

Five Year Budget Analysis
for the period
Fiscal Year 2007 thru Fiscal Year 2011

Millbury Finance Committee

November 2010

Millbury Finance Committee Financial Analysis

The Finance Committee undertook an analysis of the past five years of budgeting for the Town of Millbury, including the schools and the municipal services departments. The main thrust of the analysis was to present the uniformity from year to year (past 5 years) of the “split” of Available Local Revenues between the Millbury Schools and the Municipal Services Departments. The uniformity was essentially the same before the Town of Millbury reached the Proposition Levy Limit in FY’10 and continued after the Limit was reached.

Also included in this document is a presentation, with Finance Committee commentary, of some key trend figures for the past five years, indicating where current budgeting and planning pressures exist. The committee believes that the information can provide helpful insight to those involved directly in the budgeting process and Millbury citizens at large.

Millbury Finance Committee

Analysis Overview

Basis Definition:

Available Local Revenues: Local Revenues come for three sources, i.e., (1), local receipts (excise taxes, etc.), (2), available free cash and (3), local property taxes (up to Prop 2 ½ Limits).

The financial information used in this analysis was taken from the actual figures agreed by the voters at the annual town meetings, including special town meetings between May 2006 (for FY2007) and the annual town meeting in May 2010 (for FY2011).

All figures used were from “Raise and Appropriate Articles” which included the base budget and all special articles. Financial transfer articles were not included as they just “moved” money around and did not directly affect any property tax rates over an extended period.

The primary focus was to demonstrate the fact that over the past five years, the amounts of local revenues requested by the Millbury Schools and the Municipal Services Departments and agreed by the voters at Town Meeting have been extremely consistent in ratio from year to year, well before Proposition 2 ½ Levy Limits were reached. One basic conclusion to this reality comes from an understanding that there have been no major or even minor structural changes to the way each is charged to go about their respective businesses. Major structural changes from one year to the next might affect the budget ratios, such as, consolidation of a major function with another town or outsourcing of a major activity.

The information in the presentation from Schedule 6 onward is provided to show budget trends in a number of major areas where continued upward pressure is highlighted in order that all will have the same frame of reference going into the FY'12 budget season.

Schedule 1

Budgets for schools and municipal services increased from FY'07 to FY'09 and have trended down in the past two years.

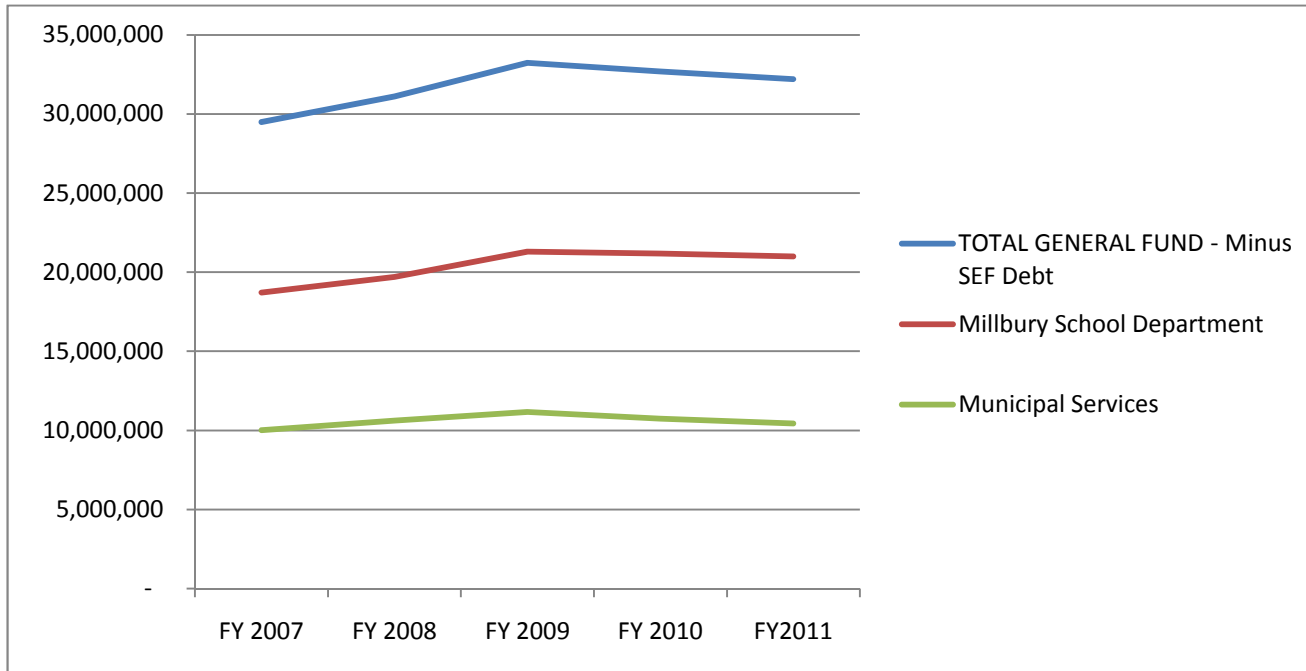
The figures for the schools and municipal services include their respective health insurance expenses and assigned debt.

The chart of Schedule 1 supports the notion of no major structural changes occurring at any time during the period, such as, the consolidation of departments with other towns, or outsourcing of a major function as there were no major anomalies in trends.

Note: SEF is the Sewer Enterprise Fund debt that is borne by the sewer users and is not part of the Total General Fund requirements and was separated from the analysis.

Schedule 1

	FY 2007	FY 2008	FY 2009	FY 2010	FY2011
TOTAL GENERAL FUND - Minus SEF Debt	29,490,765	31,101,424	33,237,992	32,692,946	32,207,738
Millbury School Department	18,700,950	19,700,934	21,303,024	21,177,257	20,987,545
Municipal Services	10,003,318	10,611,111	11,162,013	10,749,011	10,443,725



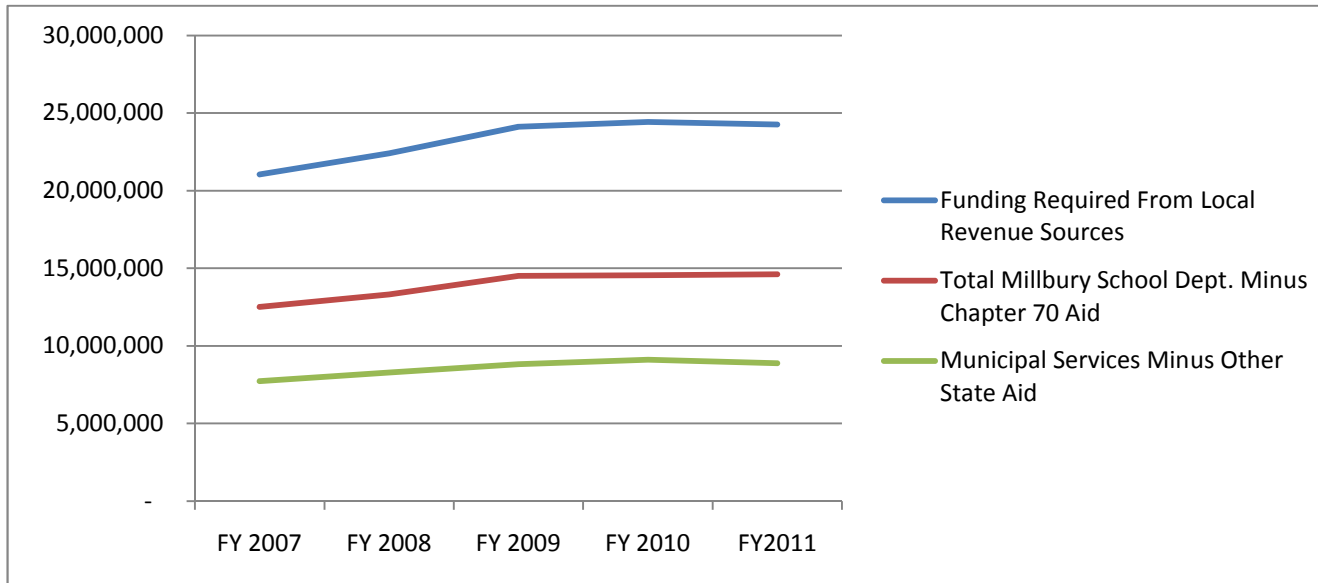
Schedule 2

The financial figures and accompanying chart are essentially that of Schedule 1, adjusted by the amounts of State Aid received by the schools and municipal services departments.

The amounts of aid received are in such ratios that there is not significant change to the progression of funding requirements (budgets) in relation to each other over the five year period.

Schedule 2

	FY 2007	FY 2008	FY 2009	FY 2010	FY2011
Funding Required From Local Revenue Sources (Net of State Aid & Minus SEF Debt)	21,034,880	22,397,461	24,112,888	24,430,413	24,265,738
Total Millbury School Dept. Minus Chapter 70 Aid	12,514,775	13,312,444	14,517,886	14,559,412	14,613,093
Municipal Services Minus Other State Aid	7,733,608	8,295,638	8,822,047	9,104,323	8,876,177



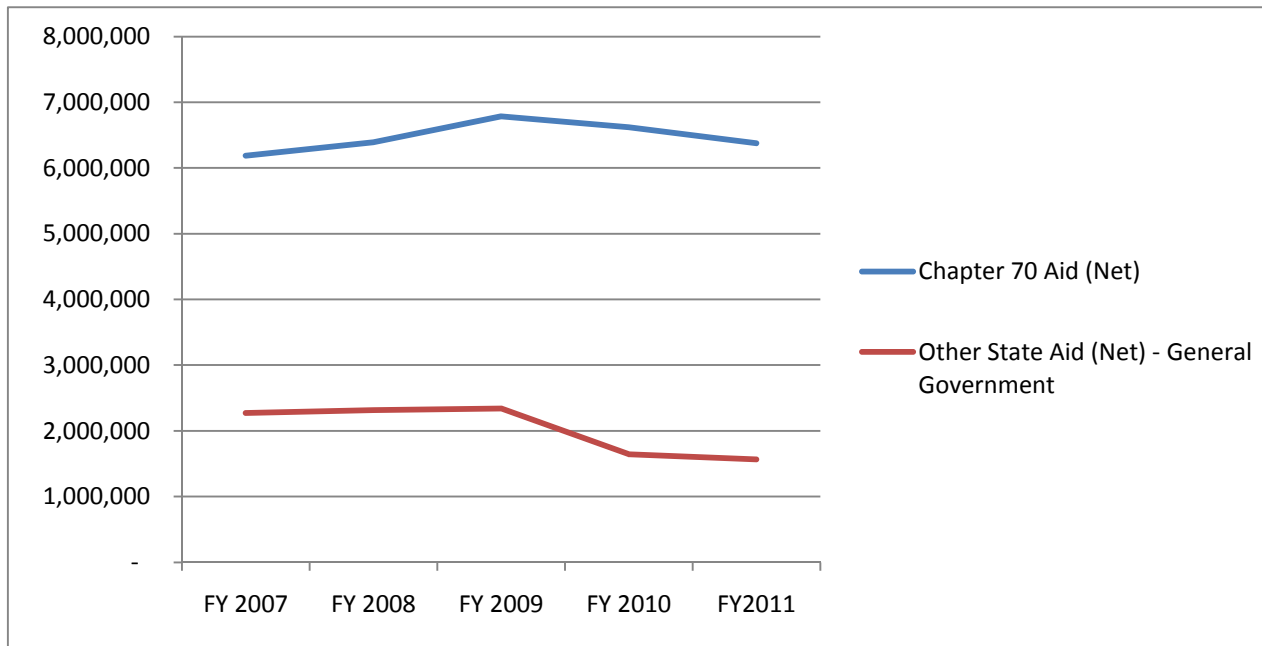
Schedule 2A

Schedule 2A is presented to show that although the shapes of the trend lines are similar in Schedule 1 and 2, the reduction in net state aid from FY'09 to FY'11 has been more significant for the municipal services department.

Schools (FY'09 – FY'11)	-	decrease of \$410K
Municipal Services (FY'09 – FY'11)	-	decrease of \$772K

Schedule 2A

	FY 2007	FY 2008	FY 2009	FY 2010	FY2011
Chapter 70 Aid (Net)	6,186,175	6,388,490	6,785,138	6,617,845	6,374,452
Other State Aid (Net) - General Government	2,269,710	2,315,473	2,339,966	1,644,688	1,567,548



Schedule 3

The total of available local revenue sources comes from (1), local receipts, (2), available free cash, and (3), local property taxes.

The accompanying chart shows trends of each component over the five year period.

Free cash peaked in FY'09 and is at its lowest level over the period in FY'11.

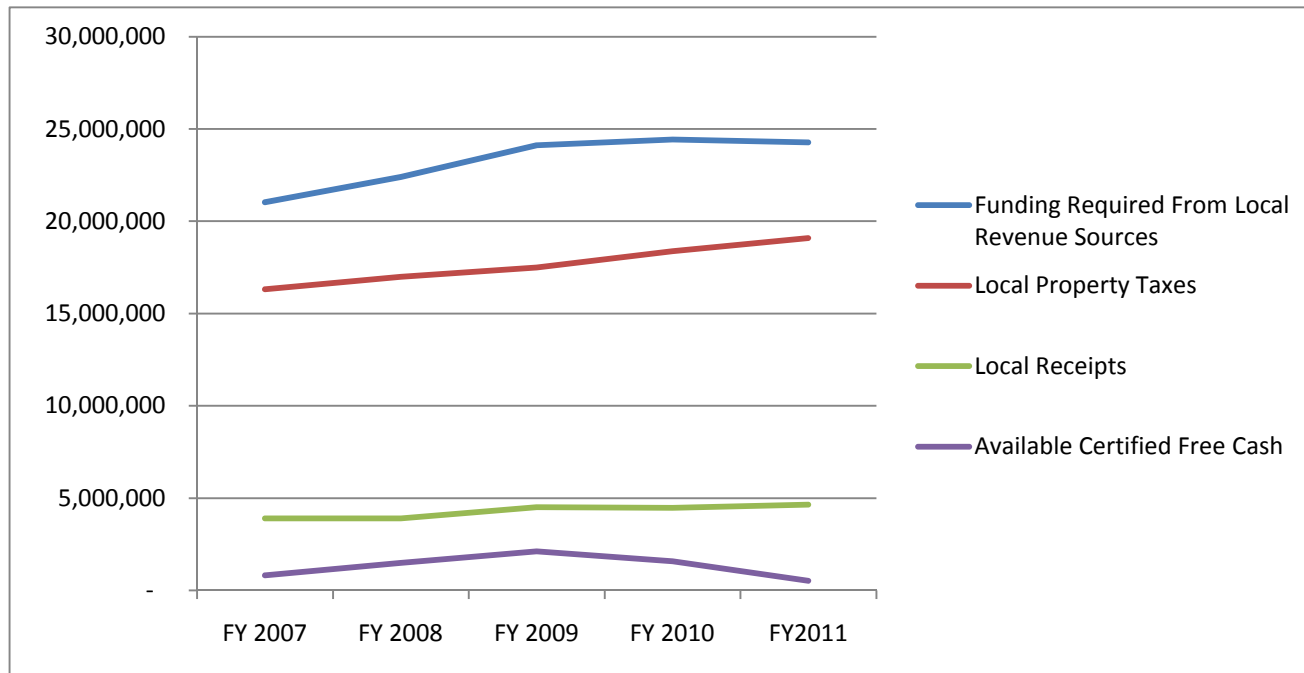
Local receipts continued to show an increase over the period; but, this is a reflection of the past practice of using lower budgeting figures, resulting in increases in subsequent free cash. Budgeting of local receipts has been significantly tightened over the past two years which translates into actual decreases in available free cash for use in future years.

Local property taxes required to support the budgets during the period continued to rise.

As the Town of Millbury reached its Proposition 2 ½ Levy Limit for FY'10 and FY'11, the ability to continue the trend will be difficult for the near future. Relief is going to have to come from a better economy where local receipts continue to increase and the State of Massachusetts returns more money in the form of additional state aid. Otherwise a Proposition 2 ½ Levy Limit override request will have to be submitted to cover any significant spending requirements.

Schedule 3

	FY 2007	FY 2008	FY 2009	FY 2010	FY2011
Funding Required From Local Revenue Sources (Net of State Aid & Minus SEF Debt)	21,034,880	22,397,461	24,112,888	24,430,413	24,265,738
Local Property Taxes	16,317,666	16,997,461	17,501,026	18,369,327	19,089,912
Local Receipts	3,900,000	3,900,000	4,500,000	4,481,569	4,650,000
Available Certified Free Cash	817,214	1,500,000	2,111,862	1,579,517	525,826



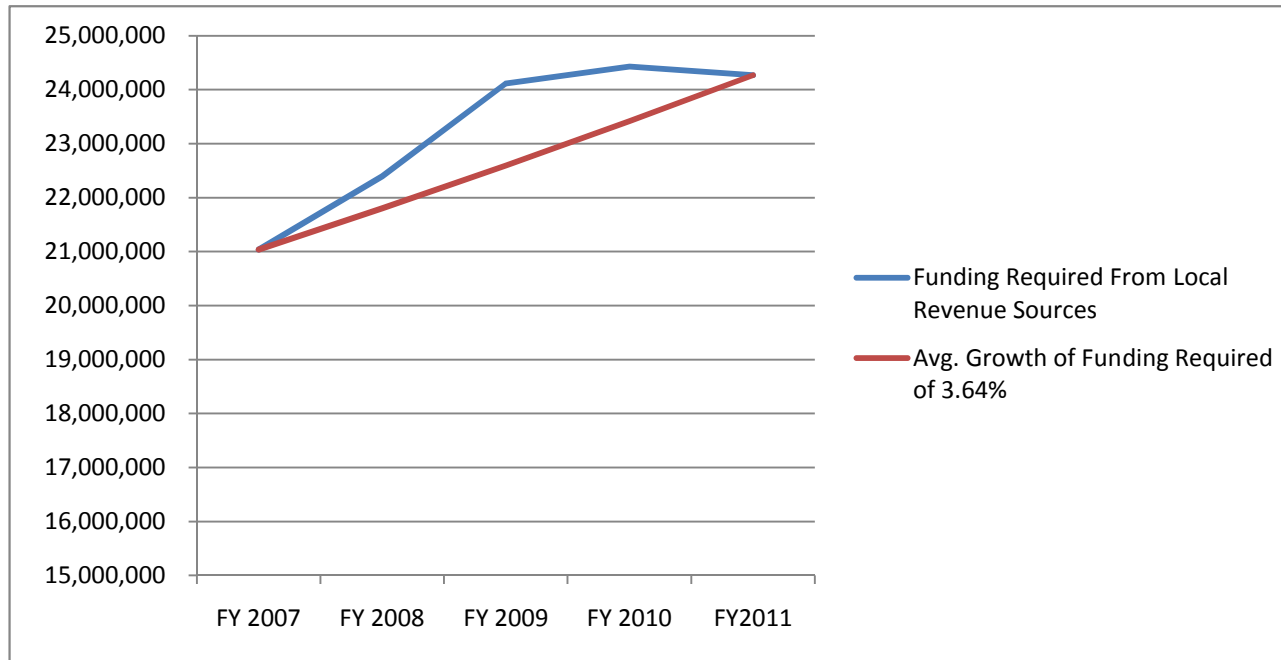
Schedule 4

The chart of Schedule 4 is presented for the purpose of indicating the compounded growth in required local revenue sources to support the total of Millbury's budgets over the period being slightly over 3.6 percent per year.

The rate of increase was steeper from FY'07 to FY'09 and significantly slower over the past two years. In fact, the rate of change in required local revenues from FY'10 to FY'11 was negative.

Schedule 4

	FY 2007	FY 2008	FY 2009	FY 2010	FY2011
Funding Required From Local Revenue Sources (Net of State Aid & Minus SEF Debt)	21,034,880	22,397,461	24,112,888	24,430,413	24,265,738
Avg. Growth of Funding Required of 3.64%	21,034,880	21,799,708	22,592,346	23,413,803	24,265,129



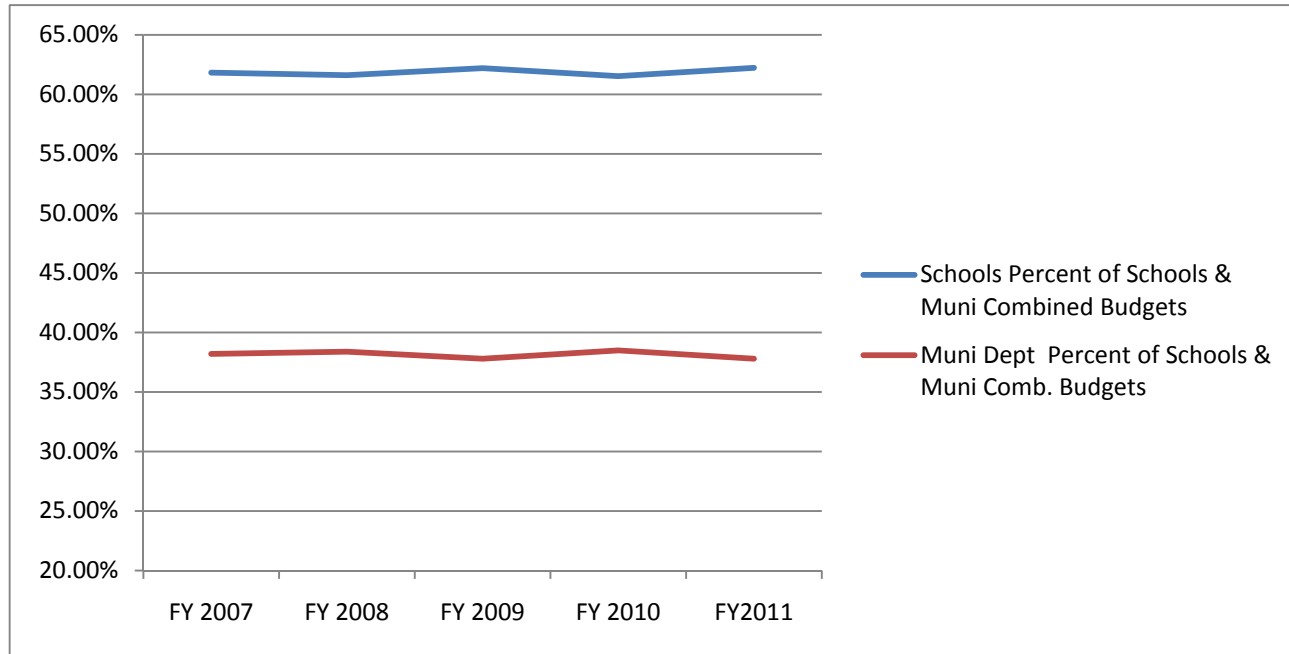
Schedule 5

The information presented in the Chart of Schedule 5 supports the main thrust of this presentation. The ratios of requested Available Local Revenues (budgets net of state aid) for the schools and municipal services departments have been confined to a very narrow range over the past five years. With the absence of any planned structural changes or possible unforeseen event, these ratios should continue for the foreseeable future.

With the “split” of Available Local Revenues essentially the same each of the past five years, there are no financial reasons why an arrangement over the split of available local revenues could not be agreed before the start of budgeting for next fiscal year, FY12.

Schedule 5

	FY 2007	FY 2008	FY 2009	FY 2010	FY2011
Schools Percent of Schools & Muni Combined Budgets	61.81%	61.61%	62.20%	61.53%	62.21%
Muni Dept Percent of Schools & Muni Comb. Budgets	38.19%	38.39%	37.80%	38.47%	37.79%



Schedule 6

Major municipal services functional areas are indicated in the Schedule 6 graph..

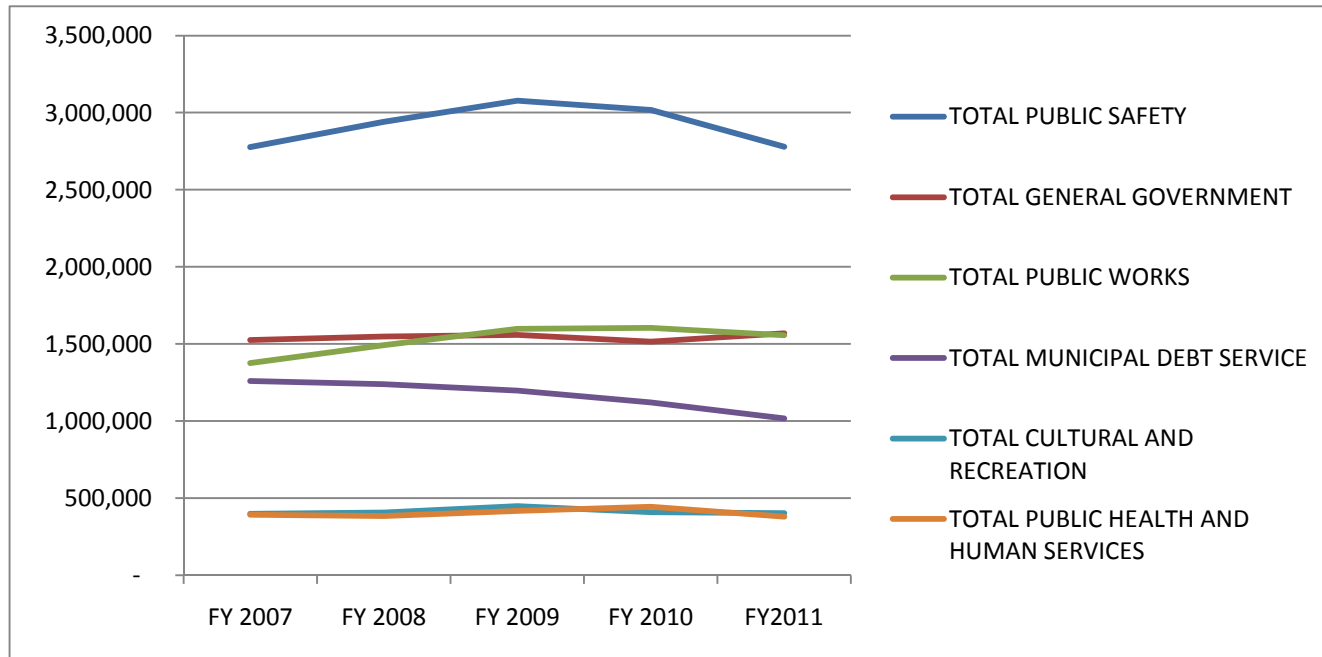
Budgets for Public Safety rose in the FY'07 to FY'09 period; but, have returned to the FY'07 level.

Municipal Debt is down about \$250K in the period.

The remaining major functions have been relatively flat during the period with the exception of Public Works which is up 179K from the FY'07 level.

Schedule 6

	FY 2007	FY 2008	FY 2009	FY 2010	FY2011
TOTAL PUBLIC SAFETY	2,777,822	2,939,879	3,077,241	3,017,540	2,779,639
TOTAL GENERAL GOVERNMENT	1,525,840	1,549,285	1,559,685	1,516,216	1,569,236
TOTAL PUBLIC WORKS	1,376,953	1,492,172	1,597,843	1,603,941	1,556,177
TOTAL MUNICIPAL DEBT SERVICE	1,260,744	1,240,121	1,198,389	1,122,012	1,017,820
TOTAL CULTURAL AND RECREATION	398,618	408,314	448,964	408,988	403,564
TOTAL PUBLIC HEALTH AND HUMAN SERVICES	393,313	384,580	417,262	443,843	381,113



Schedule 7

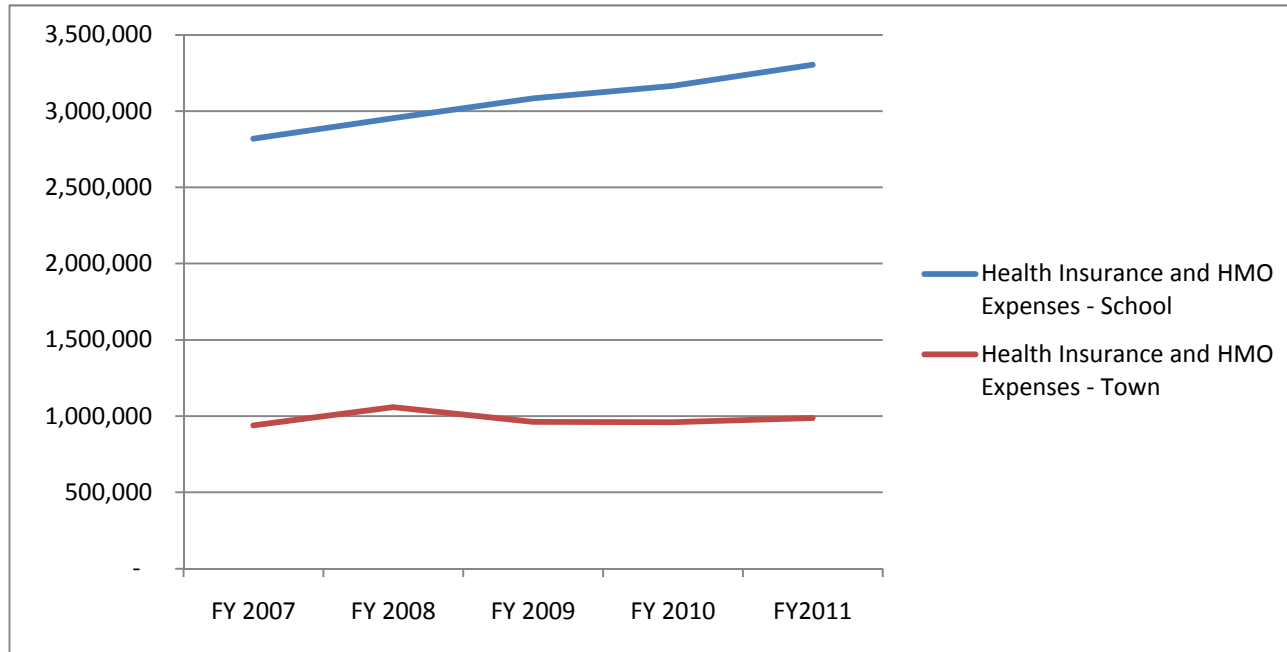
Health insurance and HMO costs were separated for the purpose of presentation because, in total, these costs represent a significant part of each budget.

Municipal costs have risen \$48K above the FY'07 level.

Schools costs have risen \$485K above the FY'07 level.

Schedule 7

	FY 2007	FY 2008	FY 2009	FY 2010	FY2011
Health Insurance and HMO Expenses - School	2,818,661	2,954,125	3,082,664	3,166,041	3,303,747
Health Insurance and HMO Expenses - Town	939,554	1,059,042	962,434	959,477	987,757



Schedule 7A

The Worcester Regional Retirement System Assessment (WRRSA) for Millbury has continued to rise at a significant rate.

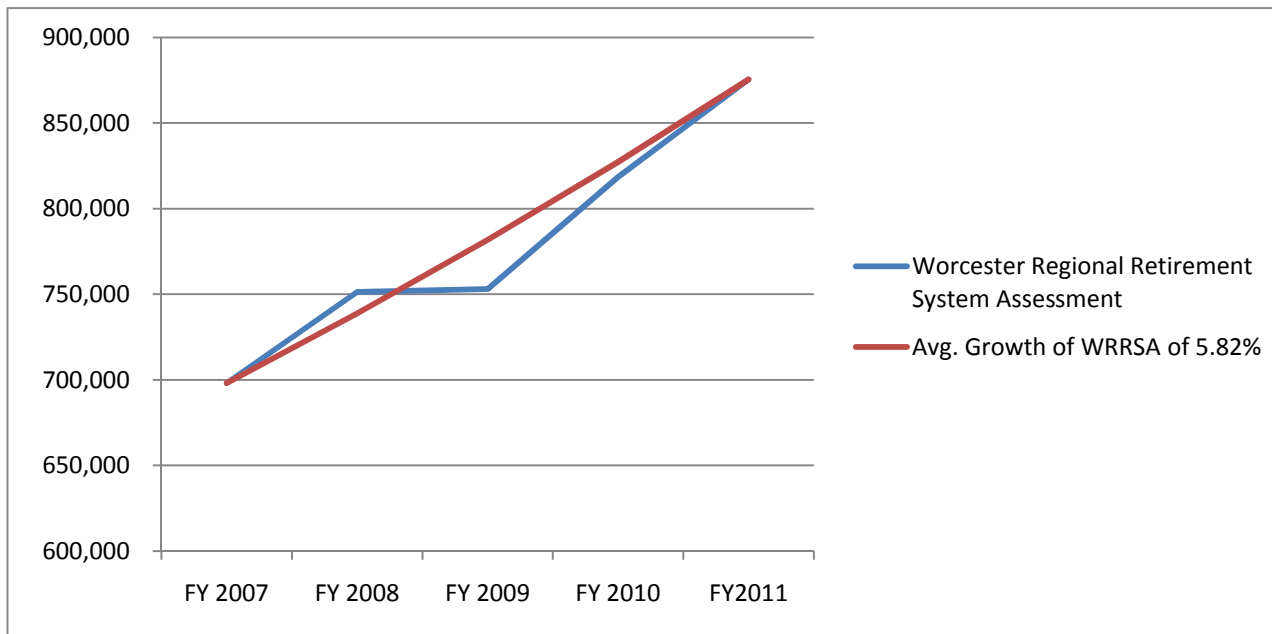
The “defined benefit” program assessment has increased at an average rate of 5.82% annually over the five year period.

The remediation of the unfunded liability for this program may require a significant increase for Millbury as early as next year, FY'12.

Schedule 7A

	FY 2007	FY 2008	FY 2009	FY 2010	FY2011
Worcester Regional Retirement System Assessment	698,131	751,355	753,025	818,384	875,376
Avg. Growth of WRRSA of 5.82%	698,131	738,762	781,758	827,257	875,403

5.82%



Schedule 8

Millbury schools major functions are shown in the Schedule 8 graph.

Operations and Maintenance has been essentially flat over the period.

Administration peaked in FY'08 and has trended downward since.

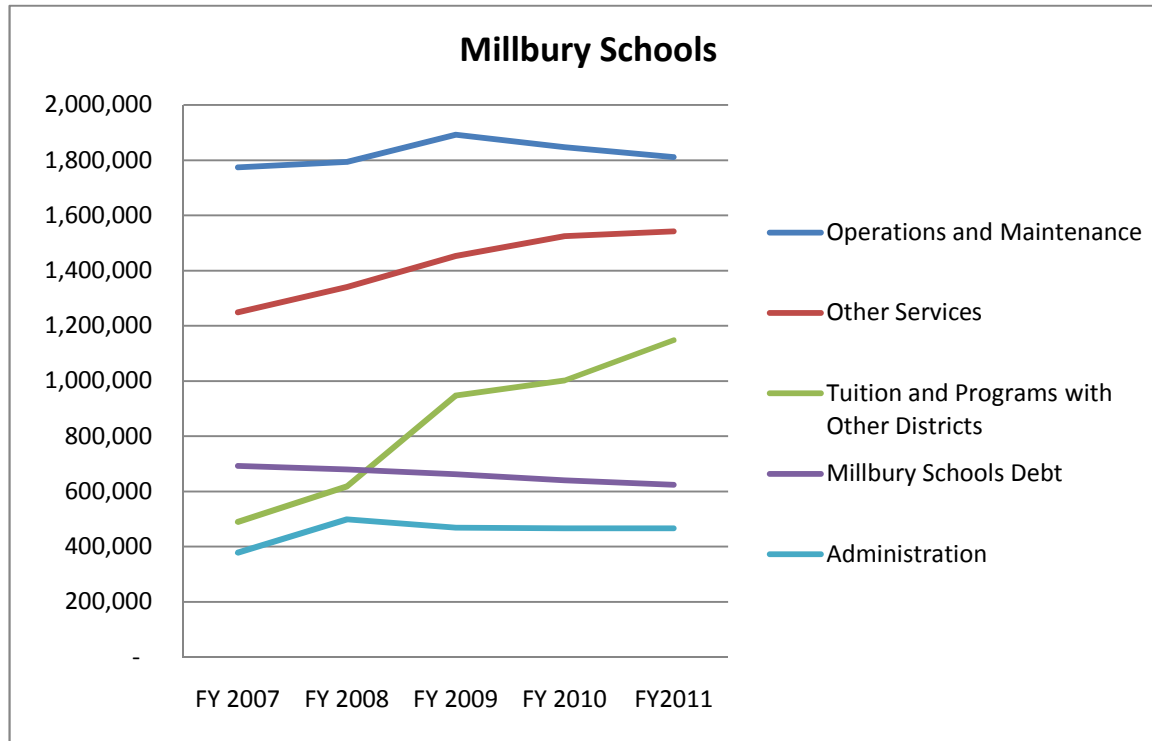
Tuition and Programs with Other Districts is up significantly over the period with the increase of \$650K from the FY'07 level.

Other Services continues to trend up over the period, up almost \$300K from the FY'07 level.

Schools Debt continues to trend lower.

Schedule 8

	FY 2007	FY 2008	FY 2009	FY 2010	FY2011
Operations and Maintenance	1,774,432	1,794,099	1,891,980	1,847,408	1,811,333
Other Services	1,248,792	1,340,943	1,452,993	1,524,372	1,542,678
Tuition and Programs with Other Districts	489,248	618,073	947,735	1,002,140	1,148,074
Millbury Schools Debt	692,260	679,730	662,825	640,850	624,088
Administration	377,950	499,404	468,479	466,012	466,812



Schedule 9

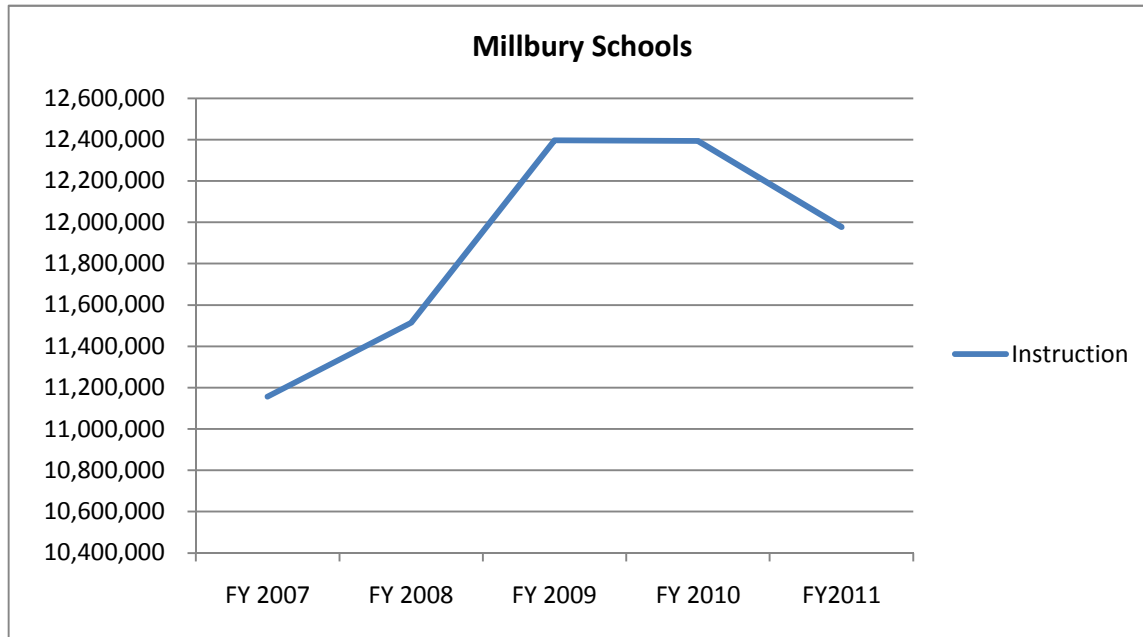
The Schools Instruction costs were separated from the other major functions chart due to its size.

Instruction costs rose by over 11% in the period of FY'07 to FY'09. Costs leveled off in FY'10 and are down over \$400K in FY'11 from the peak in FY'09.

The overall Millbury Schools student population has trended down by 6% over the period. Population in FY'07 was 1,985 and the population for FY'11 is 1,866.

Schedule 9

	FY 2007	FY 2008	FY 2009	FY 2010	FY2011
Instruction	11,156,809	11,513,496	12,397,247	12,393,370	11,977,549



Schedule 10

The information in the Schedule 10 chart is included to show that the total amounts of property taxes required each year has risen between three and five percent each year of the period.

Schedule 10

	Fy'07 to FY'08	Fy'08 to FY'09	Fy'09 to FY'10	Fy'10 to FY'11
% Inc. in Property Taxes Req'd - Yr to Yr	4.17%	2.96%	4.96%	3.92%

