TOWN of SHERBORN
FINANCIAL STORY

Trying to Stay Above Water

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Financial Story

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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

![Budget Expenditure Trend since 2000]

- **School/Educ**
- **Gen'l Gov't**
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.