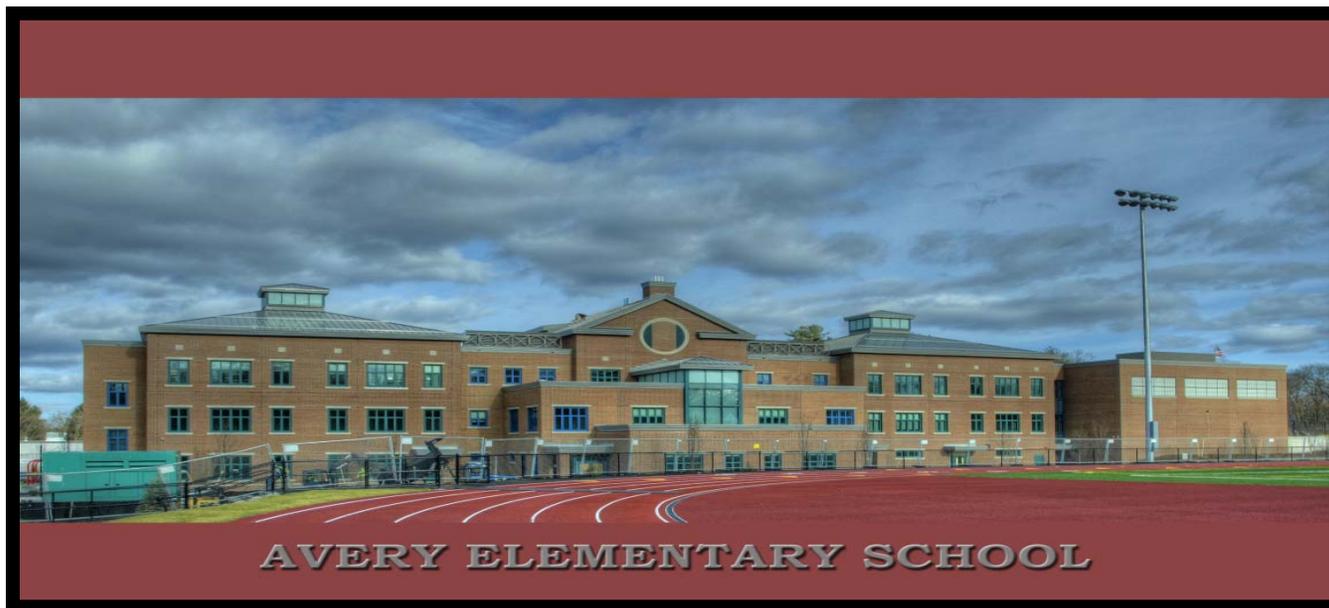


# Town of Dedham Standard & Poor's Update April 19, 2012



# Topics for Discussion

- FY2011 Audit Results
- FY2012 Forecast
- Municipal Health Insurance Reform & Priority of Funding OPEB
- FY2013 Budget
- Local Economic Development
- Updated Financial Policies and Charter Committee
- Status of Stabilization, OPEB, Mitigation and Major Capital Facilities Stabilization Fund
- Status of Major Projects
- Purpose of Debt Issue

# FY2011 Audit Results

- Independent Auditor's Report - Clean Opinion on Financial Statements and Single Audit Report- no instances of noncompliance
- Implementation of GASB 54 – Fund Balance Reporting and Governmental Fund Type Definitions
- Stabilization Fund reported in the General Fund
- Restated fund balances accordingly – prior period general fund balance increased by \$4.2 million and major fund balance was reduced by this amount – primarily for Stabilization Fund

# FY2011 Audit Results, continued

- Net Assets increased by \$9.5 million to \$95.3 million. Governmental activities \$7.9 million and business-type (Sewer) by \$1.6 million
- The Unassigned Fund Balance reported in the General Fund was approximately \$8.3 million or 9.6% of General Fund expenditures. Total Fund Balance was \$11.7 million or 13.4% of General Fund expenditures.
- Total Debt Increased by \$11 million as a result of the Fall \$8.0 million GO Energy Savings Bonds and the Annual Spring issue of \$8.9 million, less regular scheduled maturities of \$5.9 million. \$6.1 million of the \$8.9 issue was for the Avery Elementary and Athletic Field which was excluded from Proposition 2 1/2.
- Debt service on the Energy Savings Bonds will be offset by the reduction in energy costs to the Town, over the life of the project.

# FY2012 Forecast & Operations

- Collected 71% of Budgeted Revenues for the first 8 months – last year we collected the same % in 9 months.
  - Revenue estimates are very conservative.
  - Calendar Year Motor Vehicle Excise commitments were not due until after cutoff. Majority of this revenue not included in actuals.
  - With the exception of Motor Vehicle – most revenues are on a normal cycle.
- Expenditures are 60% of Budget- consistent with last year trends
  - Limited Snow and Ice requirement this year. The Town intends on funding a Sander for DPW from the account.
  - The Police Department has seen a number of retirements and has not been able to refill positions due to the lack of an academy. As a result they are able to fund the final outstanding collective bargaining settlement – Superior Officers – primarily within their operating budget.

# FY2012 Forecast & Operations, continued

- Created a Consolidated Facilities Operations and Maintenance Department for Town and School
  - Hired a highly qualified Director, as well as a Plumber and HVAC technician to protect our investments in new buildings and equipment as well as ensuring we get the maximum useful life of our existing buildings.
- This is the first consolidated department between Town and Schools and we are considering other such ventures in the areas of IT, Human Resources, Payroll and Finances
- Completing the “construction phase” of the Energy Savings project and fine tuning the Energy Management System – overall the project should achieve the projected energy savings

## FY2012 Forecast & Operations, continued

- As part of the Energy project - photovoltaic solar panels were installed on the roof of Town Hall and Dedham High School. We have sold Solar Renewable Energy Credits (SRECs) and project to have additional net revenue of \$40,000 annually
- The solar panels on the roofs alone have resulted in credits to our energy usage of 103,495 kWh or approximately \$15,524 for 8 months
- For the first quarter of the SREC contract the Town received \$14,700. The SREC contract is three years
- The solar panels were funded in part by a \$500,000 federal grant

# Municipal Health Insurance Reform

- Selectmen voted to adopt the new Municipal Health Insurance Reform Law and Process in November 2011
  - Worked with State agencies, WSHG and Employee groups – since August to set the process in motion
- Allowed changes to health plan design – without the traditional collective bargaining process – but set up an abbreviated negotiating period with a Public Employee Committee (PEC)
- Very complex procedures, requirements & timeframe
- New law required the savings be shared with employees to mitigate the impact of the changes (up to 25%) for the first year

# Municipal Health Insurance Reform

- Evaluated options of going to GIC (State) or remaining with West Suburban Health Group (WSHG)
- Ultimately WSHG was able to develop a plan that was a State “lookalike” but had some preferred options for employees – the Town was able to reach an agreement – with a lower mitigation amount
- Mitigation includes:
  - Health Reimbursement Accounts for some higher hospital copays and out of pocket expenses exceeding 3% of pay;
  - Flexible Spending Accounts and Town will cover administrative costs.
- Currently holding information sessions and open enrollment is through May 4

# Municipal Health Insurance Reform

Options – Total Cost	FY12	FY13	Difference (Savings)	80% Town
Status Quo	\$11,615,643	\$12,816,387	\$1,200,744	\$950,595
Plan Design Changes	11,615,643	9,966,711	(1,648,932)	(1,319,146)
Mitigation & Admin Costs	Funding HRA & FSA			574,445
Net Savings YR 1				(744,701)

# Municipal Health Insurance Reform

OPEB Contributions		
Current Funding FY12	\$610,000	Transferred FY12
Savings YR 1 only	744,701	FY14 will increase -
Increase Budget \$ FY13	45,299	No mitigation required
Proposed OPEB budget	\$1,400,000	

Town's FY13 budget, new financial policy and all policy boards have voted to endorse fully funding the OPEB ARC with the savings from the Health Insurance Reform. Actuary has updated the projections for our FY2013 Budget Estimate. We intend to fund the FY2014 ARC since no mitigation will be required and should more than offset any health insurance inflation.

# FY2013 Budget

- The Finance Committee has approved an overall budget of \$97.1 million – excluding State Assessments and Reserve for Abatements. Combined the total budget will be nearly \$102 million
- Town Meeting is May 21
- The operating budget is \$84 million or an increase of \$2.5 million or 3%. The increases are attributable to opening of the New Avery, increase in Facilities staff and Salary increases.
- Most collective bargain contracts expire on June 30, 2012 and we have provided for a 1% Salary Reserve
- Centralize and Consolidate – are the budget themes for the future

# FY2013 Budget

- The Capital Budget is proposed at \$6.2 million including \$2 million for the continuation of Roads & Sidewalks, \$1.6 million for Sewer & I/I, \$600,000 for facilities – roofs, generators and building improvements, \$545,000 for technology and the balance for miscellaneous equipment and projects
- Funding for these projects is as follows: \$2.2 million from borrowing for roads and roofs, \$1.6 million from Sewer Revenue, \$2.1 million in Free Cash and the balance from operating department appropriation balances.
- The Facilities Director is preparing a comprehensive evaluation of all of our buildings to update and prioritize our current five year capital plan

# Financial Policies

- A committee was established by the Board of Selectmen to update our Financial Policies – Overall Financial Management, Debt, Investment and to document a policy for the way we currently handle our Capital Budgeting Process. The revised policies have been endorsed by the Finance Committee, School Committee, Board of Selectmen, Town Administrator and Finance Officers. These policies will be published in our annual report.
- The Selectmen also established another committee to set policy about how the new local option taxes in the Major Capital Facilities Improvements Stabilization Fund would be expended.

# Charter Advisory Committee

- Created by the Board of Selectmen – 7 Citizens appointed by the Board of Selectmen
- Purpose is a comprehensive review of the Town Organization and Structure as called for in the Master Plan of 2009
- Recommendations planned for Annual Town Meeting in May of 2014
- Prior Charter Commissions in 1973 and 1993
- Most recent Charter Amendments were to create a Director of Finance Position, combine the Office of Collector & Treasurer and Warrant Approval Process

# Special Purpose Funds

- Stabilization – currently \$4.4 million – financial policies set a goal of 5-10%
- OPEB - \$3 million funded over the past three years with current budget, grant reimbursements and Medicare drug subsidy. New Actuarial estimate reduced our liability to \$54.6 million due to Municipal Health Insurance Reform. Effectively wiped out the historical inflation assumption of Health Care Costs. Full valuation for June 30,2012
- Mitigation Fund- spending down the fund on projects, as planned – only \$50K uncommitted – used for planning Downtown, DPW Sweeper, Dropout Prevention and Economic Development - all considered – extra programs & funding
- Major Capital Facilities Stabilization Fund – continues to grow and is at \$2,297,407

# Special Purpose Funds

- Major Capital Facilities Stabilization Fund – is the repository for the new local option taxes – additional 2% Hotel/Motel surcharge and .75% Meals
- 13 new eateries at Legacy Place and Hotel/Motel tax seems to be recovering – details by year are presented on the next slide
- Plan is to use the proceeds to fund building projects – such as a new Police Facility and transfer enough to cover the debt service without the need for a debt exclusion
- A new Police Station has been identified as a priority.

# Special Purpose Funds

	Local Meals	Room Occupancy	Total
FY10 (Q2-Q4)	\$300,745	\$86,429	\$387,174
FY11	\$697,114	\$315,208	\$1,012,322
FY12 YTD(3Qtrs)	<u>\$613,298</u>	<u>\$284,613</u>	<u>\$897,911</u>
	<b>\$1,611,157</b>	<b>\$686,250</b>	<b>\$2,297,407</b>
Annual Trailing	\$803,528	\$351,644	\$1,155,172

# Status of Major Projects

- Athletic Field – open for Thanksgiving Day Game - 2011
- Avery School – Ribbon cutting held on April 12. Students & faculty occupying on April 23rd
- Roads and Sewers are progressing consistent with the Pavement Management and I&I plan
- 434 Washington Street Acquired – presently being used as Construction Mgmt. HQ for Dedham Square
- Dedham Square Construction began April 6<sup>th</sup> and a PWED grant of \$1.3 million and a \$400,000 Massworks Infrastructure grant will be used to offset the \$6.5 million project. Borrowing for this project will be next spring
- Energy Project moving to the measurement and verification stage

# Purpose of Debt Issue

- \$3,870,000 Avery School (Exempt)
- \$1,500,000 Road & Sidewalk Program
- \$425,000 Land Acquisition – 434 Washington Street, next to Town Hall
- \$350,000 Sidewalks
- \$150,000 DPW Equipment
  
- Debt Service on this bond issue has been provided for in the FY2013 budget with conservative interest assumptions

# SUMMARY

- The Town of Dedham has maintained a strong financial position, consistent with its projected revenue and expenditure assumptions.
- The Town budgets conservatively and constantly looks at innovative methods to achieve revenue growth and control of expenditures.
- The Town has managed the national and local recessions without a reduction in major services. The development of Legacy Place and HSL have been welcomed additions to our community without major expansion in services and we have realized positive growth in revenues and reserves.
- The Town continually reexamines its policy goals and addresses its current and future community needs with sound fiscal management as a major priority.