



Joint Meeting of the Town Council and School Committee
October 15, 2009

Fiscal Year 2011 Preliminary Budget Planning

"The Great Recession"

National Economy ¹

- Unemployment 9.8%
- Consumer confidence index 53.1 – above 90 means economy is on solid footing
- Median price for homes sold \$195,000 (August 2009), down from \$245,000 in 2006
- Total losses in stock market since peak in October 2007 \$6.6 trillion
- Federal funds rate 0.00% - 0.25%

¹ The Great Recession: The numbers tell the story By TIM PARADIS (AP) October 10, 2009

State Economy ²

- Tax collections for the 1st quarter 2010 are \$212 million short
- Local Aid cuts in FY10 are being considered
- FY10 state revenue shortfall could be as much as \$500 million
- August unemployment rate 9.1% ³

² Revenues fall short; mid-year cuts ahead, By John Robertson, MMA October 2, 2009

³ Commonwealth of Mass, Division of Unemployment Assistance, September 17, 2009

Local Economy

- August unemployment rate 7.2% ⁴
- Revenue contraction in all areas
- Declining property values
- Declining new building growth
- Tourism industry down

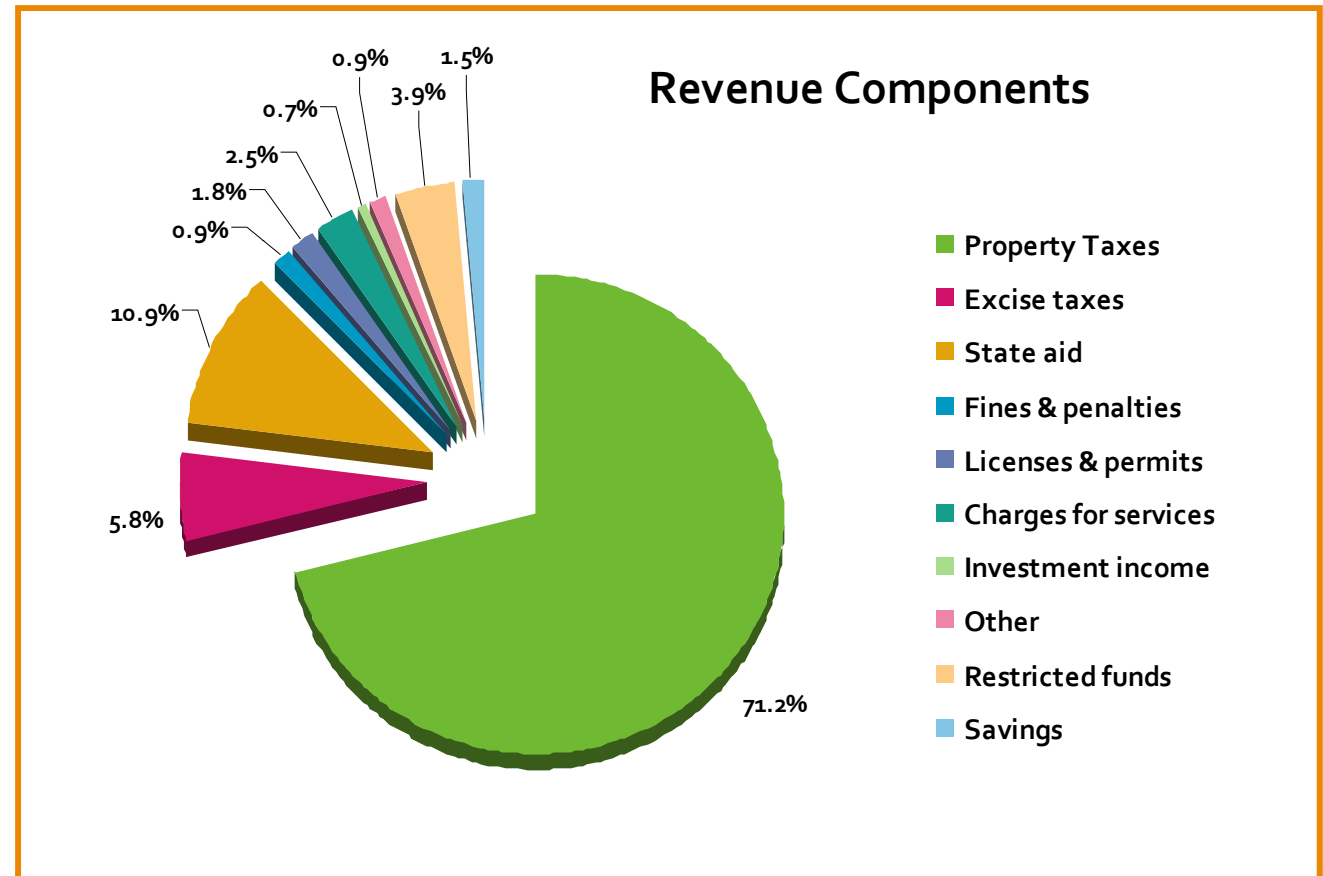
⁴ U.S. Bureau of Labor Statistics

<http://www.ecapechamber.com/cap-e-cod-chamber-tourism-statistics.asp>

FY 2010 General Fund Revenue Structure



	<u>Millions</u>
Property taxes (net)	\$90.7
Excise taxes	\$7.4
State aid	\$13.9*
Fines & penalties	\$1.2
Licenses & permits	\$2.3
Charges for services	\$3.2
Investment income	\$0.9
Other	\$1.1
Restricted funds	\$4.9
Savings	\$1.9
Total	\$127.5



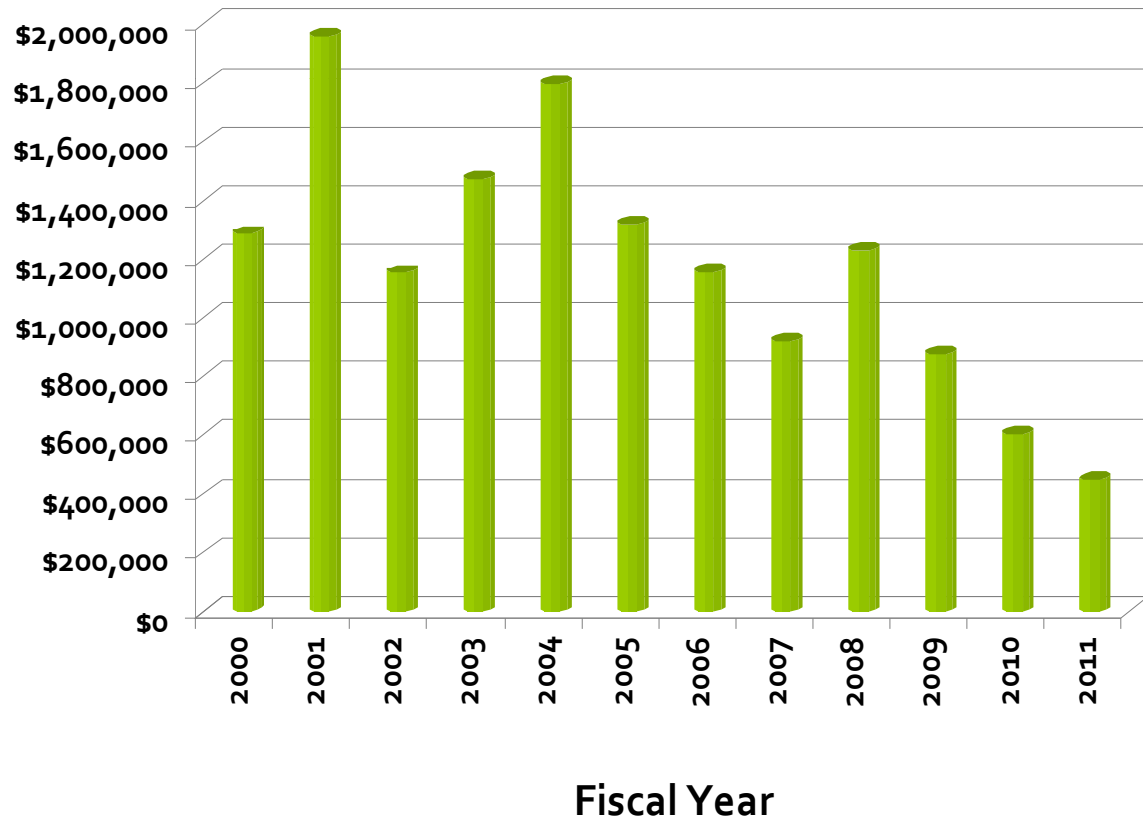
* Includes MSBA loan assistance of \$3.8 million.

New Property Tax Growth

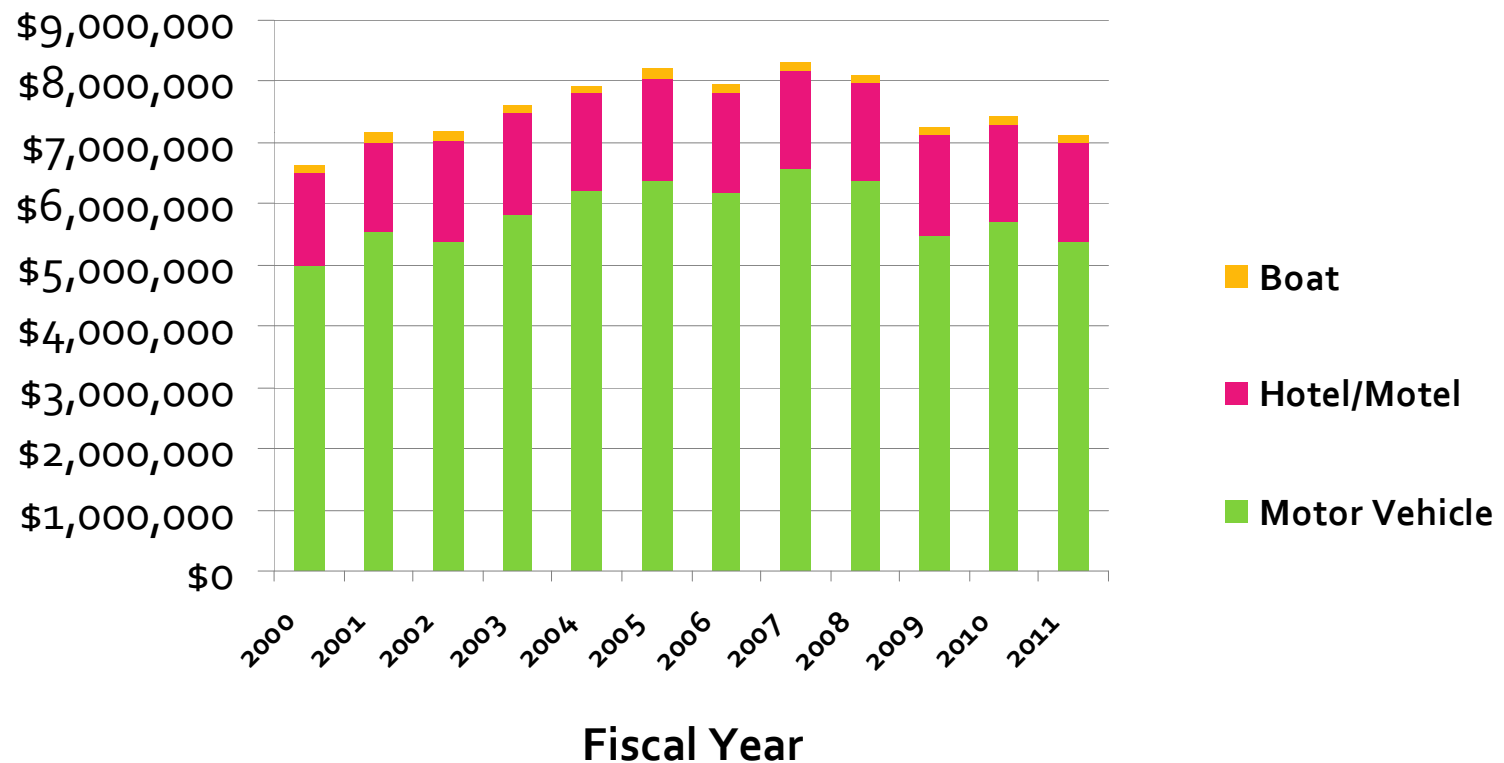


- ✓ New property tax growth is in a period of decline.
- ✓ Projection for FY10 is \$600,000.
- ✓ \$600,000 of new property tax growth = \$82 million in new value based on an FY09 single tax rate of \$6.12.
- ✓ Projection for FY11 is \$450,000

History of New Property Tax Growth

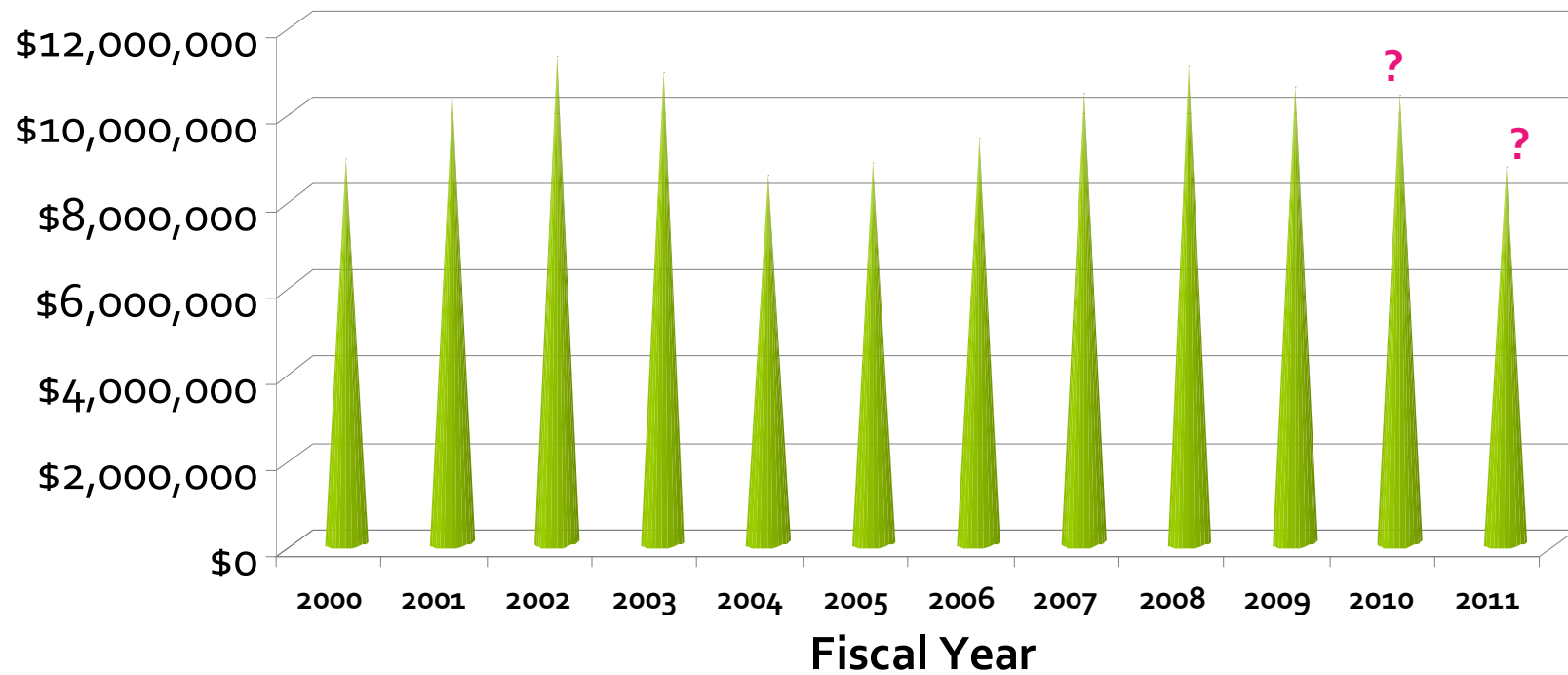


Excise Taxes



\$900,000 MVE revenue deficit in FY 2009

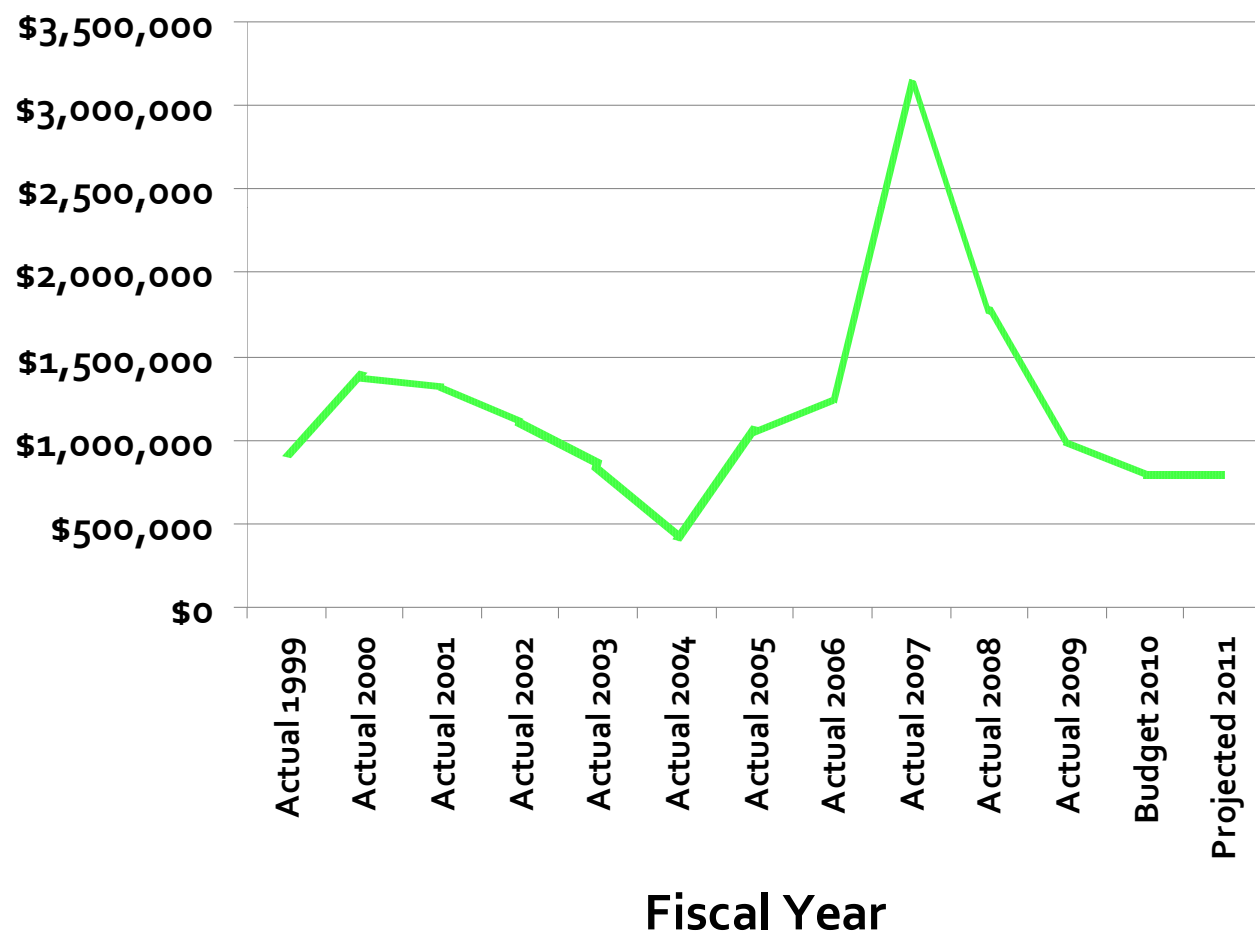
Local Aid



Does not include MSBA loan assistance.
\$1.2 million revenue deficit in FY 2009.

Investment Income

- ✓ 1st priority is safety
- ✓ 2nd priority is liquidity
- ✓ 3rd priority is yield
- ✓ \$124,000 revenue deficit in FY 2009



Fixed Costs



	FY 2010	FY 2011	Change
School assessments	\$4,300,290	\$4,452,569	\$152,279
Capital program	\$16,576,967	\$16,646,670	\$69,703
Insurance	\$1,346,888	\$1,300,000	(\$46,888)
Employee benefits	\$8,875,550	\$8,137,794	(\$737,756)
Libraries	\$1,473,565	\$1,425,000	(\$48,565)
S&C assessments	\$4,745,795	\$5,057,405	\$311,610
Other costs	\$226,631	\$229,482	\$2,851
Snow & ice	\$724,585	\$500,000	(\$224,585)
Total	\$38,270,271	\$37,748,920	(\$521,351)

FY 2011 Preliminary Revenue Allocation



	<u>FY 2010</u>	<u>FY2011</u>	<u>Change</u>
Total General Fund Revenue	\$127,476,519	\$126,392,760	(\$1,083,759)
Estimated Fixed Costs	(\$38,270,271)	(\$37,748,920)	(\$521,351)
Revenue available for operations	\$89,206,248	\$88,643,840	(\$562,408)
<u>Allocation:</u>			
Municipal	\$31,443,071	\$31,218,108	(\$224,963)
School	\$57,763,178	\$57,425,732	(\$337,446)

Preliminary Est. FY 2011 Level Service Costs



	<u>Municipal</u>	<u>School</u>
FY 2010 operating budget	\$31,443,071	\$57,763,178
Estimated level service increase	<u>\$961,200</u>	<u>\$1,432,933</u>
Level service budget	\$32,404,271	\$59,196,110
Revenue allocation:	<u>(\$31,218,108)</u>	<u>(\$57,425,732)</u>
Budget reductions needed to avoid using savings	\$1,186,163	\$1,770,378

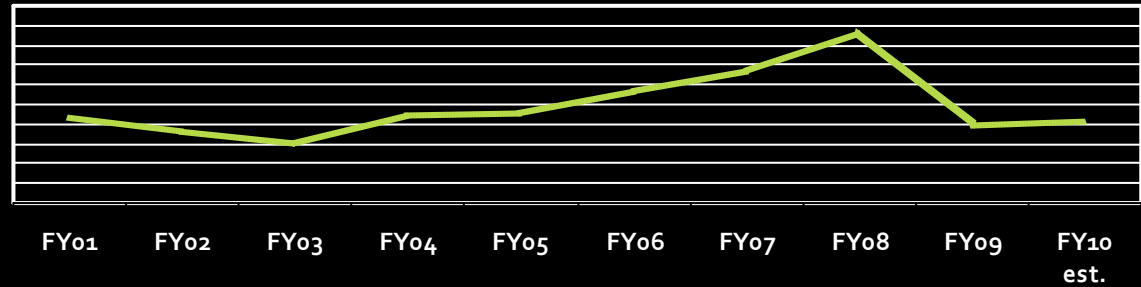
Savings Account

	Municipal	School	Council Reserve	Total
Beginning balance	\$1,645,739	\$1,448,341	\$4,838,650	\$7,932,730
Used to balance FY10 budget (snow & ice deficit, unemployment)	(\$940,000)	(\$990,000)		(\$1,930,000)
Subtotal	\$705,739	\$458,341	\$4,838,650	\$6,002,730
FY 2009 returned appropriations	\$2,051,712	\$864,458		\$2,916,170
FY 2009 CH70 revenue deficit		(\$814,460)		(\$814,460)
FY 2009 revenue surplus	\$118,224	\$177,336		\$295,560
Estimated savings account balances	\$2,875,675	\$685,675	\$4,838,650	\$8,400,000

Potential Draw on Savings in FY 2010

FY 2010 snow and ice deficit	\$700,000
FY 2011 unemployment	\$1,300,000
FY 2010 elections	\$120,000
FY 2010 state aid cuts	\$500,000
FY 2010 other revenue deficits	<u>\$500,000</u>
Total	\$3,120,000
Total balance	<u>\$3,561,350</u>
Remaining	\$441,350

10 Year History of Savings Account



Dept. of Rev. Certification Date	Beginning Balance	Used in Operations	Used in Capital Program	Generated	Ending Balance
July 1, 2000 (FY01)	\$8,796,786	(\$2,162,127)	(\$3,000,000)	\$3,755,841	\$7,390,500
July 1, 2001 (FY 02)	\$7,390,500	(\$3,438,258)	\$0	\$2,082,718	\$6,034,960
July 1, 2002 (FY03)	\$6,034,960	(\$2,003,554)	\$0	\$4,923,086	\$8,954,492
July 1, 2003 (FY 04)	\$8,954,492	(\$2,908,781)	\$0	\$3,075,360	\$9,121,071
July 1, 2004 (FY 05)	\$9,121,071	(\$3,641,549)	\$0	\$5,883,381	\$11,362,903
July 1, 2005 (FY 06)	\$11,362,903	(\$4,013,319)	(\$1,235,000)	\$7,326,981	\$13,441,565
July 1, 2006 (FY 07)	\$13,441,565	(\$3,577,630)	(\$2,235,000)	\$9,692,548	\$17,321,483
July 1, 2007 (FY 08)	\$17,321,483	(\$6,390,369)	(\$4,500,000)	\$1,501,616	\$7,932,730
July 1, 2008 (FY 09)	\$7,932,730	(\$1,930,000)	\$0	\$2,397,270	\$8,400,000
July 1, 2009 (FY 10)	\$8,400,000	TBD		TBD	\$8,400,000
		(\$30,065,587)	(\$10,970,000)	\$40,638,801	

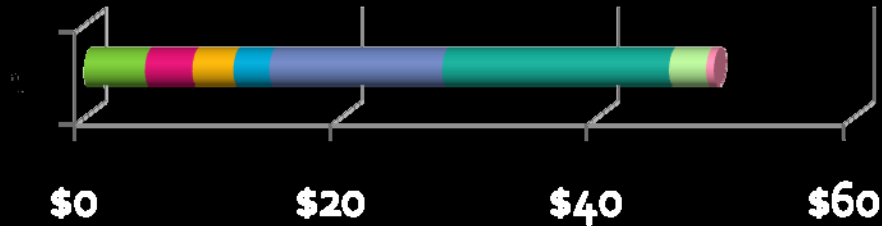
General Fund Projected Capital Program



Stated in Thousands

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Public Roads (Cash)	\$3,250	\$3,250	\$3,250	\$3,250	\$3,250	\$3,250
Bond Financing	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Operating capital	\$677	\$677	\$677	\$677	\$677	\$677
Total	\$5,927	\$5,927	\$5,927	\$5,927	\$5,927	\$5,927

Reserves



<u>Reserve</u>		
Description	Amount	Restricted/Designated For:
Council 4% policy reserve	\$4,838,650	Extraordinary & unforeseen events; working capital; new program initiation
Savings account	\$3,561,350	Capital improvements, one-time operating costs, current year revenue deficits
Reserve for A&E	\$3,165,538	Outstanding abatements & uncollectible receivables
Sale of Real Estate	\$2,834,489	Municipal and school facility renovations
Capital Trust Fund	\$13,530,478	Currently identified capital needs in excess of \$100 million
Enterprise Funds	\$17,696,234	Currently identified capital needs in excess of \$100 million and fee mitigation
Pension Trust	\$2,851,534	Pension liability in excess of plan assets - \$64 million
Insurance Trust	\$645,943	OPEB liability = \$159 million