

TOWN OF SCITUATE FIVE-YEAR FINANCIAL FORECAST & PLAN



Summary & Financial Assumptions

02-15-06

1.0 SUMMARY

The forecast of revenues and expenditures in the General Fund Figure 1.0 substantiates the need for such a forecast and plan. It becomes evident, with increases in health care, pension fund and fuel costs along with the need for major capital expenditures such as a senior center (\$2.9M), a Minot Fire station; \$3.0M est. construction cost - an operational override (\$600,000) to staff the station - and a modified pumper fire vehicle (\$375,000), a 3A Fire station; \$3.0M est. construction cost, that our Town Fathers are faced with some difficult financial decisions. The School Department has received approval for \$1.279M in FY05, \$1.291M in FY06 and will be requesting approval for an additional \$1.45M in FY07 for school building maintenance. They are requesting an additional \$1.5M in FY08, 09, 10 and 11. The treasurer is scheduled to bond approximately \$1.5M to \$3.0M in FY07 to cover prior approved capital items which will add an additional \$120,000 to \$240,000 to the debt service. This bonding is reflected in the FY07 debt service expenditure. Figure 1.0 – General - Fund Revenues/Expenditures displays the deficits we will be facing if we proceed with these projects as planned in the financial forecast; the senior center completed and bonded by FY08 (Jul07 thru Jun08), the Minot fire station completed, staffed, equipped and bonded by FY08 (Jul07 thru Jun08) and bonding for school building maintenance in FY08, FY09, FY10 and FY11. It is projected that we will run deficits in FY08 thru FY11 of **\$897,395, \$1,117,362, \$1,299,025, and \$1,715,514**. It is fiscally responsible to issue this forecast realizing that some expenditures/revenues are within our management and control while others are not. Because of this reality, fiscal priorities must be set now in those areas that are within our management and control. The only options available to us are an operational override coupled with debt exclusion overrides and a capital exclusion override if all projects are to be started and completed as planned or setting priorities when certain projects will start (starting some and delaying others) thereby allowing an increase in the levy limit and new growth dollars to balance the expenditures or possibly eliminating certain projects. It is evident that we cannot afford to wait until next year in hopes that the numbers will look better. It must be understood that this is a forecast based on the certain financial assumptions. The assumptions can change over time.

**TOWN OF SCITUATE Financial Plan
Figure 1.0**

GENERAL FUND	FY2007 Projections	FY08 % inc decr	FY2008 Projections	FY09 % inc decr	FY2009 Projections	FY10 % inc decr	FY2010 Projections	FY11 % inc decr	FY2011 Projections
<i>Revenues</i>									
Real & personal property taxes	\$34,815,252	5%	\$36,499,848	4%	\$37,866,879	4%	\$39,271,585	4%	\$40,728,017
Motor & boat excise	\$2,408,466	1.024	\$2,466,269	1.025	\$2,527,926	1.025	\$2,591,124	1.025	\$2,655,902
Penalties & interest	\$295,422	1.030	\$304,285	1.030	\$313,413	1.030	\$322,816	1.030	\$332,500
Free Cash+ Other Finance Source	\$500,000		\$500,000		\$500,000		\$500,000		\$500,000
Fees	\$302,632	1.050	\$317,763	1.060	\$336,829	1.060	\$357,039	1.060	\$378,461
Intergovernmental	\$6,803,491	1.050	\$7,143,666	1.050	\$7,500,849	1.050	\$7,875,891	1.050	\$8,269,686
Education Reform	\$95,000		\$95,000		\$95,000		\$95,000		\$95,000
Licenses & permits	\$681,306	1.025	\$698,338	1.020	\$712,305	1.012	\$720,853	1.010	\$728,061
Departmental & other revenues	\$836,097	1.020	\$852,819	1.020	\$869,875	1.020	\$887,272	1.020	\$905,018
Fines & forfeits	\$96,465	1.000	\$96,465	1.000	\$96,465	1.000	\$96,465	1.000	\$96,465
Investment income	\$196,047	1.030	\$201,928	1.040	\$210,005	1.040	\$218,405	1.040	\$227,142
Total revenues	\$47,030,177		\$49,176,380		\$51,029,547		\$52,936,451		\$54,916,252
<i>Expenditures</i>									
General government	\$2,014,650	1.015	\$2,044,870	1.015	\$2,075,543	1.015	\$2,106,676	1.015	\$2,138,276
Public safety	\$6,794,928	1.025	\$7,564,801	1.025	\$7,753,921	1.025	\$7,947,769	1.025	\$8,146,463
Education	\$24,026,456	1.033	\$24,819,329	1.033	\$25,638,367	1.033	\$26,484,433	1.033	\$27,358,419
South Shore VoTech	\$512,000	1.020	\$522,240	1.020	\$532,685	1.020	\$543,338	1.020	\$554,205
Public works	\$2,563,823	1.020	\$2,615,099	1.020	\$2,667,401	1.020	\$2,720,749	1.020	\$2,775,164
Human services/Culture/Rec	\$1,280,786	1.030	\$1,319,210	1.030	\$1,358,786	1.030	\$1,399,549	1.030	\$1,441,536
Overlay/tax title/articles/other	\$903,205	1.030	\$930,301	1.030	\$958,210	1.030	\$986,956	1.030	\$1,016,565
Pensions & fringe benefits	\$6,578,592	1.060	\$6,973,308	1.060	\$7,391,706	1.060	\$7,835,208	1.060	\$8,305,321
State & county assessments	\$452,138	1.025	\$463,441	1.025	\$475,027	1.025	\$486,903	1.025	\$499,076
Enterprise Fund Support	\$100,000		\$100,000		\$100,000		\$100,000		\$100,000
Debt service	\$1,820,139	50%	\$2,721,176	17%	\$3,195,262	13%	\$3,623,892	19%	\$4,296,739
Total expenditures	\$47,046,717		\$50,073,775		\$52,146,909		\$54,235,475		\$56,631,765
Excess (deficiency) of revenues over expenditures	(\$16,540)		(\$897,395)		(\$1,117,362)		(\$1,299,025)		(\$1,715,514)

2.4 Prop 2 1/2% LAW

The Prop 2 1/2% law will be followed in preparing this forecast and five-year plan. The levy will be set at the levy limit each fiscal year. This allows the town to generate the maximum amount of revenue allowed by Prop 2 1/2. It is assumed that if a capital item was planned in a particular year the revenue will be there either with cash or by borrowing. An override vote (yes/no) or a reduction in town resources will not be taken into account during the development of the forecast and plan. The major assumption is that \$500,000 in free cash is available each fiscal year to help offset any General Fund deficits. If a debt exclusion override is required to borrow a specific amount over the levy limit it is assumed that it will be approved and the levy limit and the tax-rate will increase accordingly. Consequently if an operational override is required it is also assumed that it will be approved and the levy limit and the tax-rate will also increase.

Figure 3.0 displays the projected annual tax rate, annual taxes, 3% CPA surcharge and total annual taxes on a \$500,000 assessed house in Scituate. The taxes do not include any overrides.

TOWN OF SCITUATE Financial Plan						
Fiscal Year	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Operational Override Amount (O)	\$0.00	\$0.00		\$0.00	\$0.00	\$0.00
Average Assessed Valuation <i>(based on FY04 \$400,000 assessed valuation)</i>	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Actual/Projected Tax Rate	\$8.16	\$8.47	\$8.75	\$8.95	\$9.16	\$9.37
Annual Real Estate Tax	\$4,080	\$4,235	\$4,374	\$4,475	\$4,578	\$4,686
3% CPA Surcharge	\$98	\$102	\$105	\$107	\$110	\$112
Total Annual Real Estate Tax	\$4,178	\$4,337	\$4,479	\$4,583	\$4,688	\$4,799
FIGURE 3.0 TAX IMPACT						

Figure 4.0 displays the projected total annual taxes with the overrides associated with the General Fund Figure 2.0. If overrides were approved the overall total tax bill would increase \$149 per year. This increase would balance the projected deficits displayed in Figure 1.0.

TOWN OF SCITUATE Financial Plan						
Fiscal Year	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Operational Override Amount (O)	\$0.00	\$0.00	\$600,000.00	\$0.00	\$0.00	\$0.00
Assessed Valuation <i>(based on FY04 \$400,000 assessed valuation)</i>	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Actual/Projected Tax Rate	\$8.16	\$8.47	\$9.04	\$9.20	\$9.41	\$9.63
Annual Real Estate Tax	\$4,080	\$4,235	\$4,520	\$4,602	\$4,705	\$4,814
3% CPA Surcharge	\$98	\$102	\$108	\$110	\$113	\$116
Total Annual Real Estate Tax	\$4,178	\$4,337	\$4,628	\$4,712	\$4,818	\$4,930
Figure 4.0 Tax Impact with "What If's"						

2.5 New Growth, Free Cash, Overlay Surplus and Stabilization Fund Dollars

The forecast of New Growth, Free Cash, Overlay Surplus and Stabilization Fund Dollars is based on previous fiscal year actual totals. New Growth Dollars is forecast at \$500,000-\$600,000 per fiscal year. Free Cash is being forecast at the \$500,000/year level as part of the General Funds' projected revenues. Each year \$500,000 in Free Cash is utilized to balance the budget. It should be noted that in any fiscal year where the free cash level falls below \$500,000 the difference will have to be made up out of the stabilization fund or taxes will have to be increased. Overlay Surplus is forecast at \$80,000 per fiscal year. The Stabilization Fund is forecast to increase each fiscal year by the amount of remaining free cash after allocations are made to cover any possible General Fund deficiencies and/or to fund any approved capital items.

New Growth Dollars is the taxing capacity added by new construction and other increases in the property tax base. New growth is calculated by multiplying the value associated with new construction by the tax rate of the previous fiscal year.

Free Cash is the remaining funds from the operations of the previous fiscal year that are certified by The Department of Revenue, DOR's director of accounts as available for appropriation.

The Stabilization Fund is a reserve account that is available for any lawful purpose. The two-thirds vote of town meeting is not taken into account in preparing the forecast. It is assumed that if an appropriation from the fund is required it will be approved.

The **Overlay Surplus** is the amount of overlay no longer required for potential abatements, exemptions, or pending Appellate Tax Board cases. The Board of Assessors must designate this amount as surplus.

2.6 Bond Issuance

The actual issuance of the bond can lag the year it is approved. This forecast assumes that the capital projects will start or capital items will be procured and bonds will be issued in the following fiscal year that the item is approved. Therefore the amortized annual debt payment will be calculated and it will be reflected in the year the bond is issued. The amortized annual debt payment associated with the bond will be added to the annual debt service expenditure in the General Fund. The amortized annual debt payment associated with the debt exclusion bond will be added to the annual debt service expenditure in the General Fund as well as to the annual debt exclusion payment that is utilized to calculate the levy limit and tax-rate under Prop 21/2 which is also a revenue line item in the General Fund.