

# **JOINT PRE-BUDGET MEETING**

**Michael C. Wood, Town of Burrillville  
January 23, 2017**

# Introduction

**Town Council**

**School Committee**

**Budget Board**

# Title 16 Education

## Chapter 16-2-21 (excerpts)

(1) The highest elected official of the city or town shall submit to the school committee an estimate, prepared in a manner approved by the department of administration, of projected revenues for the next fiscal year. In the case of the property tax, the projections shall include only changes in the property tax base, not property tax rates;

# **Title 16 Education**

## **Chapter 16-2-21 (excerpts)**

(2) The school committee shall submit to the city or town council a statement for the next ensuing fiscal year of anticipated total expenditures, projected enrollments with resultant staff and facility requirements, estimated enrollment and payments to charter schools, and any necessary or mandated changes in school programs or operations.

# REVENUE/BUDGET PROJECTIONS



# Maximum Tax Projections

|      |           | <u>Potential Allocation</u> |  |                          |                             |
|------|-----------|-----------------------------|--|--------------------------|-----------------------------|
|      |           | <u>Tax Levy</u>             | <u>Maximum<br/>Tax Levy<br/>Increase</u> | <u>School<br/>66.72%</u> | <u>Municipal<br/>33.28%</u> |
| 2017 | Actual    | 31,403,323                  |  |                          |                             |
| 2018 | Projected | 32,659,456                  | 1,256,133                                | 838,029                  | 418,104                     |
| 2019 | Projected | 33,965,834                  | 1,306,378                                | 871,550                  | 434,828                     |
| 2020 | Projected | 35,324,467                  | 1,358,633                                | 906,412                  | 452,221                     |
| 2021 | Projected | 36,737,446                  | 1,412,979                                | 942,669                  | 470,310                     |
| 2022 | Projected | 38,206,944                  | 1,469,498                                | 980,374                  | 489,122                     |

If the Council does not levy the maximum tax levy allowed each year, all of these numbers will be lower, i.e. a tax levy increase less than 4%.

\*Technically the Council cannot levy a tax equal to the maximum because it is not possible to have a tax rate that will generate exactly what the maximum levy allowed.

# Financial Impact – 3 Years

- ❖ Impact on future budgets with all school salary and wage changes incorporated

|        | <u>Net Dollars</u> | <u>Tax</u><br><u>Rate</u> | <u>Dollars</u><br><u>Per</u> | <u>Remaining</u><br><u>CAP</u> |
|--------|--------------------|---------------------------|------------------------------|--------------------------------|
|        |                    | <u>Impact</u>             | <u>Property</u>              |                                |
| FY2018 | 523,866            | .34                       | \$78.00                      | 732,267                        |
| FY2019 | 692,996            | .45                       | \$103.00                     | 613,382                        |
| FY2020 | 641,388            | .42                       | \$96.00                      | 717,247                        |

# State Schedule Funding Formula

Reduction - \$175,523

|                  | <u>State Share Ratio</u> | <u>Projected FY2018</u> |  |
|------------------|--------------------------|-------------------------|--|
| Total Foundation | 28.77%                   | State Funding           |  |
| \$23,876,945     | .5364                    | \$12,806,517            | Total Foundation x State Share Ratio = State Funding |
|                  |                          | 12,982,040              | FY 2017 State Aid without group home included        |
|                  |                          | -175,523                | FY18 State Aid reduction over FY17                   |
|                  |                          | 4,914                   | Per Student Aid                                      |
|                  |                          | 12,806,517              | FY18 State Aid                                       |
|                  |                          | 80,233                  | Group Home Aid                                       |
|                  |                          | 17,046                  | High Cost Special Education                          |
|                  |                          | 41,592                  | Transportation                                       |
|                  |                          | \$12,945,388            | FY18 State Aid-Projected                             |



# Revenue

- ❖ It's too early in the State Budget process to alter state aid projections.
- ❖ Adjustments will be made to the Town budget as the legislative process unfolds.
- ❖ Don't be surprised if State aid is not known until May or June.

# Motor Vehicle Values

- ❖ The Assessor does not receive the State's value reports until February.
- ❖ We cannot predict the potential financial impact at this point.
- ❖ The State appears determined to modify or eliminate the motor vehicle excise tax in FY2018.
- ❖ The total tax levy includes both real estate and motor vehicle revenue.

# Local Revenue

## TransCanada

- ❖ The Town has settled all litigation with TransCanada over disputed assessed valuation and related taxes.
- ❖ All court cases have been dismissed.

# Local Revenue

## TransCanada (Ocean State Power)

- ❖ The settlement was for six (6) years, commencing FY2017.
- ❖ Assessed value for TransCanada has been fixed at \$160,000,000 or approximately \$2,800,000 in FY2017.
- ❖ The facility is being sold – the transaction has not yet, to our knowledge, been completed.

# Local Revenue

## TransCanada (Ocean State Power)

- ❖ Negotiations for a new tax agreement should commence in calendar 2020.
- ❖ Legislation that Representative Keable refused to file in 2016 must be followed up by the Town Council.

# Local Revenue

## Invenergy

- ❖ The fight to oppose the project is very expensive. Money from upfront fees from the Tax Agreement have been dedicated to pay for the expenses needed to fight the project.
- ❖ \$1,175,000 has been received to-date.

# School Surplus

- ❖ As of the close of FY 2016, the audit shows an unassigned balance of \$653,672 for potential use by the School Committee.

**Note:** It is my strong recommendation that this money not be used for fixed or reoccurring expenses of the school operating budget.

# FACTORS POTENTIALLY IMPACTING FY2018 & BEYOND





# General Obligation Bonds & Notes Debt Schedule (as of June 30, 2016)

| Y/Ending    | Principal        | Interest       | Total            |
|-------------|------------------|----------------|------------------|
| 2017        | \$ 1,801,000     | \$ 509,207     | \$ 2,310,207     |
| <b>2018</b> | <b>1,931,000</b> | <b>516,259</b> | <b>2,447,259</b> |
| 2019        | 1,854,229        | 479,164        | 2,333,393        |
| 2020        | 1,633,000        | 444,841        | 2,077,841        |
| 2021        | 1,637,000        | 396,094        | 2,033,094        |
| 2022        | 1,647,000        | 346,335        | 1,993,335        |
| 2023        | 1,652,000        | 295,454        | 1,947,454        |
| 2024        | 1,664,000        | 243,739        | 1,907,739        |
| 2025        | 1,671,000        | 191,134        | 1,862,134        |
| 2026        | 1,313,000        | 141,664        | 1,454,664        |

# General Obligation Bonds & Notes

## Debt Schedule (as of June 30, 2016)

| Y/Ending     | Principal           | Interest            | Total                |
|--------------|---------------------|---------------------|----------------------|
| 2027         | 776,000             | 100,794             | 876,794              |
| 2028         | 511,000             | 83,673              | 594,673              |
| 2029         | 341,000             | 71,609              | 412,609              |
| 2030         | 347,000             | 62,210              | 409,210              |
| 2031         | 354,000             | 52,338              | 406,338              |
| 2032         | 360,000             | 42,044              | 402,044              |
| 2033         | 367,000             | 31,367              | 398,367              |
| 2034         | 374,000             | 20,462              | 394,462              |
| 2035         | 382,000             | 9,331               | 391,331              |
| 2036         | 134,000             | 1,836               | 135,836              |
| <b>TOTAL</b> | <b>\$20,749,229</b> | <b>\$ 4,039,555</b> | <b>\$ 24,788,784</b> |

# Debt Service

- ❖ Sewer bonds were included in the new debt schedule. Sewer rates will cover the debt service in its entirety. No impact on property taxes.

# Health Insurance

- ❖ Town experience numbers indicate a potential increase of 10-15 percent in FY2018.
- ❖ The actual numbers have not been received from the Trust.
- ❖ 10 to 15 percent approximates a \$97,700 - \$146,400 increase in related budgets.

# Affordable Care Act (ObamaCare)

- ❖ Unknown due to the Federal Government's future modifications to healthcare law(s).
- ❖ Potential impacts on cost of healthcare and related budgets is potentially meaningful.
- ❖ Not sure if these modifications will impact the FY2018 budget.

# RI Resource Recovery

- ❖ The cost of solid waste disposal at the state landfill may increase.
- ❖ The current proposal is to increase tipping fees from \$32/ton to \$39.50/ton in FY 2018.
- ❖ This impacts the Town's budget by approximately **\$35,000**, starting July 1, 2017.
- ❖ An increase to \$47/ton is proposed for next year or **\$33,000** for FY2019.

# Pension Reform

- ❖ Burrillville's projected budget impact(s) attributable to pension reform could be significant.
- ❖ We are waiting for pension related budget numbers from the State.

# Unfunded Liabilities

Burrillville is in relatively good shape compared to most RI communities, but we do have exposure, particularly in the school system. Unfunded liabilities and OPEB for the town and schools project to be:

|          | <u>School</u> | <u>Town</u> | <u>Wastewater</u>     | <u>Library</u>        |
|----------|---------------|-------------|-----------------------|-----------------------|
| Unfunded | \$911,520     | \$201,926   | Included<br>with Town | Included<br>with Town |
| OPEB     | \$1,979,903   | \$1,075,279 | \$24,568              | \$16,697              |



# Unfunded Liabilities

- ❖ A good share of the unfunded liability obligation is directly attributable to Collective Bargaining Agreements, particularly retiree benefits.
- ❖ Town unions have worked with the Town to mitigate these long-term financial obligations.

# Transmission Line Litigation

- ❖ National Grid has appealed their FY2016 tax bill.
- ❖ The tax revenue is potentially significant and could have an impact on financial reserves if the Town does not prevail in the tax appeal case.
- ❖ Resources have been allocated to defend the Town's position.

# Outside Influences

- ❖ Inflation, mandates and escalating fixed costs have not been slowed by the economic downturn.
- ❖ Potentially impacts local property taxes.

# State Finances

- ❖ The State's financial problems still exist.
- ❖ The State's revenue problems traditionally have become a local problem!

# Get ready for Gambling in Massachusetts

Raimondo said the state has two to three years to get ready for a big blow to one of Rhode Island's largest revenue sources. **"We can't pretend it's not going to happen, just because it's not going to happen tomorrow."**



# State Infrastructure

- ❖ Burrillville has approximately 140 miles of roads. Forty (40) of those miles are State owned and maintained.
- ❖ There are many deteriorating State owned bridges, culverts and other structures locally and statewide.
- ❖ State does not have enough money.

# Solutions

## Be proactive

Negotiate union contracts  
with flexibility

Address OPEB and  
unfunded liabilities

Be disciplined,  
creative and plan



## Work at local solutions

Expand regionalization  
opportunities

Merge services when &  
where practical

Communicate



## Pitfalls to avoid

Minimize financial risk

Don't deficit spend

No structural deficits



## Monitor State law

Oppose binding arbitration  
& evergreen legislation

Respond to changes in  
pension reform

Support helpful legislation

# End of Presentation



# Financial Impact

- ❖ The dollars per property represent a single family home, valued at \$229,336, which is the town wide average for all single family properties.
- ❖ CAP restrictions assume full use of the 4% CAP each year. We have not reached that CAP percent in many years, which means that the amount will probably be lower.

# Invenergy

## EXHIBIT B

### Payments for the First Unit and Second Unit

| Due Date                              | One Unit<br>If only half the<br>plant is built | Both Units<br>FCA at \$7.99<br>Or Under | Both Units<br>FCA at \$8 to<br>\$8.99 | Both Units<br>FCA at \$9 to<br>\$9.99 | Both Units<br>FCA at \$10 to<br>\$10.99 | Both Units<br>FCA at \$11 to<br>\$11.99 | Both Units<br>FCA at \$12 to<br>\$12.99 | Both Units<br>FCA at \$13+<br>and over |
|---------------------------------------|--|---|---------------------------------------|---------------------------------------|---|---|---|--|
| Upon Execution                        | \$175,000                                      | \$175,000                               | \$175,000                             | \$175,000                             | \$175,000                               | \$175,000                               | \$175,000                               | \$175,000                              |
| 10/17/2016                            | \$500,000                                      | \$500,000                               | \$500,000                             | \$500,000                             | \$500,000                               | \$500,000                               | \$500,000                               | \$500,000                              |
| 1/10/2017                             | \$500,000                                      | \$500,000                               | \$500,000                             | \$500,000                             | \$500,000                               | \$500,000                               | \$500,000                               | \$500,000                              |
| 1/15/2018                             | \$500,000                                      | \$500,000                               | \$500,000                             | \$500,000                             | \$500,000                               | \$500,000                               | \$500,000                               | \$500,000                              |
| 1/15/2019                             | \$500,000                                      | \$500,000                               | \$500,000                             | \$500,000                             | \$500,000                               | \$500,000                               | \$500,000                               | \$500,000                              |
| 3/1/2017 or after FC                  | \$750,000                                      | \$750,000                               | \$750,000                             | \$750,000                             | \$750,000                               | \$750,000                               | \$750,000                               | \$750,000                              |
| CDD Delay beyond 1/2/2020             | \$750,000                                      | \$750,000                               | \$750,000                             | \$750,000                             | \$750,000                               | \$750,000                               | \$750,000                               | \$750,000                              |
| Total Fee Payment not including delay | \$2,925,000                                    | \$2,925,000                             | \$2,925,000                           | \$2,925,000                           | \$2,925,000                             | \$2,925,000                             | \$2,925,000                             | \$2,925,000                            |
| Year*                                 | Single Unit                                    | Two Units                               | Two Units                             | Two Units                             | Two Units                               | Two Units                               | Two Units                               | Two Units                              |
| 1                                     | \$3,600,000                                    | \$4,300,000                             | \$4,700,000                           | \$5,250,000                           | \$5,675,000                             | \$6,175,000                             | \$6,637,500                             | \$7,137,500                            |
| 2                                     | \$3,690,000                                    | \$4,407,500                             | \$4,817,500                           | \$5,381,250                           | \$5,816,875                             | \$6,329,375                             | \$6,803,438                             | \$7,315,938                            |
| 3                                     | \$3,782,250                                    | \$4,517,688                             | \$4,937,938                           | \$5,515,781                           | \$5,962,297                             | \$6,487,609                             | \$6,973,523                             | \$7,498,836                            |
| 4                                     | \$3,876,806                                    | \$4,630,630                             | \$5,061,386                           | \$5,653,676                           | \$6,111,354                             | \$6,649,800                             | \$7,147,862                             | \$7,686,307                            |
| 5                                     | \$3,973,726                                    | \$4,746,395                             | \$5,187,921                           | \$5,795,018                           | \$6,264,138                             | \$6,816,045                             | \$7,326,558                             | \$7,878,465                            |
| 6                                     | \$4,073,070                                    | \$4,865,055                             | \$5,317,619                           | \$5,939,893                           | \$6,420,742                             | \$6,986,446                             | \$7,509,722                             | \$8,075,426                            |
| 7                                     | \$4,174,896                                    | \$4,986,682                             | \$5,450,559                           | \$6,088,390                           | \$6,581,260                             | \$7,161,107                             | \$7,697,465                             | \$8,277,312                            |
| 8                                     | \$4,279,269                                    | \$5,111,349                             | \$5,586,823                           | \$6,240,600                           | \$6,745,792                             | \$7,340,135                             | \$7,889,902                             | \$8,484,245                            |
| 9                                     | \$4,386,250                                    | \$5,239,132                             | \$5,726,494                           | \$6,396,615                           | \$6,914,436                             | \$7,523,638                             | \$8,087,149                             | \$8,696,351                            |
| 10                                    | \$4,495,907                                    | \$5,370,111                             | \$5,869,656                           | \$6,556,531                           | \$7,087,297                             | \$7,711,729                             | \$8,289,328                             | \$8,913,759                            |
| 11                                    | \$4,608,304                                    | \$5,504,364                             | \$6,016,597                           | \$6,720,444                           | \$7,264,480                             | \$7,904,522                             | \$8,496,561                             | \$9,136,603                            |
| 12                                    | \$4,723,512                                    | \$5,641,973                             | \$6,166,807                           | \$6,888,455                           | \$7,446,092                             | \$8,102,135                             | \$8,708,575                             | \$9,365,019                            |
| 13                                    | \$4,841,600                                    | \$5,783,022                             | \$6,320,977                           | \$7,060,666                           | \$7,632,244                             | \$8,304,688                             | \$8,926,700                             | \$9,599,144                            |
| 14                                    | \$4,962,640                                    | \$5,927,597                             | \$6,479,002                           | \$7,237,183                           | \$7,823,050                             | \$8,512,306                             | \$9,149,867                             | \$9,839,123                            |
| 15                                    | \$5,086,706                                    | \$6,075,787                             | \$6,640,977                           | \$7,418,113                           | \$8,018,626                             | \$8,725,113                             | \$9,378,614                             | \$10,085,101                           |
| 16                                    | \$5,213,873                                    | \$6,227,682                             | \$6,807,001                           | \$7,603,565                           | \$8,219,092                             | \$8,943,241                             | \$9,613,079                             | \$10,337,228                           |
| 17                                    | \$5,344,220                                    | \$6,383,374                             | \$6,977,176                           | \$7,793,655                           | \$8,424,569                             | \$9,166,822                             | \$9,853,406                             | \$10,595,659                           |
| 18                                    | \$5,477,826                                    | \$6,542,959                             | \$7,151,606                           | \$7,988,496                           | \$8,635,184                             | \$9,395,993                             | \$10,099,741                            | \$10,860,550                           |
| 19                                    | \$5,614,771                                    | \$6,706,532                             | \$7,330,596                           | \$8,188,208                           | \$8,851,063                             | \$9,630,893                             | \$10,352,235                            | \$11,132,064                           |
| 20                                    | \$5,755,141                                    | \$6,874,196                             | \$7,513,656                           | \$8,392,913                           | \$9,072,340                             | \$9,871,665                             | \$10,611,041                            | \$11,410,366                           |
| Total Tax Payment                     | \$91,960,767.40                                | \$109,842,027.73                        | \$120,059,890.77                      | \$134,109,452.46                      | \$144,965,931.95                        | \$157,738,260.75                        | \$169,552,664.90                        | \$182,324,993.70                       |

\* Year 1 is the first year after the Commercial Operation Date is achieved, payment due at the end of March of the applicable year

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# Maximum Tax Levy – FY 2018

|                                 |           |        |
|---------------------------------|-----------|--------|
| ❖ FY 2018 Tax Cap Percentage    |           | 4.00%  |
| ❖ School Share                  | \$838,029 | 66.72% |
| ❖ Town Share                    | \$418,104 | 33.28% |
| (based on FY 2017 distribution) |           |        |

Maximum Tax Levy Increase  
allowed by law \$1,256,133

# Budget Impact

## FY2018 CAP

CAP Limit: \$ \_\_\_\_\_

School Impact: \$ \_\_\_\_\_

Net: \$ \_\_\_\_\_

## FY2019 CAP

CAP Limit: \$ \_\_\_\_\_

School Impact: \$ \_\_\_\_\_

Net: \$ \_\_\_\_\_

# Budget Impact

## FY2020 CAP

CAP Limit: \$ \_\_\_\_\_  
School Impact: \$ \_\_\_\_\_  
Net: \$ \_\_\_\_\_

**Note:** Does not incorporate revenue or expenditure projection nor debt service.