Town of Marblehead

FY 2013

Financial

Outlook

Overview – FY13

While the Town enters the FY13 budget process in the black, it still faces 4 significant unresolved issues that could further impact the FY13 budget process. These are:

- Resolution of the FY13 State Budget and the impact on state aid.
- All collective bargaining agreements expire at end of FY12.
- The anticipated increase in the rates for the Town's health insurance plans.
- Charter School enrollment from Marblehead.

Positive Factors

- Free Cash will be higher than a year ago due to:
  - No deficits; strong budget oversight; & appropriate revenue estimates.
- Town's Bond Rating reaffirmed at AAA this past August by S&P. Helps with borrowing costs but must maintain this rating.
  - (1 of only 23 Massachusetts communities with S&P's highest rating).

FY 13 Budget Assumptions

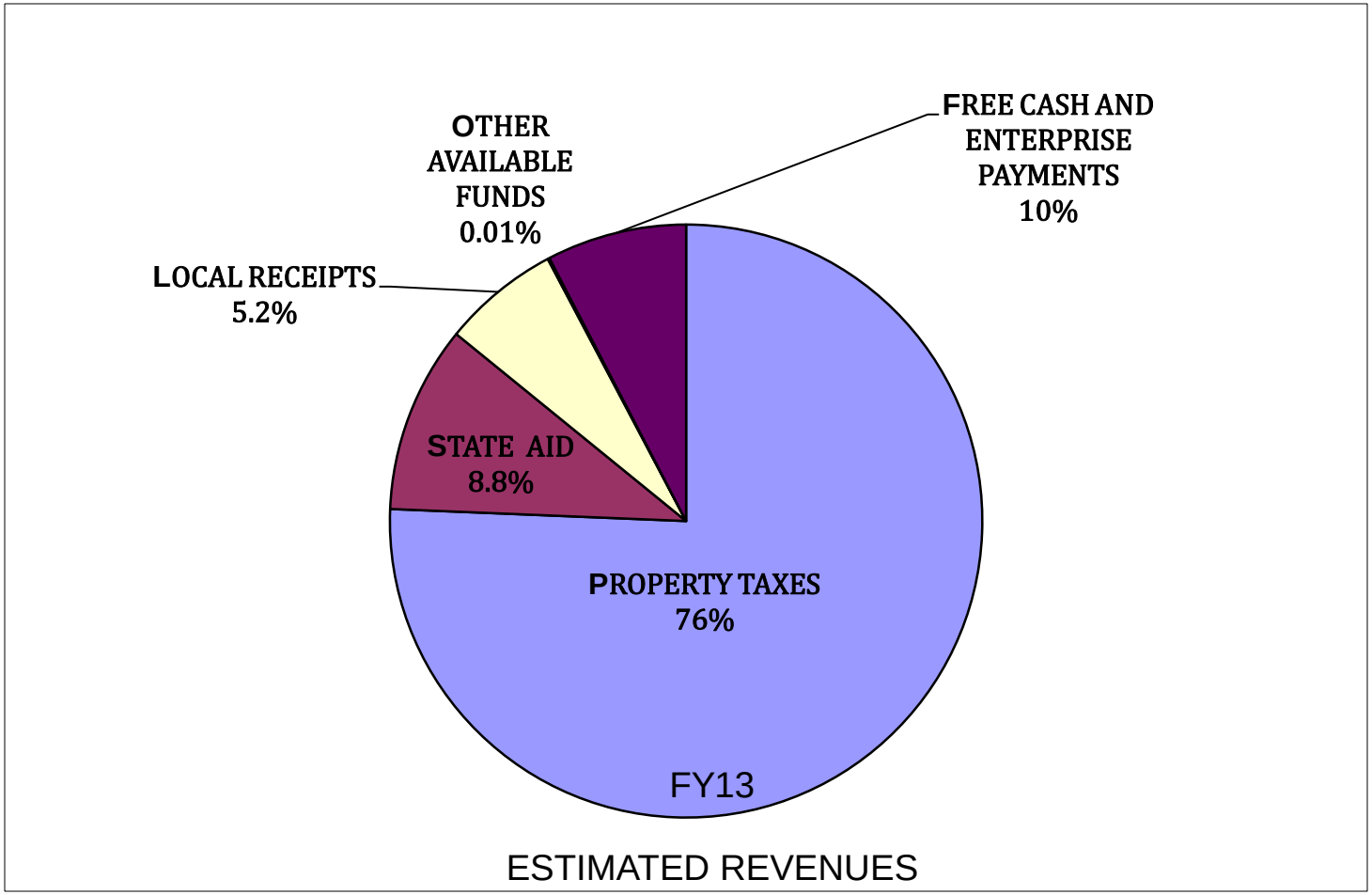
Key FY13 Budget Assumptions:

- 4% reduction in State Aid & 6% reduction in estimated local receipts
- Property Tax Levy Increases 2 ½ % plus projected new growth
- Health Insurance rates projected to increase 12 %
- Assumes a Charter enrollment of 185 Marblehead students
- Existing Contractual Obligations funded
- Expense Budgets level funded

Projected FY13 Revenue

Property Taxes	50,454,314
Estimated State Aid	5,841,258
Local Estimated Receipts	3,431,470
Free Cash & Enterprise Payments	6,623,033
Other Available Funds	56,000
Total Estimated Revenues	66,406,076

Revenue Sources for FY13 Budget



FY13 Property Tax Revenue

- Current FY12 Tax Levy Limit Before Capital & Debt Exclusions
- Plus - 2 ½ %
- Plus - Projected New Growth (down from past)
- FY13 Tax Levy Limit Before Capital & Debt Exclusions

	48,931,038
1,223,276	
300,000	
	50,454,314

Focus on State Aid

- FY09 was the high point for the Town's net state aid revenue.
  - (net state aid = total state aid less total state assessments)
- Since then the town's net state aid has been reduced each year compared to the previous year. Since FY09, the town has seen its net state aid reduced by almost $1.5 million from the FY09 level.
- This represents a reduction of almost 29%.
- This has been caused by reductions in state aid & increases in charter school assessments.

Continued Caution with Local Receipts

- Local Receipts reached a high point in FY08. Since then local receipts have been down approximately 15%. This translates to over $900,000 less in local receipts collected in FY11 than in FY08.

- Approximately half of Local Receipts come from Motor Vehicle Excise Taxes. Auto Excise collections were down in four of the last five fiscal years. Since FY06, Motor Vehicle Excise Tax revenues have declined approximately 9%; however the rate of decline has stabilized over the past year.

- Bank & MMDT Interest on deposits is down over 76% or almost $750,000 between FY08 & FY11 due primarily to the continued low interest rate environment.

- We began reducing our estimated local receipts in the budget process over the past few years. These reductions in our estimates have been well advised and have resulted in a more realistic range for this revenue source. In FY13 we reduce the estimate for this revenue category by an additional 6%.

Focus on Investment Income

Investment Income (Interest on Deposits)					
			Inc/Dec		
Year		Total Earned	Prior Year	Percent Change	
FY06		470,734			
FY07		778,240	307,506	65.32%	
FY08		974,340	196,099	25.20%	
FY09		597,142	-377,197	-38.71%	
FY10		283,581	-313,561	-52.51%	
FY11		225,757	- 57,824	-20.39%	

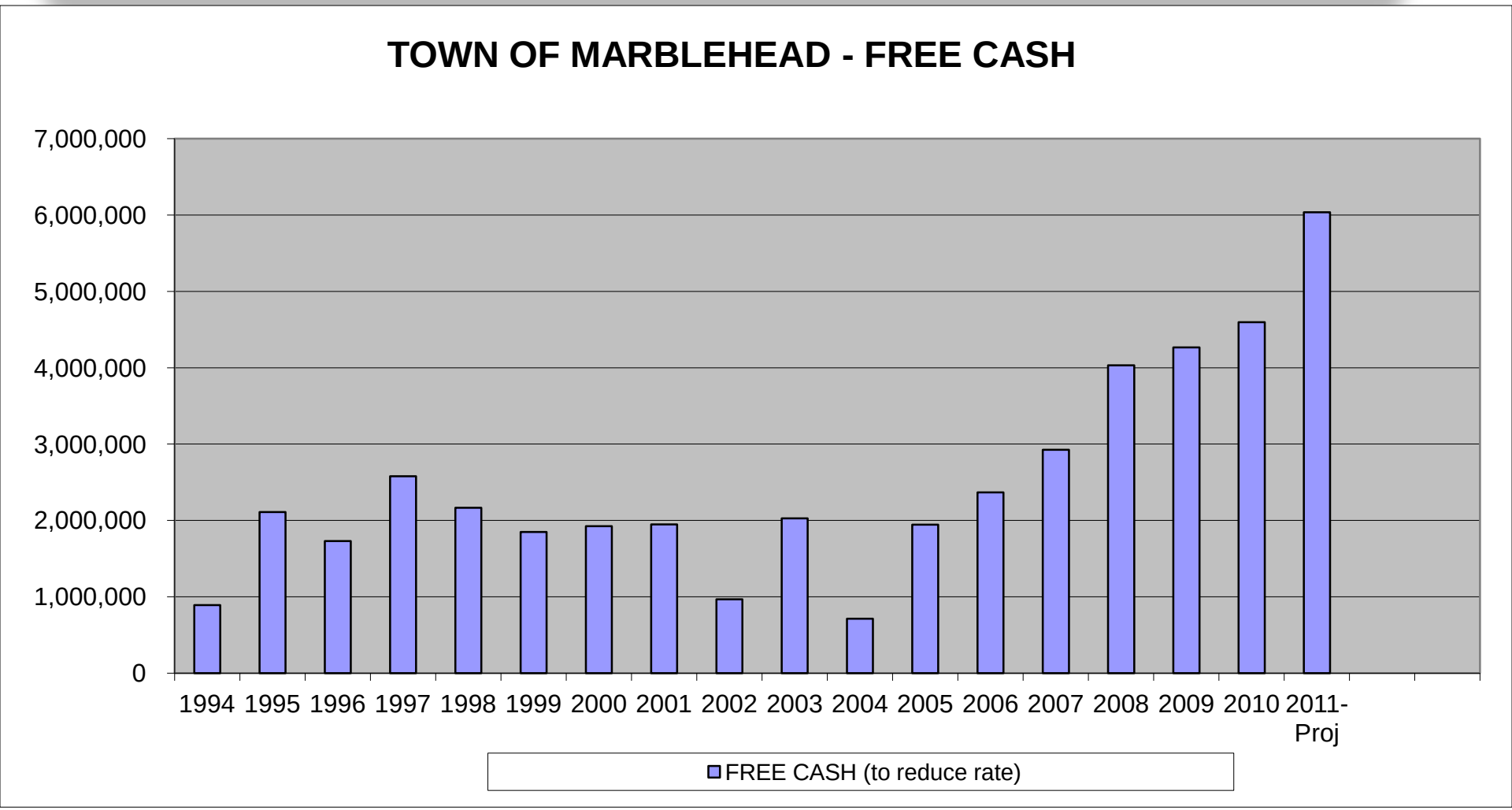
Focus on Medicaid Reimbursement

Percent Change FY07 - 11	-48.9%

Medicaid Reimbursement

Year	Total Collected	Inc/Dec Prior Year	Percent Change
FY07	179,921		
FY08	205,626	25,705	14.3%
FY09	236,095	30,469	14.8%
FY10	100,330	-135,765	-57.5%
FY11	91,814	- 8,516	-8.5%

Historical Levels - Free Cash



Estimated FY12 Spending

Projected FY13 Budget Appropriations	62,706,512
Other State Charges (i.e.-MBTA)	535,648
Charter School Tuition Assessment	2,099,805
State Offsets (from State Aid)	23,487
Potential Deficits (Snow & Ice)	350,000
Overlay (potential abatements & exemptions)	500,000
Total Amount Needed for FY13	66,215,453

Energy Reserve

- FY13 will be the seventh year. First six years have been a success in terms of stabilizing strain on departmental budgets
- Must look at risks looking ahead 12 months from now.
- Takes one of the most volatile costs out of departmental expense budgets
- Based on past experience don't need to increase this reserve in FY13 for the 2nd year in a row.

Energy Reserve Use

Fiscal Year	Total Energy Reserve Spending				Percent Change From prior Fiscal Year
FY07	$175,618				N/A
FY08	$249,225				42%
FY09	$293,493				18%
FY10	$233,069				-21%
FY11	$361,953				55%
Total FY07-FY11					106%

Charter School Assessments

Fiscal Year	State Assessment Of Chapter 70 School Aid	State Reimbursement	Net State Assessment Of Chapter 70 School Aid	Net Assessment Increase Over Prior Year	Net % inc	MHD CS Enroll
FY09	959,530	198,599	760,931			93
FY10	1,228,018	416,565	811,453	50,522	6.6%	119
FY11	1,670,915	738,655	932,260	120,807	14.9%	155
FY12	1,873,756	503,512	1,370,244	437,984	47.0%	170
Increase FY09 - FY12	914,226	304,913		609,313	80.1%	77

Health Care Costs

- The Town has made significant improvements since FY06 when we had $1.9 million deficit (when self-insured).
- Important factors to remember:
  - The Town is now premium based (since 7-1-08) and not self insured like it had been for years (reducing our risk)
  - Plan design changes agreed to thru the collective bargaining process have stabilized and reduced costs further
  - Approximately $2.4 million was saved between FY09 & 10 by going from self-insured to fully-insured approach.
  - An additional $2.95 million was saved in FY11 due to both plan design changes (approximately $1 million of the savings) & the fully insured approach (the remaining $1.95 million in savings).
  - Based on current budget projections, an additional $6.78 million will be saved in FY12 & 13 from a combination of plan design changes and being fully insured, bringing the 5 year savings total to approximately $12.1 million.

Health Plan Savings FY09-12

Fiscal Year		Self-Funded Health Insurance		MIIA Fully Insured Health Insurance	Difference (Savings)
FY08*		9,124,659			
FY09		10,051,758		9,326,348	725,410
FY10		11,512,672		9,805,242	1,707,430
FY11		13,192,722		10,240,104	2,952,618
FY12		14,341,808		11,105,711	3,236,097
FY13		16,062,825		12,514,442	3,548,383
5 yr Totals FY09-13		65,161,785		52,991,847	12,169,938
*** FY08 was**	**the**	**last year the town**	**was**	**self-insured.**	

Conclusion

In conclusion our recommended budget guidelines will produce a balanced budget for FY13, but need to remember the following:

1. State Aid needs to be monitored closely through the State Budget Process to ensure our estimates are conservative enough.
2. Actual Increase in Health Insurance Rates should be known prior to Town Meeting.
3. The goal in this budget process is to maintain the current level of service and the current labor force, but this all needs to be done in the context of a balanced budget
4. It's critical that FY13 Budget Decisions also be made with an evaluation of how these decisions effect the Town's FY14 Finances and beyond.
5. If current FY13 revenue estimates need to change due to circumstances beyond our control, all departmental budgets will have to be reopened and new budget guidelines will be required.