

City of Chelsea

**Five Year Financial Forecast
for Fiscal Years 2017-2021**

and

Preliminary FY'17 Budget Overview

to be presented to the City Council and
School Committee

Tom Ambrosino - City Manager

May 2, 2016

Ned Keefe - Deputy City Manager

Ed Dunn - Auditor

FY17-FY21 Financial Forecast as of 5/01/2016

	FY2016 Adopted Budget	Projected FY2017	Projected FY2018	Projected FY2019	Projected FY2020	Projected FY2021
Revenue						
Taxes	57,037,973	64,035,850	66,403,403	68,902,075	71,463,397	74,113,945
Charges for Services	2,164,188	2,207,500	2,220,605	2,264,275	2,309,037	2,354,918
Licenses & Permits	1,484,450	1,862,250	1,250,950	1,070,950	820,950	820,950
Fines & Forfeitures	2,619,250	2,551,250	2,419,250	2,419,250	2,419,250	2,419,250
Cherry Sheet	80,991,736	81,287,578	82,833,628	84,410,135	86,017,702	87,656,946
Miscellaneous	4,737,736	2,876,354	2,765,511	2,813,881	2,863,461	2,914,281
Total Revenue	149,035,333	154,820,782	157,893,347	161,880,566	165,893,798	170,280,290
Expenditures						
Municipal	34,242,743	36,755,806	37,836,256	38,975,929	40,150,084	41,527,489
Education	81,844,618	83,514,221	86,019,648	88,600,237	91,258,244	93,995,991
Northeast Vocational	850,876	1,054,003	1,085,623	1,118,192	1,151,738	1,186,290
Debt Service	3,174,804	3,267,302	3,467,286	4,488,888	3,816,277	3,763,410
Employee Benefits	15,068,864	15,862,903	16,753,551	17,696,450	18,721,858	19,786,757
Other	13,853,428	14,859,815	14,460,846	14,882,914	15,316,339	15,761,450
Total Expenditures	149,035,333	155,314,050	159,623,210	165,762,610	170,414,540	176,021,388
Surplus/(Deficit)	-	(493,268)	(1,729,863)	(3,882,044)	(4,520,742)	(5,741,098)

Forecast Summary

GENERAL SUMMARY

- Finances are strong, due to very healthy reserves.
- Reserves allow for us to provide more municipal services, including support for Downtown, greater capital investment, greater support for School System, and more youth services.
- Projected to meet budgetary demands for next five years without any override.
- But, reserves may be significantly reduced at end of that period, so must continue to be fiscally prudent.

Forecast Summary

Strong Finances

- Free Cash Reserves in Excess of \$20 mil.
- AA/Stable Bond Rating Affirmed.
- Increasing Revenues from Motor Vehicle Excise, Hotel/Motel Taxes, Meals Taxes.

Forecast Summary

Investment in Downtown

- Overtime Funds to Ensure Walking Patrols.
- Wrap Around Services for Navigators, including Housing Contract w/ CAPIC and Treatment on Demand Contract w/ BayCove.
- Funding for Potential 3rd Adult Navigator
- Planning Work Commences for Capital Investment in Bellingham Square and Broadway.
- Potential Urban Agenda Proposal from Free Cash. 5

Forecast Summary

Capital Investment

- FY17-FY18 Capital Investment in Excess of \$27 Million
- Includes major school work (ELC Roof, ELC Security Desk, CHS Turf Replacement).
- Includes major infrastructure improvements in New Clark Avenue Middle School neighborhood.
- Includes street work and water, sewer drainage infrastructure work throughout City.

Forecast Summary

Support for Chelsea Public Schools

- Support for School Dept. Budget of \$83.5 mil. despite minimal state funding.
- Elimination of Net School Spending Deficit.
- \$2+ million over Net School Spending.
- Continued Capital Investment in Schools.

Forecast Summary

More Youth Services

- New Recreation & Cultural Affairs Division within Health and Human Services Dept.
- Proposed Youth Navigator to help young adults with services and programs, including assistance for undocumented, unaccompanied youth.
- Substantial Increase in Summer Jobs Funding.

Forecasting Optimism

Reasons for Optimism

- Despite projected structural deficits, have sufficient reserves to meet expenditures, at least for next five years.
- Revenue Prospects are Good.
 - New Hotel in Development
 - New Hotel Fully Permitted on Broadway
 - Chelsea Clock Residential Development will Commence Construction in FY17.
 - Likely Significant Mixed Use Development at Forbes Site.

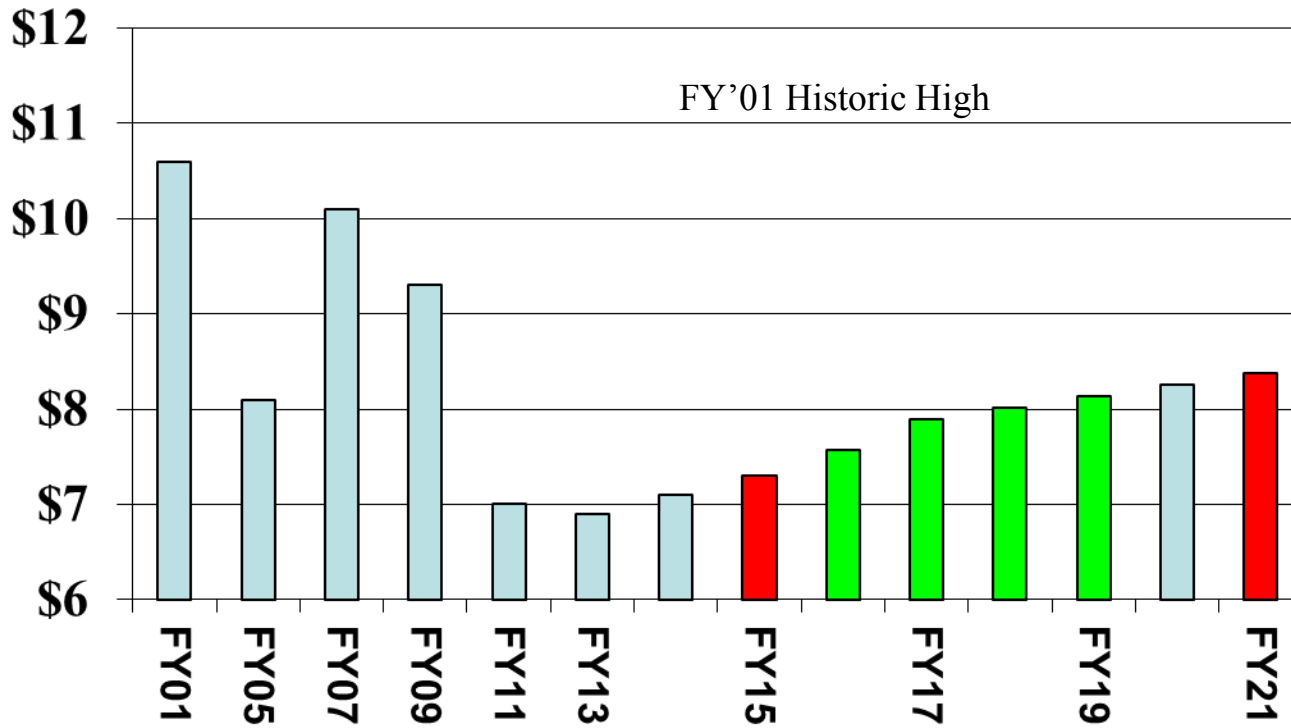
Forecasting Concerns

FOR THE PESSIMIST

- Proposition 2 ½ substantially limits financial flexibility.
- Non-school state aid growing at slow rate.
- School Budgets strained by Charter School costs, even when Chapter 70 healthy.
- City's Revenues dependent on volatile motor vehicle excise taxes.
- Employee overhead a concern, including Health Insurance costs, Retirement Costs, OPEB (other post employment benefits) and costs of collective bargaining agreements.

Budget Pressures

Non-School Local Aid
amounts in millions (unadjusted or inflation)



Future Concerns

- Employee overhead a concern:
 - Health Insurance is expected to rise about 7%-8% each year, despite efforts to hold down costs by adjusting plan design components such as co-pays.
 - Retirement costs are anticipated to rise about 4.5% each year. The City currently has a unfunded liability of over \$66 million, which it is on schedule to pay off in 2028.
 - OPEB (other post employment benefits) costs, which are not yet required to be funded, but for which the City has a \$164 mil. liability. At some point in the future, the City may be required to annually pay down this unfunded liability, which would add millions to annual costs.

Final Comments

- Reserves, along with fiscal prudence, do provide a method to assure we can meet expenditures through FY21.
- But, there will be pressure on the City to promote new revenue growth through continued economic development.