



Town of Shrewsbury, Massachusetts

Financial Workshop II

January 14, 2014



Review

- In the Board's first session, I reported that:
 - The Town continues to enjoy an overall fragile financial stability and has weathered the 2008 fiscal crisis and ensuing recession successfully.
- ...and I proposed two questions:
 - To what affect?
 - How will we weather the recovery?

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Fragile Financial Stability

- Moody's last week affirmed the Town's Aa2 rating stating:
“The Aa2 rating reflects the town's satisfactory financial position, which is expected to remain stable with improved reserves and despite annual appropriations. In addition, the rating incorporates the town's sizeable and affluent tax base, and modest debt profile with average principal amortization.”

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- The rating cites:

STRENGTHS

- Sizeable, affluent tax base
- Adequate reserve levels

CHALLENGES

- Significant long-term liabilities for pension and OPEB
- Annual appropriations of free cash to supplement budget

- Thus the “Fragile Stability” I spoke of

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To What Affect?

- Departments under great pressure with cracks showing.
- Large class sizes that many find very problematic.
- Diminished reserves.
- While major public facilities and public works have been addressed, life cycle replacement/maintenance has not occurred.

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Life Cycle Replacement/Maintenance

- We now have a situation where each year the water and sewer utilities generate a sum of money above yearly O&M that is put back into the systems.
- For the time being, current Chapter 90 funding (\$986,194) from the Commonwealth is sufficient to keep our roadway system from falling behind provided we continue current practices. The same cannot be said for sidewalks and drainage.

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- We have no such revenue stream to address vehicle replacement, building repair and refurbishment and highway repairs.
 - Capital budget should be \$500,000/year to handle rolling stock and large equipment purchase (FY 2014 - \$187,000)
 - Buildings & Grounds should have a large project budget of \$650,000/year to do ongoing repair and refurbishment (FY 2014- \$241,000)
 - There should be a Highway capital budget of \$500,000/year to handle sidewalks & drainage and to supplement the Chapter 90 allocation & road improvements (FY 2014 - \$150,000)

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The Recovery?

- I see no help from Boston or Washington for regulatory relief.
- I see minimal increases in State Aid.
- There are limited opportunities for additional actions to further reduce cost structures.
- While we have excellent prospects pending for commercial/industrial expansion growth alone does not solve the situation.

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History of Cost Reductions

- Since FY 1998 (47.5% increase in population 1990 to 2010 US Census), the various municipal departments are (-10) FTE's which is reached as follows:

Police	+10 FTE's
Fire	+ 4 FTE's
All Others	- 24 FTE's (18% of workforce)
Total (205 FTE's)	- 10 FTE's

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How Was This Achieved?

- Consolidation/elimination of positions upon attrition.
- Contracting building cleaning, maintenance, mowing, sanding, administrative services, public health, veterans services, etc.
- Equipment & Technology.

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Cost Structures

- Since FY 2000, work has been ongoing regarding costs structures focusing on health insurance and pensions.
- The Town's health insurance program has been transformed since FY 2000 with the excellent assistance of our employees and retirees.
- A number of positions have been altered to make them benefit ineligible.

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Growing Our Tax Base

- Efforts towards non residential growth are ongoing and paramount but a realistic appraisal is in order.
- There are very severe challenges that must be recognized involving opportunity and result.

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- Opportunity is limited by
 - Low tax rate
 - Scarcity of land
 - Water & Sewer capacity via regulatory edict
- If you take all of the commercial and industrial new growth in Shrewsbury since 2000, it totals \$112.1 Million. Another example is if you take Northborough Crossing (less Avalon – 111 acres) it is valued at \$108.1 Million.

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Illustrative Example

How to Raise \$5 Million on the Tax Levy Via \$100 Million in New Growth

Community	Tax Rate	Taxes	Variance to Shrewsbury	Number of \$100 Million Projects to Get to \$5 Million
Shrewsbury	\$12.17	\$1,217,000		4.11
Northborough	\$16.59	\$1,659,000	\$442,000	3.01
Westborough	\$19.29	\$1,929,000	\$712,000	2.59
Grafton	\$15.26	\$1,526,000	\$309,000	3.28
Worcester (No TIF)	\$30.83	\$3,083,000	\$1,866,000	1.62

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Zoning is current as of October 21, 2013



Prepared by the Town of Shrewsbury Engineering Dept.
December 23, 2013

- Parcels within a Non-Residential Zone
- Residential Districts shaded
- Non-Residential Zoning Line

**Parcels within Non-Residential
Zoning Districts**
Shrewsbury, MA – December 2013



Trends to Consider

- School enrollment is not going down anytime soon. We are at 6,000+ for at least through 2022.
- Are we seeing the beginning of another growth spurt of single family housing (80 single family in 2013 versus 47 in 2012)?

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Closing

- We are at our levy limit. This has been the rule rather than the exception starting in FY 2005 (FY 2004 excess capacity was \$832,000; in FY 1999 it was \$1.5 Million).
- The levy limit for FY 2015 will be \$54.475 Million plus exempted debt an increase of \$1,328,652 plus new growth of \$650,000.

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- That means we have at the moment \$2± Million to meet the needs of the community in FY 2015 assuming level net state aid and the ability to use the same amount of reserves used in FY 2014.
- A 10% increase in unclassified is worth \$1,103,000. That leaves \$900,000 for all municipal departments.

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Questions

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