

**TOWN OF WESTERLY  
BOARD OF FINANCE  
RECOMMENDED BUDGET**

presentation to the  
Town Council

Tuesday, April 04, 2017

# BUDGETARY THEME

#1 PRIORITY:  
FINANCIAL STABILITY

# BUDGETARY THEMES

## Last Year's Budgetary Themes:

- Safety
- Building a Foundation
- Staffing
- Organization

# BUDGETARY THEMES

## This Year:

- **Financial Stability**
  - Fully funding our obligations
- **Increased Transparency**
  - Complete transition to enterprise funds (Animal Shelter & Sanitation)
  - Complete separation of employer-contributed retirement obligations
  - Transparent general fund (tax payer) contributions to enterprise funds

# FINANCIAL STABILITY

# REVELATIONS

## **Moody's Bond Rating – DOWNGRADED**

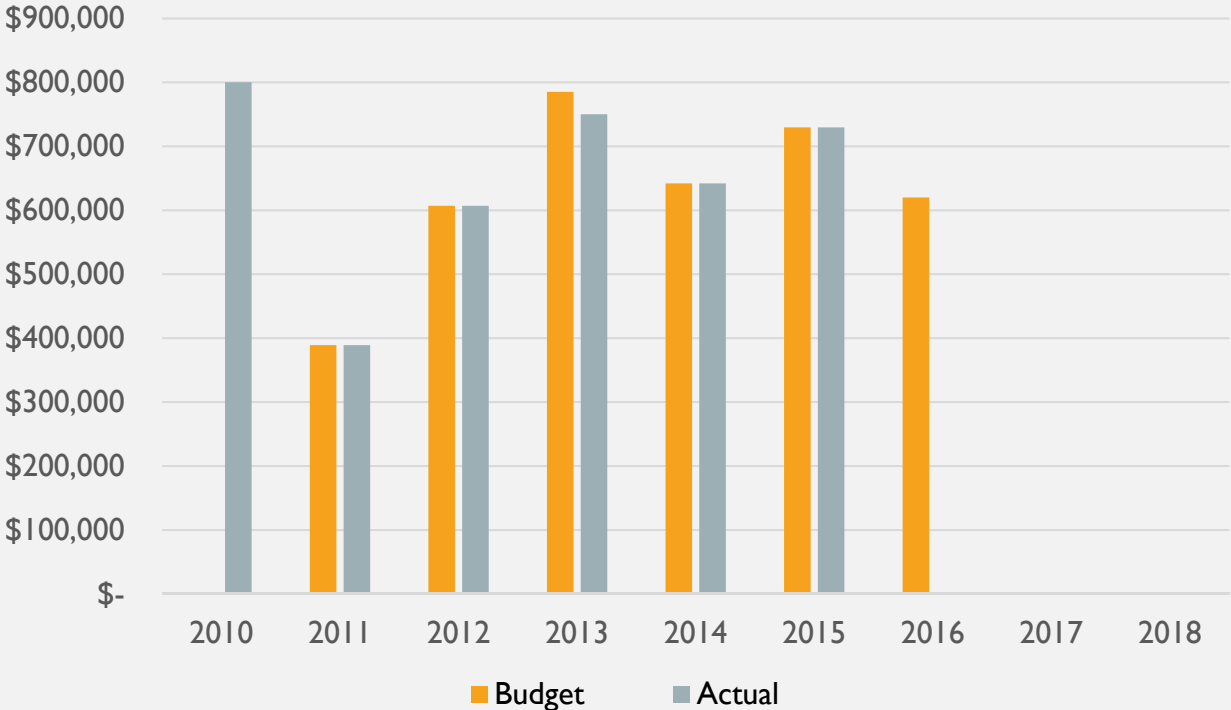
Aa2 to Aa3

### Reasoning:

- Continued reliance and use of fund balance
- Modest liquidity
- Above average debt burden
- Police pension and OPEB obligations
- Employee benefits and obligations

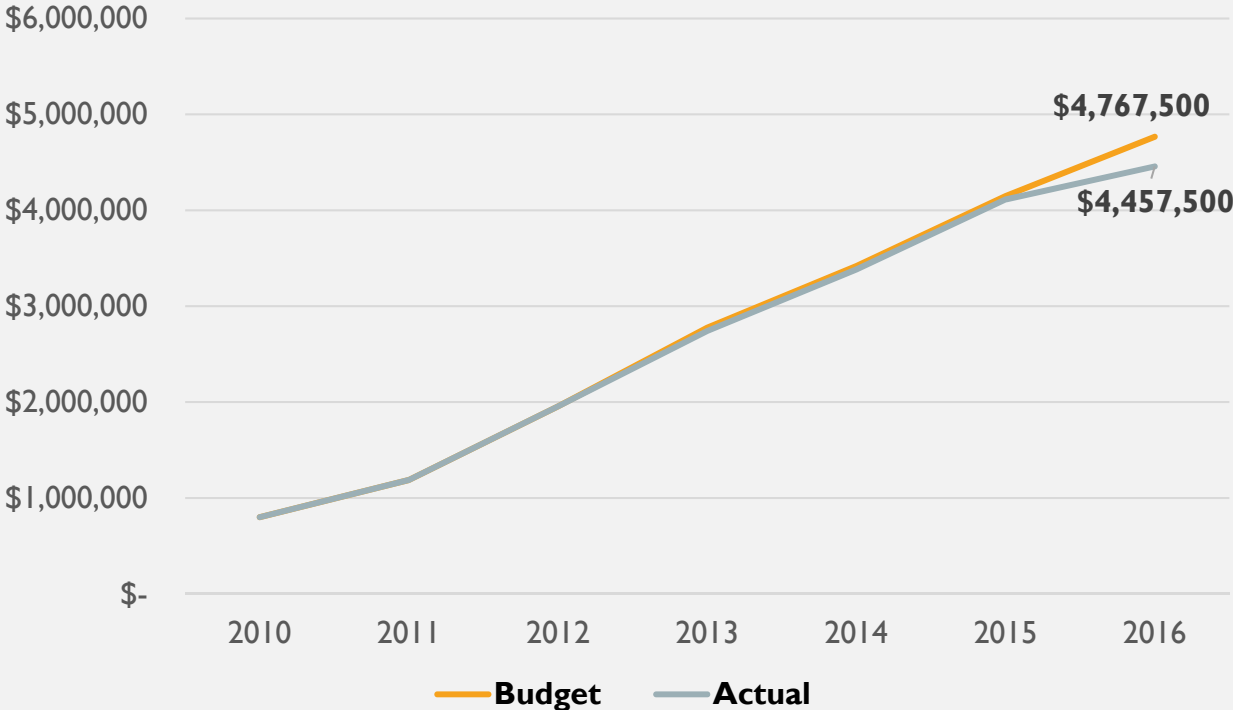
# REVELATIONS

## Reliance on Fund Balance



# REVELATIONS

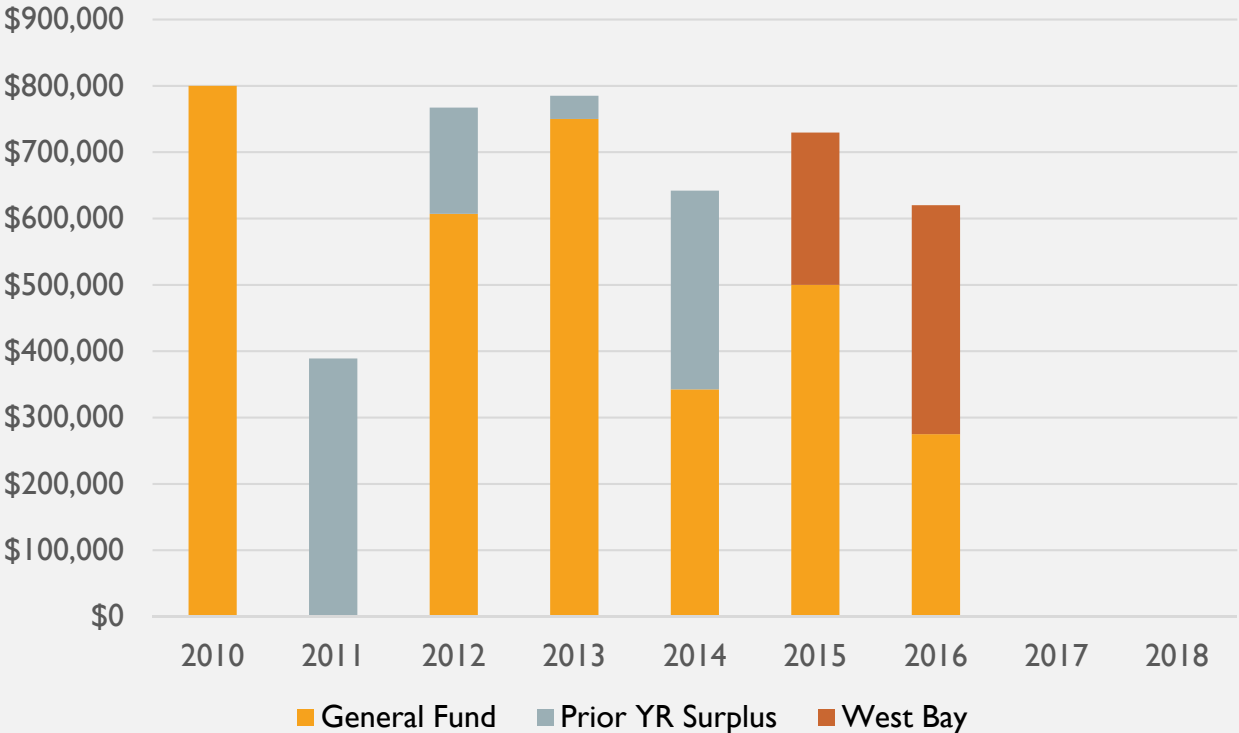
## Cumulative Reliance on Fund Balance





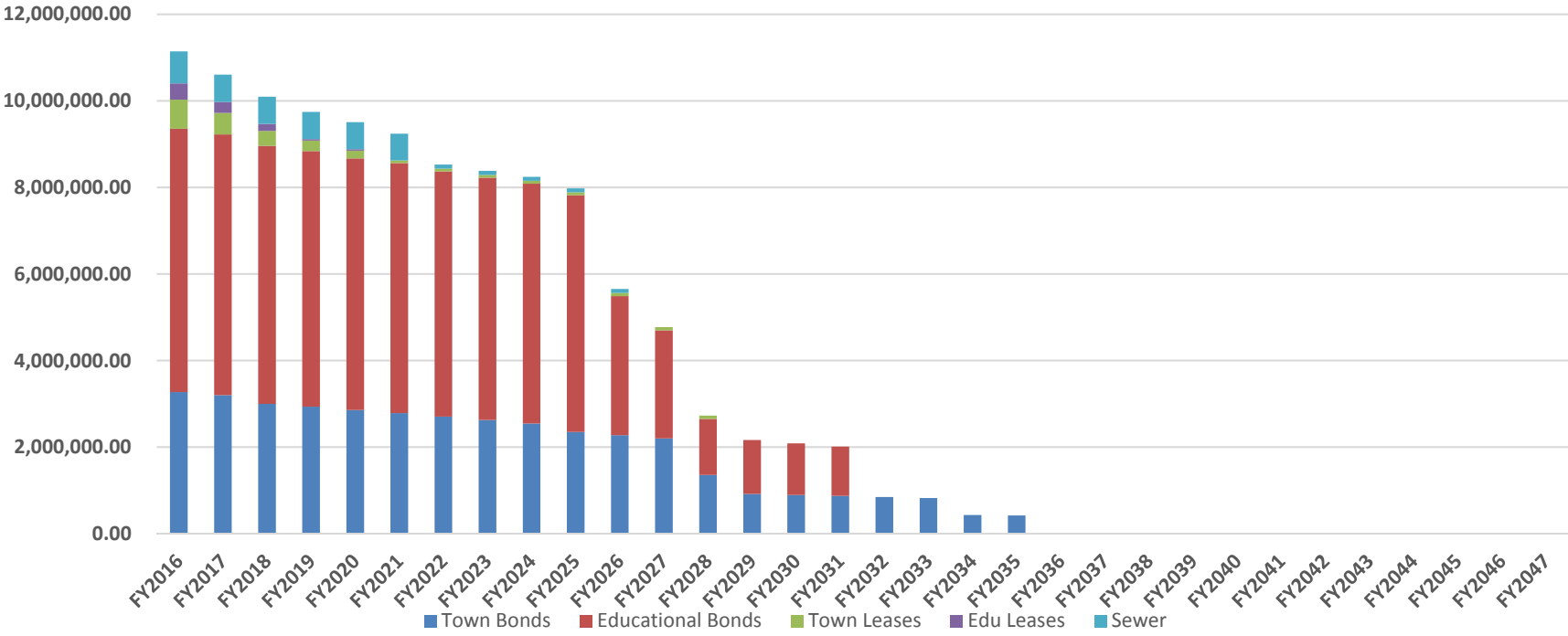
# REVELATIONS

## Fund Balance Usage

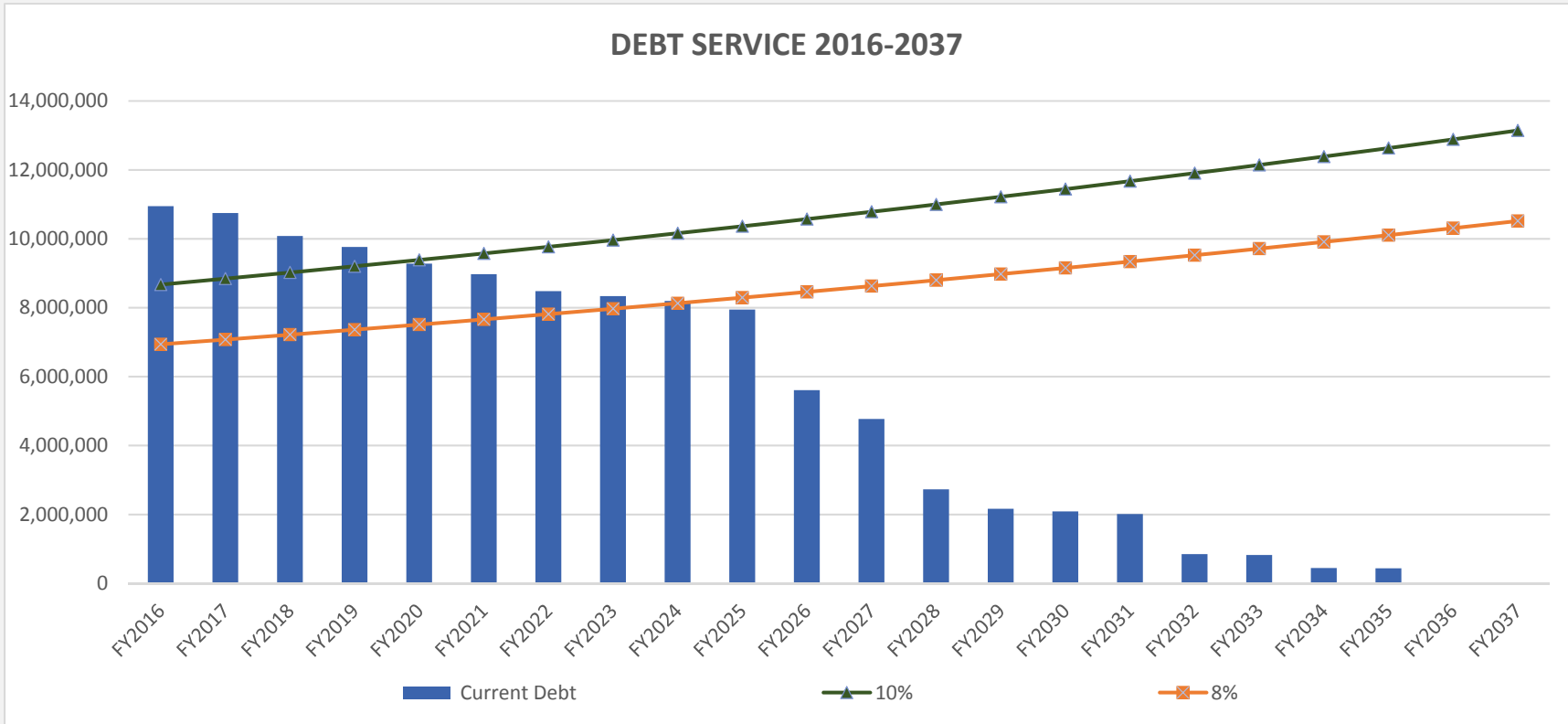


# REVELATIONS

**TOTAL DEBT OBLIGATIONS**



# REVELATIONS



# REVELATIONS

## **Nyhart – Actuarial Recalculation of OPEB**

Liability Increase, Funded Level Decrease

Reasoning:

- Miscalculation of annual health insurance cost increases
- Liability increase
- Funded level decrease

Moody's Report:

“Credit Strength: Sound funding of OPEB liability”

## REVELATIONS

|                  | Former Actuary | New Actuary    |
|------------------|----------------|----------------|
| Liability        | \$ 14,259,790  | \$ 35,211,874  |
| Assets           | (\$ 3,187,714) | (\$ 3,064,959) |
| Funded %         | 22.4 %         | 8.7 %          |
|                  |                |                |
| ADC              | \$ 936,800     | \$ 1,912,794   |
|                  |                |                |
| Town Funding     | FY16           | FY17           |
|                  | \$ 386,000     | \$ 400,000     |
| Annual Funding % | 41.2 %         | 42.7 %         |

**MAKING US STABLE**

# STABILITY

- This budget addresses:
  - Fully funding ADC for police pension
  - Fully funding ADC for police OPEB
  - No use of fund balance (Town or Schools)
  - No use of health fund balance
  - Modest grand list growth
  - Appropriate funding of general operations

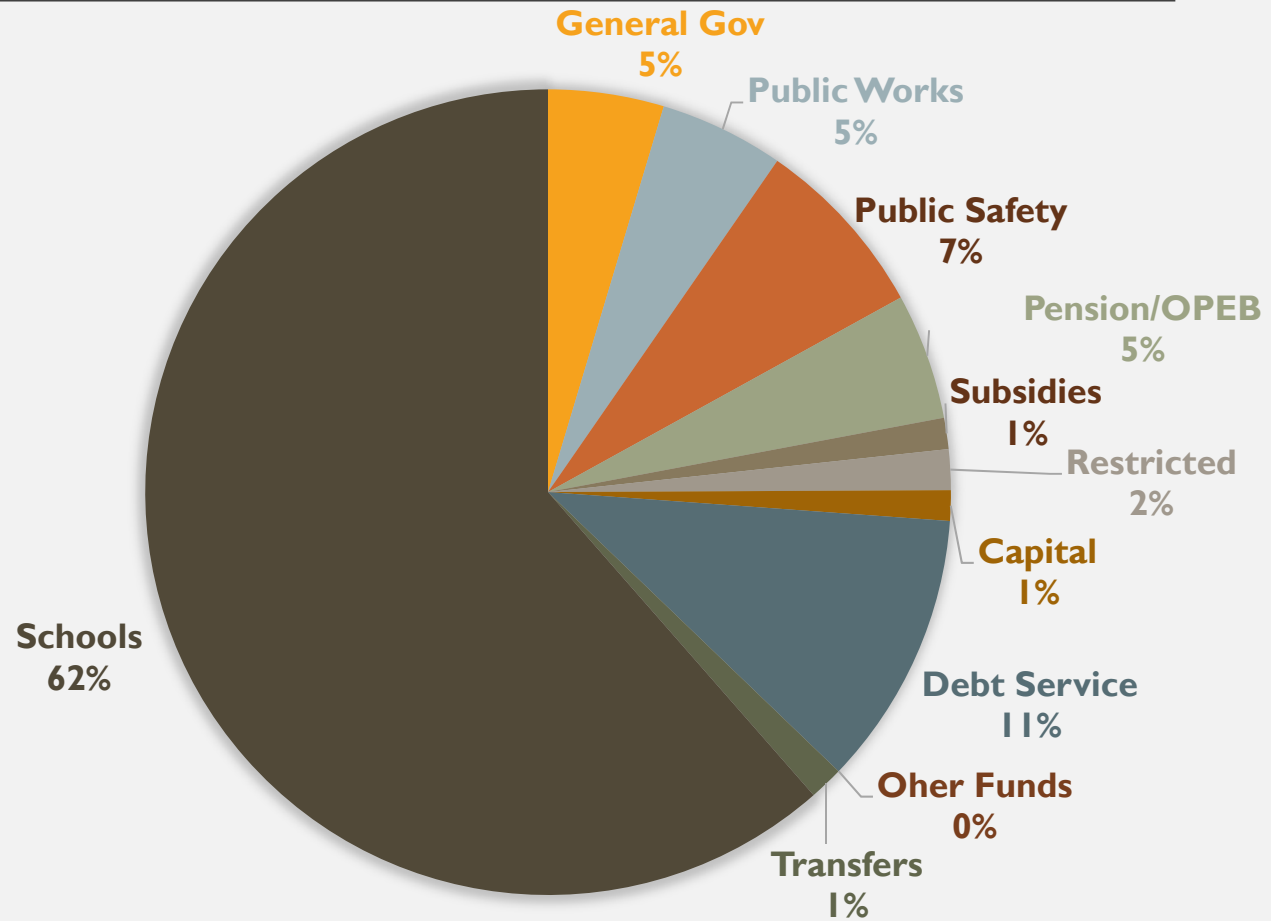
# STABILITY

- This budget does not address:
  - Allocation to fund balance
  - Allocation of cash reserves to build liquidity
  - Increase funding to capital improvements
    - Roads, drainage, sidewalks, etc.
  - Long-term planning within restricted budget
  - Much-needed additional laborer in DPW
  - Funding known obligations (police & employee separation

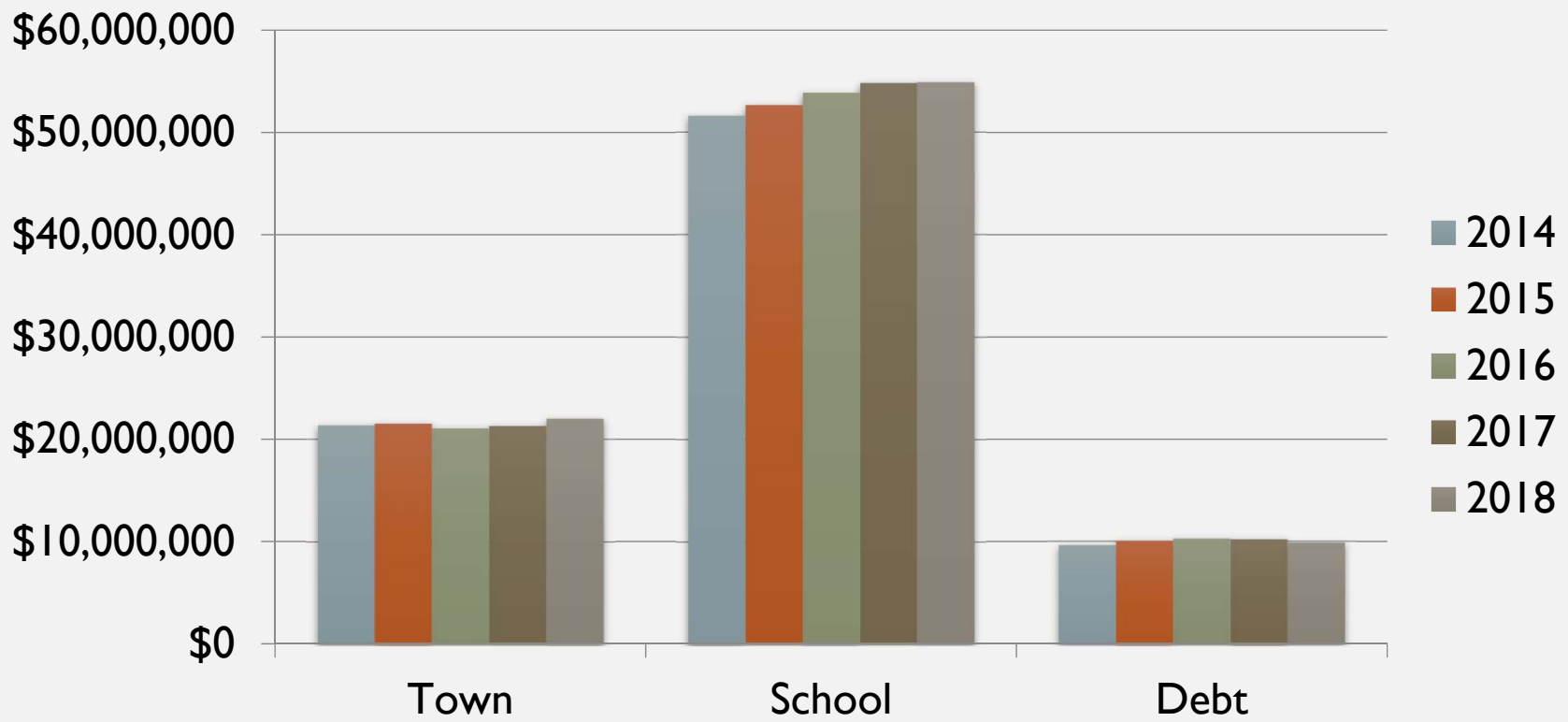


# EXPENDITURES

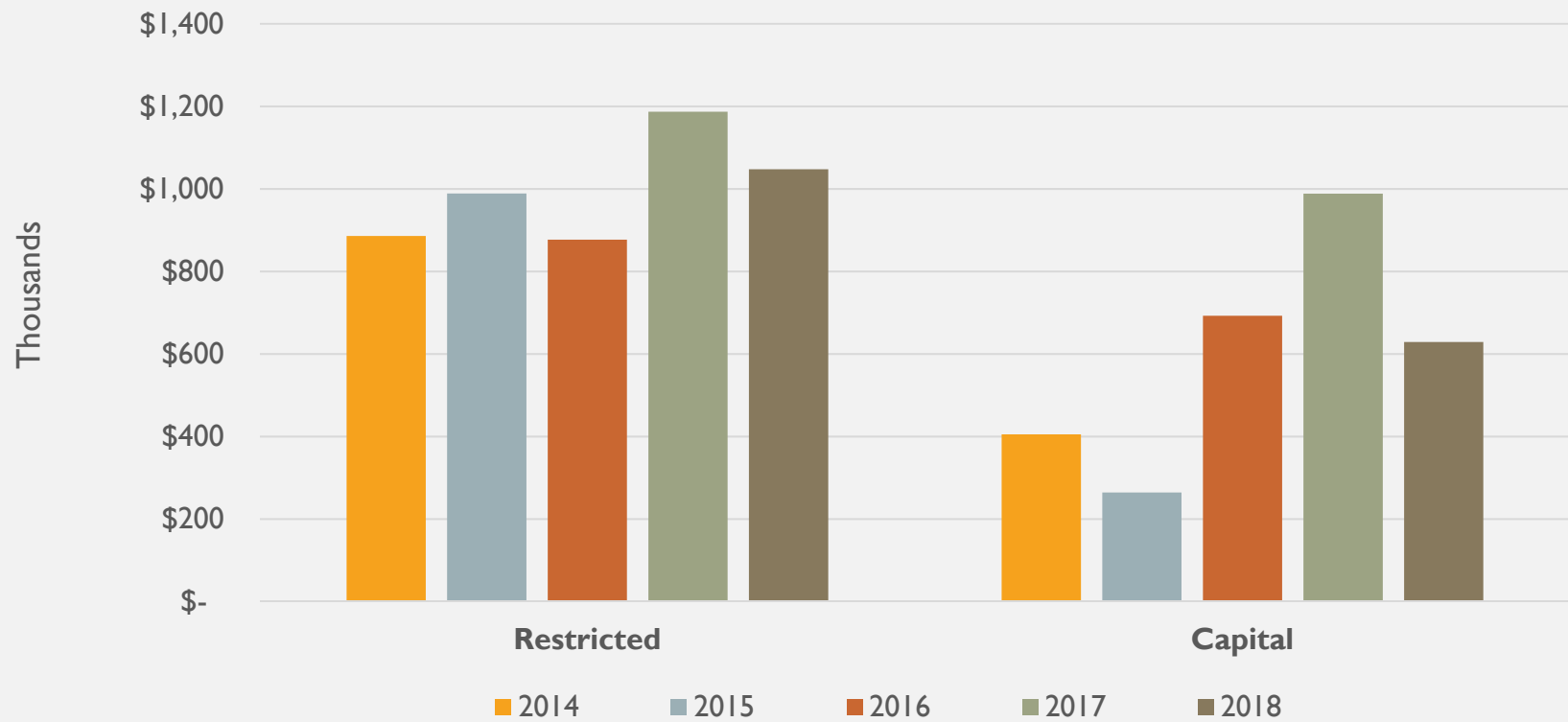
# OVERVIEW



# OVERVIEW



# OVERVIEW



## HIGHLIGHTS & UNDERSTANDING

- Fully funding the ADC for police pension and police OPEB
- Making fully transparent employer-contributed retirement obligations
- Dept. Head & staff professional development
- Turning Animal Shelter and Sanitation into enterprise funds

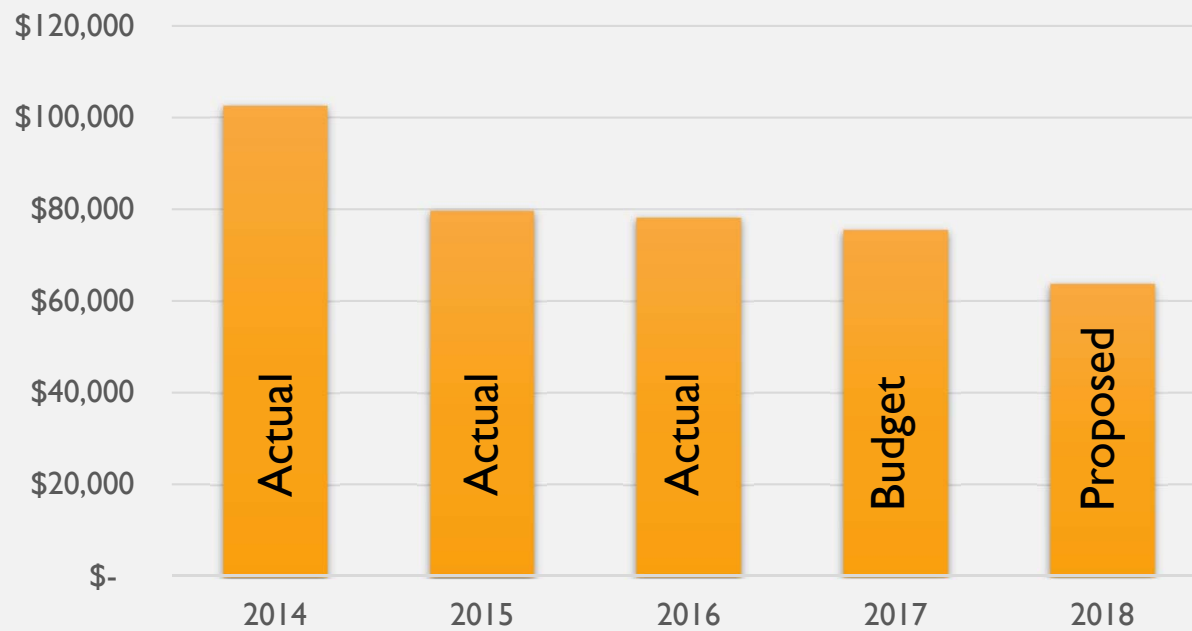
## HIGHLIGHTS & UNDERSTANDING

- Positions for Performance (positions affected)
  - Human Resources (1)
  - Police (0) – BOF eliminated (1)
  - Animal Shelter (1)
  - Public Works (0) –BOF eliminated (1.5)
  - Recreation (1)
  - Development Services (0) – BOF eliminated (0.5)

# DEPARTMENT BUDGETS

# GENERAL GOVERNMENT

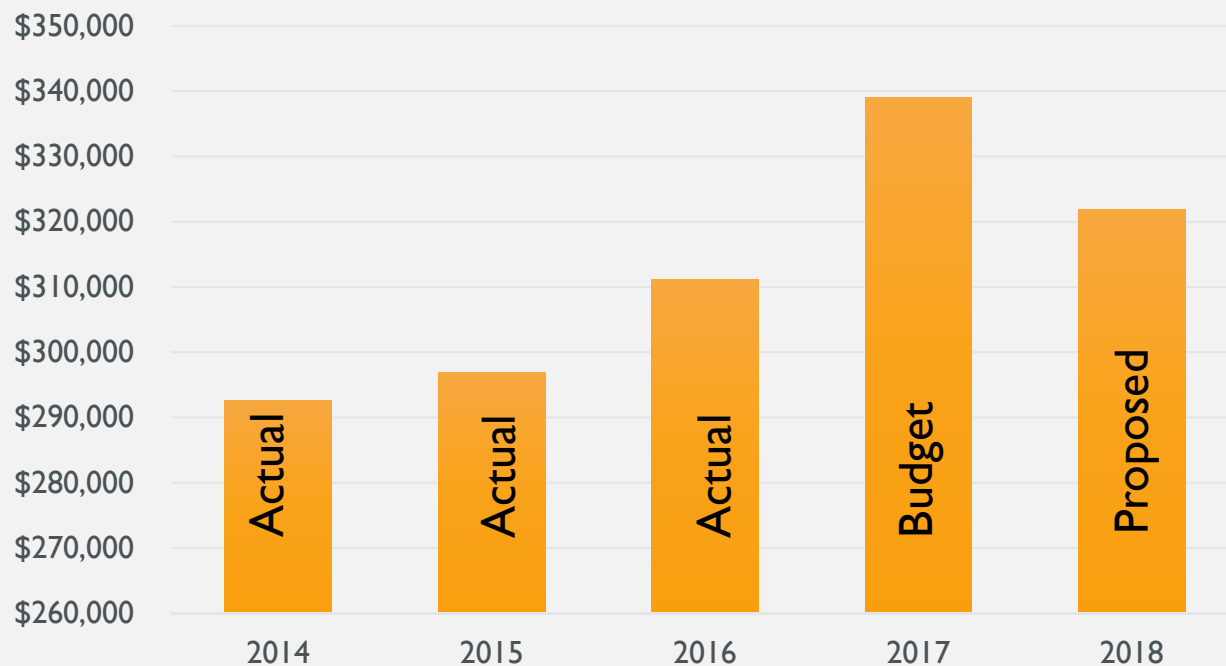
- Town Council (down 15.60%)
  - Removed pension to “Pension/OPEB”





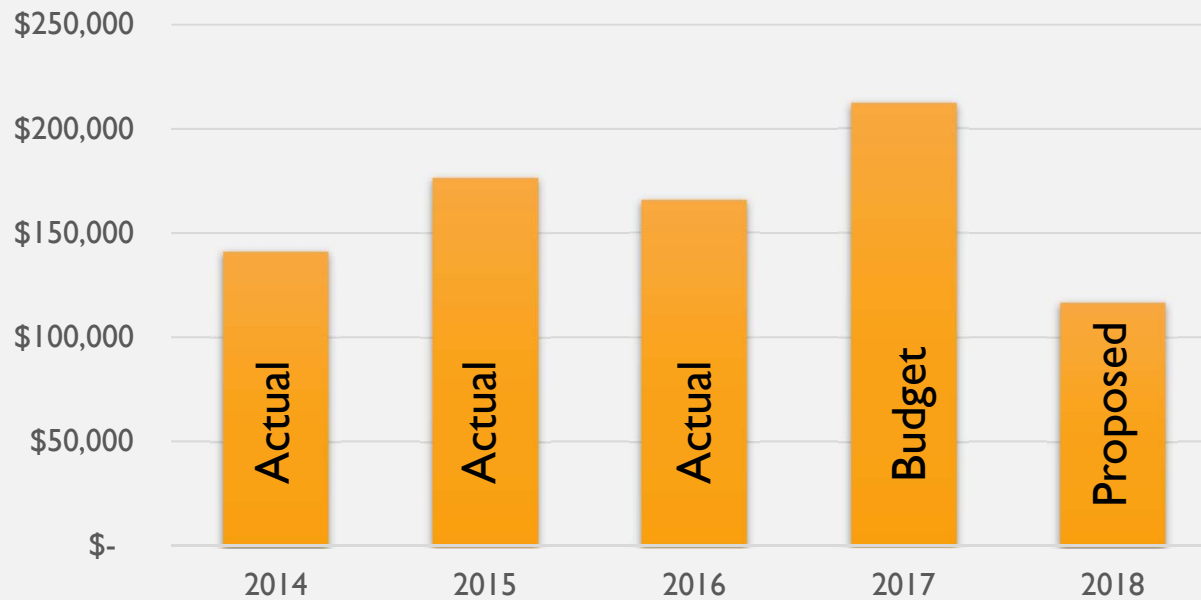
# GENERAL GOVERNMENT

- Town Clerk (down 5.06%)
  - Removed pension to “Pension/OPEB”
  - Increased professional development for staff



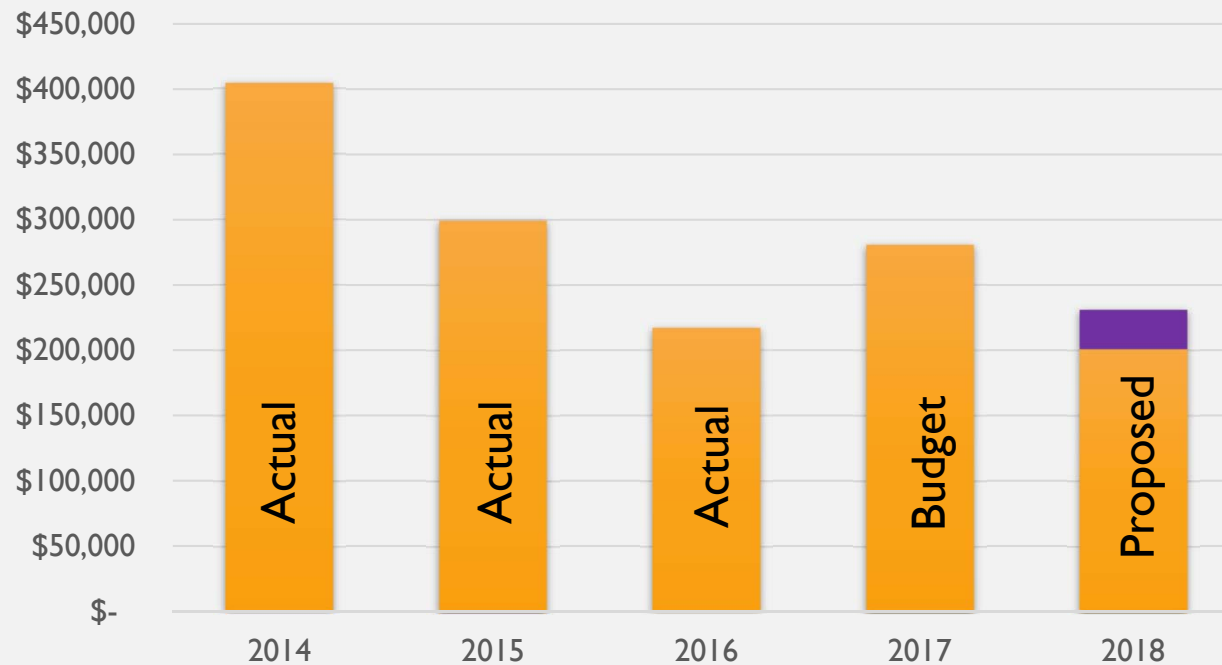
# GENERAL GOVERNMENT

- Board of Canvassers (down 45.01%)
  - Removed pension to “Pension/OPEB”
  - Moved Municipal Court Clerk to “Municipal Court”
  - Elimination of election costs from last year



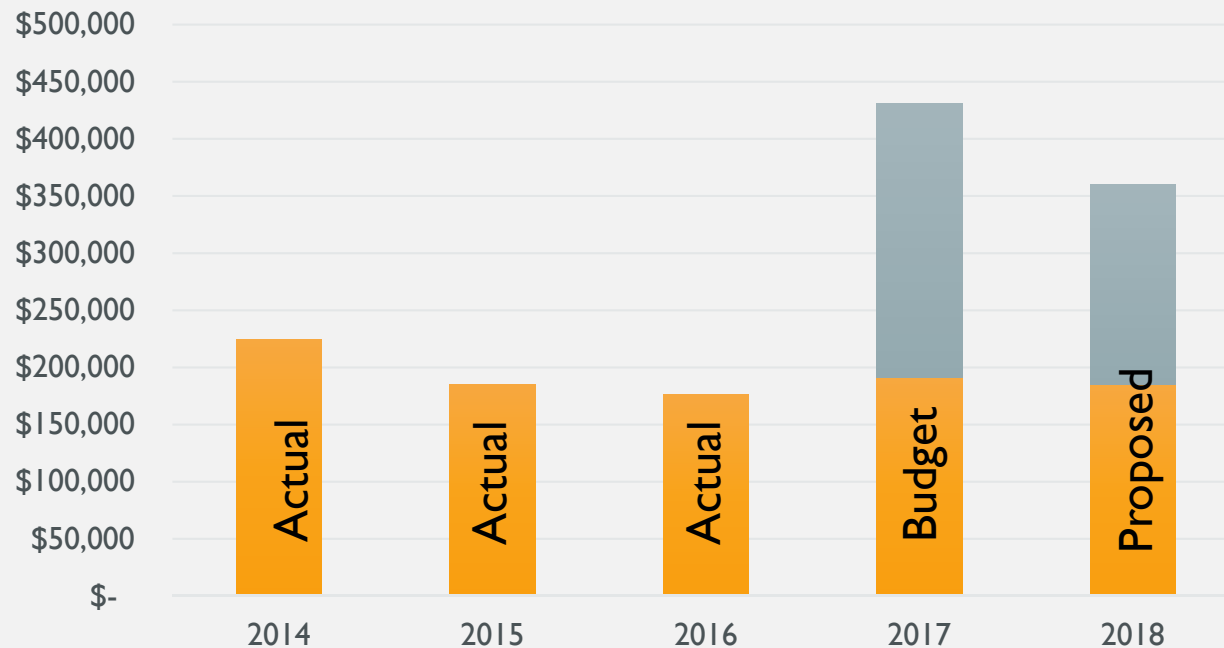
# GENERAL GOVERNMENT

- Legal Services (up 9.75%)
  - Must Account for New Assistant Solicitor Cost (Council)
  - Increase in Professional Services Cost (BOF Increase)



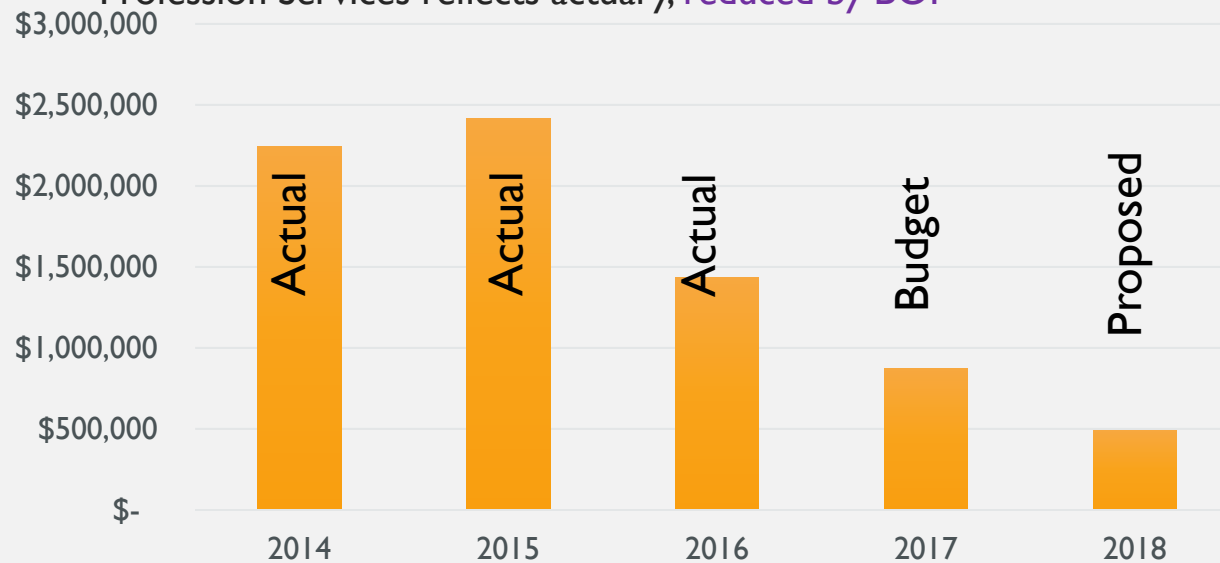
# GENERAL GOVERNMENT

- Town Manager (down 13.88%)
  - Increase in professional development for Dept. Heads
  - Decrease in contingency (one union and non-union)
  - Removed pension to “Pension/OPEB”



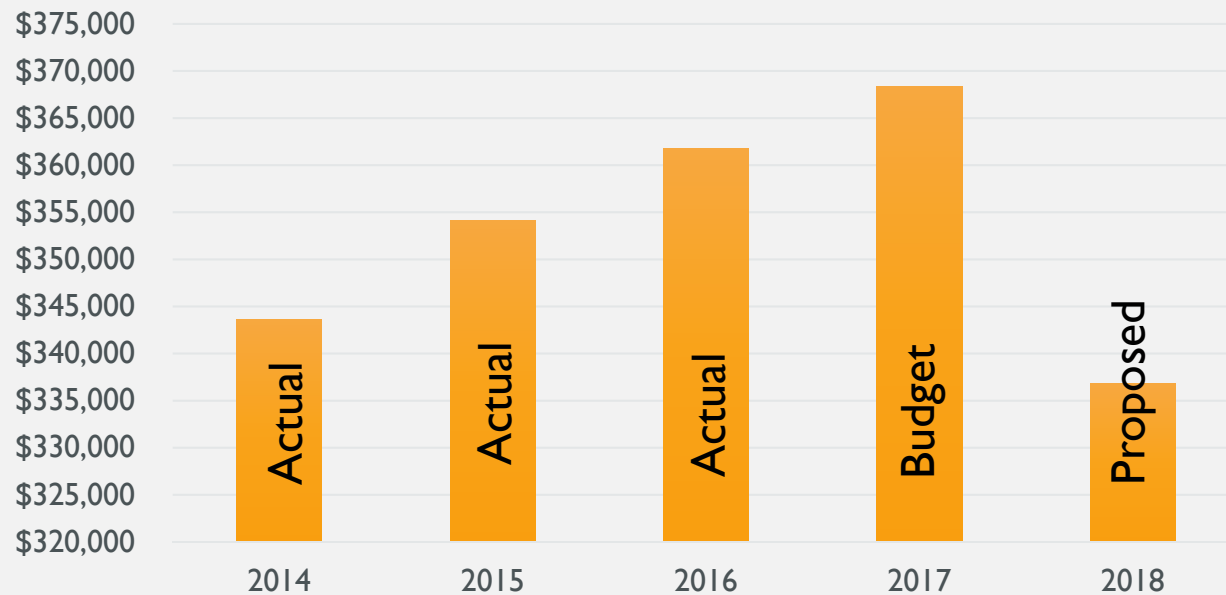
# GENERAL GOVERNMENT

- Finance (down 43.89%)
  - Funding for full, separate Finance Department
    - BOF reduced all positions to current allocation, health insurance, and professional development
  - Removed pension to “Pension/OPEB”
  - Removed “LAP Insurance” to Insurance budget
  - Profession Services reflects actuary, reduced by BOF



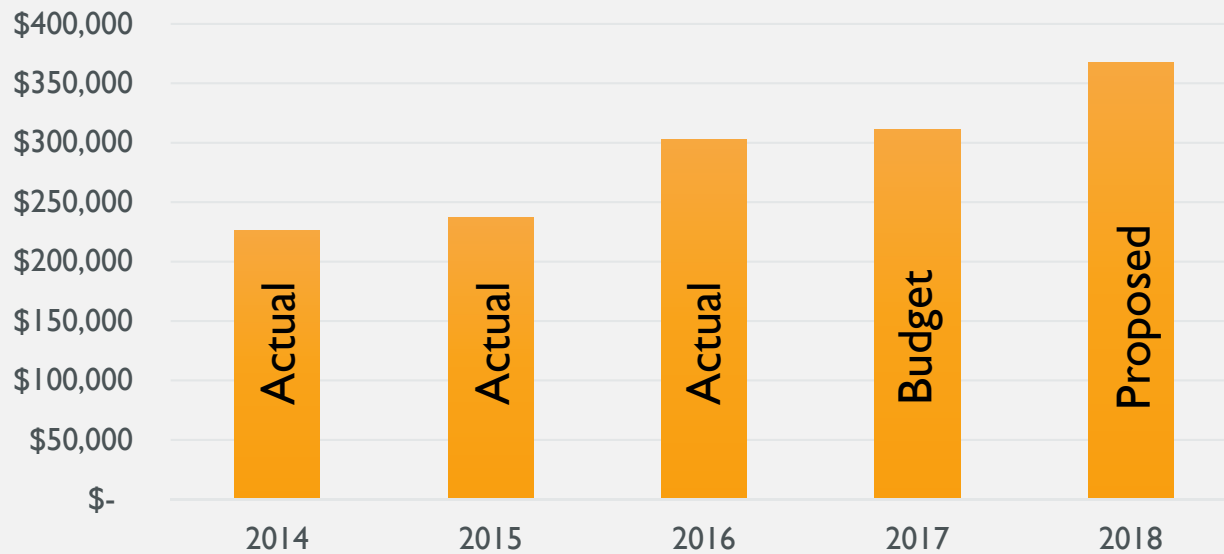
# GENERAL GOVERNMENT

- Assessment Administration (down 8.57%)
  - Removed pension to “Pension/OPEB”
  - Funding for off-year, mini-revaluation



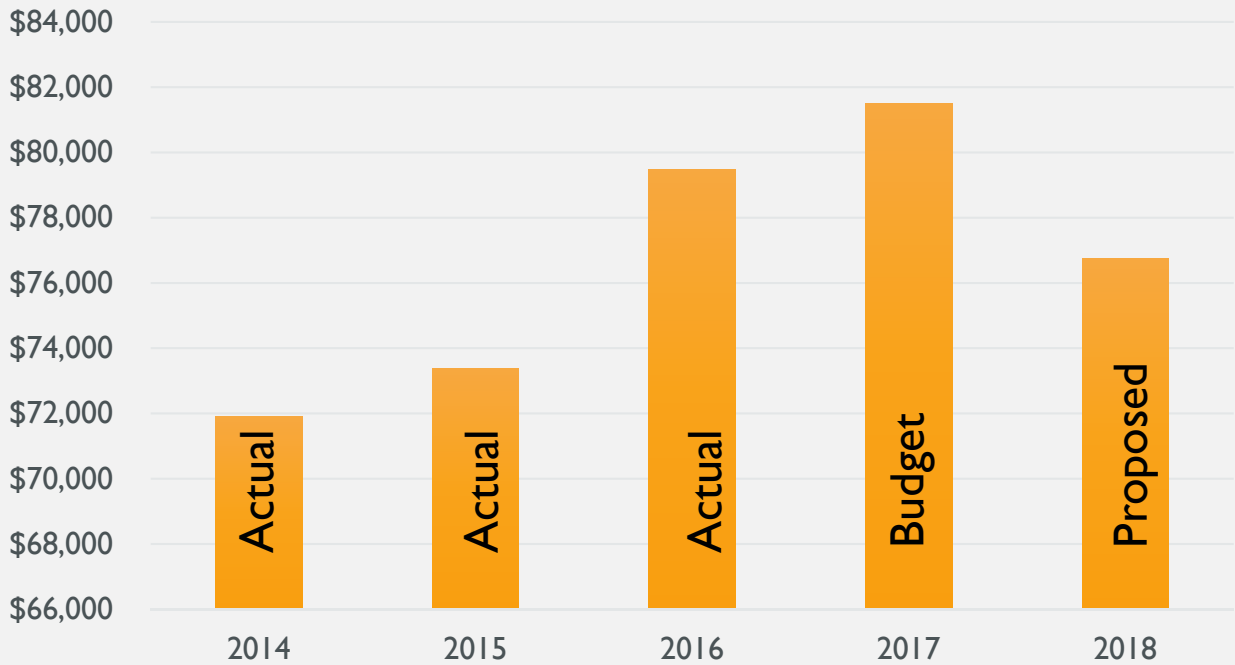
# GENERAL GOVERNMENT

- Information Technology (up 19.61%)
  - Removed pension to “Pension/OPEB”
  - Transfer of all software programming to IT
  - BOF reduction in professional development



# GENERAL GOVERNMENT

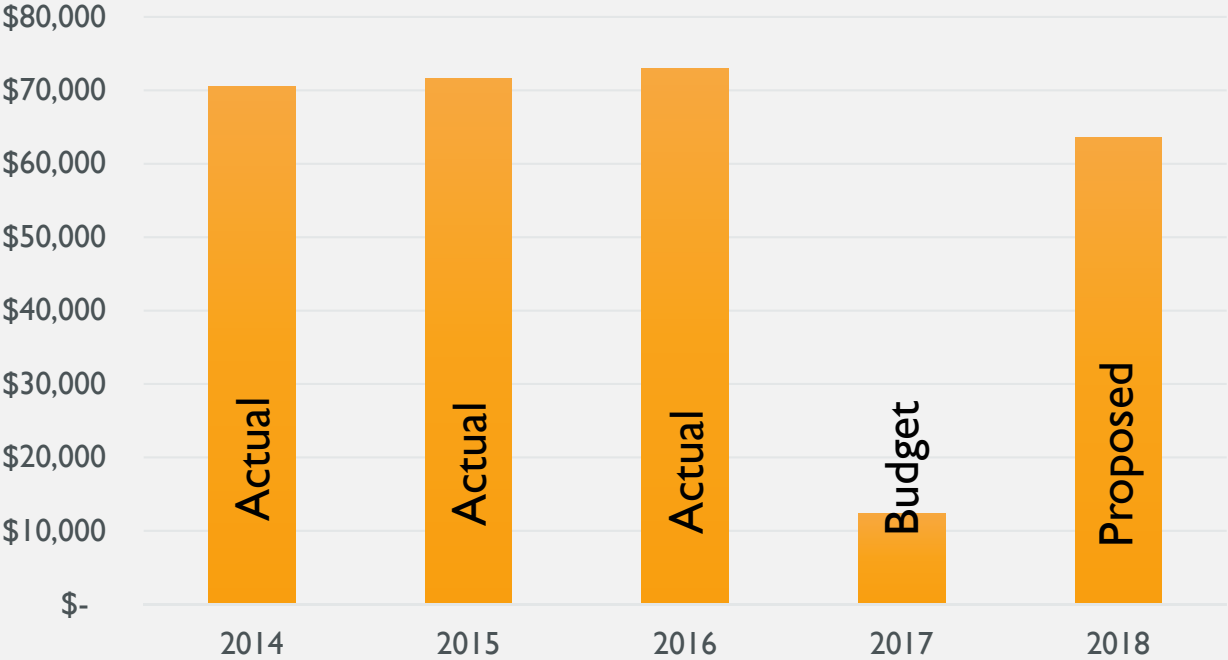
- Probate Court (down 5.84%)
  - Removed pension to “Pension/OPEB”





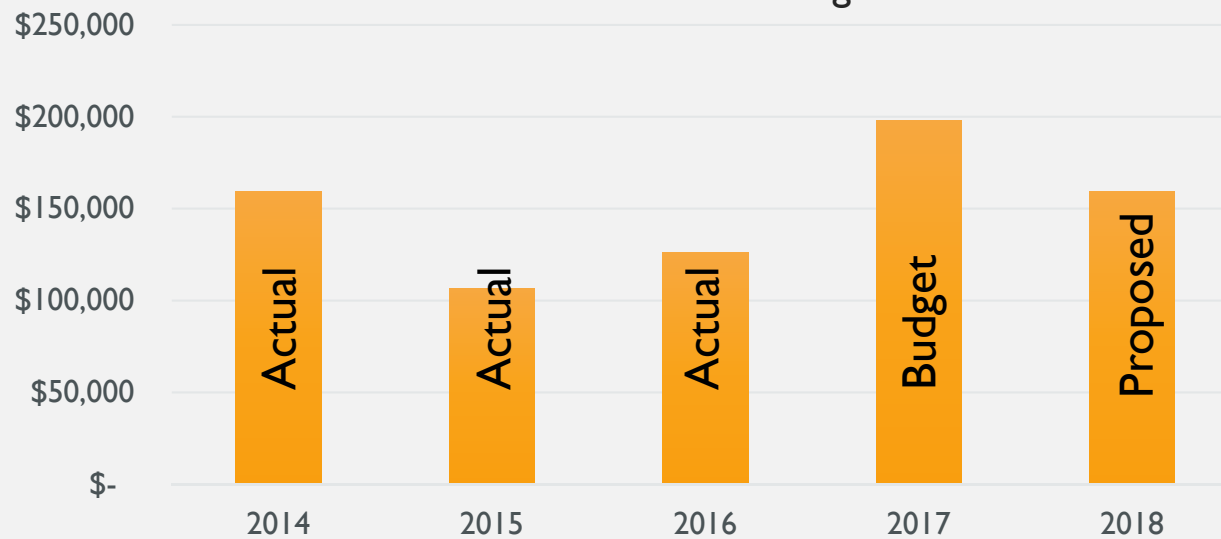
# GENERAL GOVERNMENT

- Municipal Court (up 419.49%)
  - Re-allocation of Municipal Court Clerk from Bd. Of Canvassers



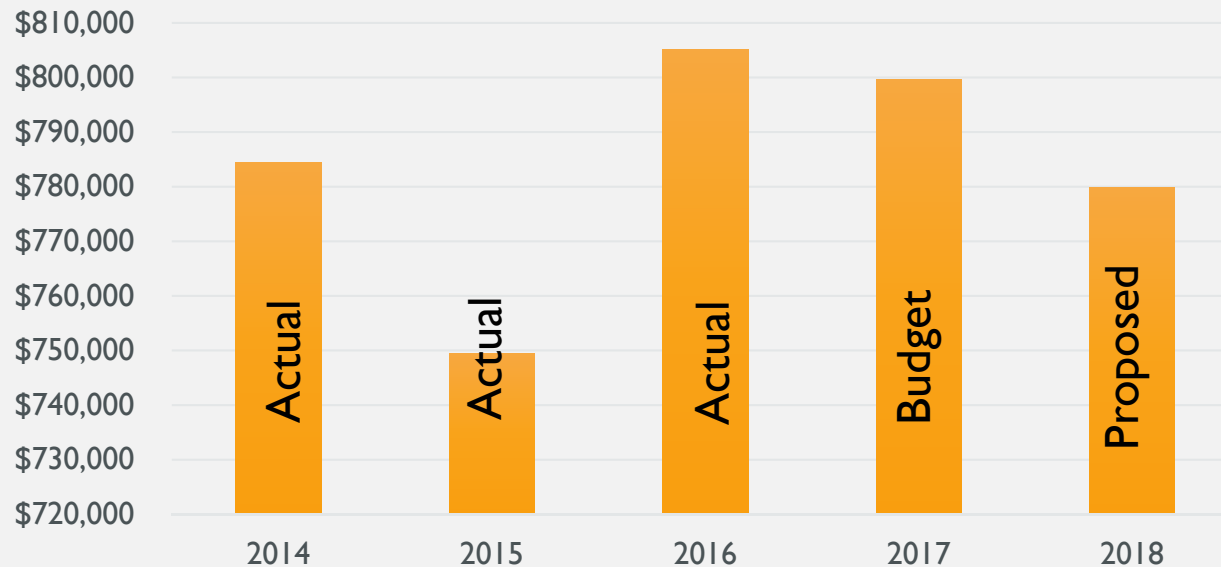
# GENERAL GOVERNMENT

- Human Resources (down 19.50%)
  - Removed pension to “Pension/OPEB”
  - Staff increase from “Benefits Coordinator” to “HR Specialist”
    - BOF reduced pay and health insurance costs
  - Insurance Broker moved to Insurance budget



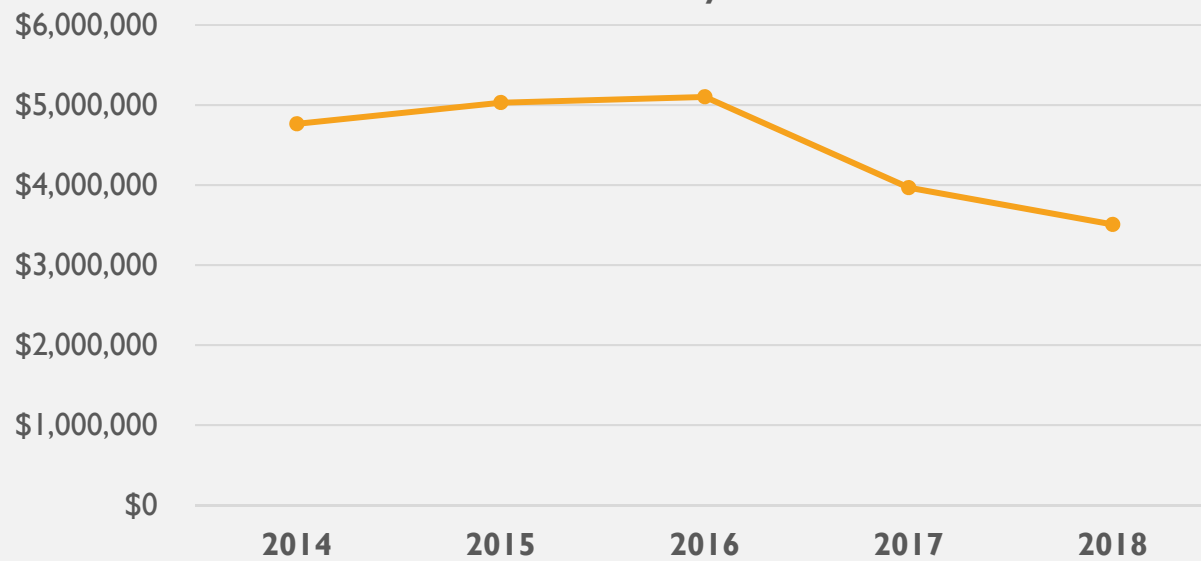
# GENERAL GOVERNMENT

- Development Services (down 3.88%)
  - Removal of PT Code Enforcement Officer by BOF
  - Regrade of Assistant Planner to Planning Associate
  - Reduction in professional development by BOF



# GENERAL GOVERNMENT

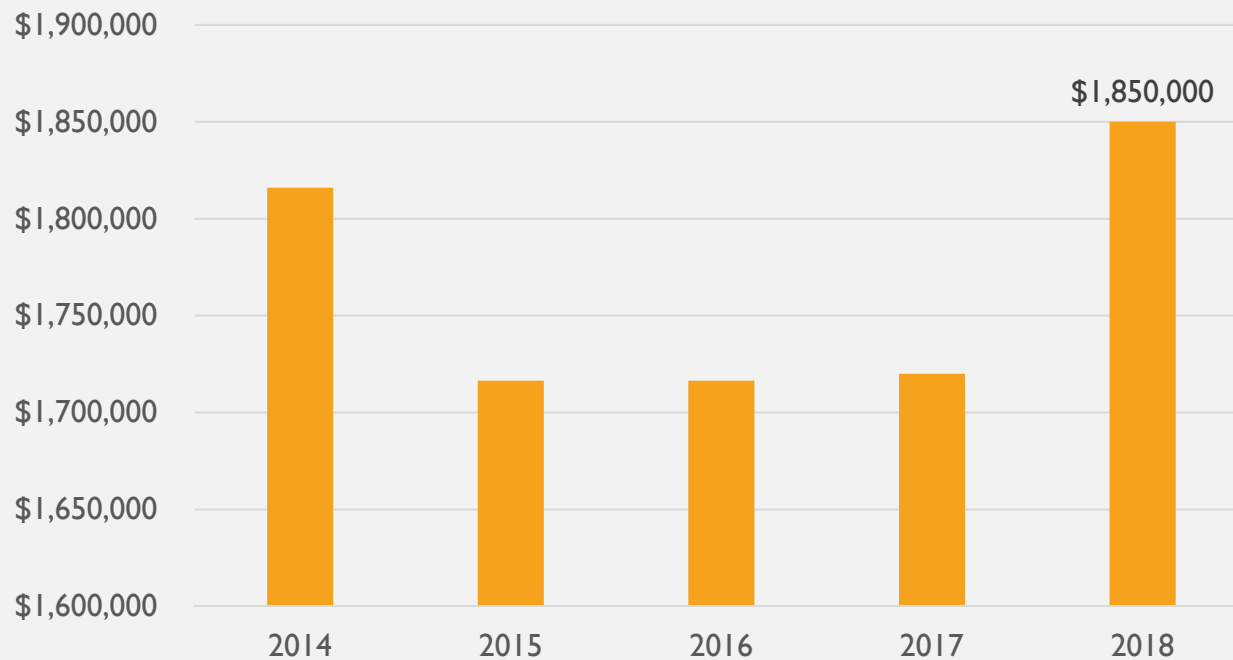
Total General Government  
5-Year History



# RETIREMENT & OPEB

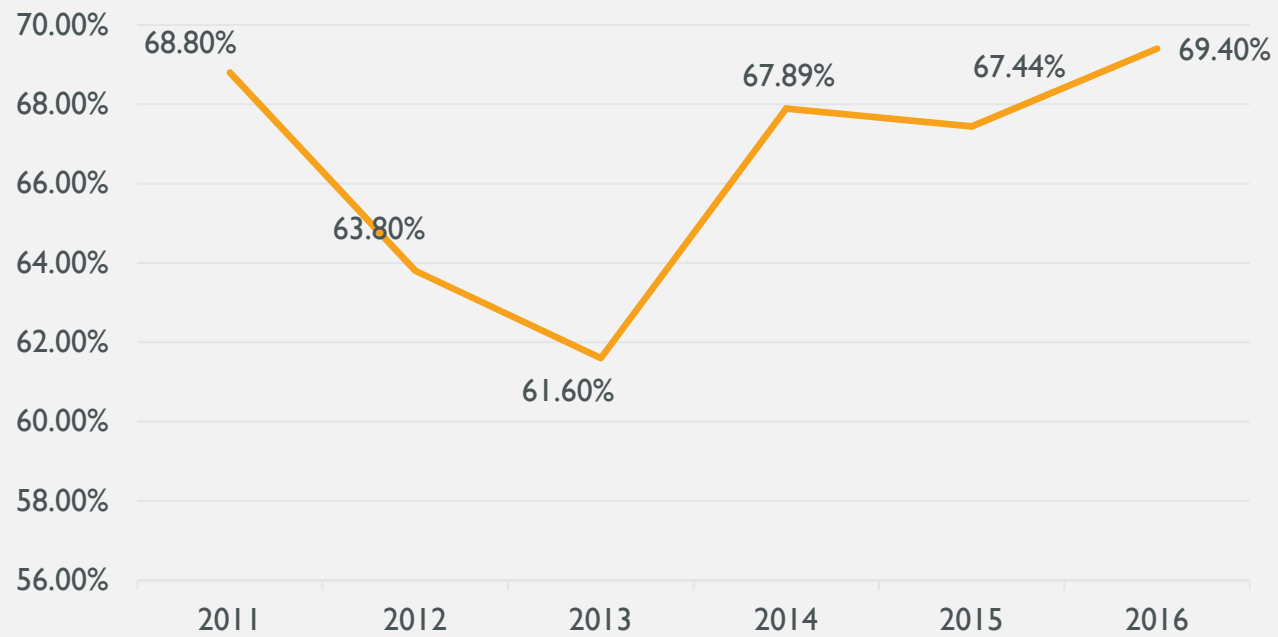
## PENSION & OPEB

- Police Pension Funding (fully funding the ADC)
- Reflection of 7.5% LTROR



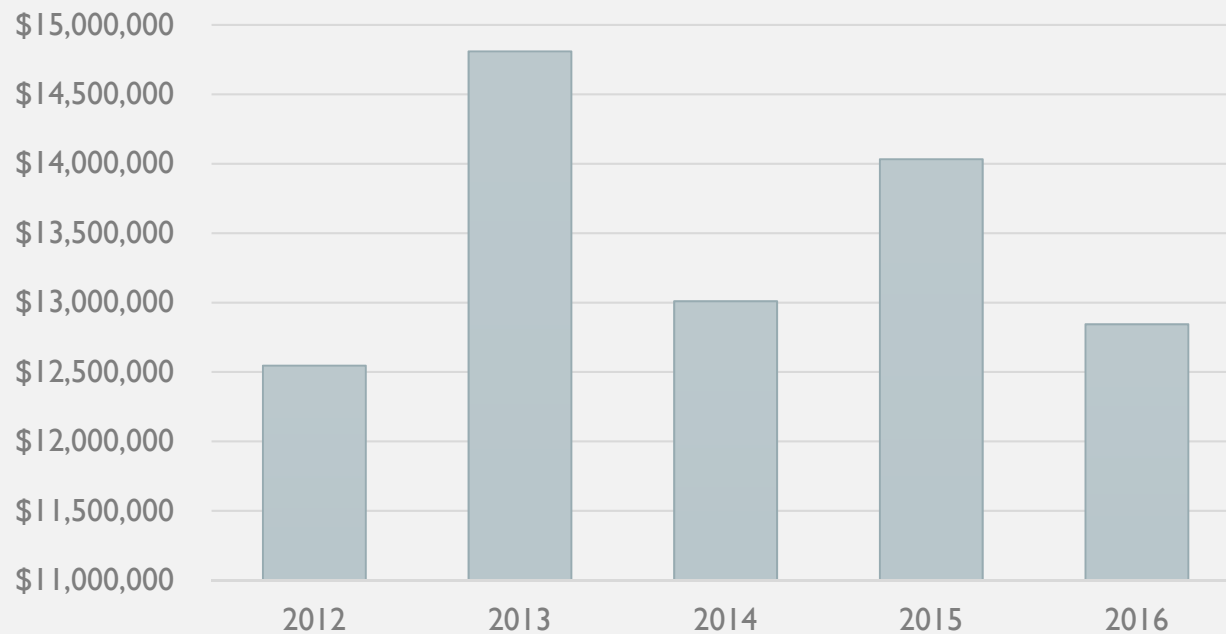
# PENSION & OPEB

- Police Pension funded level



## PENSION & OPEB

- Police Pension unfunded accrued liability
  - Difference of liability (cost) & value of assets (fund)

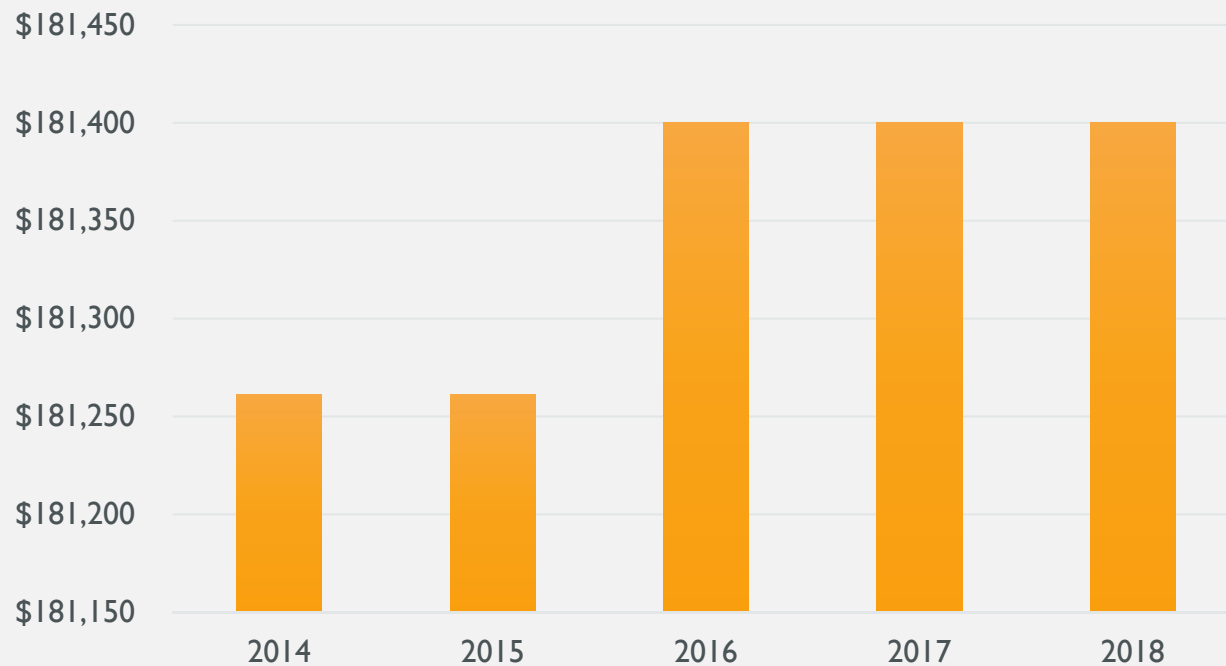


Assumes current amortization schedule and LTROR



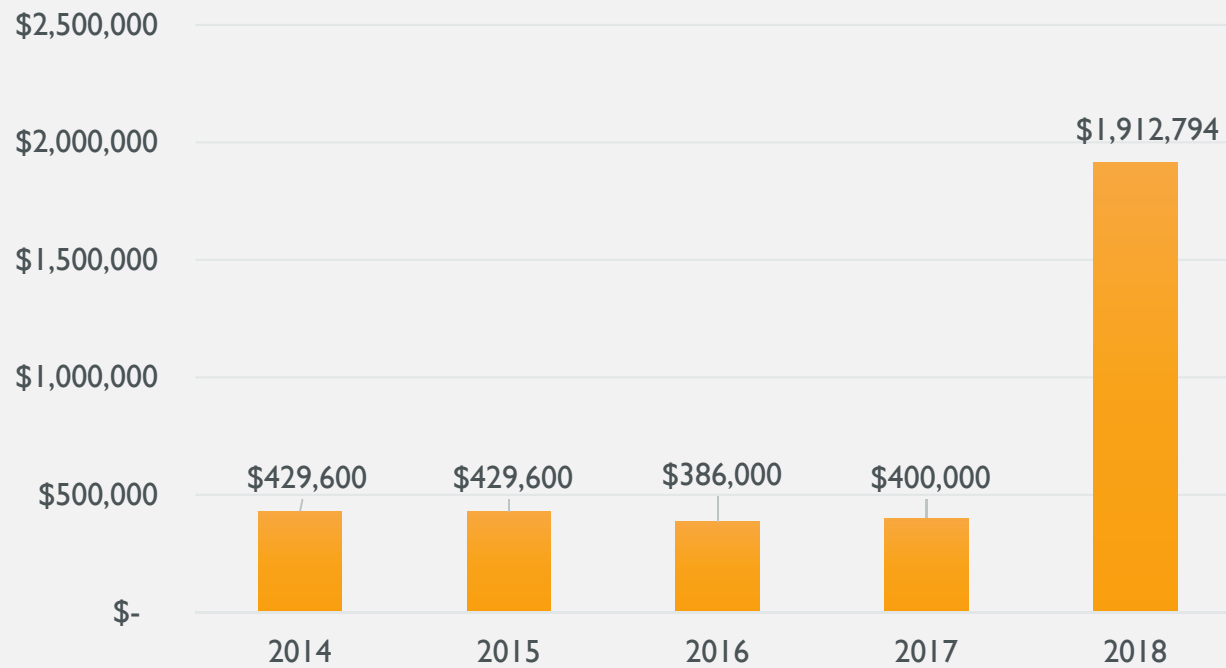
## PENSION & OPEB

- MERS (Municipal Employee Retirement System)
  - One more year of payment



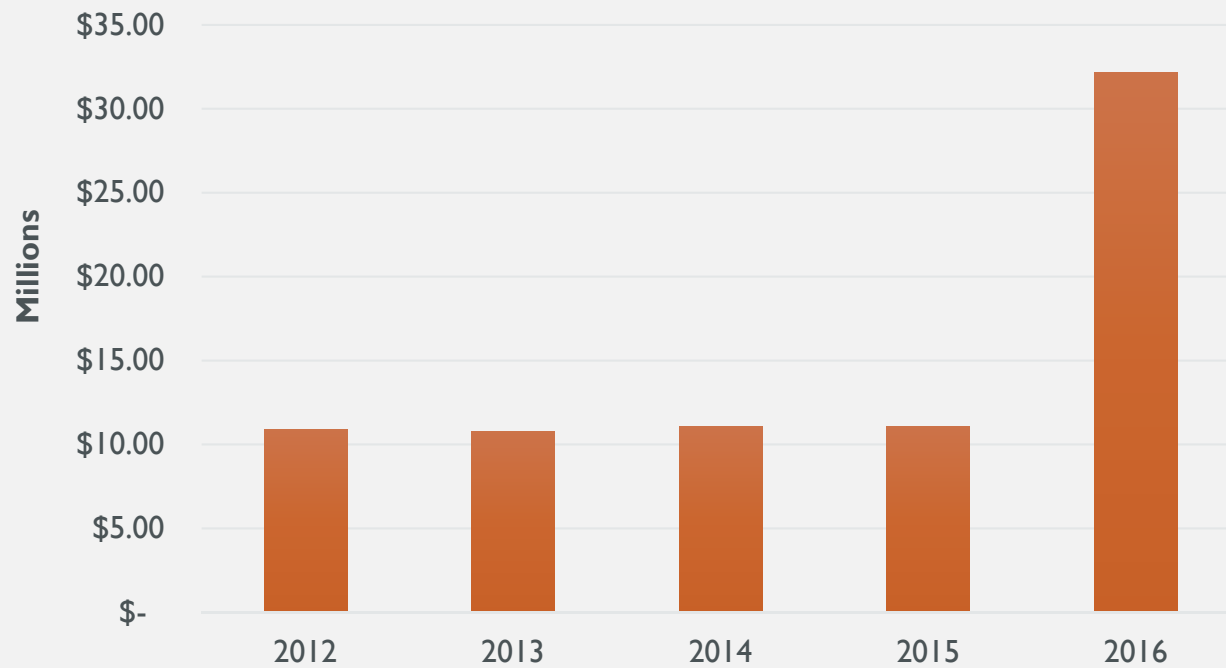
## PENSION & OPEB

- OPEB funding
  - Fully funding the ADC



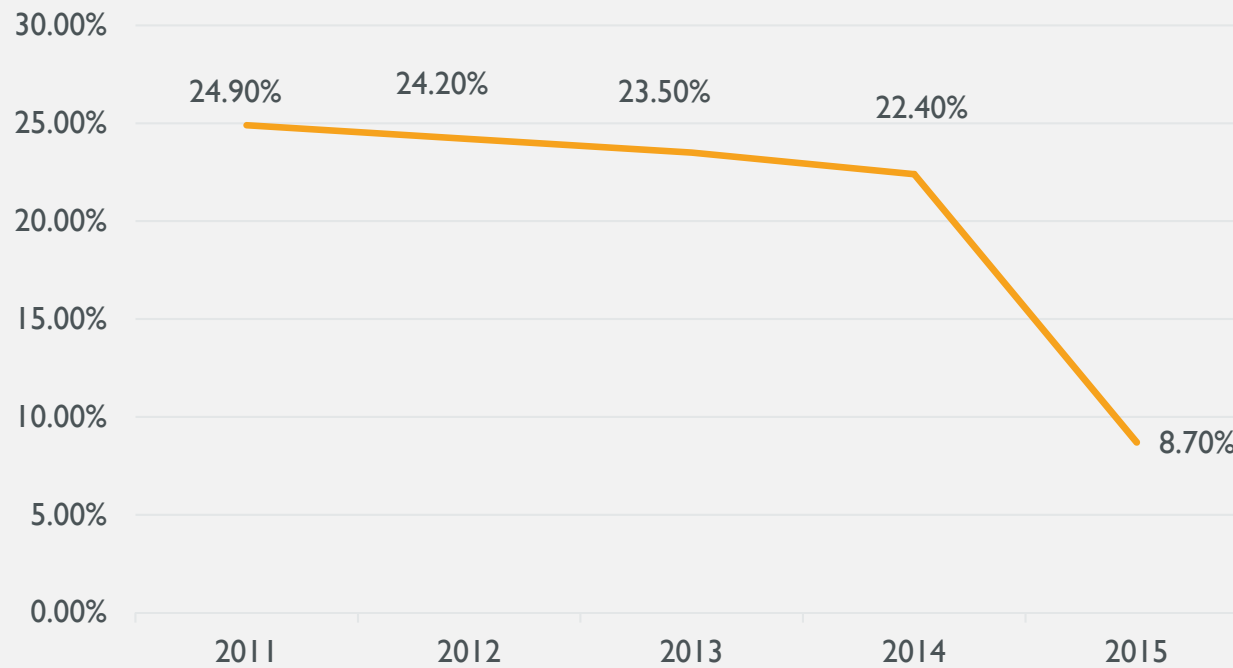
## PENSION & OPEB

- OPEB unfunded accrued liability
  - Difference of liability (future cost) & value of assets (fund)



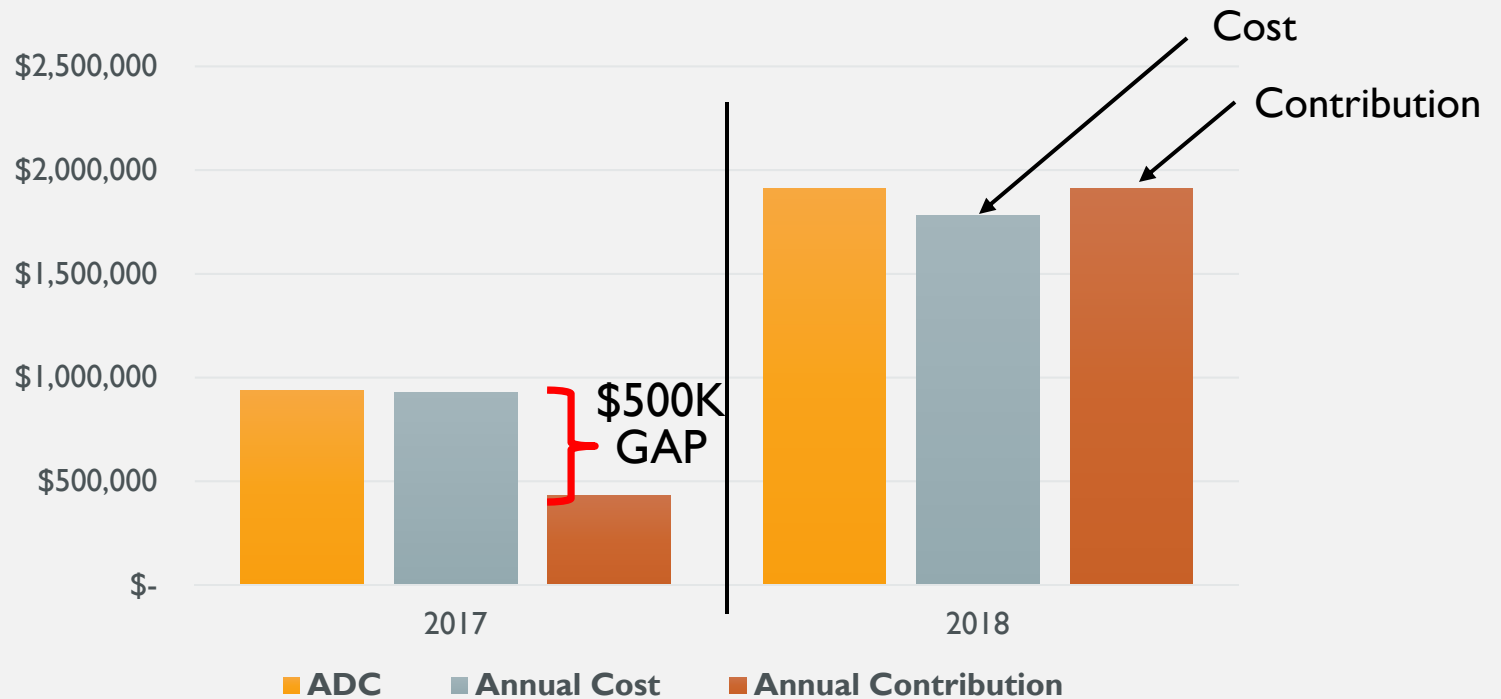
# PENSION & OPEB

- OPEB funded level



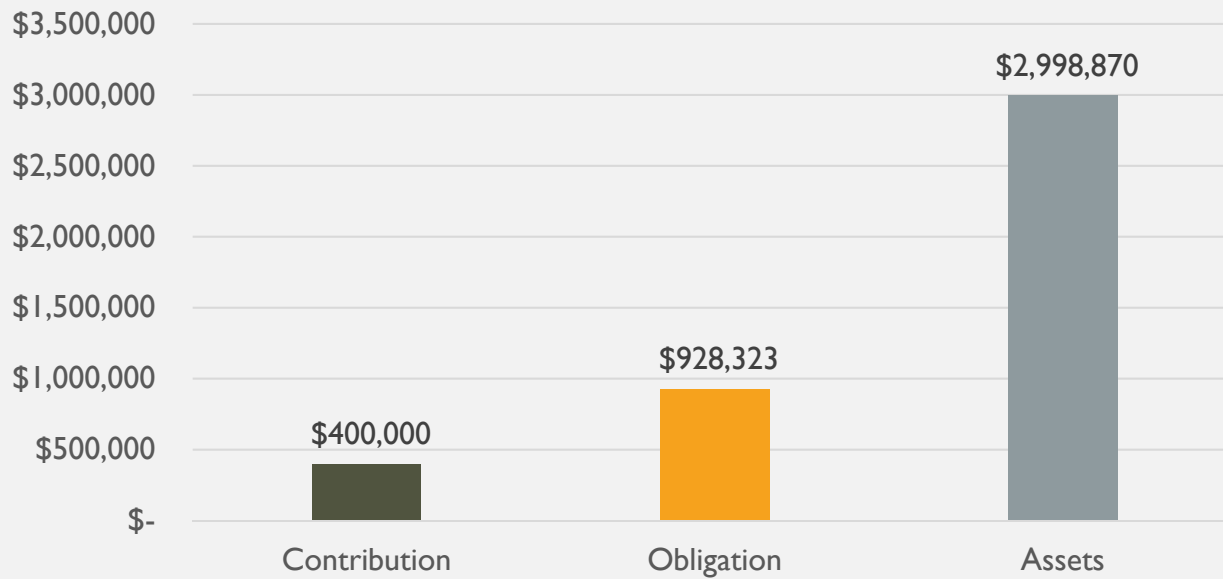
# PENSION & OPEB

That light at the end of the tunnel....



# PENSION & OPEB

...it's the TRAIN!



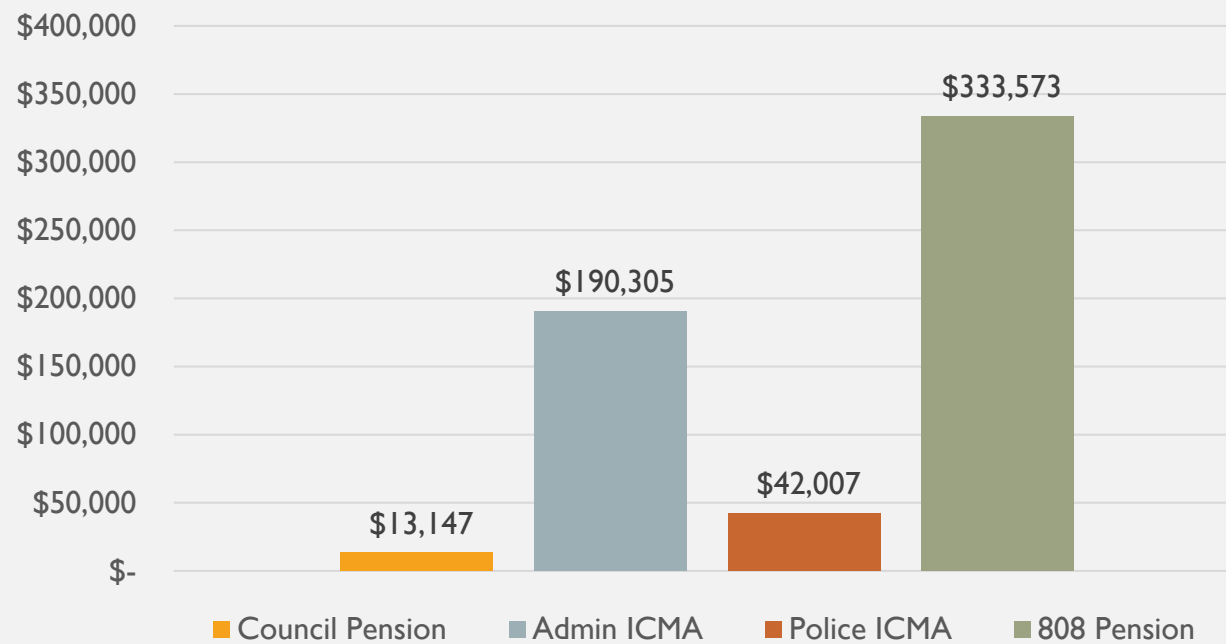
$$\$928,323 - \$400,000 = \$528,323$$

\*this is an estimate

$$\$2,998,870 \div \$528,323 = 5.7$$

# PENSION & OPEB

- Other employer-contributed retirement accounts

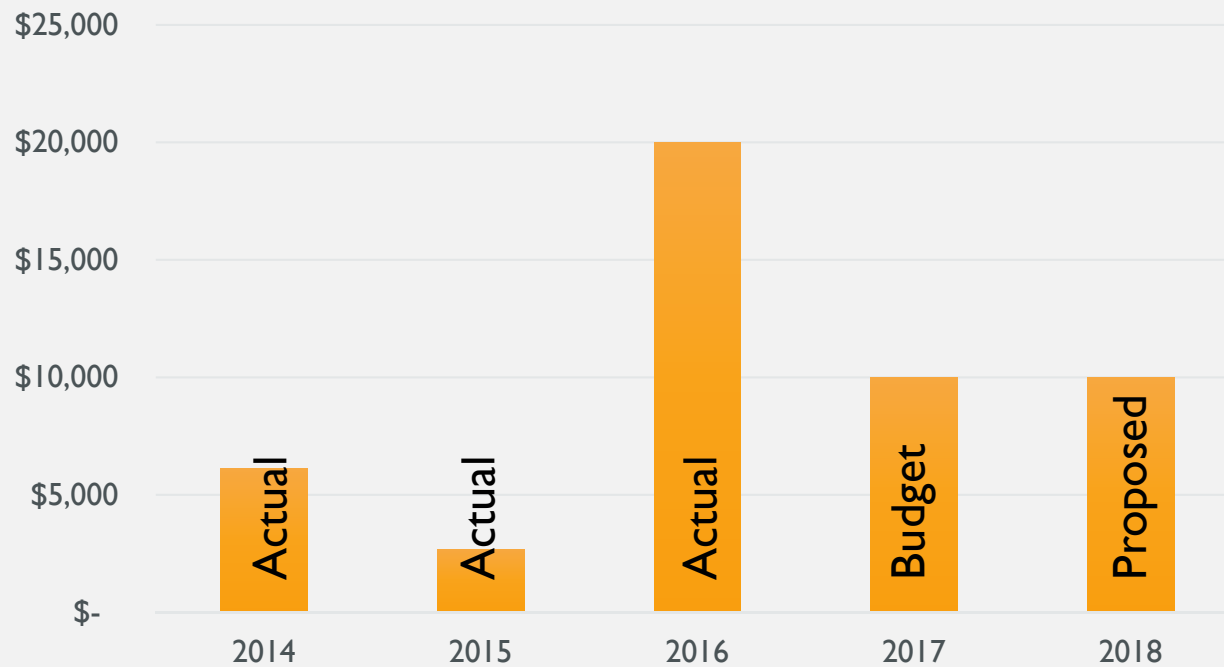


# LAND TRUST & CONSERVATION



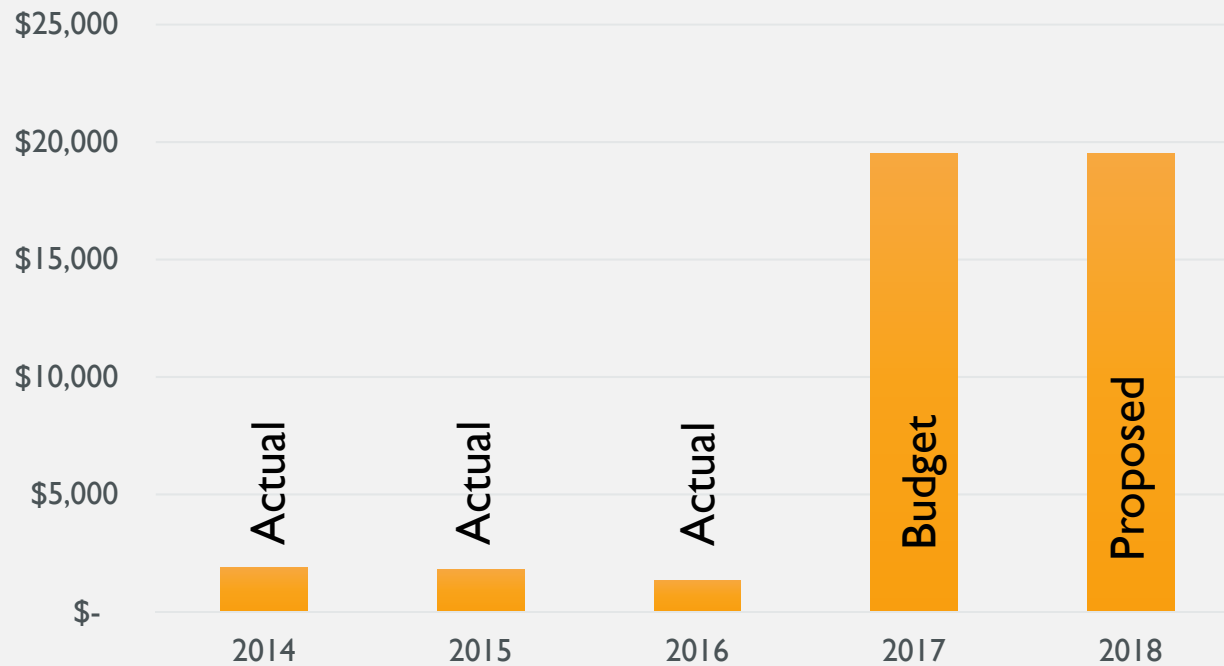
# LAND TRUST & CONSERVATION

- Municipal Land Trust (BOF recommend level fund)
  - Eliminates fencing and shrubbery costs (\$5,000)



# LAND TRUST & CONSERVATION

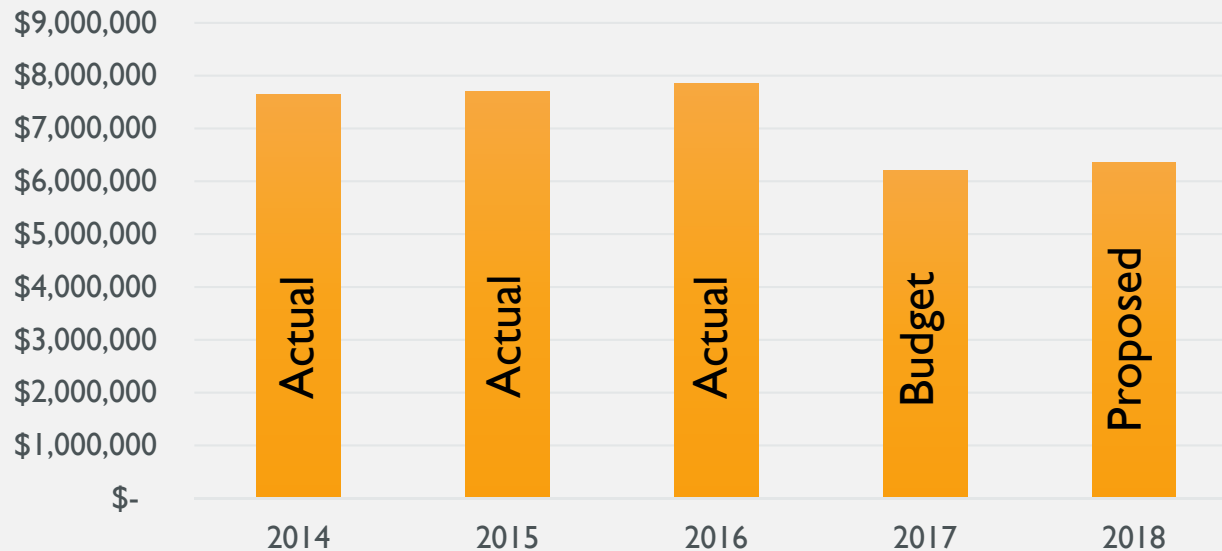
- Conservation Commission (no change)



**PUBLIC SAFETY**

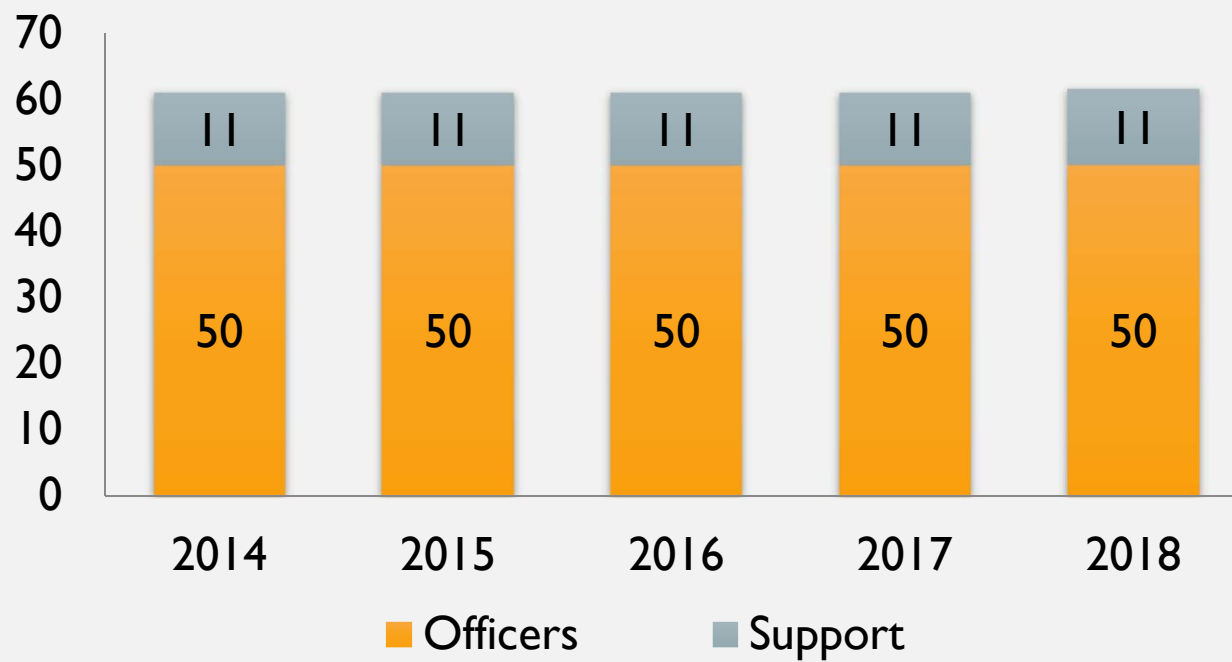
# PUBLIC SAFETY

- Police Department (up 2.50%)
  - BOF elimination of PT Accreditation Specialist
  - Increase in OT due to operational priorities
  - BOF reduces funding in education (\$5,000)
  - New K-9 expenses



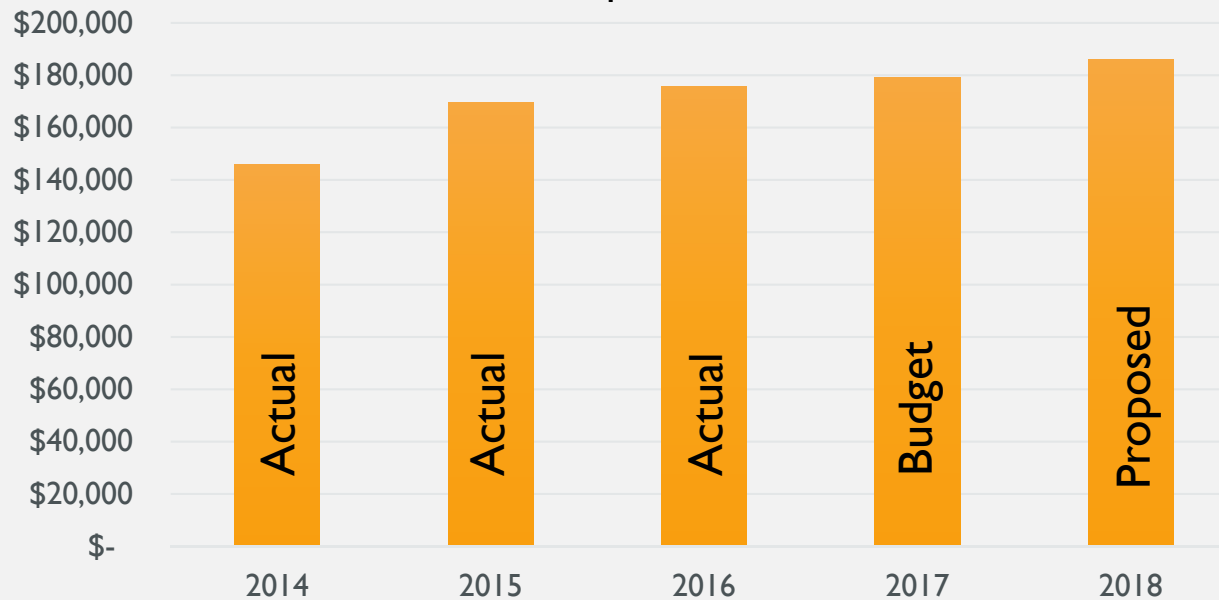
# PUBLIC SAFETY

Police Department Staff



# PUBLIC SAFETY

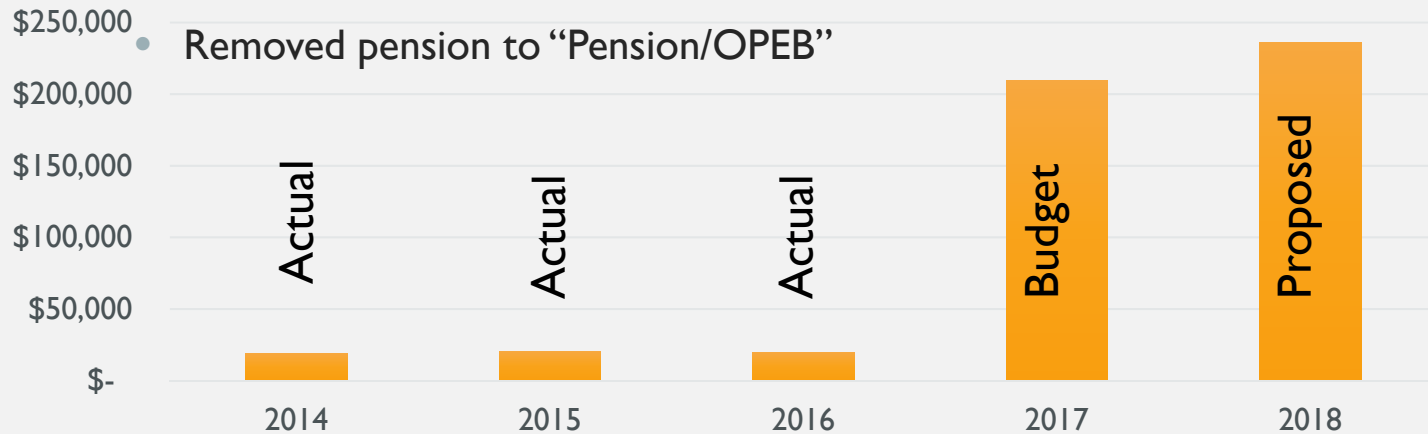
- Police Technology (up 3.86%)
  - Computer replacement plan
  - BOF elimination of new personnel and accreditation software



# PUBLIC WORKS

# PUBLIC WORKS

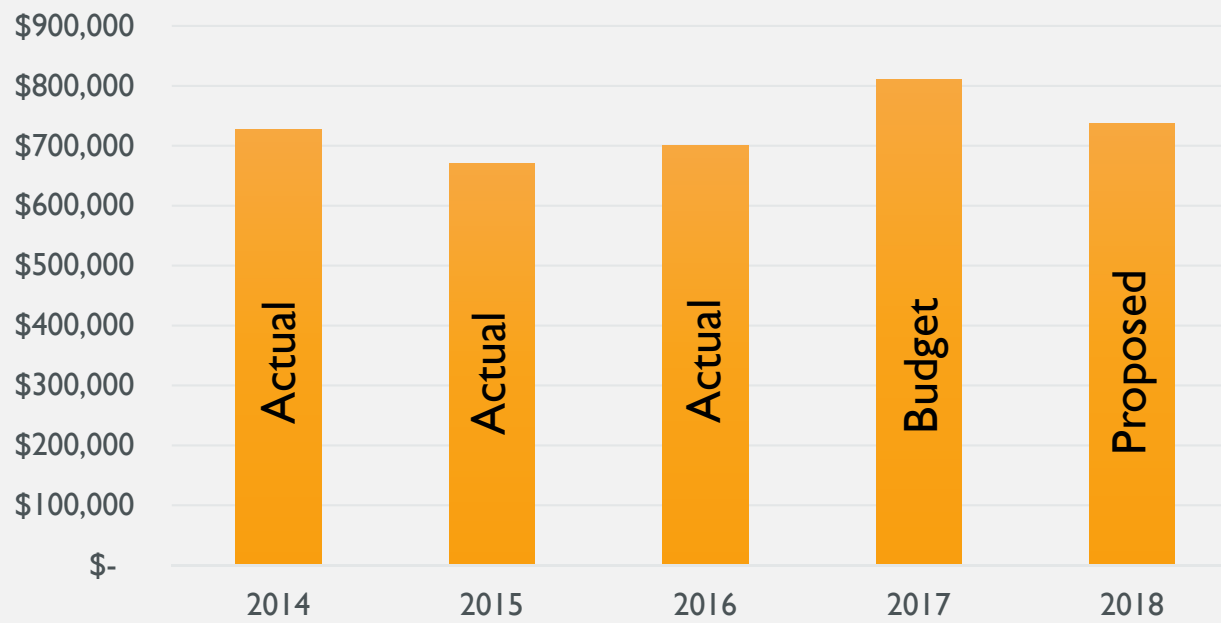
- Administration (up 12.94%)
  - Director of Public Works 50% salary/benefits
  - PT Administrative Assistant to Director – BOF eliminated
  - Moved “Utilities Engineer” to “Engineering Department”
  - BOF cut professional development by \$2,150 to \$1,500
  - BOF eliminated overtime
  - Removed pension to “Pension/OPEB”





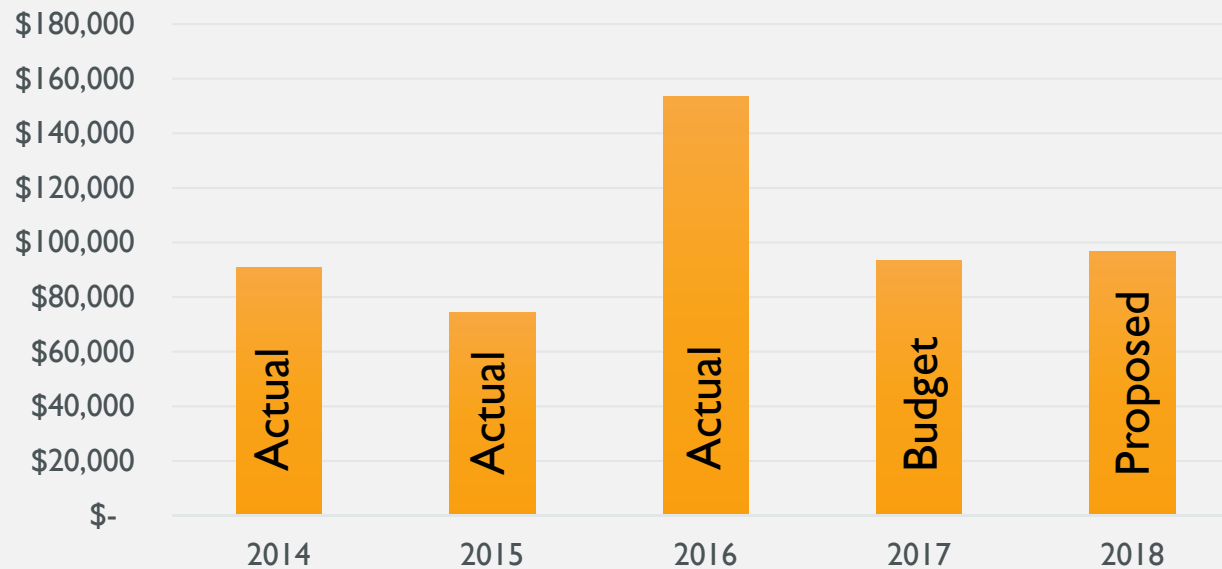
# PUBLIC WORKS

- Town Buildings (down 9.08%)
  - Removed pension to “Pension/OPEB”
  - Increase 2<sup>nd</sup> shift custodian from PT to FT – Reversed by BOF



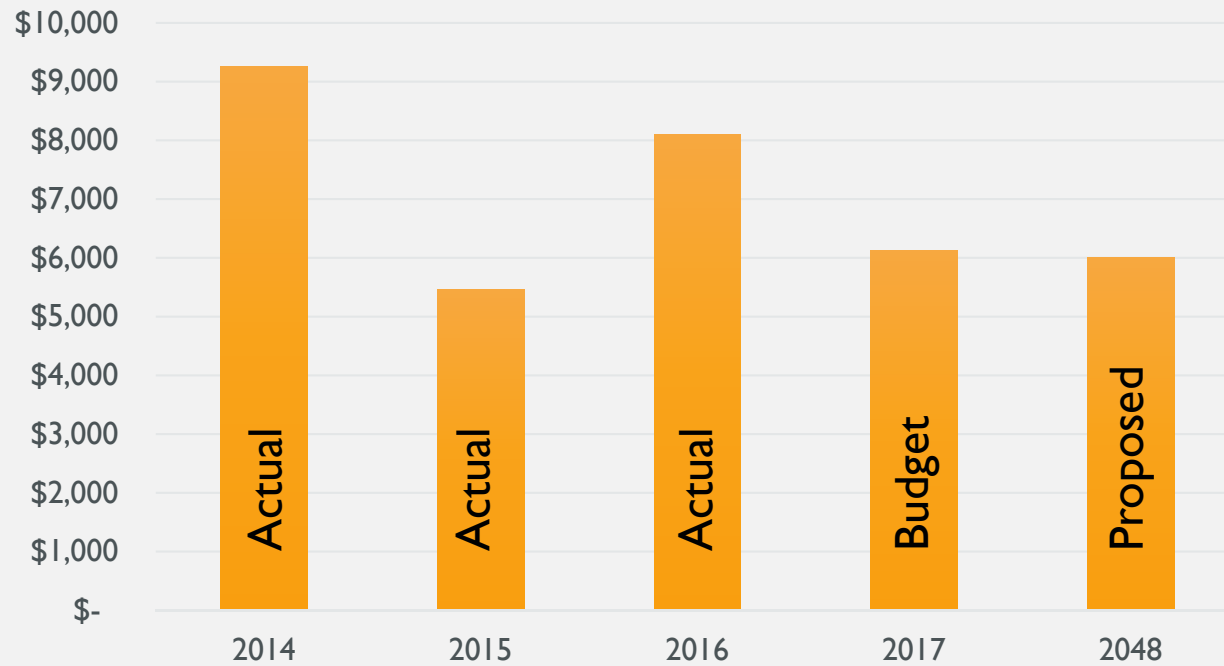
# PUBLIC WORKS

- Engineering (up 3.29%)
  - Moved utilities engineer into Engineering budget from Admin.
  - Budget for interns – Eliminated by BOF
  - Removed pension to “Pension/OPEB”



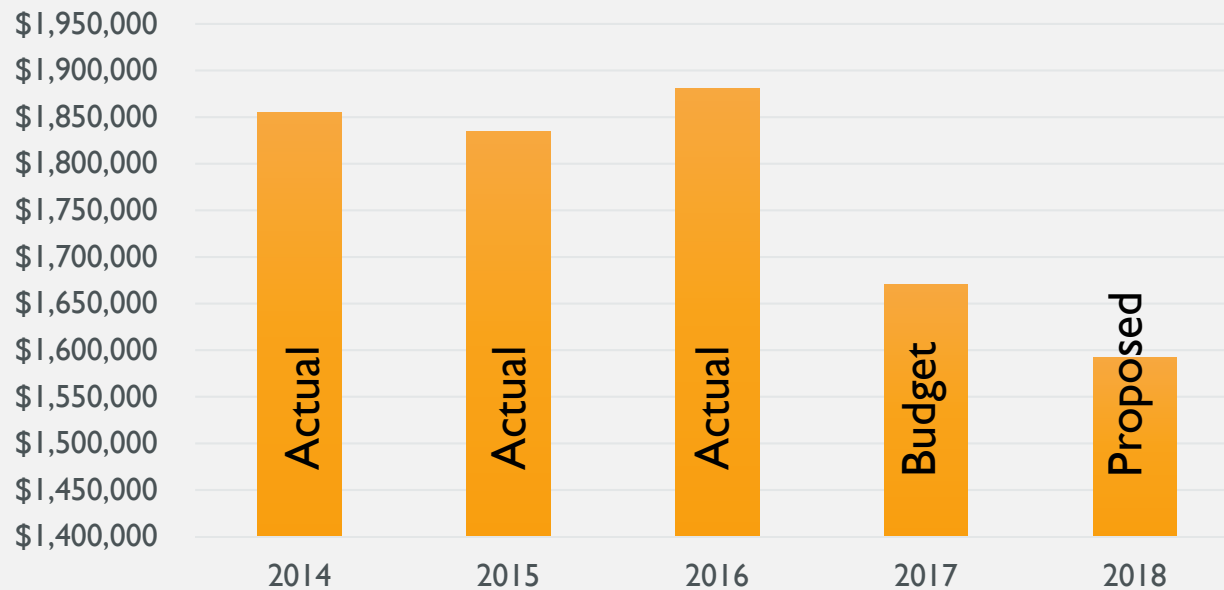
# PUBLIC WORKS

- Tree Warden (down 1.99%)
  - BOF decrease “Professional Services.” Increase was due to actual tree clearing cost



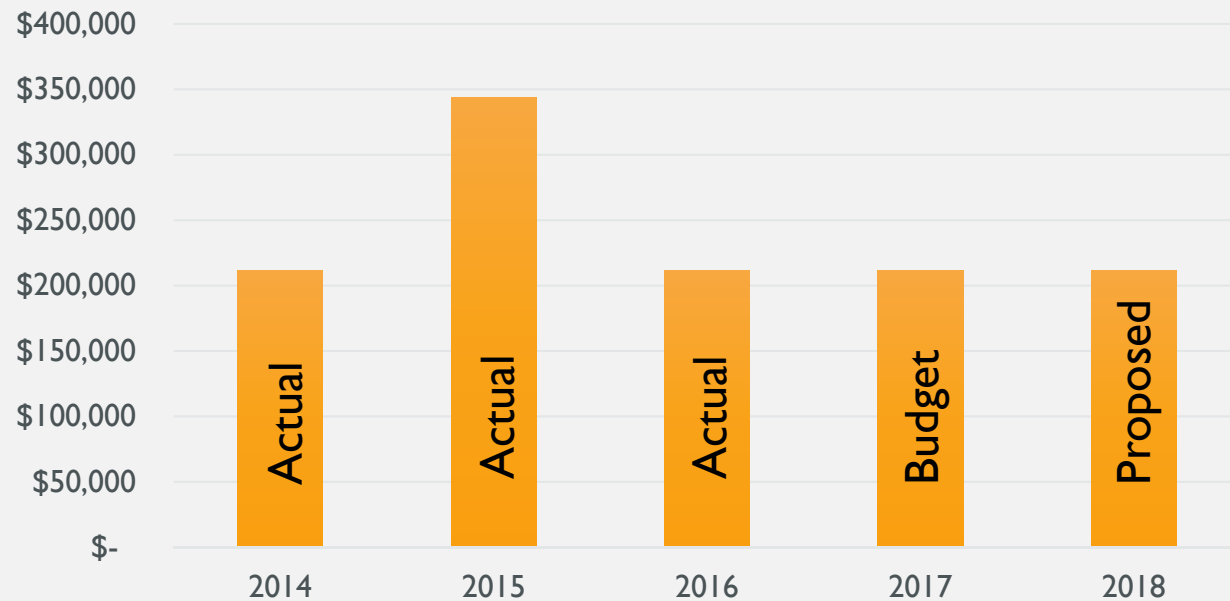
# PUBLIC WORKS

- Highway & Drainage (down 4.69%)
  - Removed pension to “Pension/OPEB”
  - BOF reduction in professional development



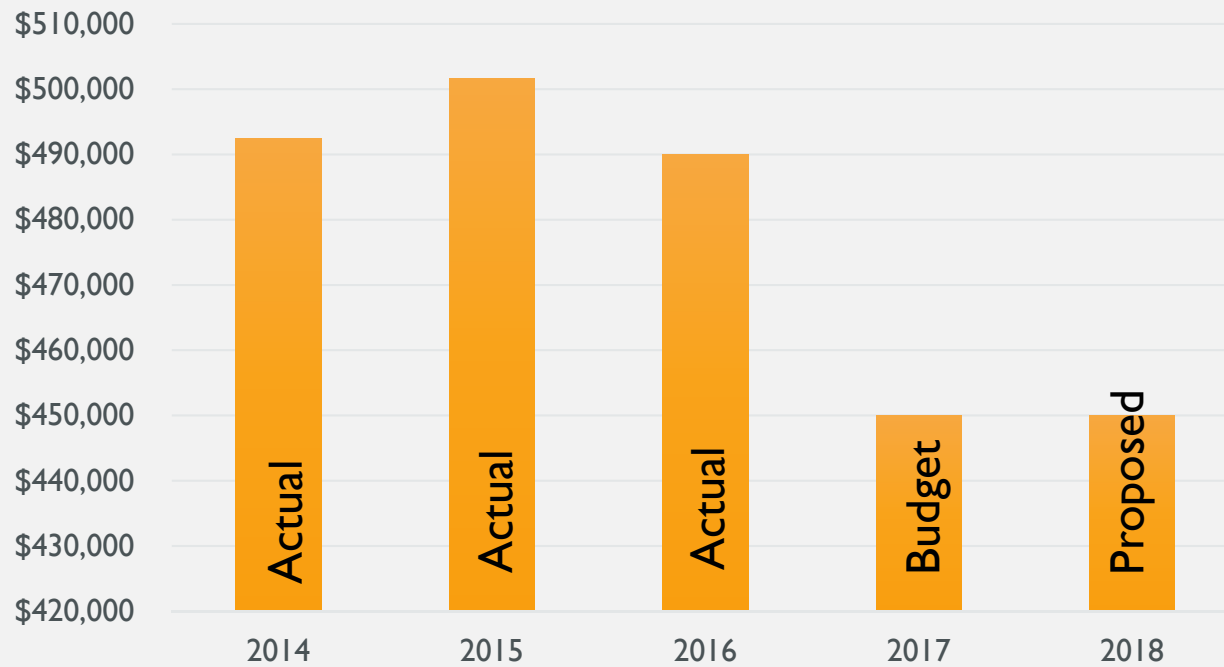
# PUBLIC WORKS

- Snow & Ice (up 7.64%)
  - Increase materials to historical actuals – BOF reversed
  - Motor vehicle parts increase (plow blades, spreaders, etc.)



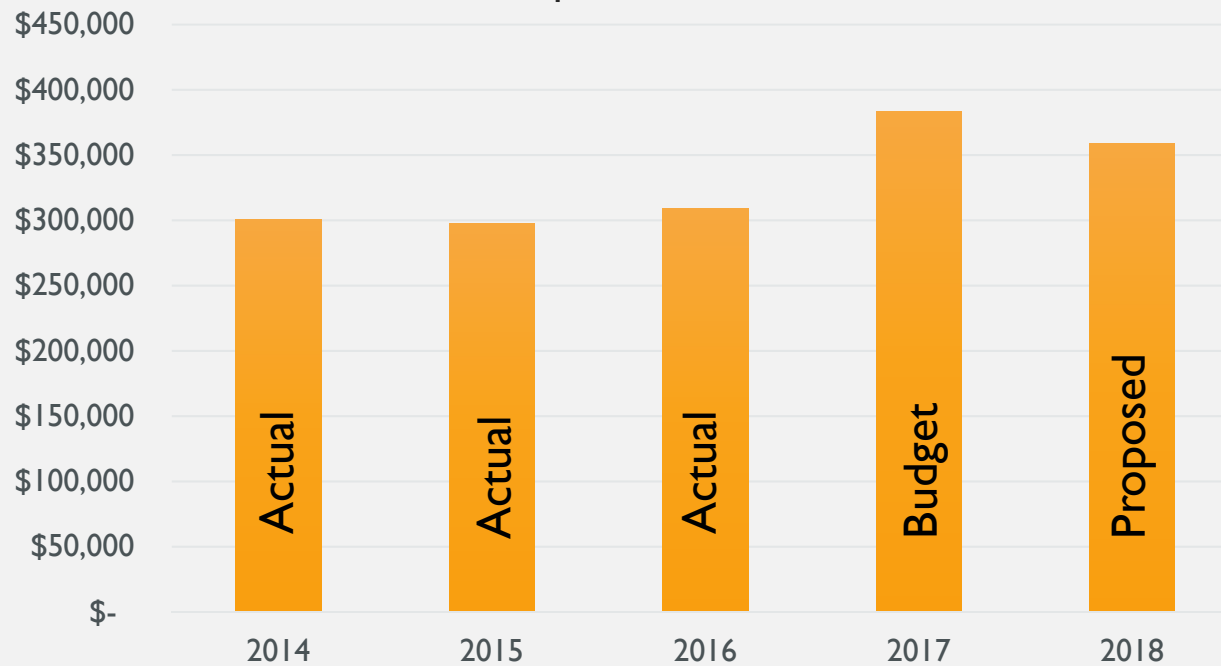
# PUBLIC WORKS

- Street Lighting (no change)



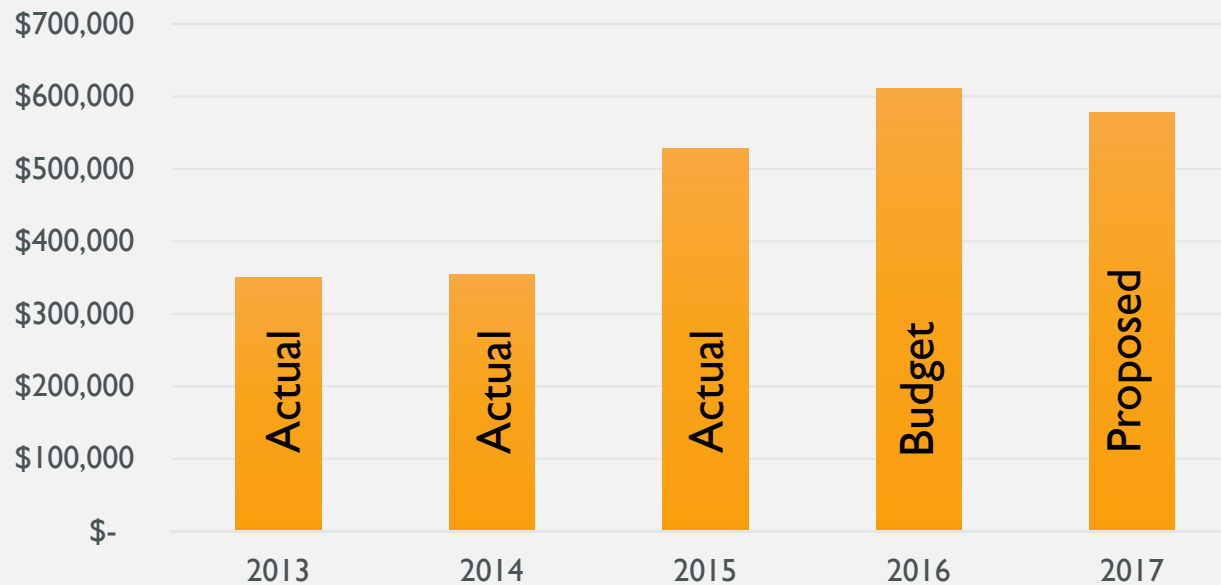
# PUBLIC WORKS

- Equipment Maintenance (down 6.35%)
  - Moved pension to “Pension/OPEB”
  - Increase in motor vehicle parts



# PUBLIC WORKS

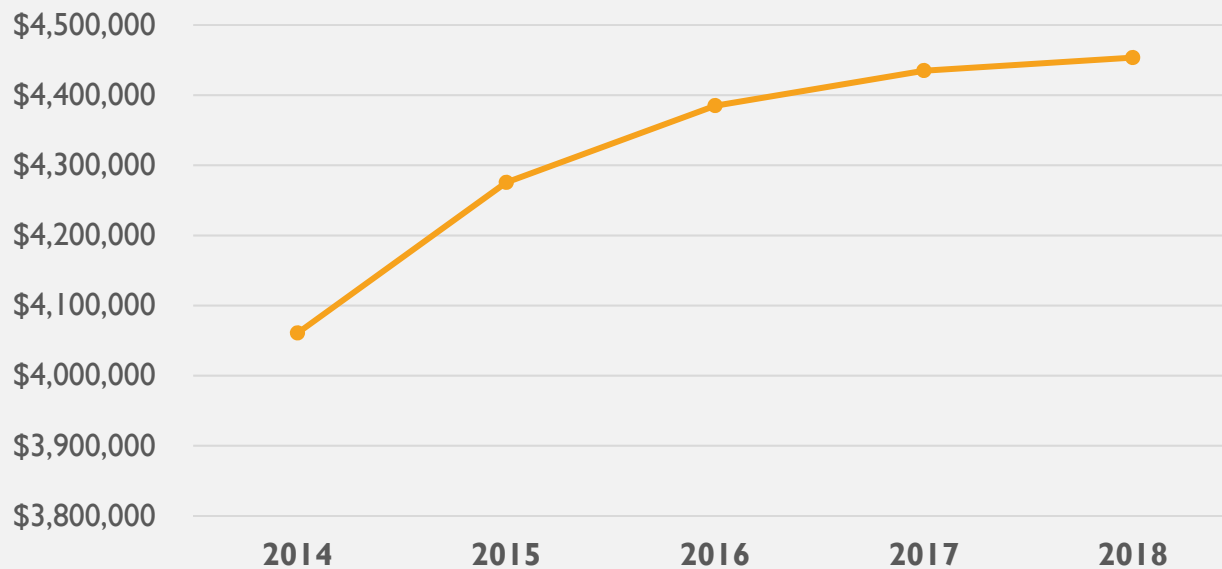
- Parks & Recreation Maintenance (down 6.03%)
  - BOF reduction of new laborer with fringe
  - BOF reduction of “Maintenance of Buildings”
  - Removed pension to “Pension/OPEB”





# PUBLIC WORKS

Total Public Works  
5-Year History

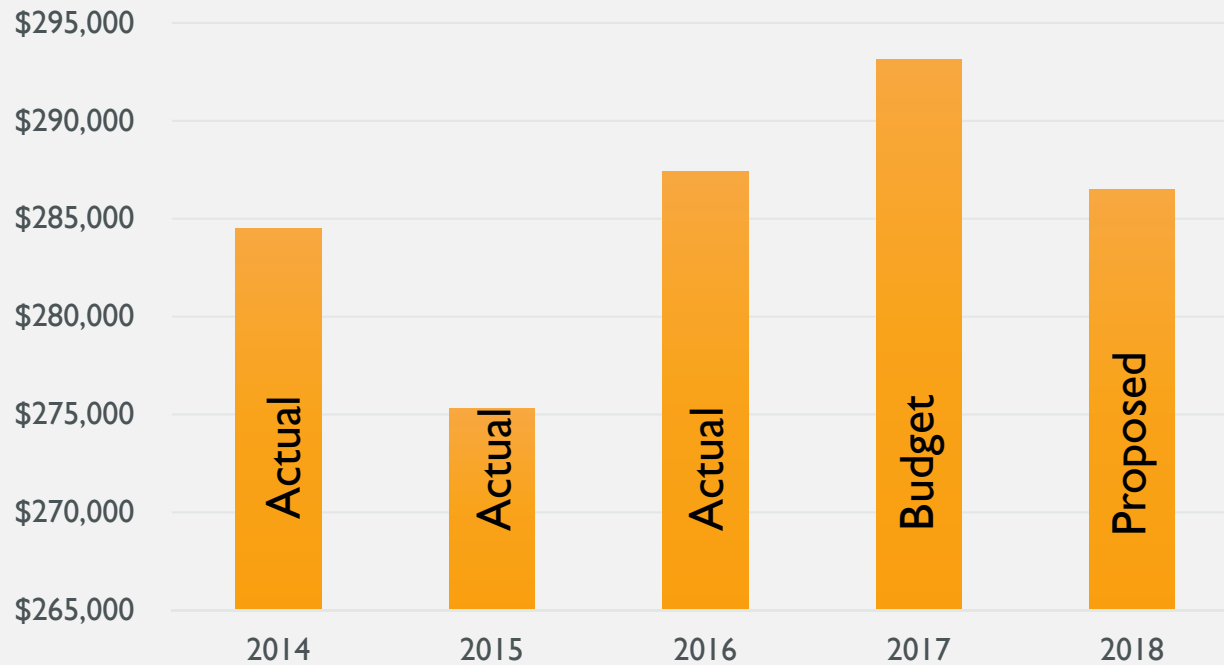


Increase is primarily due to Director of Public Works allocation and administrative assistant.

# RECREATION & BEACH

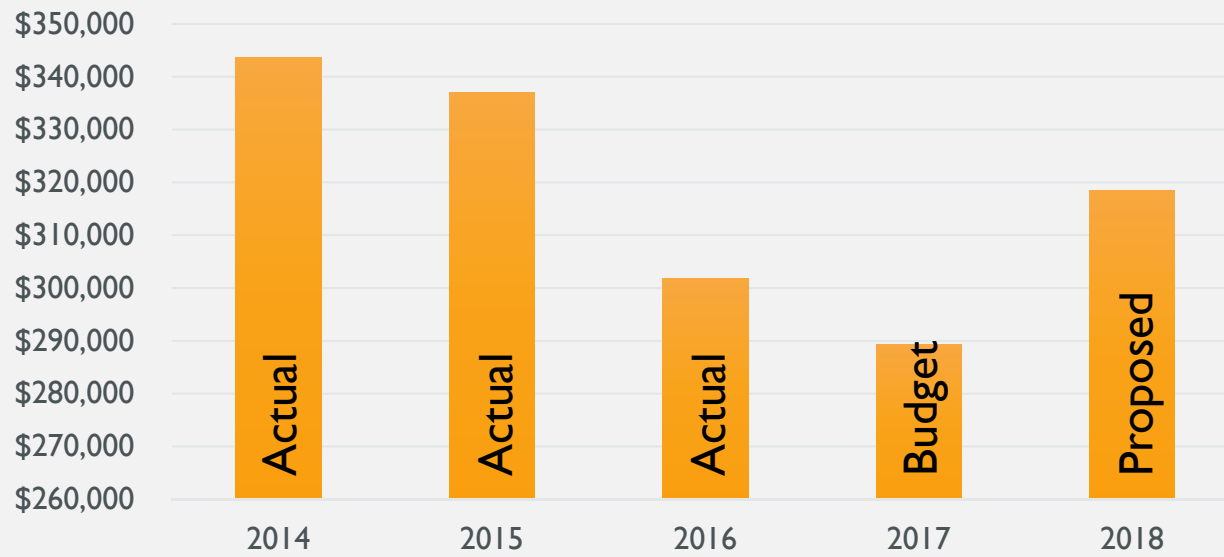
# RECREATION & BEACH

- Recreation & Leisure (down 2.27%)
  - BOF elimination of proposed PT Program Coordinator



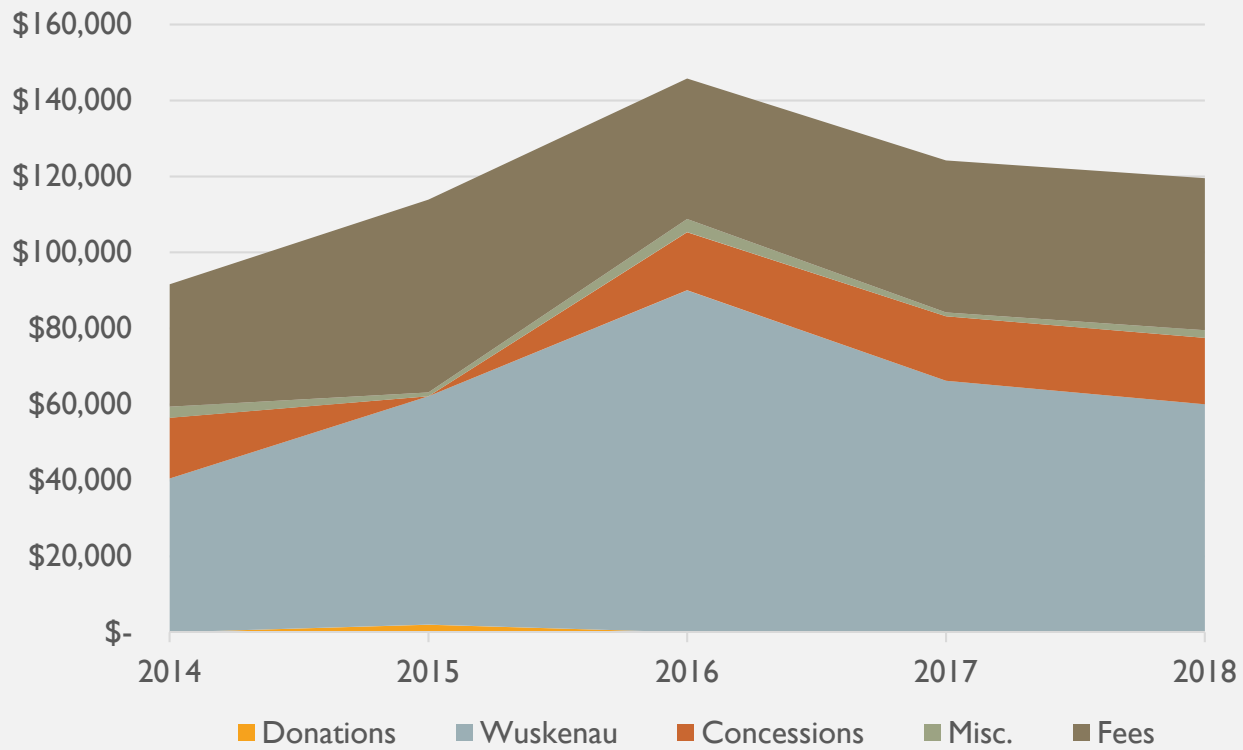
# RECREATION & BEACH

- Beach Operations (up 10.08%)
  - Seasonal wages reflect actual costs
  - BOF reduction of extended hours for Maintenance Supervisor
  - BOF reduction in Maintenance of Equipment (beach tractor)



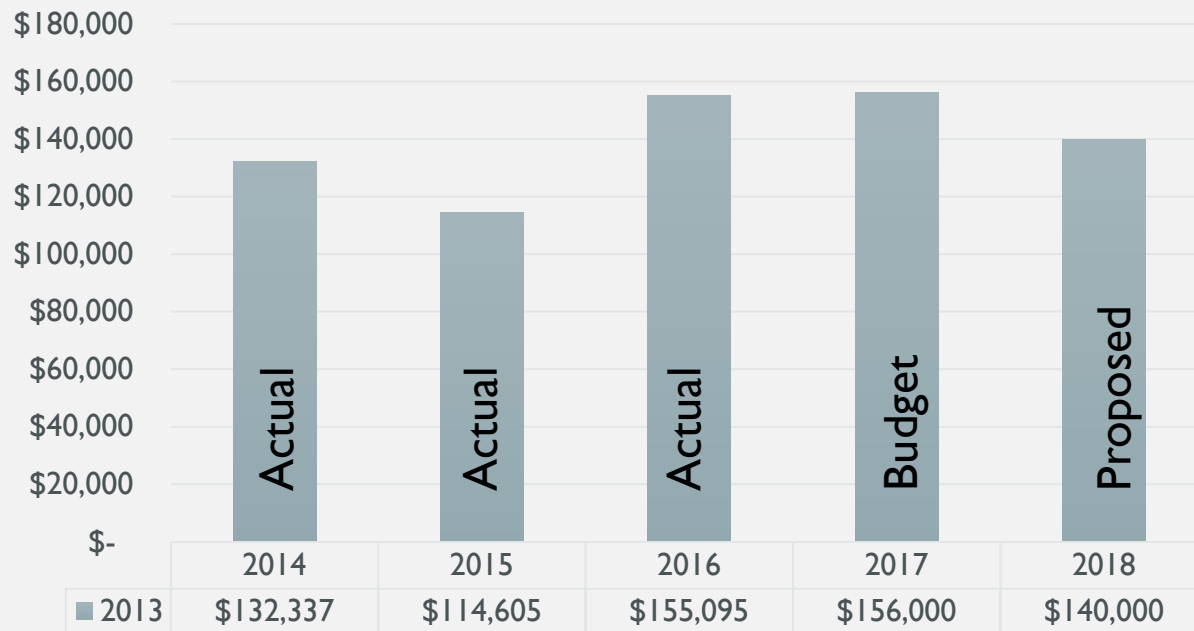
# RECREATION & BEACH

Revenues



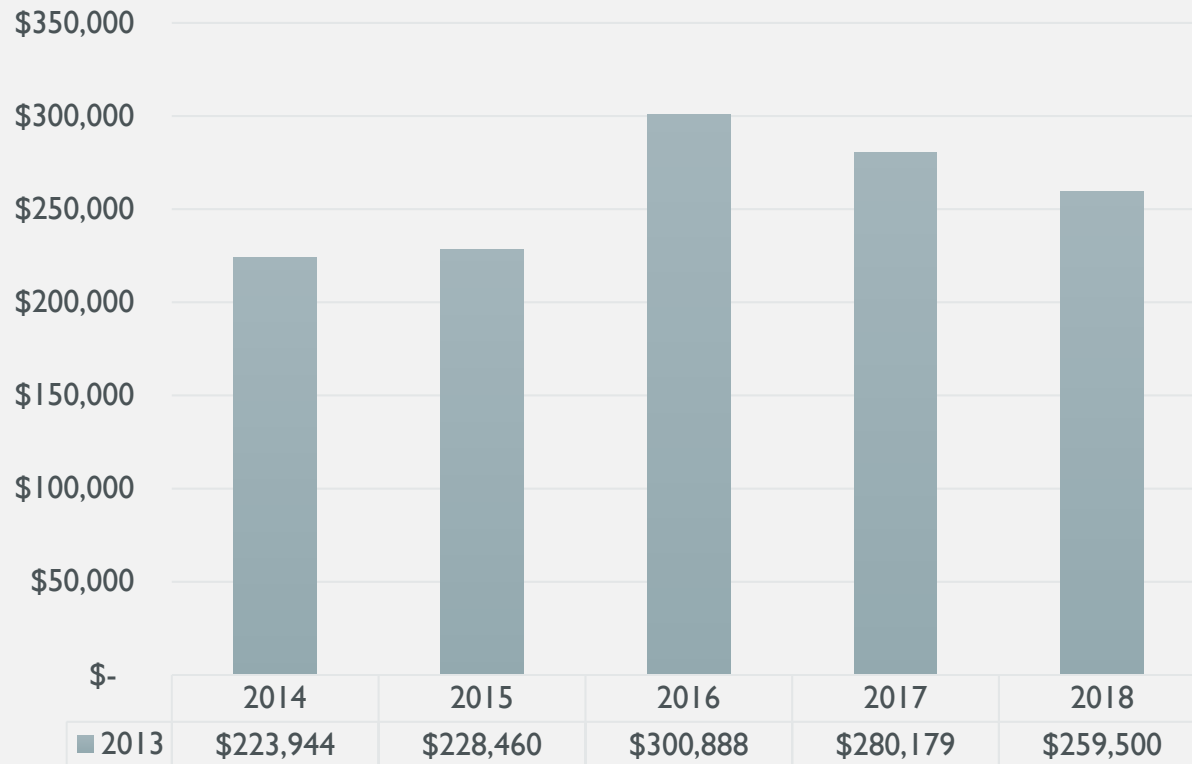
# RECREATION & BEACH

- Revenues – Town Beach Parking
  - Decrease due to reflection of State Beach Parking Pass decrease



# RECREATION & BEACH

- Total Revenues (down 7.38%)

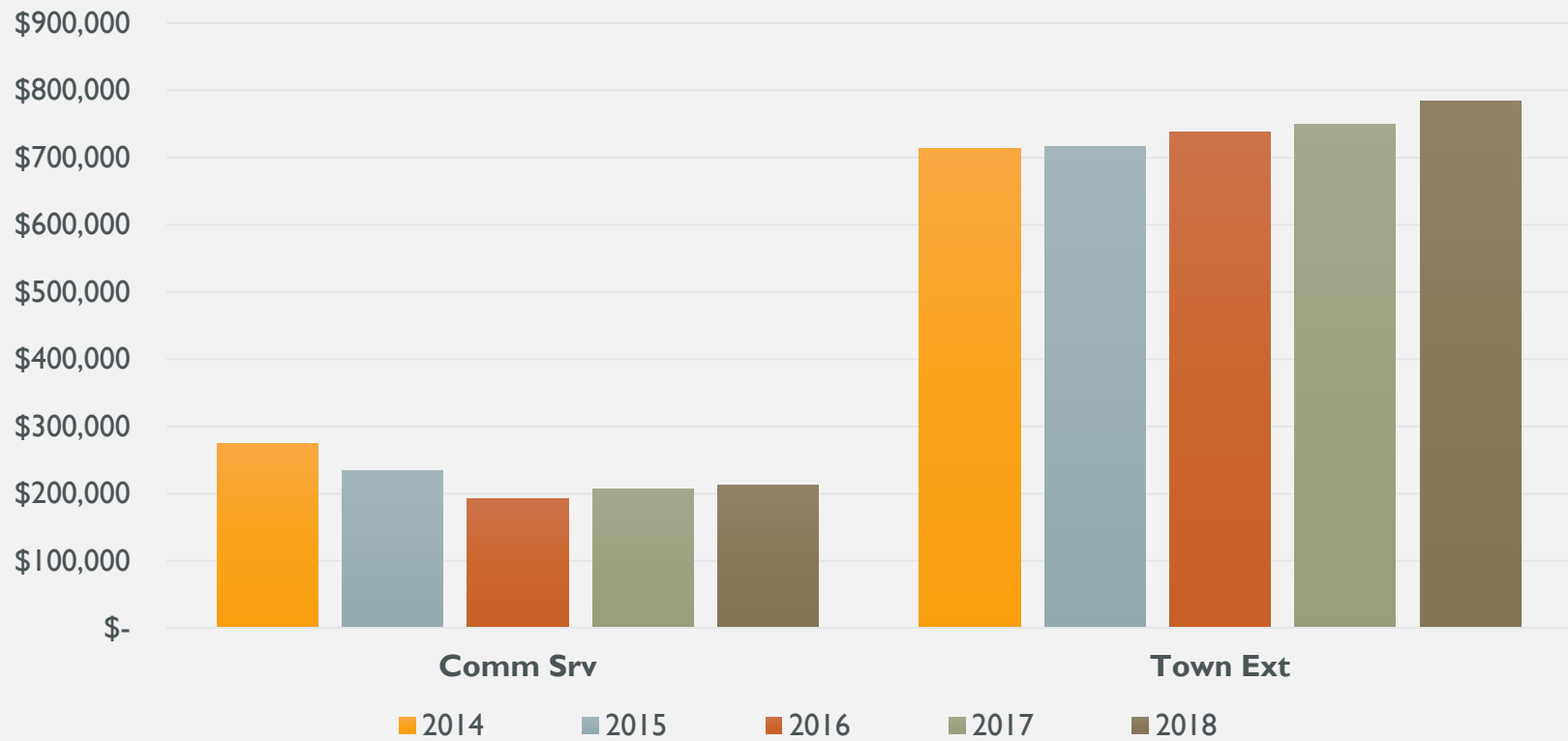


# SUBSIDIES



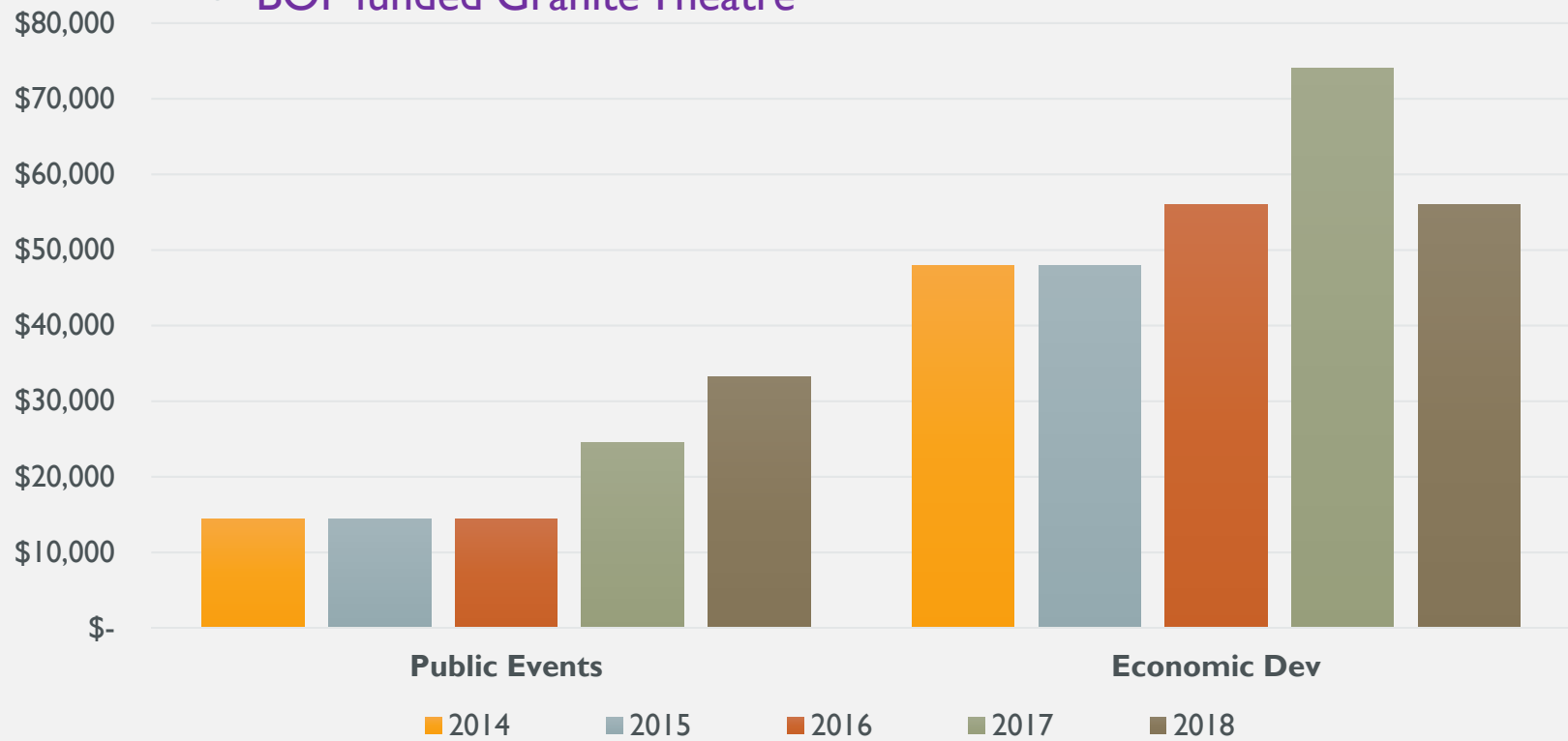
# SUBSIDIES

- TM Level Funded
- BOF increased Senior Center



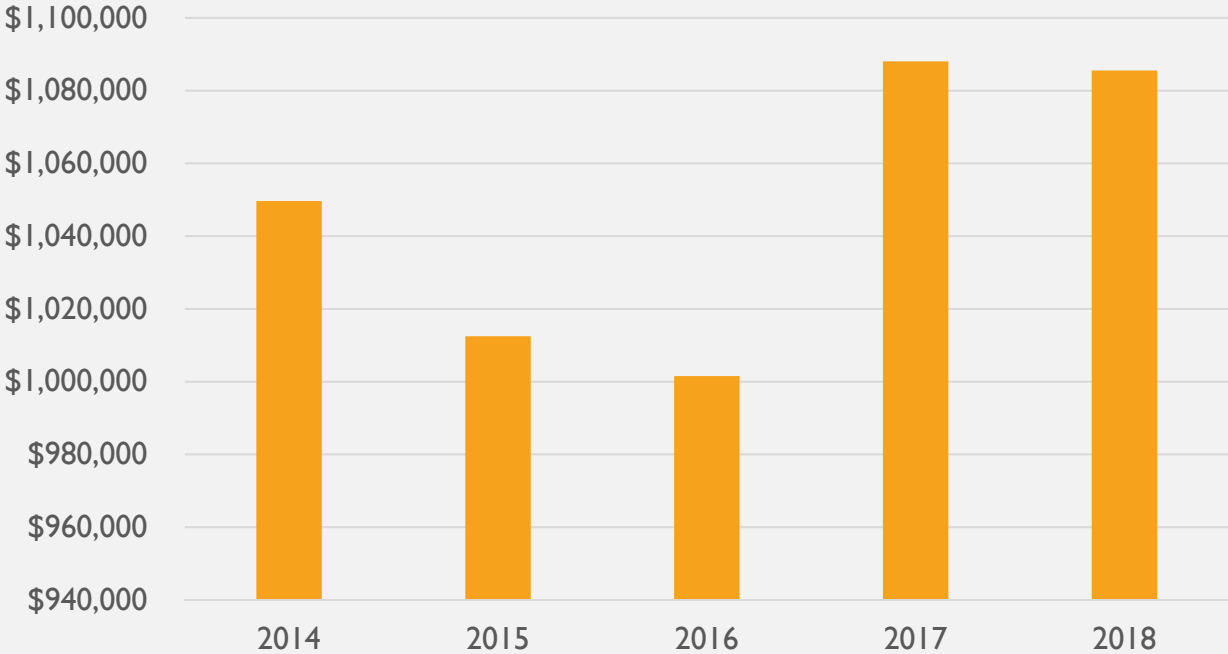
# SUBSIDIES

- TM Level Funded
- BOF funded Granite Theatre



# SUBSIDIES

- Total Subsidies



# OTHER FUNDS

Animal Shelter

Sanitation – Transfer Station

## WHY CREATE OTHER FUNDS?

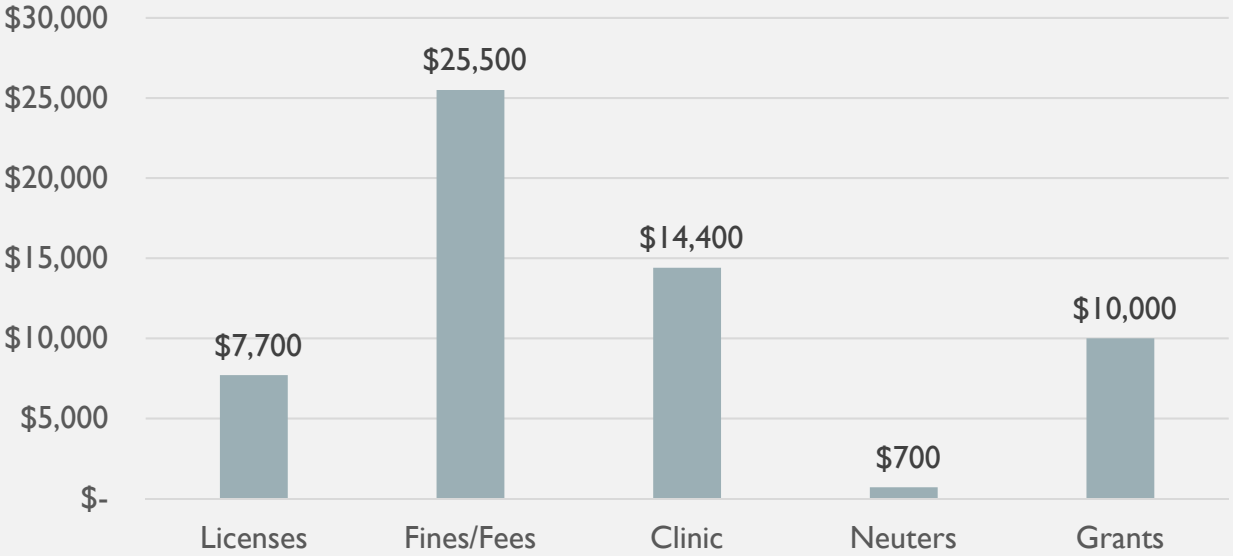
- Better accountability
- Better able to track revenues & expenses
- Better able to track actual Town expense (cost to taxpayers)
- Use the fund as it is intended (enterprise)

## WHAT IS AN ENTERPRISE FUND?

- Proper fund for “business-like” activity
- Revenues are accounted for in the fund, not GF
- Expenditures are accounted for in the fund, not GF
- Revenues off-set expenditures
- General Fund support, if necessary, to balance fund
- Not required for revenues to completely off-set expenditures

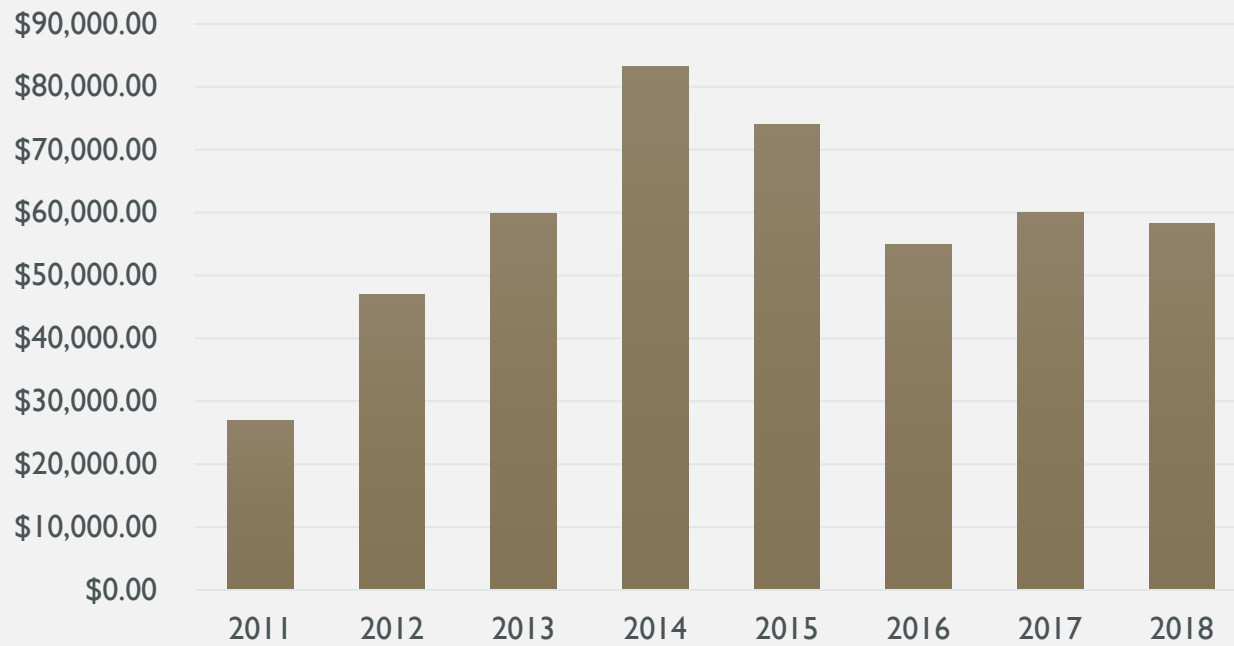
# ANIMAL SHELTER FUND

Revenues TOTAL: \$58,300



# ANIMAL SHELTER FUND

## Historical Revenues

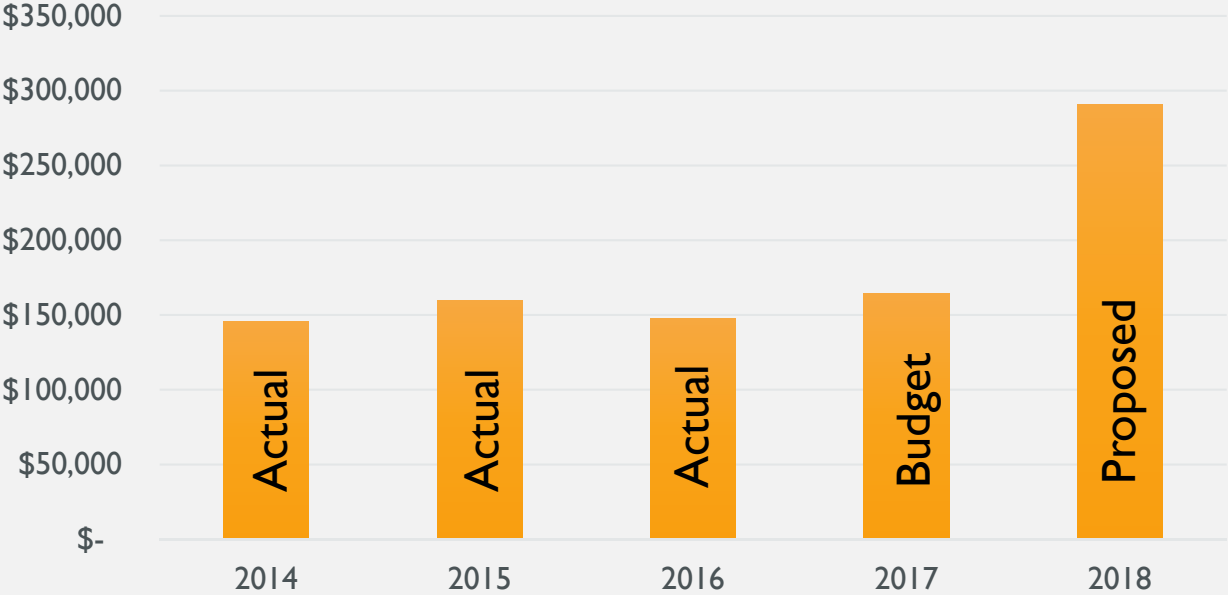




# ANIMAL SHELTER FUND

Expenses *(not apples to apples)*

- Increase hours of front office assistant (Shelter Coordinator)
- Incorporate all costs of operations (transfer from DPW)



## ANIMAL CONTROL FUND

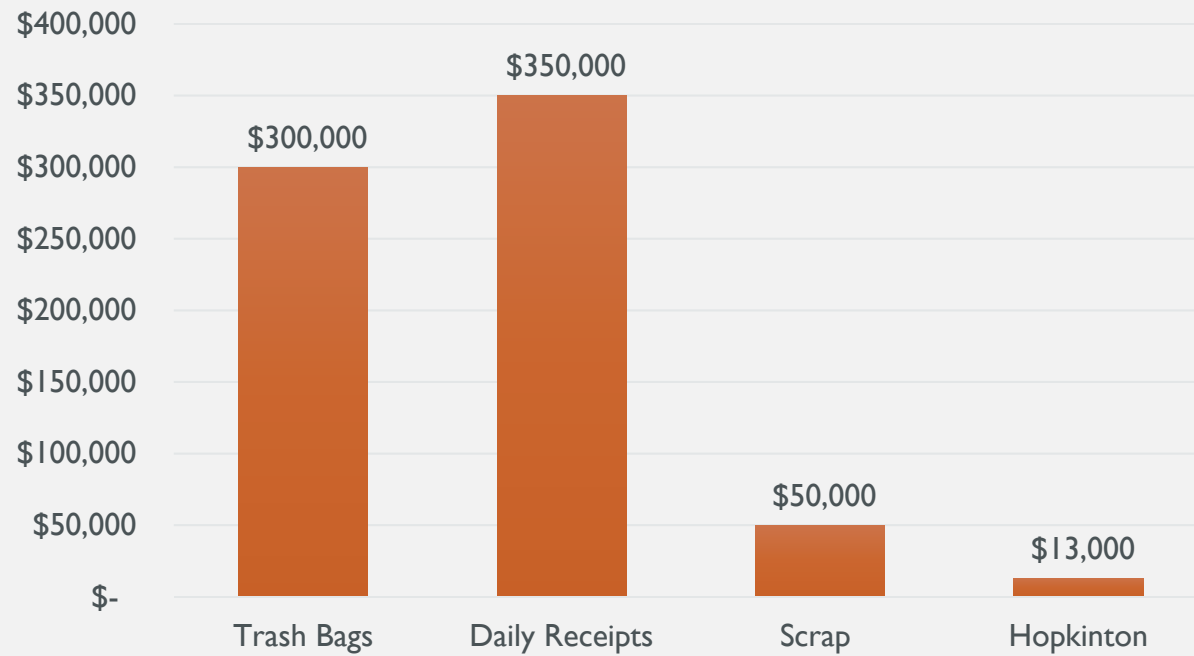
|            | FY2014     | FY2015     | FY2016     | FY2017      | FY2018      |
|------------|------------|------------|------------|-------------|-------------|
| Revenues   | \$83,289   | \$74,062   | \$55,000   | \$60,000    | \$58,300    |
| Expenses   | \$145,314  | \$159,342  | \$147,513  | \$164,104   | \$290,429   |
| Difference | (\$62,025) | (\$85,280) | (\$92,513) | (\$104,104) | (\$232,129) |

|                   |              |        |        |         |         |
|-------------------|--------------|--------|--------|---------|---------|
| <b>Households</b> | <b>9,500</b> |        |        |         |         |
| Per House Cost    | \$6.52       | \$8.98 | \$9.74 | \$10.96 | \$24.43 |

Prior years included a GF transfer to support that is not reflected in revenues prior to FY18 and did not reflect the true cost to operate the facility.

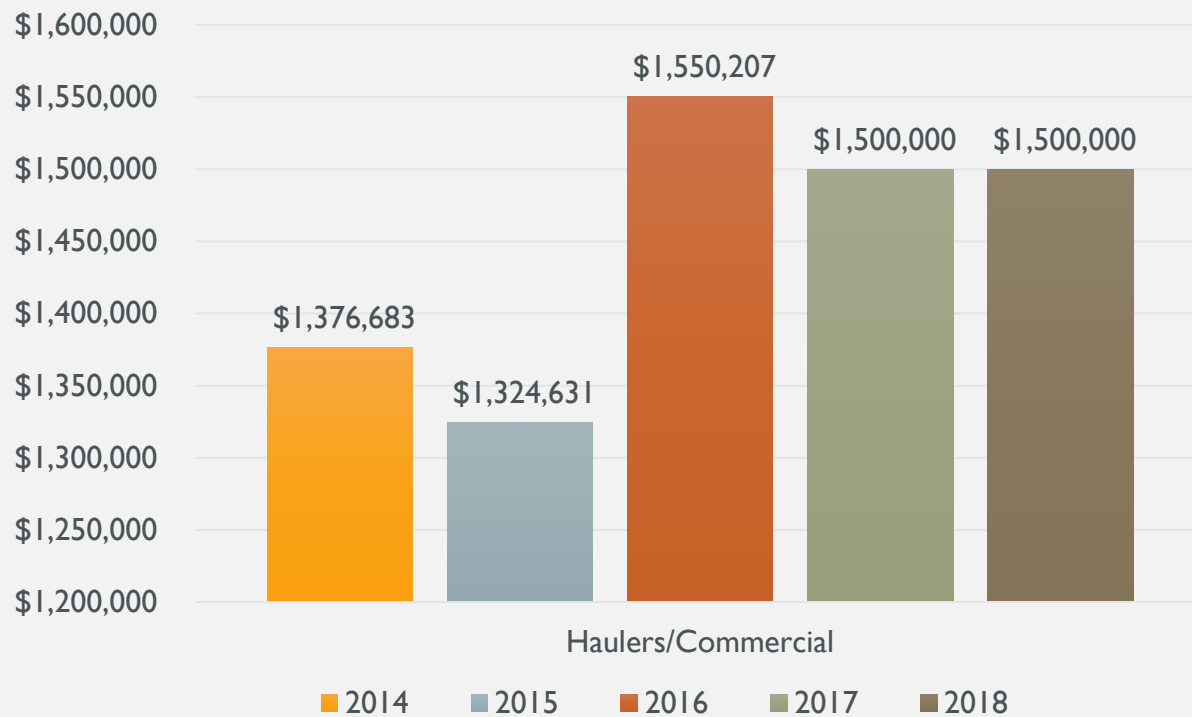
# SANITATION FUND

## Revenues



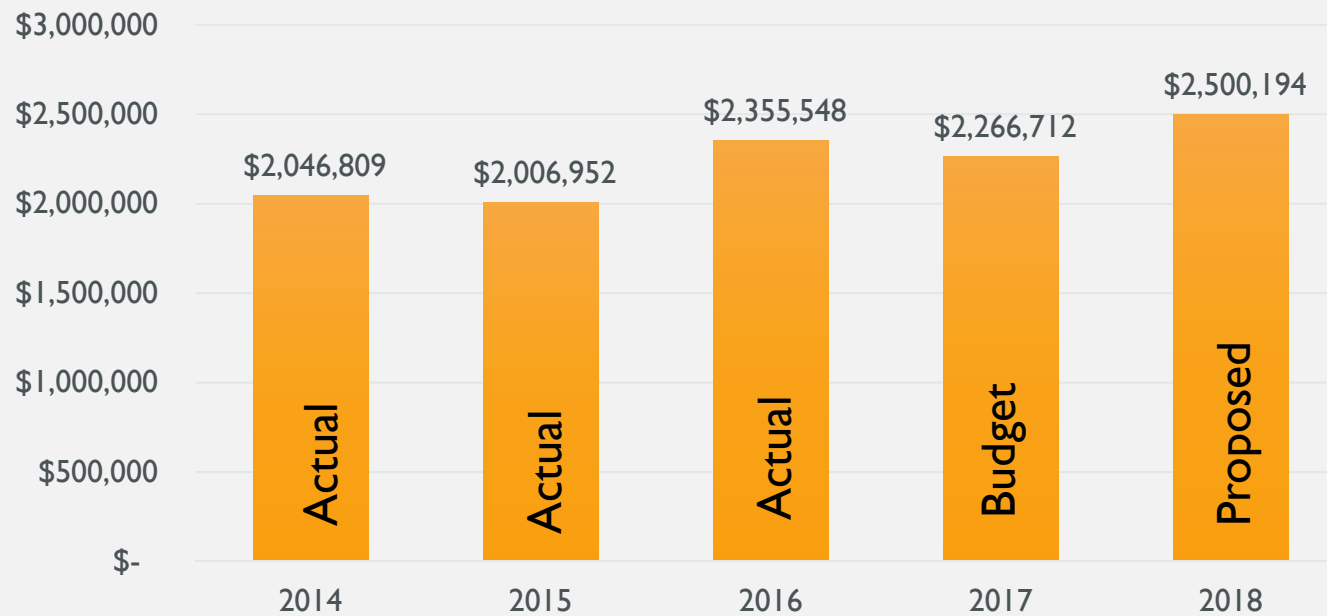
# SANITATION FUND

## Revenues – Haulers/Commercial



# SANITATION FUND

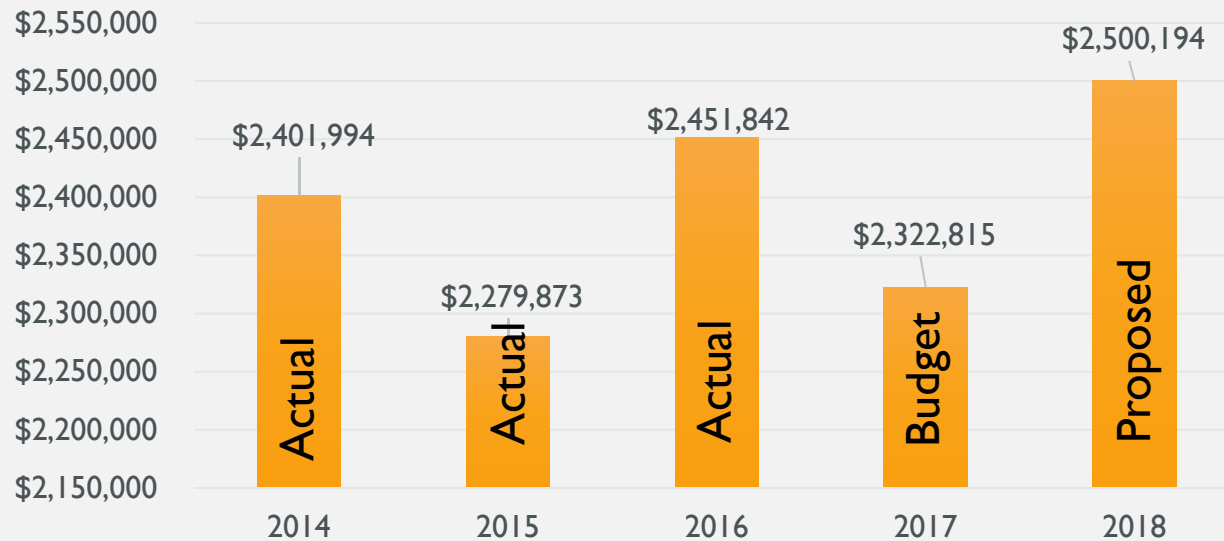
- Total Revenues
  - 2016 not budgeted on actual history



# SANITATION FUND

## Expenditures

- Waste disposal cost increase due to RI Resource Recovery Corp tipping fee increase
- \$32/ton increase to \$39.50/ton (pre-cap)
- \$54/ton to \$62/ton (over cap)



## SANITATION FUND

|            | FY2014      | FY2015      | FY2016*     | FY2017      | FY2018      |
|------------|-------------|-------------|-------------|-------------|-------------|
| Revenues   | \$2,046,809 | \$2,006,952 | \$2,335,548 | \$2,266,712 | \$2,500,194 |
| Expenses   | \$2,401,994 | \$2,279,873 | \$2,451,842 | \$2,322,815 | \$2,500,194 |
| Difference | (\$355,185) | (\$272,921) | (\$116,294) | (\$56,103)  | (-285,694)  |

|                   |              |         |         |        |         |
|-------------------|--------------|---------|---------|--------|---------|
| <b>Households</b> | <b>9,500</b> |         |         |        |         |
| Per House Cost    | \$37.39      | \$28.73 | \$12.24 | \$5.91 | \$30.07 |

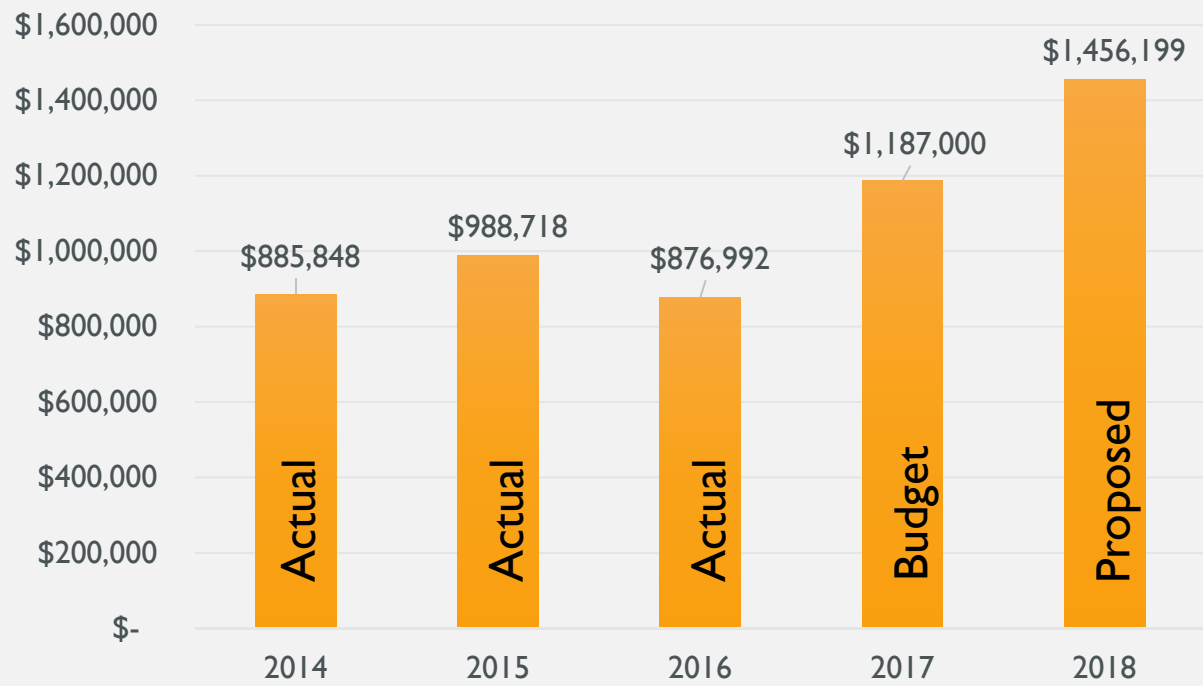
FY2018 reflects “transfer in”

\*Revenues not budgeted based on actual history

# RESTRICTED PROGRAMS



# RESTRICTED PROGRAMS



## RESTRICTED PROGRAMS

### Mainstays:

- Road Improvements \$400,000
- Sidewalk Replacement \$125,000
- Drainage Improvements \$100,000
- Revaluation **\$ 60,000 (\$100,000)**
- Snow & Ice **\$ 65,000 (\$75,000)**

**TOTAL \$750,000**

## RESTRICTED PROGRAMS

### Priorities:

|                       |                 |           |
|-----------------------|-----------------|-----------|
| • Police Retirement   | \$ 0            | \$100,000 |
| • Stormwater Phase II | \$ 50,000       |           |
| • Town Hall Elevator  | \$ 25,000       | \$ 50,000 |
| • Employee Retirement | \$ 0            | \$ 25,000 |
| • Downtown Lightpoles | \$ 5,000        | \$ 25,000 |
| • Mosquito Control    | \$ 25,000       |           |
| • Police Vests        | \$ <u>8,000</u> |           |

**TOTAL \$113,000**

## RESTRICTED PROGRAMS

Important:

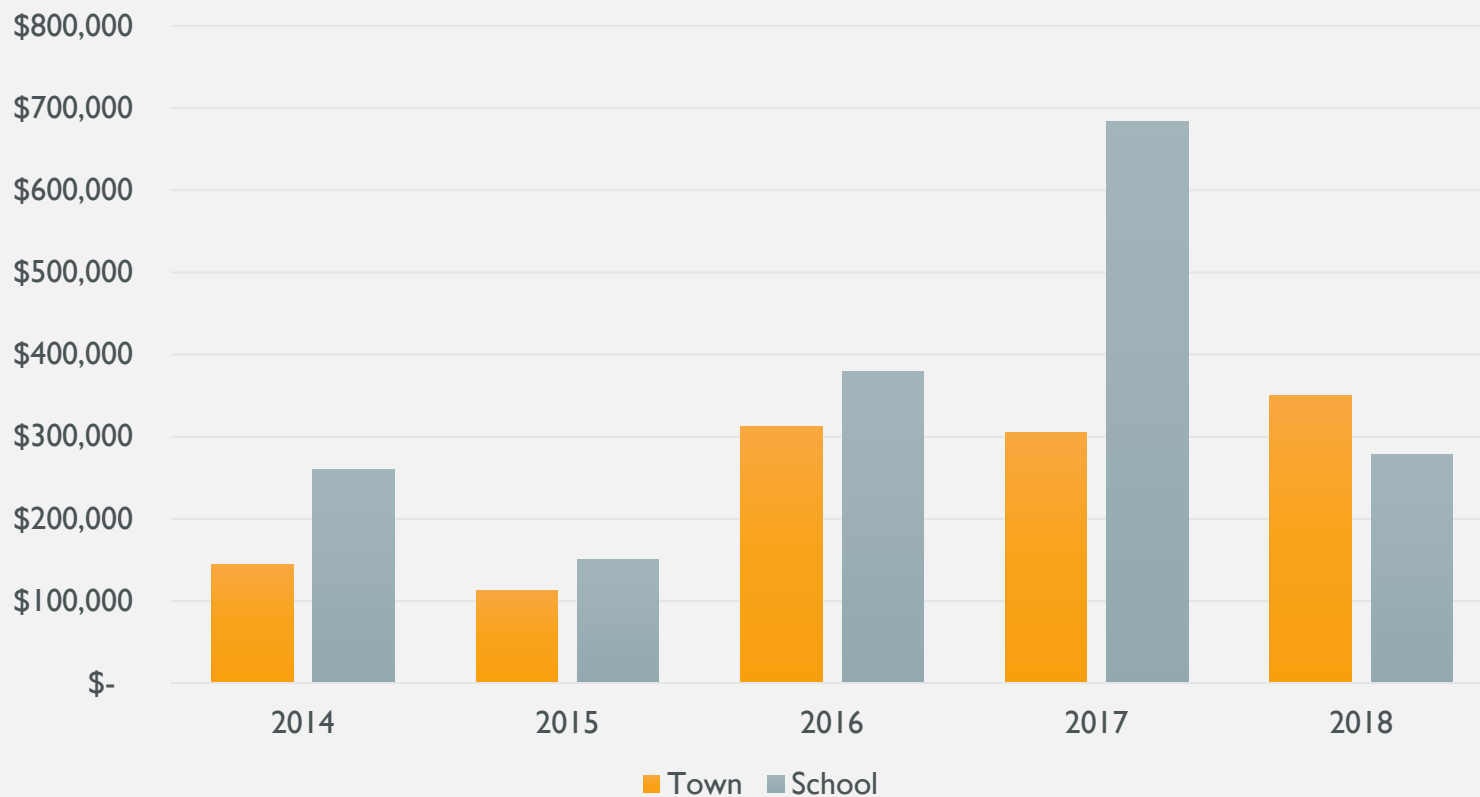
|                           |                 |           |
|---------------------------|-----------------|-----------|
| • CCRI Partnership        | \$ 50,000       | \$ 60,000 |
| • Beach Improvements      | \$ 15,000       | \$ 38,000 |
| • Line Striping           | \$ 25,000       |           |
| • Skate Park Improvements | \$ 0            | \$ 25,000 |
| • Pavement Mgmt. System   | \$ 10,000       | \$ 20,000 |
| • Loader Tires            | \$ 16,000       |           |
| • Energy Consultant       | \$ 0            | \$ 15,000 |
| • Solid Waste Lisc. Fee   | <u>\$ 1,000</u> |           |

**TOTAL**

**\$117,000**

# CAPITAL IMPROVEMENTS

# CAPITAL IMPROVEMENTS



# CAPITAL IMPROVEMENTS

|   |                      |
|---|----------------------|
| • Town  |                      |
| • Vehicle Replacement Plan (Year 1)               | \$ 350,000           |
| <del>• Transfer Station Improvements</del>        | <del>\$ 75,000</del> |
| <del>• Police Radio Replacement</del>             | <del>\$ 60,000</del> |
| <del>• Police MDT Replacement Plan (Year 1)</del> | <del>\$ 20,000</del> |
| <b>TOTAL</b>                                      | <b>\$ 350,000</b>    |

# CAPITAL IMPROVEMENTS

- Schools
    - Springbrook Roof Replacement \$179,000
    - State Street School Heating Units \$ 50,000 **\$155,000**
    - Bus Replacement Plan (lease) \$ 50,000 **\$101,000**
    - ~~• Chrome Books (lease) \$ 61,000~~
    - ~~• Playground Equipment Upgrades \$ 56,000~~
    - ~~• HS Portable Stage (YR 2 of 2) \$ 32,000~~
- TOTAL \$ 279,000**



REVENUES

# WHERE DOES OUR REVENUE COME FROM?

- State Aid
- Taxes
- Licenses & Permits
- Fines & Penalties
- Use of Property & Money
- Other Sources (Miscellaneous)
- Programmatic
  - Recreation
  - Transfer Station
  - Animal Shelter

**STATE AID**

## REVENUE – STATE AID

- PILOT
  - Up to 27% of designated tax exempt properties\* *(subject to appropriation)*
- Municipal Incentive Aid
  - Improve sustainability of retirement plans and reduce unfunded liabilities
- Property Valuation Statistical Update Program
  - Reimbursement for mandated property valuation updates
- Aid to Local Libraries
- Motor Vehicle Excise Tax Phase-Out
- Public Service Corporation Tax
- Hotel Local Tax (5% hotel tax)
- Local Meals and Beverage Tax (1% tax on gross receipts)

## REVENUE – STATE AID (TOWN)

- PILOT
  - 2017 Enacted = \$159,333
  - 2017 Revised = \$159,333
  - 2018 Proposed = \$161,199 (increase of \$1,866 or 1.17%)
- State Library Aid
  - 2017 Enacted = \$318,145
  - 2017 Revised = \$318,145
  - 2018 Proposed = \$318,791 (increase of \$646 or 0.20%)

## REVENUE – STATE AID (TOWN)

- Motor Vehicle Excise Tax Reimbursement
  - 2017 Enacted = \$216,507
  - 2017 Revised = \$216,507
  - 2018 Proposed = \$216,507 (no change)
- Public Service Corporation Tax
  - 2017 Enacted = \$292,589
  - 2017 Revised = \$292,589
  - 2018 Proposed = \$292,589 (no change)

## REVENUE – STATE AID (TOWN)

- Hotel Tax
  - 2017 Enacted = \$661,737
  - 2017 Revised = \$706,203
  - 2018 Proposed = \$731,517 (increase of \$25,314 or 3.58%)
- Meals & Beverage Tax
  - 2017 Enacted = \$908,162
  - 2017 Revised = \$924,908
  - 2018 Proposed = \$982,690 (increase of \$57,782 or 6.25%)

## REVENUE – STATE AID (TOWN)

- Total Appropriated State Aid
  - 2017 Enacted = \$693,985
  - 2017 Revised = \$693,985
  - 2018 Proposed = \$696,497 (increase of \$2,512 or 0.36%)
- Total Shared Taxes State Aid
  - 2017 Enacted = \$1,862,488
  - 2017 Revised = \$1,923,700
  - 2018 Proposed = \$2,006,796 (increase of \$83,096 or 4.32%)

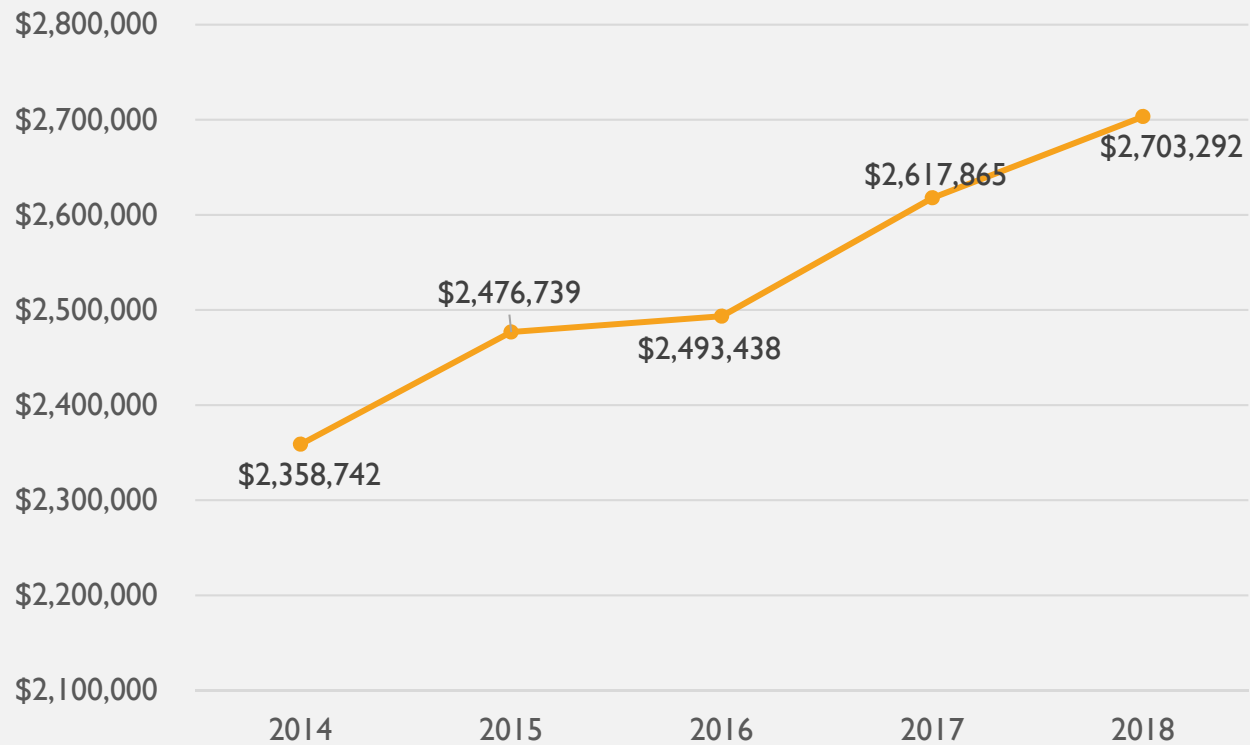


## REVENUE – STATE AID (TOWN)

- Total Appropriated & Shared State Aid
  - 2017 Enacted = \$2,556,473
  - 2017 Revised = \$2,617,685
  - 2018 Proposed = \$2,703,292 (increase of \$85,607 or 3.27%)

# REVENUE – STATE AID (TOWN)

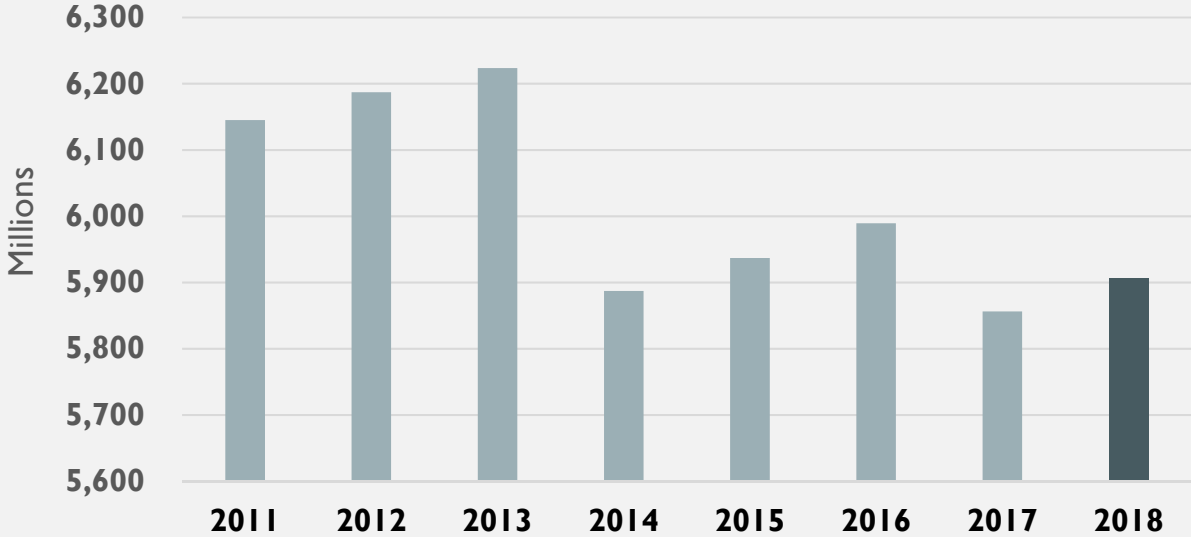
## 5-Year State Aid Revenue History



TAXES

# GRAND LIST

## Net Grand List



## RI TOP 5 - NET GRAND LIST

| Town/City  | RE               | C/I              | Tangible       | TOTAL             |
|------------|------------------|------------------|----------------|-------------------|
| Providence | \$ 6,471,238,678 | \$ 3,566,078,695 | \$ 948,202,104 | \$ 11,516,667,162 |
| Warwick    | \$ 5,897,306,200 | \$ 2,239,803,309 | \$ 525,450,291 | \$ 9,374,661,894  |
| Cranston   | \$ 4,969,489,045 | \$ 1,300,060,860 | \$ 349,341,451 | \$ 7,112,627,508  |
| Newport    | \$ 4,535,205,093 | \$ 1,261,534,017 | \$ 127,689,244 | \$ 6,014,314,527  |
| Westerly   | \$ 5,637,300,000 |                  | \$ 121,550,000 | \$ 5,906,500,000  |

*\*Does not include MV. Order would not change.*

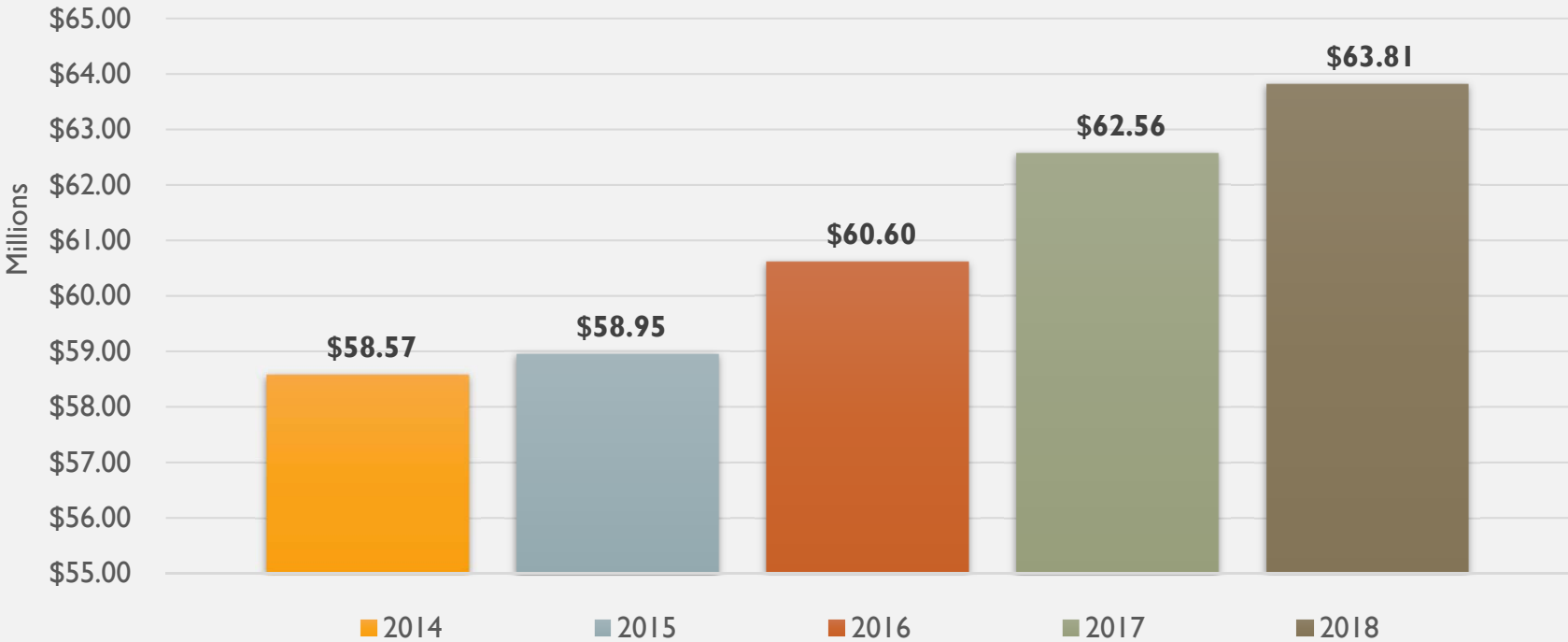
# LOCAL TAXES

- Real Estate Tax
- Motor Vehicle Tax
- Personal Property Tax
- Delinquent Tax Collection

# LOCAL TAXES

## Real Estate Tax

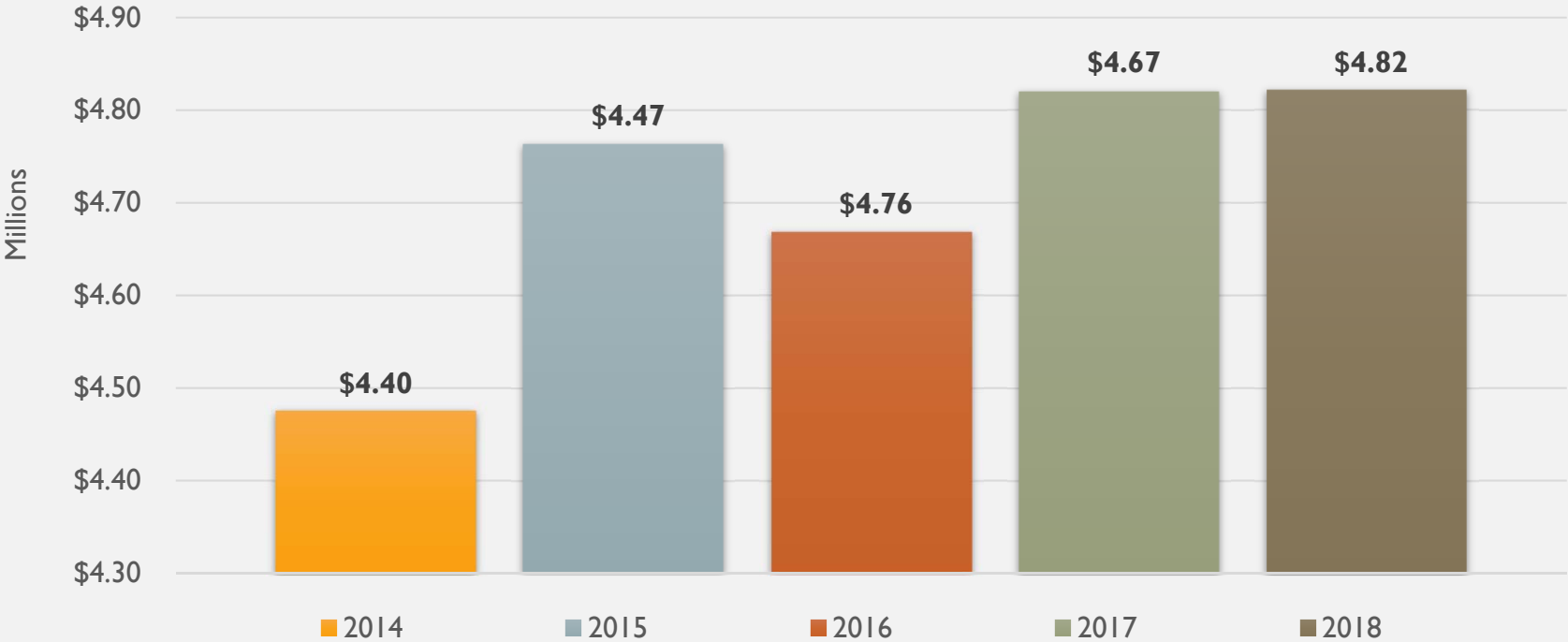
### 5-Year History



# LOCAL TAXES

## Motor Vehicle Tax

### 5-Year History

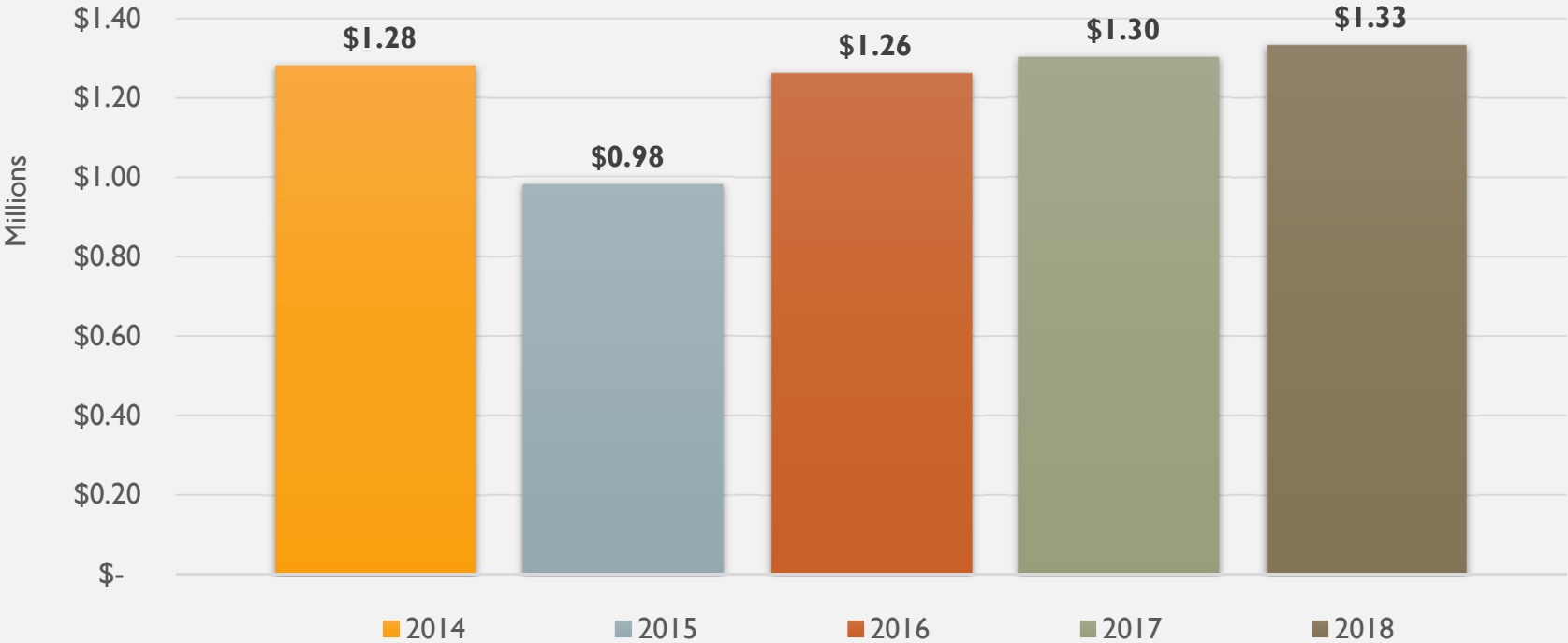




# LOCAL TAXES

## Personal Property Tax

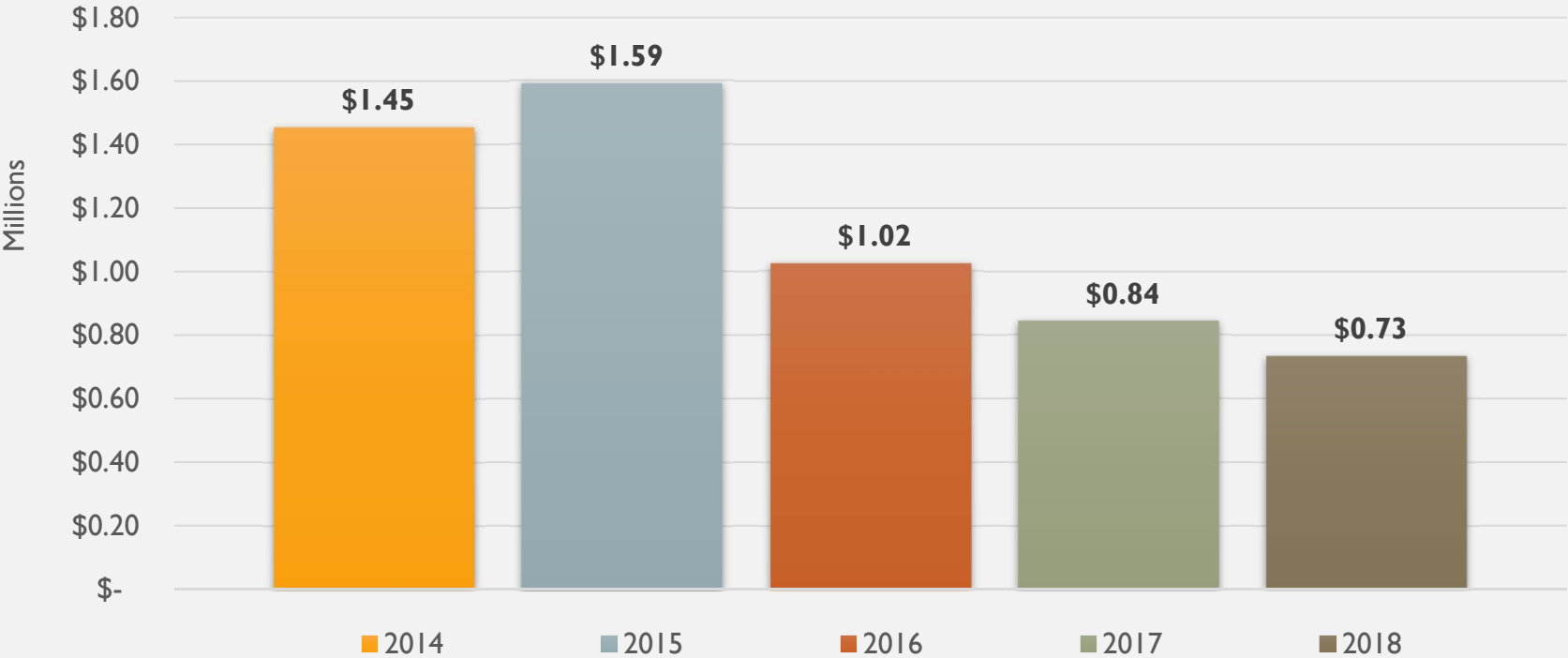
### 5-Year History



# LOCAL TAXES

## Delinquent Tax Collection

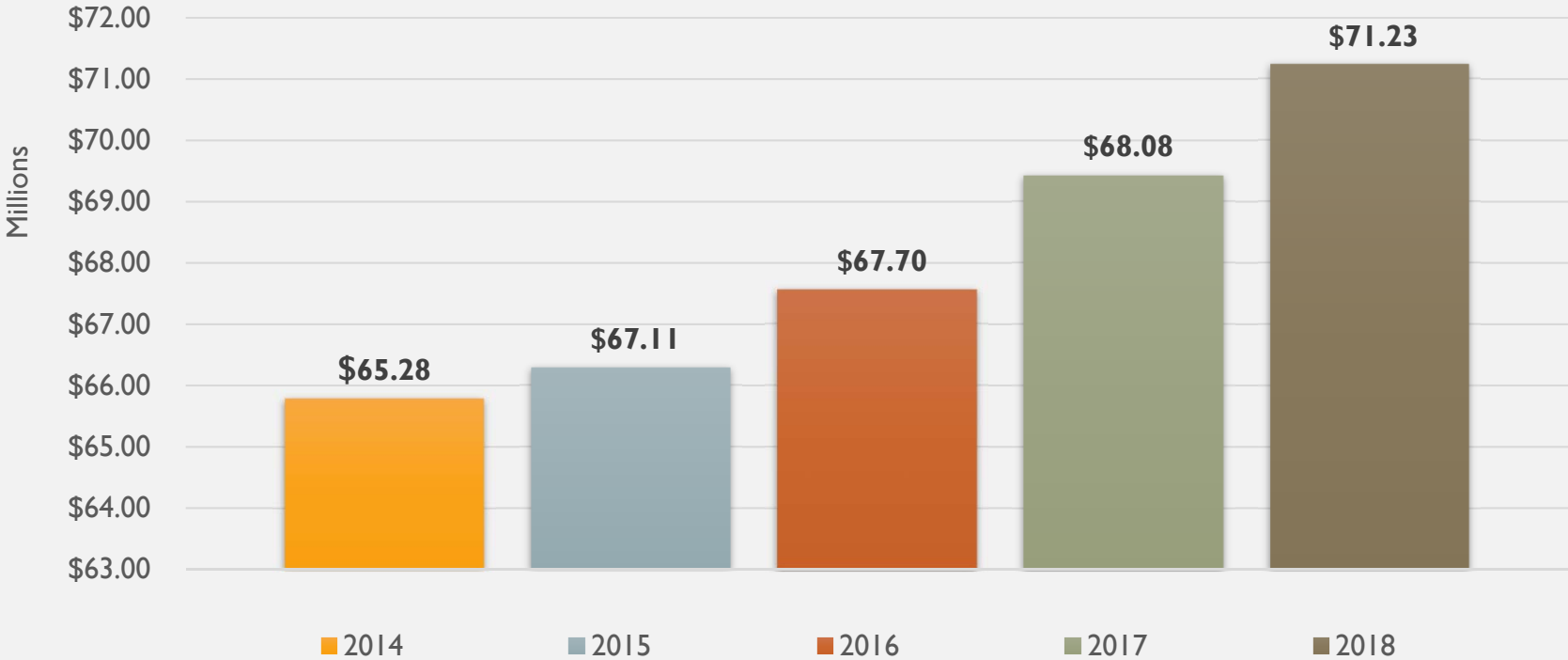
### 5-Year History



# LOCAL TAXES

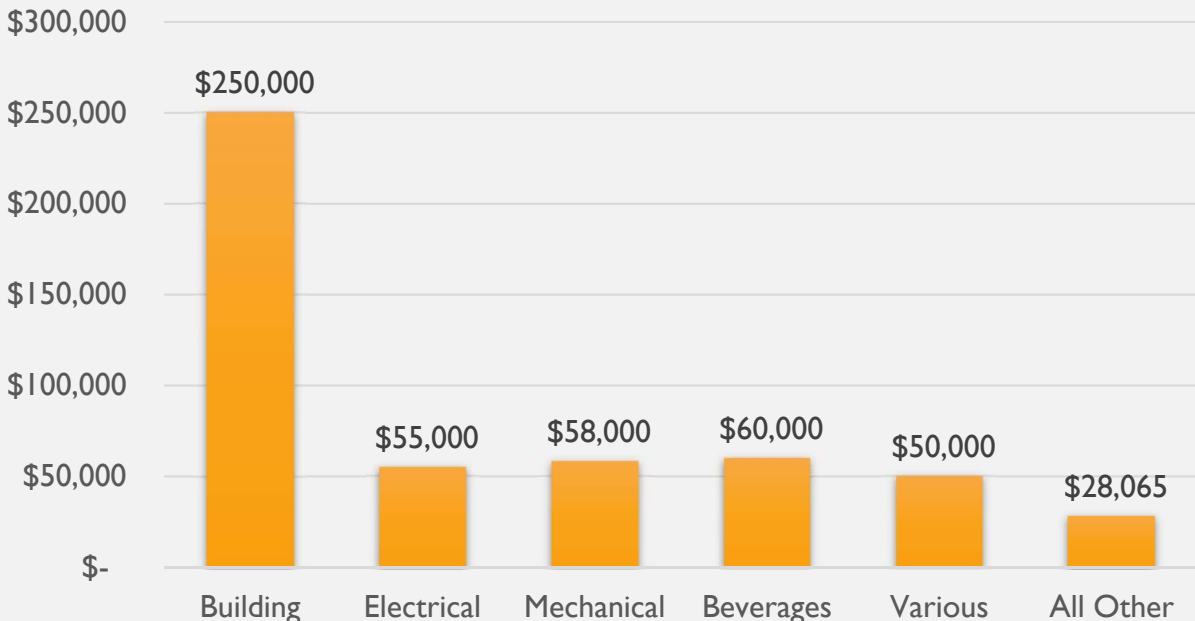
## Total General Property Taxes

### 5-Year History

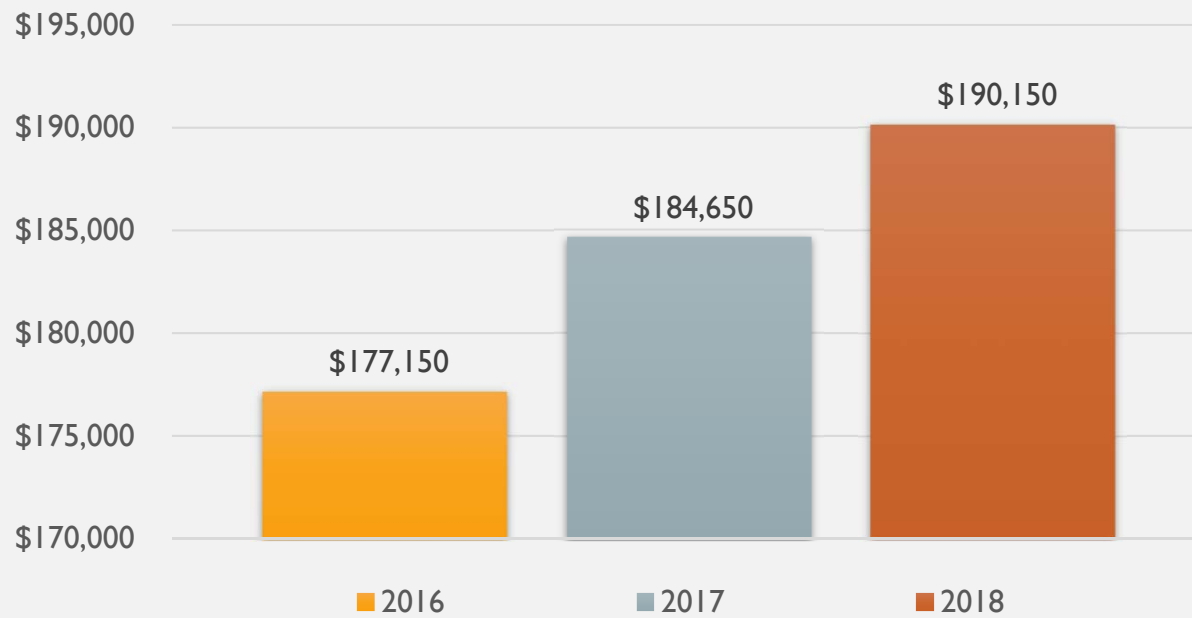


# NON-TAX REVENUES

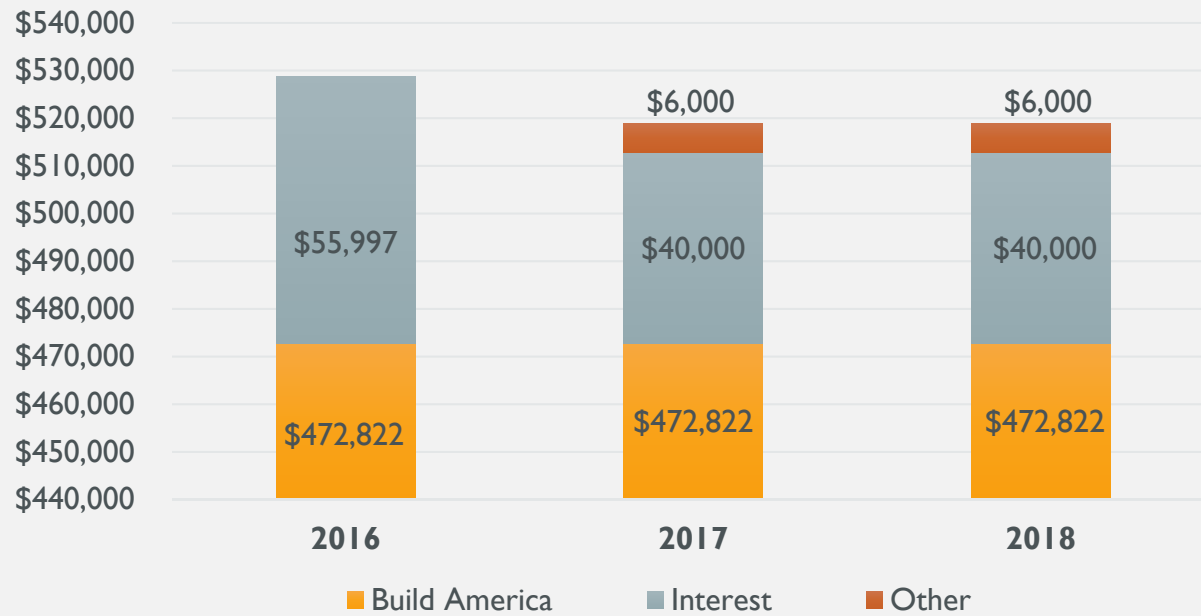
# LICENSES & PERMITS



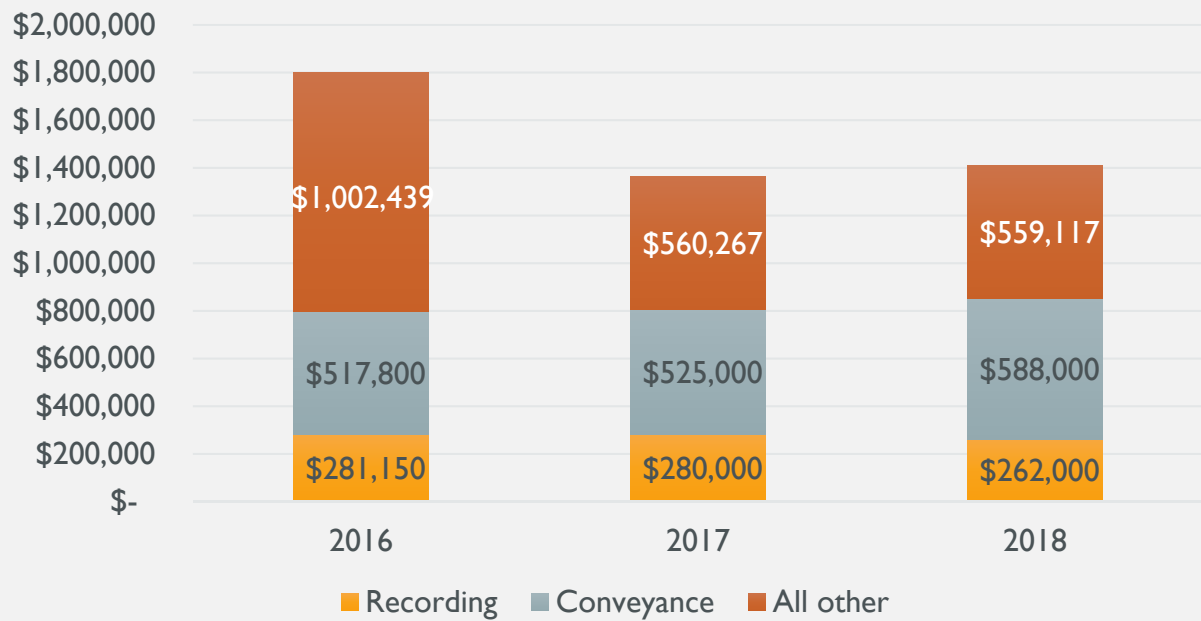
# FINES & PENALTIES



# USE OF PROPERTY & MONEY

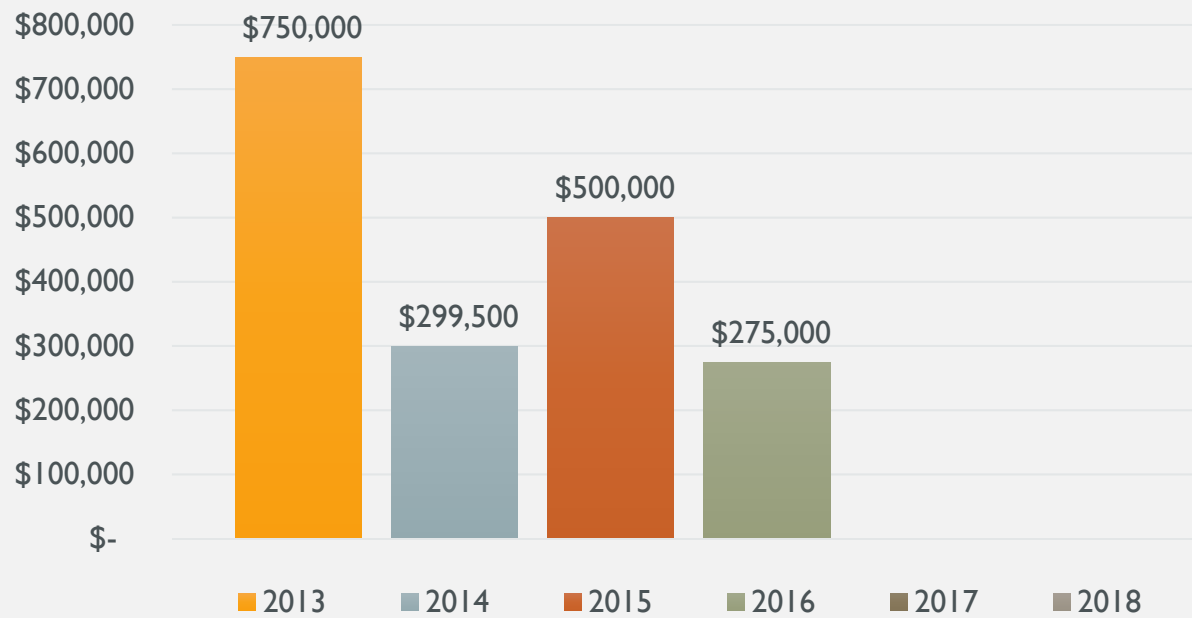


# OTHER TOWN REVENUE SOURCES

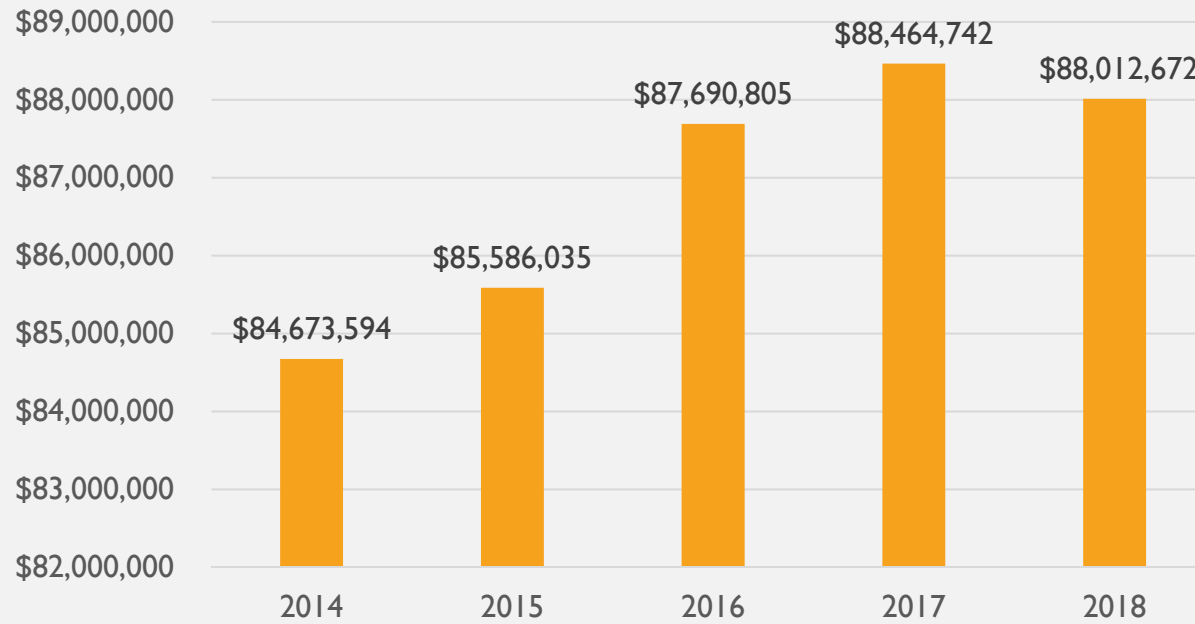




# USE OF FUND BALANCE



# TOTAL REVENUE



# SUMMARY & REVIEW

## SUMMARY

| Town Appropriations          | \$ 33,169,160        |
|------------------------------|----------------------|
| School Appropriations        | <u>\$ 54,843,512</u> |
| TOTAL                        | \$ 88,012,672        |
| FY16-17 Total Appropriations | <u>\$ 88,464,742</u> |
| Difference                   | (\$ 452,070)         |
| Total Budget Change          | -0.51 %              |

## TAX IMPACT

| FY 2017 Mill Rate          | 11.36  |
|----------------------------|--------|
| Proposed FY 2018 Mill Rate | 11.52  |
| Difference                 | 0.16   |
| Percent Change             | 1.41 % |

# MILL RATE COMPARISON

