

Fiscal Year 2014 Budget Season Kickoff

Little Compton Budget Committee

6 December, 2012

Objectives

1. To Review:

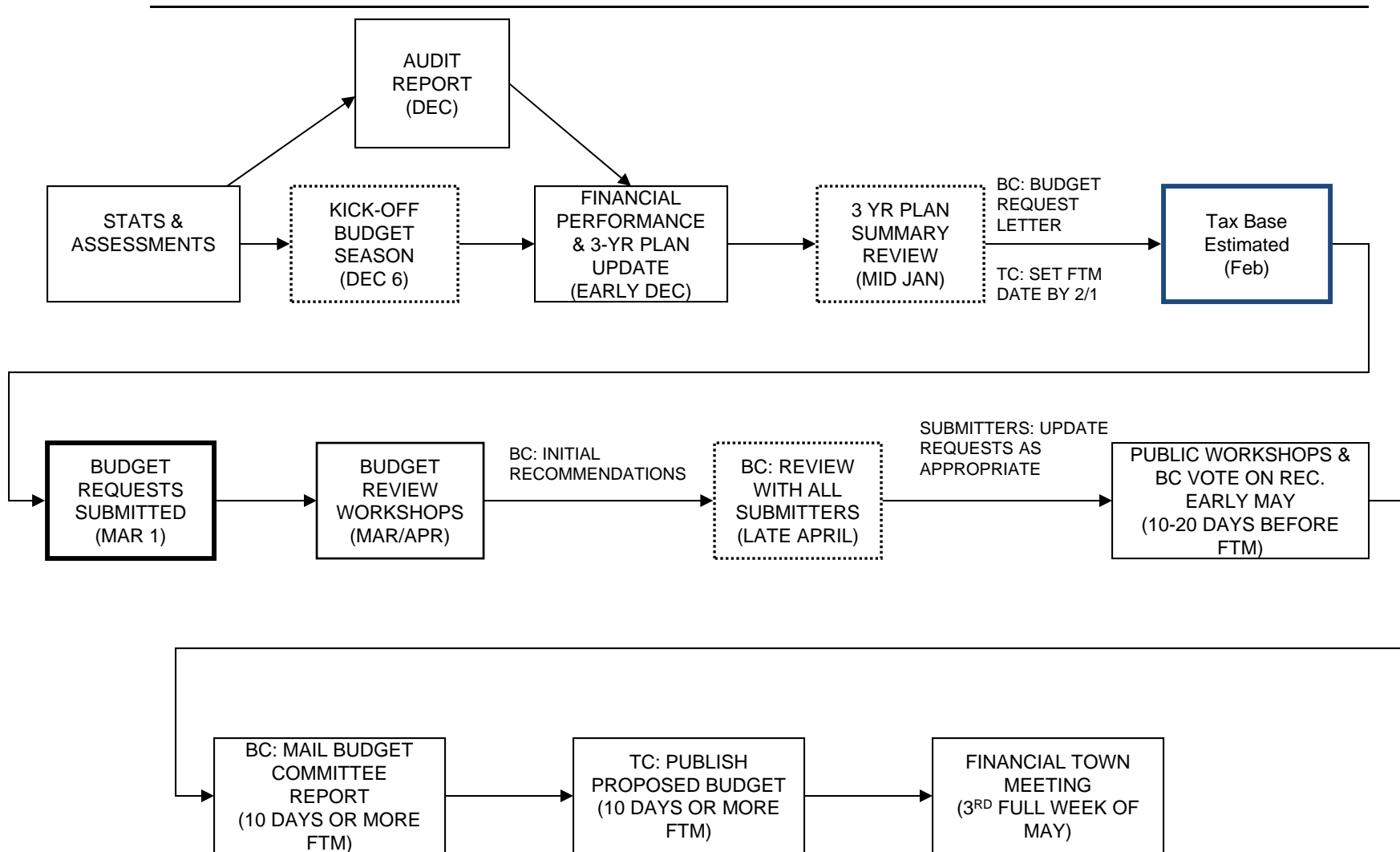
- Budget Season Goals
- Budget Process Timeline
- Review Current Financial Situation
- Anticipated Major Budget Issues

2. To Kick Off the FY2014 Budget Requests

Budget Season Goals

- Achieve a FY2014 budget outcome that contains as small an operating budget increase as possible to minimize the impact of school construction costs
- Continue to play an active role in examining future budget implications of school facility decisions
- Update and maintain 3-Year and Capital Plans per town charter
- Provide a forum for development of a best case scenario in the expense budget
- Provide objective data for an informed decision at the Financial Town Meeting.

BUDGET PROCESS & TIMELINE



FY14 Outlook- School Project Costs Begin

- FY2013: Continued fiscal restraint combined with a small increase in the assessed value of property in Town resulted in a tax rate increase of less than 1.0%
- FY 2014: Budget Committee's goal is to recommended a budget that requires a tax rate increase only to cover costs associated with the school building construction project

Primary challenges to be offset:

- Labor costs will include previously negotiated increases
- Capital stroke needs to increase to meet future requirements
- Highway Department stroke needs to rise to fund paving schedule

Citizen strokes will need to be defended

Performance: Assets and Liabilities
F2010 and F2011 Audit Reports and F2012 Estimates

- Combined surplus has begun to decline
- General Fund: Assets in excess of Liabilities
 - June 30, 2010 \$2,030,675
 - June 30, 2011 \$1,787,702
 - June 30, 2012 estimate \$1,625,237
 - Unrestricted balance estimate \$1,300,000 (11.3% of Town Budget including School)
- School Department Assets in excess of Liabilities
 - June 30, 2010: \$1,289,736
 - June 30, 2011: \$1,384,414
 - June 30, 2012 estimate \$724,629
- Debt burden of \$641,999 (at 6/30/12) – Principal only:
 - Public Safety Complex - \$210,000 (paid in full 2014)
 - Wastewater Treatment Facility - \$275,000 (paid in full 2017)
 - Fire Engines Refinance - \$156,999 (paid in full 2015)
 - FY2014 Debt Service on existing debt totals: \$487,230: Principal of \$212,290, Interest of \$274,940

REVENUE ISSUES

Non-property tax revenues seeing an increase in FY2013.

- Town Administration Fees projected to increase to \$400,000 from \$380,000 due to slow improvement in construction/real estate activity
- School aid increasing to \$494,668 from \$381,888
- Housing aid rising to \$36,206 from \$20,903
- Elimination of most MV reimbursement continued
- Elimination of all general state aid continued

- No one currently pursuing non-tax revenues
- Beach repair versus revenues
- Expect further modest increase in FY2014

EXPENSE ISSUES

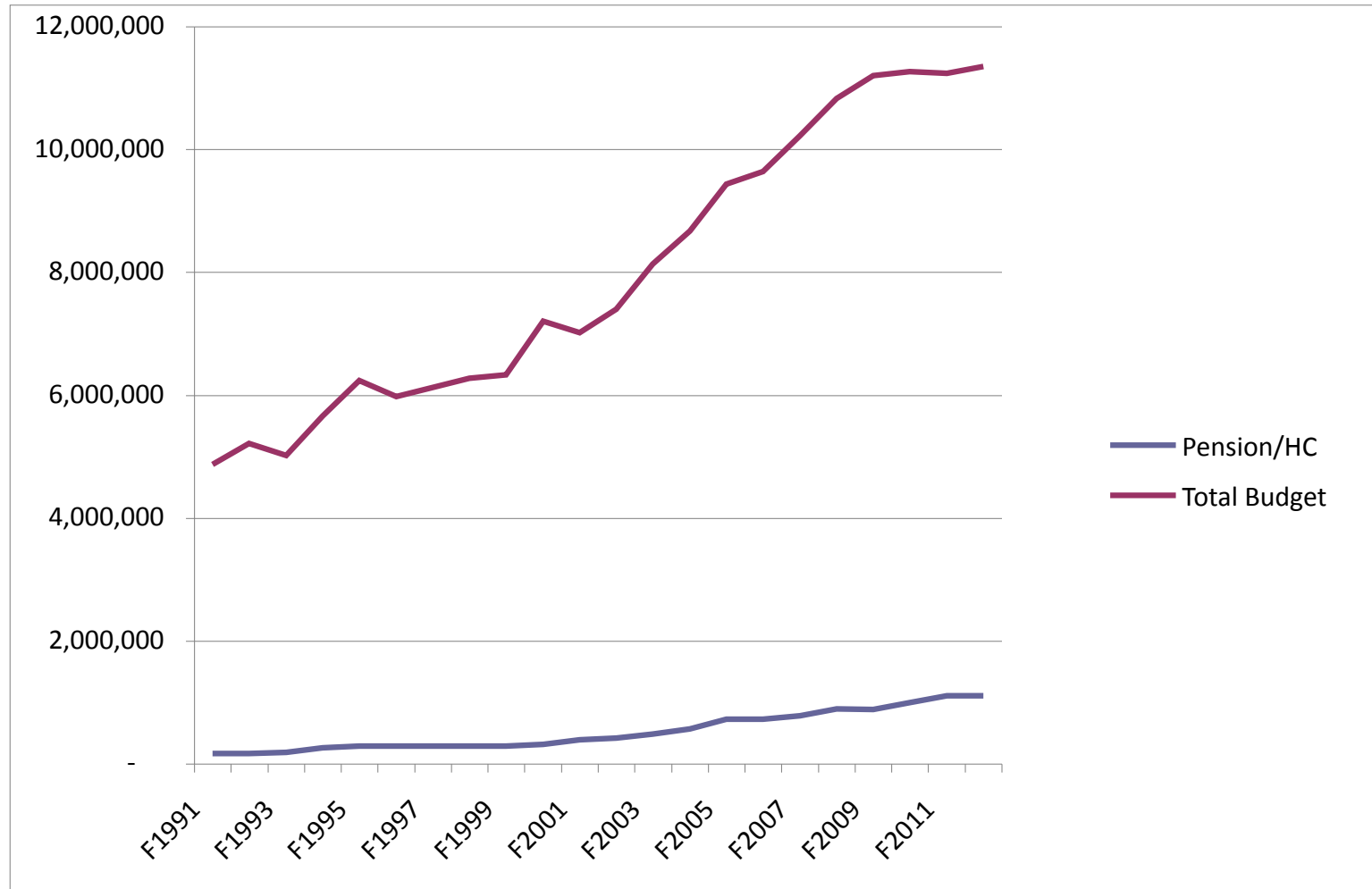
The biggest ongoing challenge for the Town is to better manage the growth in compensation costs that have been driven by extreme inflation in health care and pension expense

- The Town Council and School Committee need to continue to work to reduce the growth rate in the cost to the Town of employee benefits
- HSA proposal looks promising if implemented
- Identify pension plan cost savings to Town as is being done at State

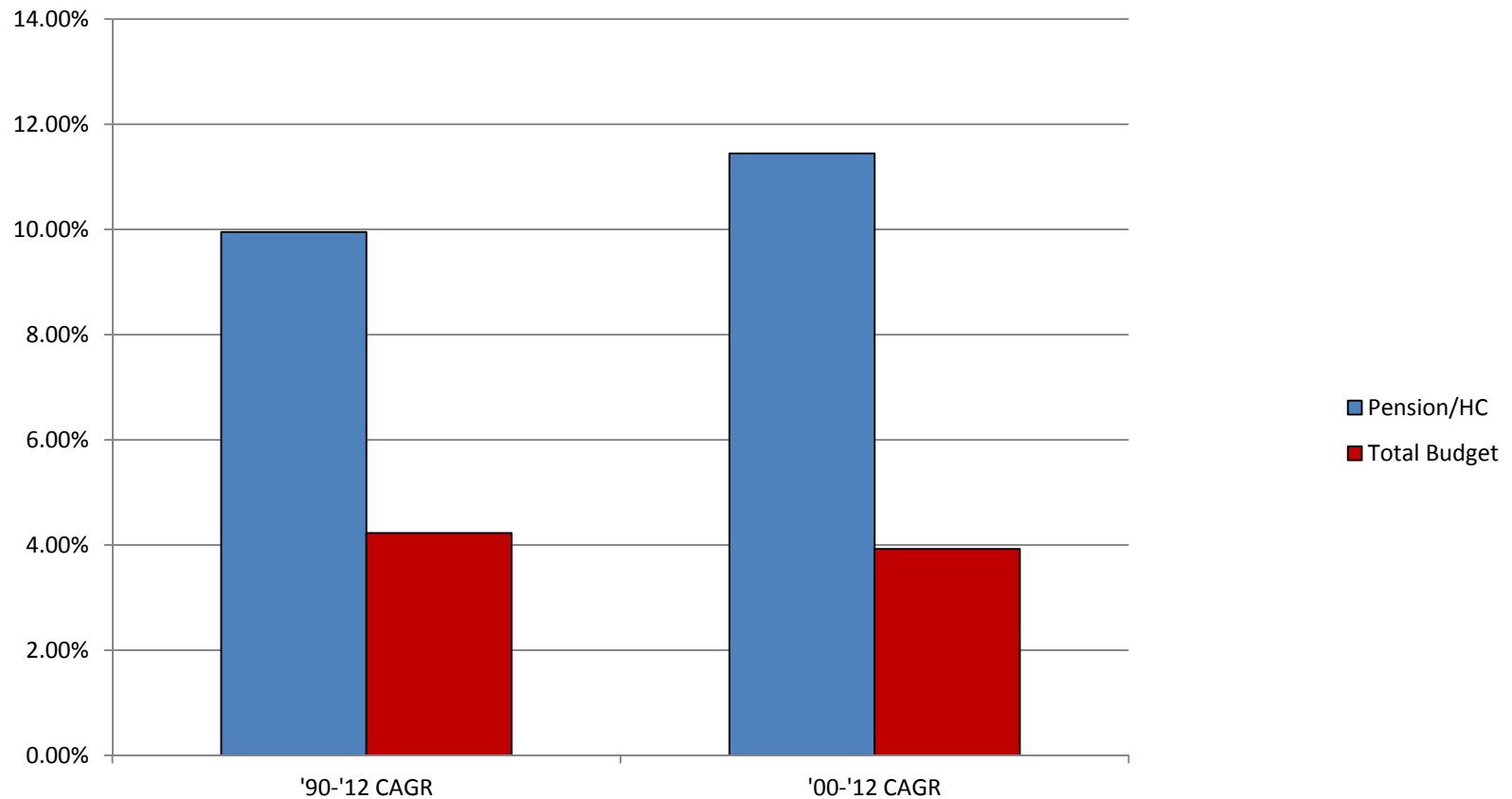
•Gross Budget Trends:

Town and School Budgets trends have flattened beginning in FY2009

Pension and Healthcare are not yet showing similar restraint

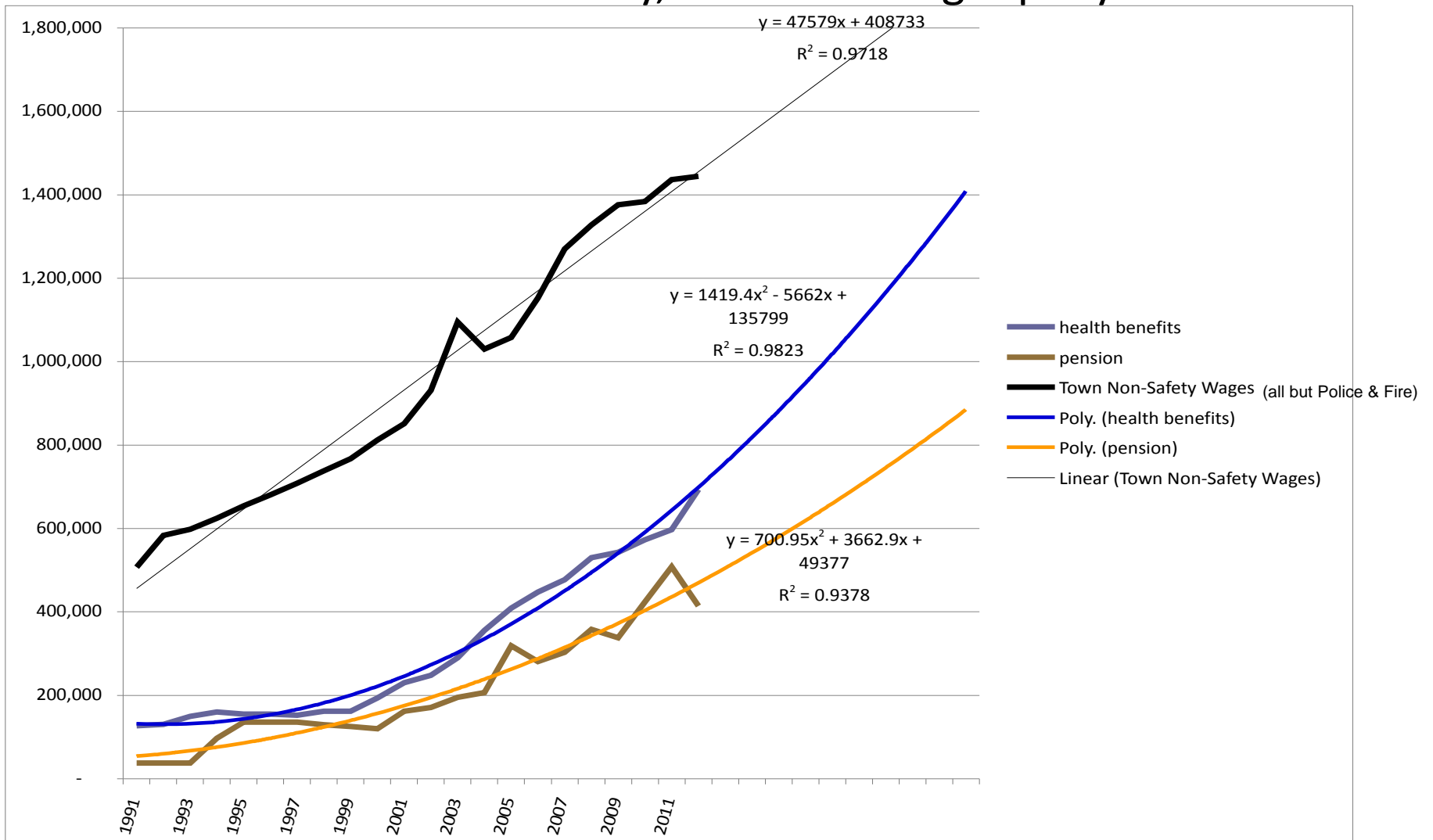


Benefits Growing Almost 3x Faster Than Budget



Note: the growth rate is also accelerating!

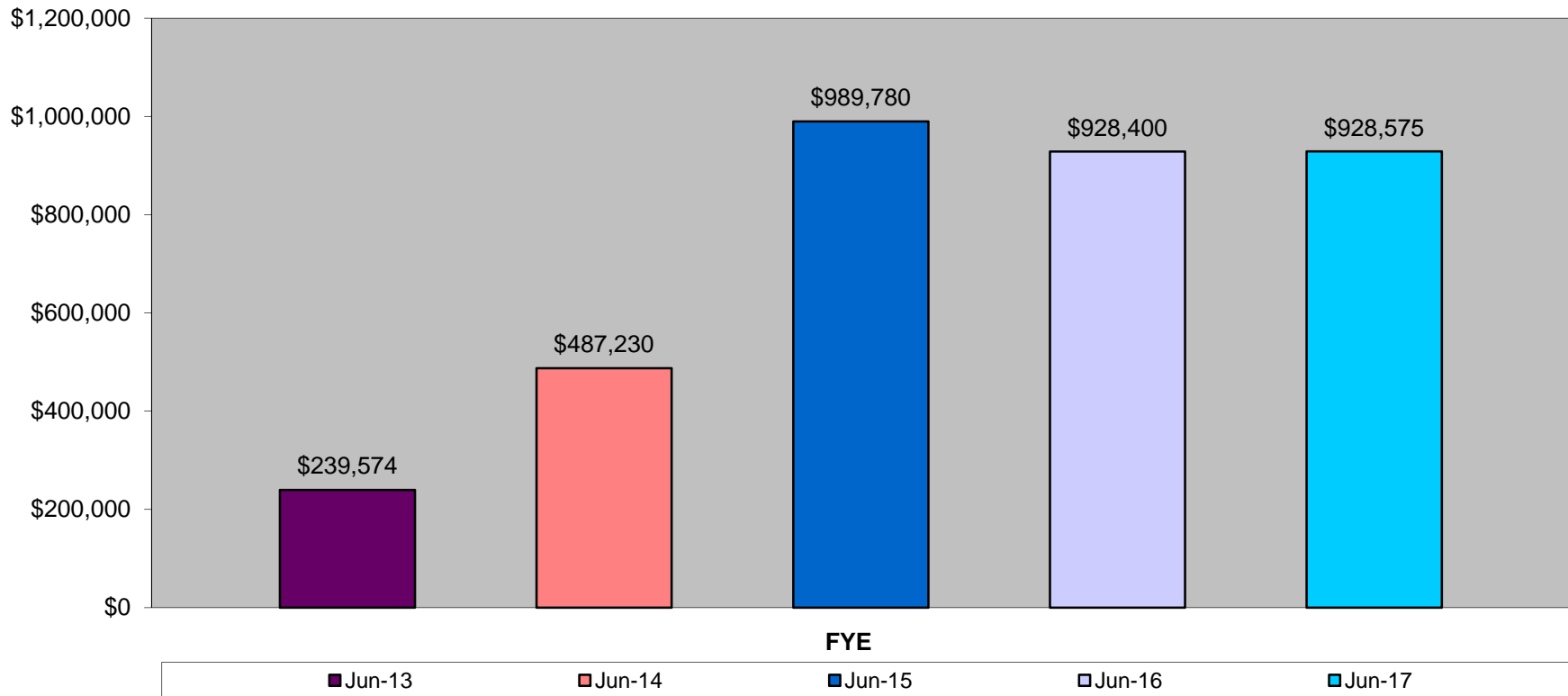
Growth ratio is 3X faster today, but increasing rapidly. Fiscal Year 2014



Health Benefit & Pension costs are accelerating far more aggressively than wages.

What is the right contractual balance for the town, that we may attract quality staff while mitigating the impact of costs we do not control in annual budgeting?

TOWN OF LITTLE COMPTON ANNUAL DEBT SERVICE



The increase in debt service beginning in FY14 is due to first interest payment of \$254.5K on the School Bond. School debt service is approximately \$870K annually beginning in FY15. The remaining debt service is detailed on page 6 with all Town debt retired during FY17. The School Bond will mature in FY33. School debt service is partially offset by state reimbursement of approximately \$204K FY15, then \$344K each subsequent FY.

Town and School Surpluses

Town's Unrestricted General Fund surplus declined for the fourth year in a row. Estimated June 30, 2012 balance is \$1,300,000 or 11.3% of the total budget including the School budget.

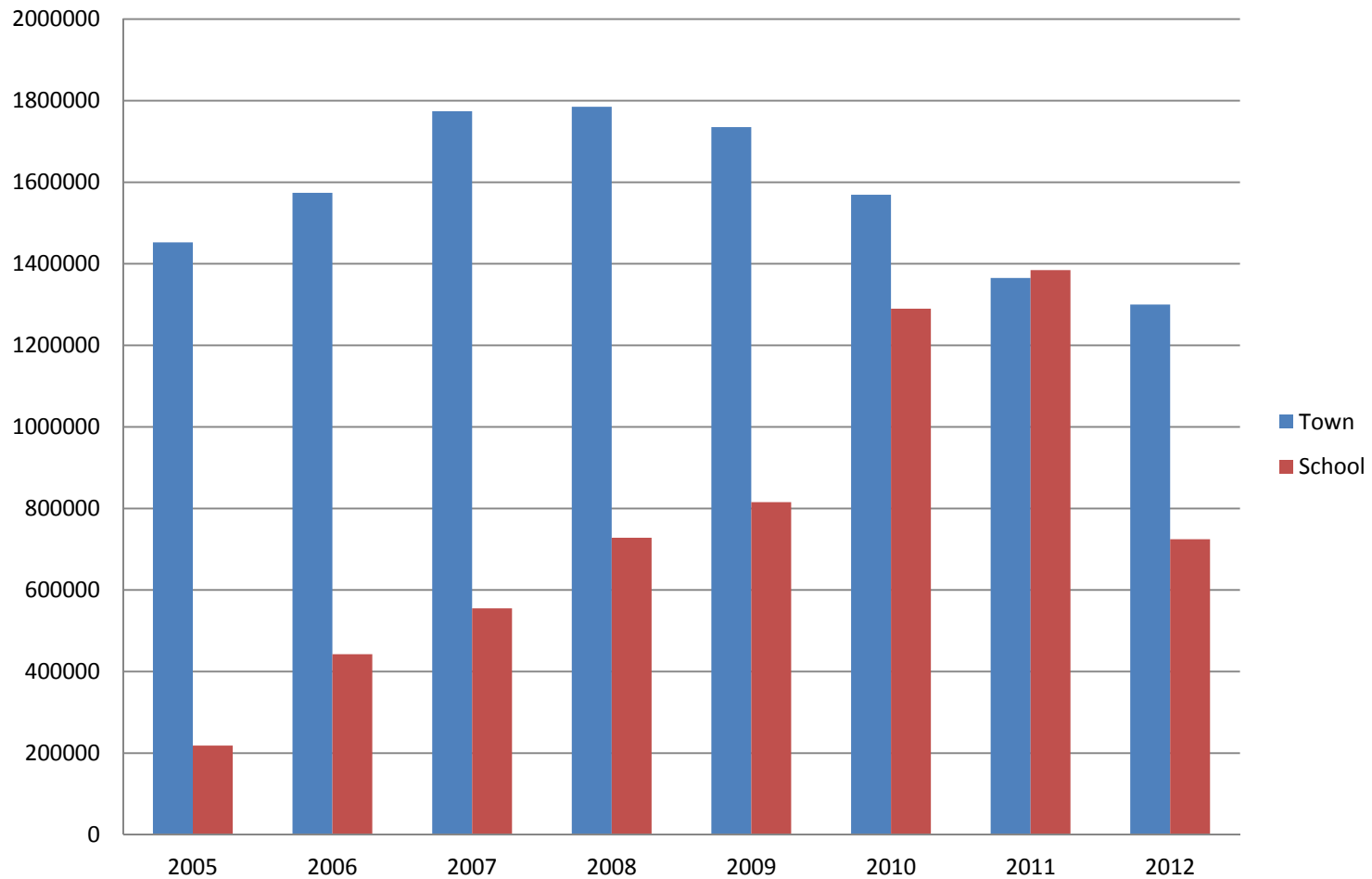
Guidelines for a stable town's unrestricted fund is 12% of budget

Town surplus is below the target

School's unrestricted surplus shrank to an estimated \$724,629 as of June 30, 2012

School's surplus will be consumed by the costs of School building project and temporary housing

Surpluses at 6/30



Impacts: Other Post-Employment Benefits (OPEB)

Alternate Calculation Method required contribution as of 6/30/12 was \$255,065 and the net OPEB obligation was \$378,311 to comply with GASB45 guidelines

- OPEB funding would be established as a separate fund
- Would cover current retiree healthcare as well as funding future liability
- Recommended annual funding determined actuarially
- Actual funding to be part of annual budget and voted on at FTM
- Administered by Pension Committee

FY13 CAPITAL PLAN

ITEM	RATIONALE	SOURCE	FY12 (current year)	----- 5 YEAR PLAN -----				
				FY13	FY14	FY15	FY16	FY17
Highway Maintenance facility - Construct	Efficiency	CF		\$30	\$30			
Landfill - Close	RIDEM mandate	CF						\$50
Police Cruiser procurement	Annual need	CF	\$30	\$30	\$30	\$30	\$30	\$30
PSC Air Duct Cleaning	Efficiency		\$6					
PSC Flooring Repair	Mold issues - Dorm, Kitchen and Dining Rm	CF	\$23					
Procure dump trailer or dump body	Efficiency	CF				\$11		
Beach Commission ATV	Annual need	CF		\$9				
Procure town truck w plow	Efficiency	CF	\$30					
Procure truck mounted sander			\$5					
Procure sanding truck		CF		\$60				
Treasurer's Office - Ventilation	Mold issues	CF	\$10					
Town Hall - Window replacement	Heat loss	CF				\$25	\$25	
Town Hall - Insulate	Heat loss	CF + Grant		\$15				
Upgrade dispatch center	Poor condition	CF +DFE	\$11					
Total Expenditures			\$115	\$144	\$60	\$66	\$55	\$80
Fund Additions		FY11 Capital Fd Balance	\$232	\$15	\$30	\$50	\$65	\$70
Projected Fund Balance at FYE			\$132	\$18	\$8	\$7	\$22	\$17

3 YEAR PLAN

Expenses	Description	FY13 (Appropriations)	FY14 (Proj)	FY15 (Proj)	FY16 (Proj)
	Public Safety	\$1,699,649	\$1,750,638	\$1,803,158	\$1,857,252
	Ambulance Reimbursement Fund (non debt)		\$50,000	\$51,500	\$53,045
	Employee Benefits	\$1,317,651	\$1,423,063	\$1,536,908	\$1,659,861
	General Government	\$521,983	\$532,423	\$543,071	\$553,933
	Public Works	\$557,195	\$565,553	\$582,520	\$599,995
	Parks & Recreation	\$298,976	\$303,461	\$308,013	\$312,633
	Debt Service:	\$188,720			
	Public Safety Complex		\$109,725	\$0	\$0
	Wastewater Treatment Facility		\$65,275	\$63,075	\$60,650
	Fire Engines Refinance		\$57,755	\$57,755	\$57,755
	RIHEBC (School Bond)		\$254,475	\$868,950	\$867,750
	Financial	\$148,528	\$152,984	\$157,573	\$162,301
	Public Welfare	\$32,811	\$33,467	\$34,137	\$34,819
	Capital Projects	\$30,000	\$50,000	\$65,000	\$70,000
	Grants/Charitable	\$8,000	\$8,160	\$8,323	\$8,490
	Total Town	\$4,803,513	\$5,356,979	\$6,079,982	\$6,298,483
	Wilbur & McMahon - Salaries	\$2,890,129	\$2,933,481	\$2,977,483	\$3,022,145
	Wilbur & McMahon - Employee Benefits	\$1,206,712	\$1,303,249	\$1,407,509	\$1,520,110
	Wilbur & McMahon - Purchased Services	\$1,659,849	\$1,709,644	\$1,760,934	\$1,813,762
	Wilbur & McMahon - Supplies & Materials	\$242,573	\$246,212	\$249,905	\$253,653
	Wilbur & McMahon - Operations	\$732,735	\$743,726	\$754,882	\$766,205
	Wilbur & McMahon - Capital Outlays	\$700,000	\$100,000	\$0	\$0
	Total School	\$7,431,998	\$7,036,312	\$7,150,713	\$7,375,875
Total		\$12,235,511	\$12,393,291	\$13,230,694	\$13,674,358
Revenues	Cell Tower	\$33,500	\$34,200	\$34,900	\$35,600
	School -State/Fed Aid	\$494,668	\$502,088	\$509,619	\$517,264
	School Construction Aid (School Bond)		\$0	203,580	\$344,340
	Drug forfeiture	\$80,000	\$80,000	\$60,000	\$60,000
	Ambulance Reimbursement Fund (Comstar)		\$100,000	\$100,000	\$100,000
	Non-Property Tax	\$675,904	\$689,422	\$703,211	\$717,275
	Property Tax	\$10,153,414	\$10,815,675	\$11,546,765	\$11,826,532
	Town - State/Fed Aid	\$36,206	\$36,206	\$36,206	\$36,206
	Town - Other	\$35,000	\$35,700	\$36,414	\$37,142
	School - Medicare Reimbursement	\$9,474	\$0	\$0	\$0
	School Unrestricted Fund Appr (Capital)	\$700,000	\$100,000	\$0	\$0
	General Fund Appropriation	\$17,345	\$0	\$0	\$0
Total		\$12,235,511	\$12,393,291	\$13,230,695	\$13,674,359
Shortfall		\$0	\$0	\$0	\$0

NEXT STEPS

- Prepare budget inputs
- Strive to submit a budget request in line with that of last year
- Review capital plan and identify changes, especially for needs schedule
- Submit preliminary budget requests to the Budget Committee by 2/1
- Submit final forms and worksheet to Town Clerk/Town Council with copies to Business Manager by 3/1
- Tax base to be estimated in February; final by 4/30
- Budget Committee meeting schedule to be sent out and advertised