lower thresholds on the reserves:
 - The lower threshold be 5% of *municipal spending* (\$1.6 million)
 - The upper threshold be 3% of *total Acton spending*, including the school assessments (\$2.7 million)
- This reserve policy will:
 - Create a framework for managing reserves
 - Maintain Town's strong financial standing
 - Balance the focus on municipal vs school budgets
 - Encourage spending down the Town's reserves for one-time items such as capital or other Town priorities, or refund them to taxpayers

Recommendations for FY18

- Operating budgets should increase by no more than the 3.3% increase in total revenue including new growth and excise
- There is no need for an operating override but property taxes should increase by no more than the 2.5%
- There is no need to use previously untaxed levy capacity to increase taxes by more than 2.5%
- Funding for OPEB should continue at present levels (Acton's OPEB funding is a strength compared to other towns)
- Near term capital needs must be addressed
 - Prioritized lists for the Town and for the Schools need to be developed as soon as possible
- Reserves-
 - For FY18 only we recommend allocating \$1.6 million in free cash to budgeted spending (this is consistent with what was agreed in ALG Spring 2016)
 - After allowing for that amount, any reserves in excess of the upper threshold (as outlined in the reserve policy) should be used to address near term capital needs

Key Conclusions

- Near term
 - There is no need for a proposition 2.5% override this year
 - If the capital repairs are not funded from reserves a near term capital override may be necessary
- Longer Term
 - Given the magnitude of capital needed for facilities one or more capital overrides may be needed in the next 2-5 years

Back up

2016 Tax Rate: A Comparison

| Measure | Acton | Boxborough |
|---|----------|------------|
| Rate: | \$ 19.23 | \$16.36 |
| Single family average tax bill: | \$10,382 | \$8,981 |
| 1 year change in avg tax bill: | 3% | 2% |
| 10 year average change in avg tax bill: | 34% | 23% |

Source: Bizjournal.com/boston