

TOWN *of* SHERBORN FINANCIAL STORY

Trying to Stay Above Water

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October 10, 2013

Financial Story



Chapter 1: Financial Picture & Challenges

Chapter 2: Trends

Chapter 3: Considerations & Summary

Chapter 1



Financial Picture & Challenges

Education



- Education is the largest piece of the Town's budget (nearly 70%) and increases at a faster rate than Non-education components.
- Education spending continues to grow at a faster rate than revenue.
- Public support and demand for quality education remains high.
- Overall General Fund expenditure per capita is nearly twice the state average. *(Source: DOR, 2010)*
- Per capita spending on Education is one of the highest in the state.

Town Government



- Departmental service delivery commitments are challenged.
- Staffing is limited, with very few F/T professional positions.
- Most Town Offices open only 4 - half days each week.
- Town public safety departments (PD, FD, CM&D) doing more for other departments, such as Cemeteries, Library, Recreation, and Schools, than ever before.
- Departments scrutinize General Fund expenditures to look for opportunities to shift costs to other departments that have other additional funding sources.

Demographics



- Sherborn is commonly seen as one of the most expensive communities in the Commonwealth due to its high tax rate and property values.
(Source: DOR)
- Aging population is struggling to stay in Sherborn:
 - Property values fluctuate with a steadily increasing tax burden.
 - About half of the households are on a fixed income.
 - No signs of tax relief in the near future.
- There is an increasing demand from all residents for higher quality services.
- Sherborn employees have survived the Great Recession well, with virtually no unemployment and very little turnover, unlike many residents.

Challenges



- Tax rate is very high, budget is very tight, and there is a continuing reliance on the use of Free Cash.
- Board of Selectmen and the Advisory Committee have avoided an operating override -- an unpopular last resort to close a budget gap.
- Employee health insurance and retirement are the most costly benefits, increase steadily, absorb more and more of the budget, and the related unfunded liabilities will have a crushing impact.
- Significant pressure to find valuable efficiencies and new sources of revenue, but very few options result in a positive financial impact on the average household, or that do not sacrifice Sherborn's rural character.

Chapter 2



Trends

Trends

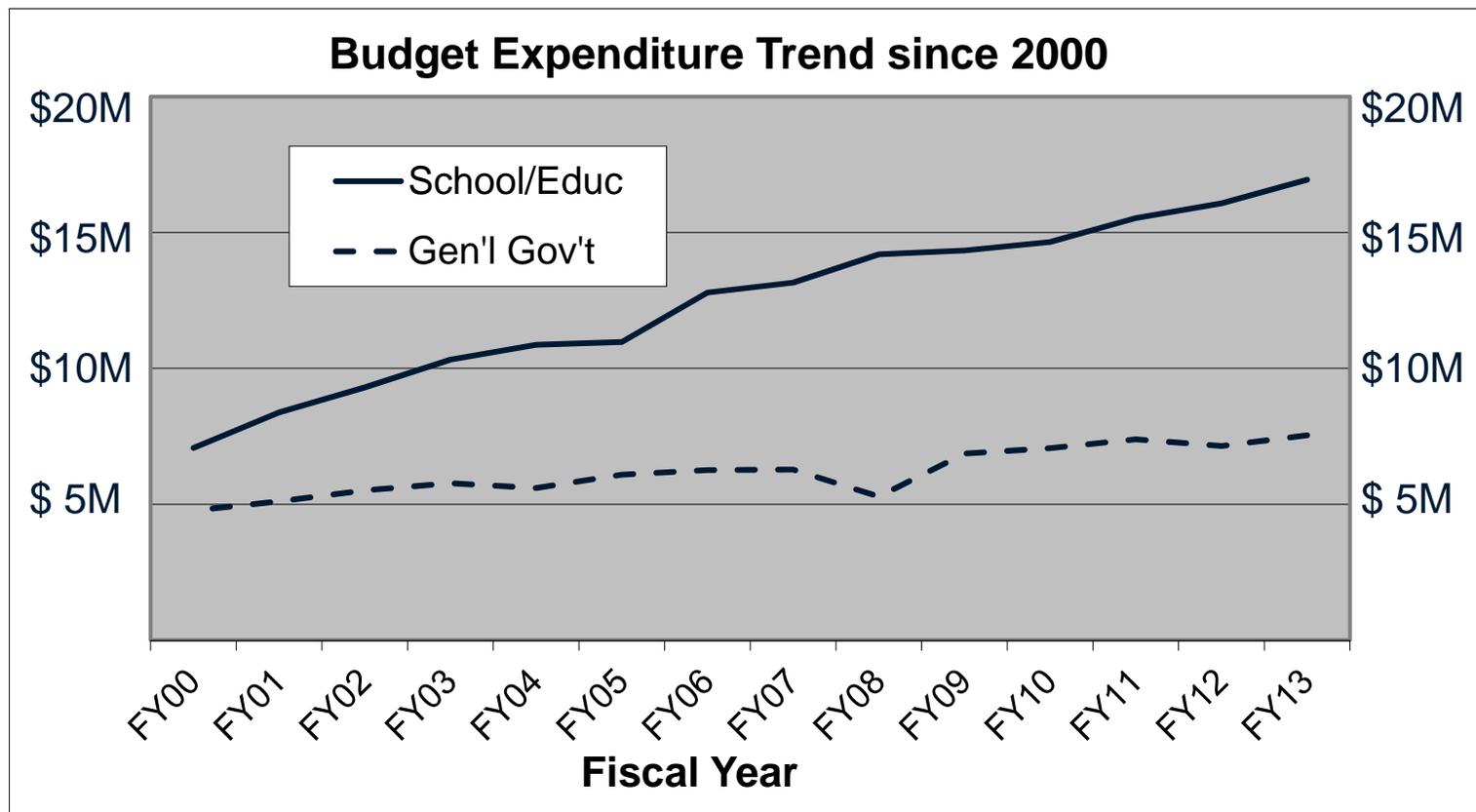


- **School budget has risen more than 115% since 2000.**
- **School expenditures increase at a greater rate than Town.**
- **Schools utilize an increasing portion of annual budget.**
- **Revenue and expense variables cause future uncertainty.**



Budget Expenditure Trends

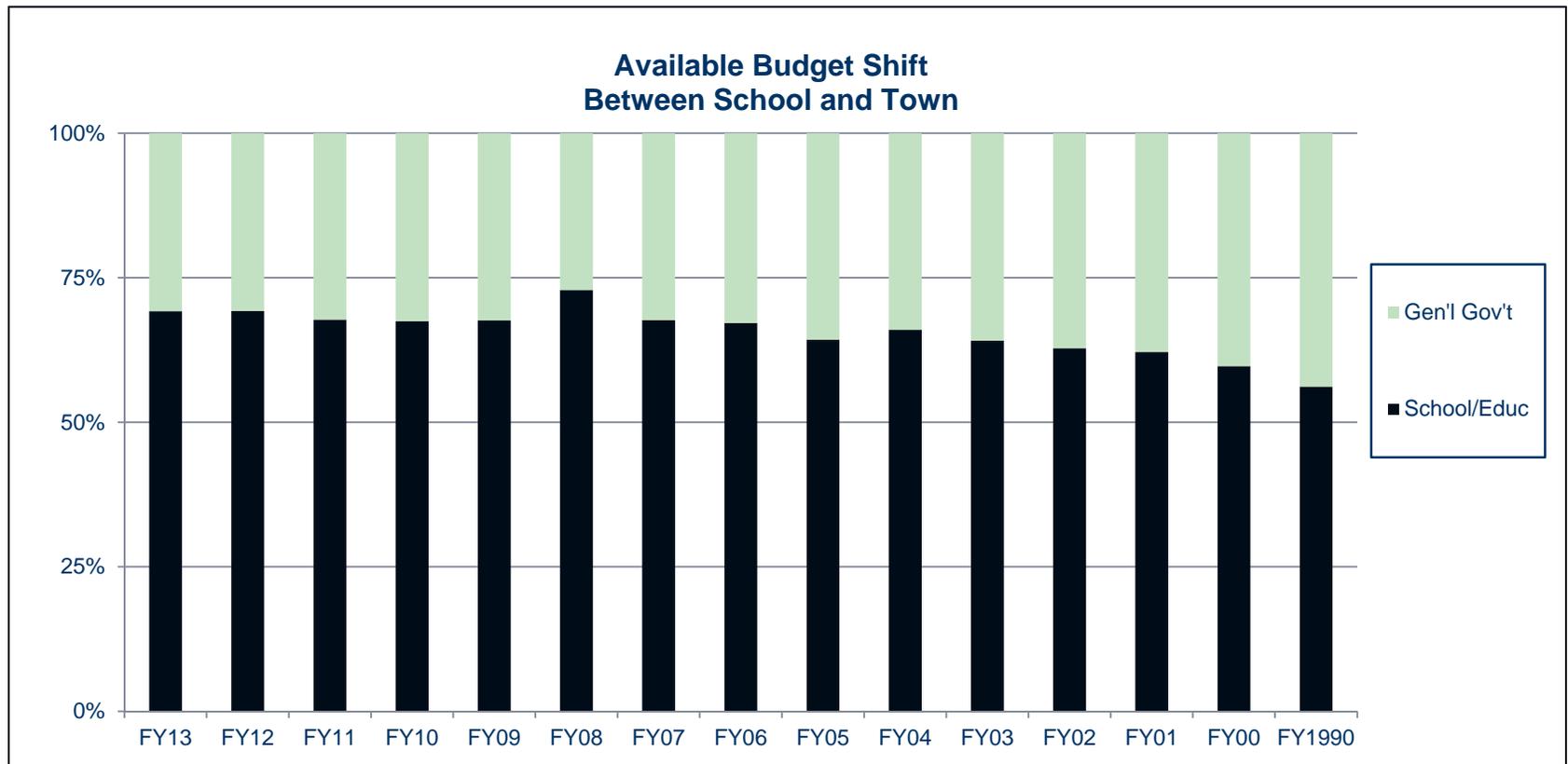
School expenditures increase at a greater rate than Town



School Budget vs. Town Budget Trends

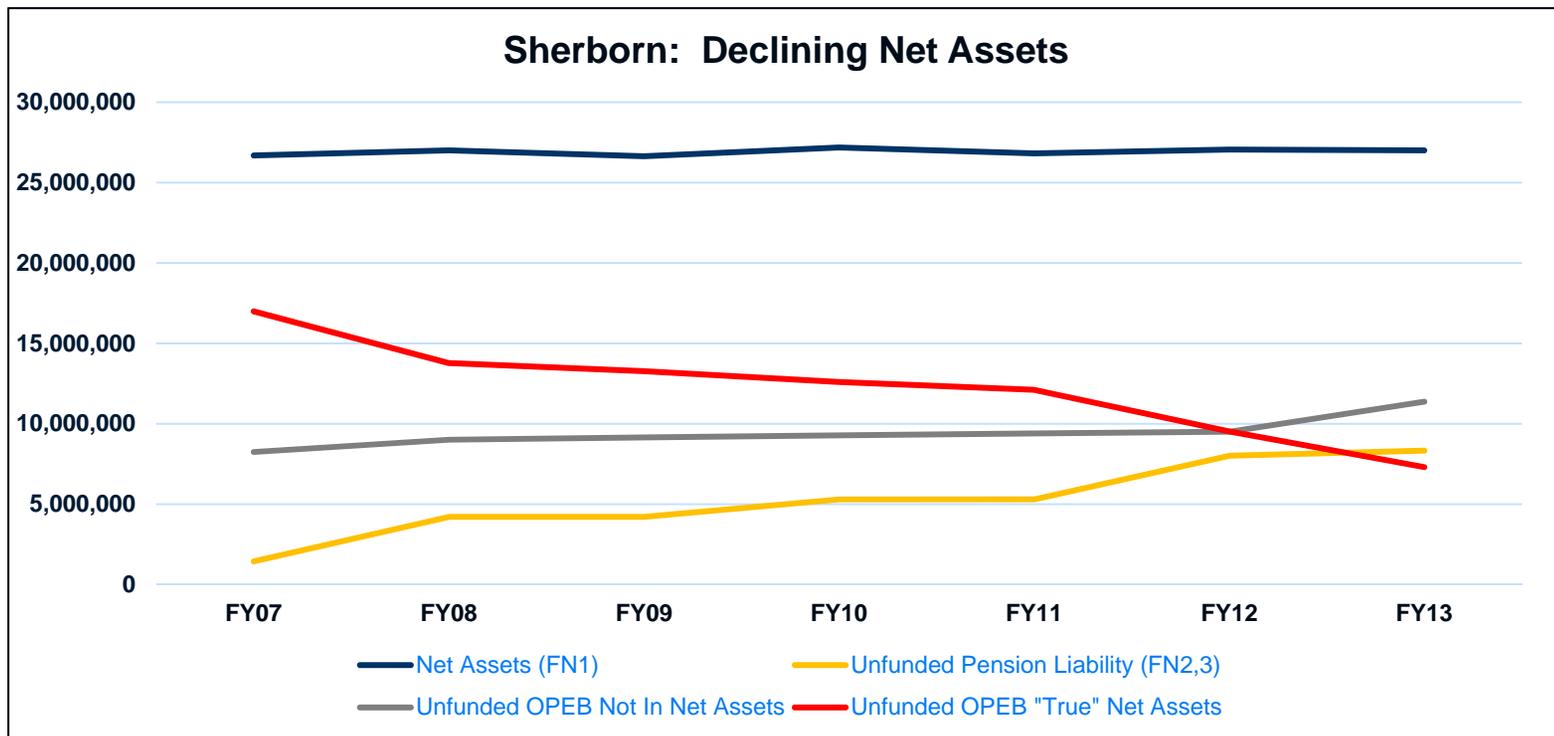


The School/Town budget split shifts to favor the Schools by 1% more each year.





Declining Net Assets



Footnotes

- 1 - Does not include Sherborn's portion of the Region.
 - 2 - Does not include MTRS Unfunded Pension Liability for Pine Hill and Region Schools.
 - 3 - For 12/31/12, State contributed \$1.042M to MTRS on behalf of Sherborn teachers.
- | | |
|---------------------|-----------------|
| Pine Hill: \$1.042M | Region: \$3.33M |
|---------------------|-----------------|

Revenue & Expense Variables Cause Future Uncertainty



- Financial Assessments
 - *Cherry Sheet, Regional and Voc. Schools*
- State Aid
 - *Education Ch.70, Roads Ch. 90, Veterans*
- New Budget and Capital Requests
- Out of District SPED funding
- Debt Exclusion Outcome
- Unsettled Labor Contracts

Chapter 3



Considerations & Summary



Steps Taken by Town to Reduce Costs

- Budget and salary increases are limited to 1%
- Inadequately funding:
 - Reserves*
 - OPEB Liability*
 - Pension Liability*
 - Capital Items*
 - Facility Maintenance*
 - Information Technology*
 - Road Maintenance*
 - Infrastructure Improvements*
- Town offering 'Rate Saver' health insurance plans with higher co-pays and tiering of hospitals and doctors
- Hiring freeze on all P/T benefitted positions, with positions limited to less than 20 hours where possible
- Reviewing new fees and increase existing fees



More Steps to Consider to Reduce Costs and Tax Burden

- Force reduction of available funding by:
 1. Passing an “Underride” - a temporary reduction in the amount of taxes that can be levied; or,
 2. Passing a self-imposed “Expenditure Limitation” that holds expenditure increases to the prior year CPI-U.
- Reduce or eliminate staff, benefits (plan design), or services.
- Explore employees paying greater share of health insurance, or implementing a separate plan for new employees.
- Obtain independent financial analysis of joining the Group Insurance Commission (GIC) health insurance program.
- Pursue regional solutions, grants, and more privatizing.



Summary

- Without limiting salary and expense increases to 1% annually, budget projections through FY2017 project an increasing, annual budget shortfall.
- Education spending per capita is the highest in the Commonwealth, with 70% of each tax bill going towards Education, and increasing at a rate faster than inflation.
- Demand for Non-education services is high and underfunded.
- Households on fixed incomes are struggling to stay in Sherborn.
- The Town's future is being seriously under-funded due to budget capacity and competing priorities.