

# JOINT PRE-BUDGET MEETING

Michael C. Wood, Town of Burrillville  
January 6, 2016

# 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



# FINANCE/BUDGET PROJECTIONS

# Maximum Tax Levy – FY 2017

❖ FY 2017 Tax Cap Percentage	4.00%
❖ School Share	\$714,378
❖ Town Share	\$504,697
(based on FY 2016 distribution)	

Maximum Tax Levy Increase allowed by law	\$1,219,075
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# Maximum Tax Projections

				Potential Allocation	
				School 58.60%	Municipal 41.40%
Budget	Actual*	Maximum Tax Levy Increase			
2016	\$30,484,180	\$30,476,875	\$931,582	\$545,907	\$385,675
2017		31,695,950	1,219,075	714,378	504,697
2018		32,963,788	1,267,838	742,953	524,885
2019		34,282,340	1,318,552	772,671	545,880
2020		35,653,634	1,371,294	803,578	567,716
2021		37,079,779	1,426,145	835,721	590,424

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.

# Projected Operating Budget FY17 as of 1/6/16

	FY 2017	
Projected change in municipal budget	(\$97,326)	-0.56%
Projected change in school budget	1,522,222	4.94%
Net budget increase	1,424,896	
Projected change in non-tax revenue	(1,084,106)	-6.14%
Total revenue increase required (before tax adjustment)	2,509,002	8.23%
Property Tax Cap Levy (4%)	1,219,075	
Net revenue shortfall	(1,289,927)	-4.23%

- Estimates are based on budget projections using the initial submissions for FY 2017, not actual budgets approved by the Town Council.
- These preliminary estimates will be modified as the budget process unfolds.



# Five Year Forecast: FY 17 -21

	FY2017	FY2018	FY2019	FY2020	FY2021
Net municipal non-tax revenue reduction	(1,084,106)	(233,577)	(296,511)	(220,943)	(10,000)
Net projected municipal budget less CIP	(97,326)	142,344	169,889	56,951	259,919
Net school budget	1,522,222	910,387	1,309,208	1,218,449	800,433
Net tax levy increase required (if alternate revenue and/or reductions are not found)	2,509,002	1,286,308	1,775,608	1,496,343	1,070,352
Property Tax Levy Cap 4%	1,219,075	1,267,838	1,318,552	1,371,294	1,426,145
Net shortfall if maximum tax is levied. (Shortfall requires State approval)	(1,289,927)	(18,470)	(457,056)	(125,049)	355,793

# State Funding Formula -\$40,586

<u>State Share Ratio</u>		<b>Projected FY2017</b>	
Total Foundation	28.64%	State Funding	
\$24,351,358	.5352	\$13,033,088	Total Foundation x State Share Ratio = State Funding
		12,982,749	FY 2016 State Aid without group home included
		50,339	
		25,169	Divided by 2 years (based on the number of years remaining in funding formula implementation)
		13,007,918	FY17 State aid after reduction for funding formula implementation
		25,169	FY17 State Aid over FY16
		5,425	Per Student Aid
		13,007,918	FY17 State Aid
		239,953	Group Home Aid
		21,038	High Cost Special Education
		14,053	Transportation
		\$13,282,962	FY 17 State Aid-Projected

# General Obligation Bonds & Notes – Debt Schedule (as of 6/30/15)

Y/Ending	Principal	Interest	Total
2016	2,029,000	518,729	2,547,729
2017	1,658,000	460,872	2,118,872
2018	1,654,000	409,542	2,063,542
2019	1,580,229	360,205	1,940,434
2020	1,362,000	334,906	1,696,906
2021	1,369,000	271,383	1,640,383
2022	1,376,000	225,896	1,601,896
2023	1,383,000	179,872	1,562,872
2024	1,391,000	133,266	1,524,266
2025	1,394,000	88,066	1,482,066
2026	1,032,000	46,555	1,078,555
2027	445,000	12,014	457,014
2028	175,000	3,176	178,176
Total	\$16,848,229	\$3,044,482	\$19,892,711

# 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.

**FACTORS  
POTENTIALLY  
IMPACTING  
FY2017 & BEYOND**



# Affordable Care Act (ObamaCare)

- ❖ Potential impacts on cost of healthcare and related budgets
- ❖ Potential impact on our part-time workforce and associated services

# State... low hanging fruit

*passing the problems on to cities & towns*

Most of the State Aid that cities and towns traditionally received, excluding distressed community aid, has been eliminated over the last five (5) years, leaving school aid as the only source potentially large enough for the State to use to make up lost revenue.

# Pension reform

- ❖ Burrillville's projected budget impact(s) attributable to pension reform are significant.

	MERS	Police	School Teachers	School Noncertified
Current (FY2016)	304,500	349,900	2,220,853	269,698
FY2017	286,895	332,801	2,262,091	271,839
FY2018	270,435	302,830	2,381,446	290,055
FY2019	275,844	308,887	2,550,196	307,992
FY2020	241,361	315,065	2,708,850	329,761
FY2021	286,988	321,366	2,808,996	349,269

# 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:

	School	Town	Wastewater	Library
Unfunded	\$953,530	\$186,348	Included with Town	Included with Town
OPEB	\$2,016,639	\$1,065,247	\$23,621	\$15,098

# Unfunded liabilities

- ❖ A good share of the unfunded liability obligation is directly attributable to Collective Bargaining Agreements, particularly retiree benefits.



# Local revenue

## ~Transmission line

- ❖ Revenue from the transmission line project will be significant. The impact will be spread out between FY2016 and FY2017, determined by the actual construction schedule.
- ❖ Unfortunately, it is too early to determine the FY17 budget impact because this is tangible property subject to a March 15<sup>th</sup> extended reporting deadline.

# Local revenue

## ~Transmission line

- ❖ National Grid has appealed their FY2016 tax bill. There is little doubt they will do the same for FY2017.
- ❖ The tax revenue is significant and will have an impact on future revenues if the Town does not prevail in the tax appeals case(s)
- ❖ Resources will need to be appropriated to support the Town's position.

# Local revenue

## ~TransCanada

- ❖ The Town has settled the litigation with TransCanada over disputed assessed valuation and related taxes.
- ❖ All court cases have been or will be dismissed shortly.

# Local revenue

## ~TransCanada

- ❖ The town is currently negotiating the last financial piece of the settlement.
- ❖ What we do know is that the FY2017 capital budget will need to be reduced by approximately \$500,000.

# Local revenue ~TransCanada

- ❖ Revenue from the existing plant will only be assured for a period less than 10 years, starting in FY2017.
- ❖ Additional revenue may be realized starting in FY2020 / FY2021 but that is speculative at this point.



# Local Revenue ~ Invenenergy

- ❖ No tax agreement is in place as of the date of this presentation. Regardless, no meaningful revenue from this project, if approved, will be available until FY2020 or FY2021.

# 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 \$57/ton.
- ❖ This impacts the Town's budget by approximately \$100,000, starting July 1, 2017.
- ❖ An additional increase to \$66/ton is proposed for FY2021.

# Debt Service

- ❖ Sewer bonds were authorized, but we've been advised that sewer rates will cover the debt service in its entirety. No impact on property taxes.
- ❖ The current debt schedule does not include the new 6.3 million sewer debt.

# School Roofing Projects

On 9/23/15, the Town Council voted to approve the submission of roof projects not to exceed \$991,827 for funding from the State School Building Authority Capital Fund with advanced funding for these projects from the Debt Reduction Fund. Any funds needed over the requested amount are to be taken from the School's FY2017 CIP appropriation.

# Debt Service

- ❖ A school bond could be needed as early as FY2017 (calendar 2016). The amount is estimated at about \$1,140,900.
- ❖ The new public works facility is in the final planning stage. A portion of the cost for this facility, estimated to be \$5 million (+ or -), may need to be funded by a bond issue.



# School surplus

As of the close of FY 2015, the audit shows an unassigned balance of \$467,090 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

# Outside Influences

- ❖ Inflation, mandates and escalating fixed costs that have not been slowed by the economic downturn despite significant decreases in revenue for cities and towns.
- ❖ All of this 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!

# Raimondo: “It's even worse than I thought”



December 31, 2014 – NBC10



# State Deficit(s)

Last year's revenue estimates projected a \$215 million deficit for FY 2016 State revenue, and

\$325 Million	FY 2017
\$410 Million	FY 2018



# 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 & statewide.

# State infrastructure

- ❖ The State does not have sufficient funds to correct its infrastructure deficiencies.
- ❖ The State's current plan is to implement tolls on major roadways to address the deficient infrastructure. This is a 50/50 proposition.

# 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