



# Five Year Financial Forecast for Fiscal Years 2018-2022

to be presented to the City Council and School Committee

**Tom Ambrosino - City Manager**

**Ned Keefe - Deputy City Manager**

**Ed Dunn - Auditor**

# FY18-FY22 Financial Forecast as of 5/08/2017

	<b>FY2017 Adopted Budget</b>	<b>Projected FY2018</b>	<b>Projected FY2019</b>	<b>Projected FY2020</b>	<b>Projected FY2021</b>	<b>Projected FY2022</b>
<b>Revenue</b>						
Taxes	63,615,586	69,554,224	72,119,085	74,763,563	77,474,151	80,252,505
Charges for Services	2,412,246	2,257,200	2,296,805	2,340,475	2,385,237	2,431,118
Licenses & Permits	1,200,000	2,567,050	2,567,050	2,567,050	2,567,050	2,567,050
Fines & Forfeitures	2,800,000	2,751,250	2,793,250	2,846,800	2,901,689	2,957,950
Cherry Sheet	81,986,043	82,414,452	83,975,430	85,567,012	87,189,801	88,844,412
Miscellaneous	3,376,354	3,171,816	3,071,311	3,131,389	3,193,269	3,257,005
<b>Total Revenue</b>	<b>155,390,229</b>	<b>162,715,992</b>	<b>166,822,931</b>	<b>171,216,289</b>	<b>175,711,197</b>	<b>180,310,040</b>
<b>Expenditures</b>						
Municipal	36,654,306	38,407,161	39,506,607	40,781,161	41,949,156	43,150,803
Education	84,080,668	86,500,000	88,662,500	90,879,063	93,151,039	95,479,815
Northeast Vocational	1,054,003	1,090,108	1,117,361	1,145,295	1,173,927	1,203,275
Debt Service	3,267,302	3,608,289	4,559,819	3,957,848	4,005,910	4,803,580
Employee Benefits	15,862,903	16,362,201	16,959,200	17,584,055	18,230,737	18,903,865
Other	14,953,570	17,422,387	17,843,947	18,275,420	18,717,056	19,169,107
<b>Total Expenditures</b>	<b>155,872,752</b>	<b>163,390,146</b>	<b>168,649,434</b>	<b>172,622,842</b>	<b>177,227,825</b>	<b>182,710,445</b>
<b>Surplus/(Deficit)</b>	<b>(482,523)</b>	<b>(674,154)</b>	<b>(1,826,503)</b>	<b>(1,406,553)</b>	<b>(1,516,628)</b>	<b>(2,400,405)</b>



# POSITIVE TRENDS

- Strong Reserves
- Good Bond Rating
- Excellent Economic Development Opportunities



# STRONG RESERVES

As of June 2016:

- Certified Free Cash Reserves in Excess of \$34 million.
- Water Enterprise Retained Earnings of approx. \$ 3.5 million.
- Sewer Enterprise Retained Earnings of more than \$ 3.5 million.

As of February 2017:

- Stabilization Funds in excess of \$ 4.9 million (but will utilize 2 million as of June 30, 2017 for payment toward New Clark Ave. Middle School).

# GOOD BOND RATING

- Standard & Poors confirmed AA/Stable Outlook.
- May be in line for upgrade.

## Chelsea, Massachusetts; General Obligation; Non-School State Programs

### Credit Profile

US\$8.53 mil GO mun purp ln bnds ser 2017 dtd 03/08/2017 due 03/01/2047

<i>Long Term Rating</i>	AA/Stable	New
Chelsea GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed

### Rationale

S&P Global Ratings assigned its 'AA' rating to Chelsea, Mass.' series 2017 general obligation (GO) municipal-purpose loan bonds and affirmed its 'AA' rating on the city's existing GO debt. The outlook is stable.



# ECONOMIC DEVELOPMENT OPPORTUNITIES

- Broadway Hotel under construction.
- Other Hotel Developers expressing interest in City (Second St.; Waterfront).
- Chelsea Clock Development to commence in FY18.
- Waterfront Opportunities (Forbes Site; 295 Eastern; Interpark site; 257 Marginal St.).
- Market Basket Site.



# TROUBLING TRENDS

- Minimal State Aid for School System
- Rising Group Health Expenditures
- Pension/OPEB Liability
- Debt Service Increases
- Excise Tax Dependence



# SCHOOL FUNDING

School Budget Increased by \$2.5 million

But:

- Chapter 70 Aid increased a mere \$142,000.
- Charter School Assessments increased by almost \$1.8 million.
- City's additional investment in schools increased by approx. \$4 million.
- City now 5+% over Net School Spending.
- NOT SUSTAINABLE



# GROUP HEALTH COSTS

- Costs increased by 9% in FY18.
- If that trend continues, City will need to consider unpopular measures such as:
  - increasing employee share of health insurance.
  - increasing co-pays and deductibles for policies.
  - considering entry in State Group Insurance Commission for health insurance.
- Public Employee Committee Agreement ends on June 30, 2019. Council may face tough decisions at that time.

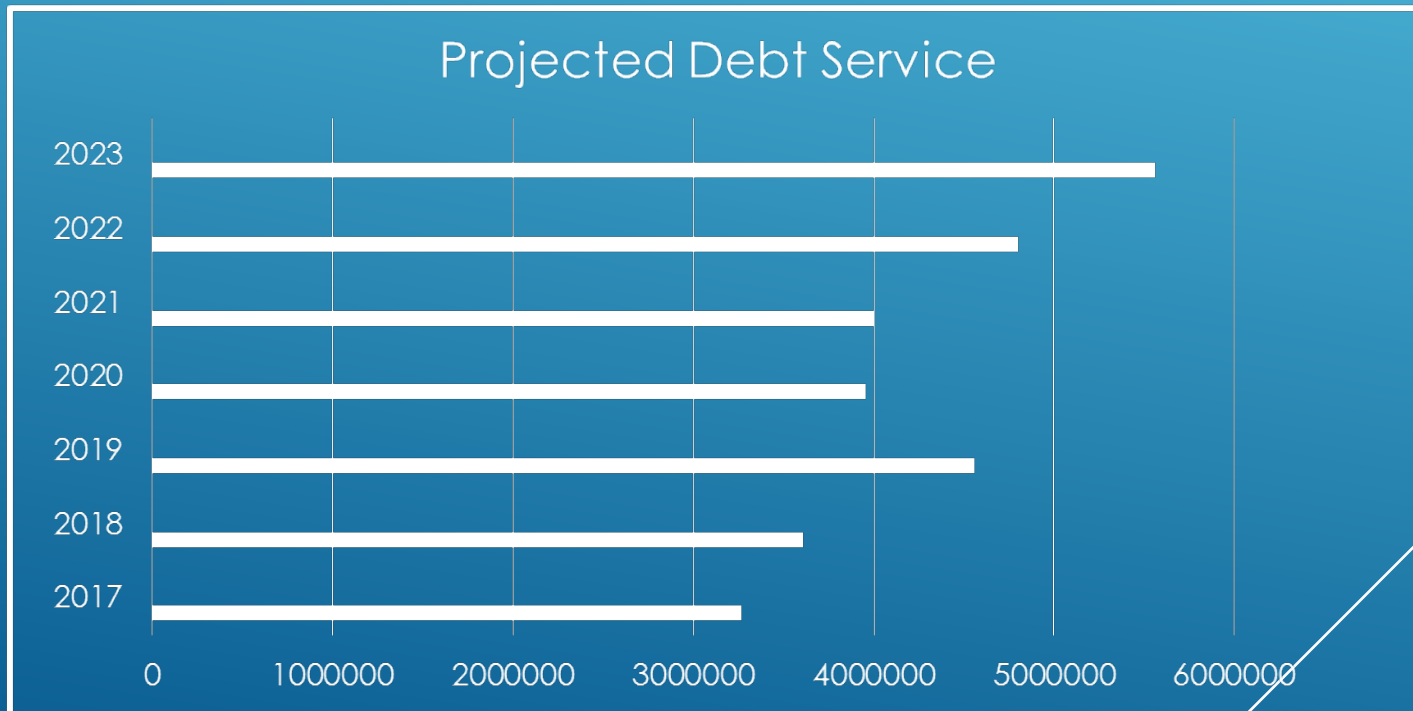


# PENSION/OPEB CONCERNS

- Unfunded Pension Liability at \$83+ million.
- Payoff schedule for 2029, but could be impacted by future recession.
- OPEB unfunded liability at \$192 million. City has little over \$1 million set aside so far.
- Plan is to start payoff schedule once Pension system paid off. But, state could require greater commitment at earlier timeframe.

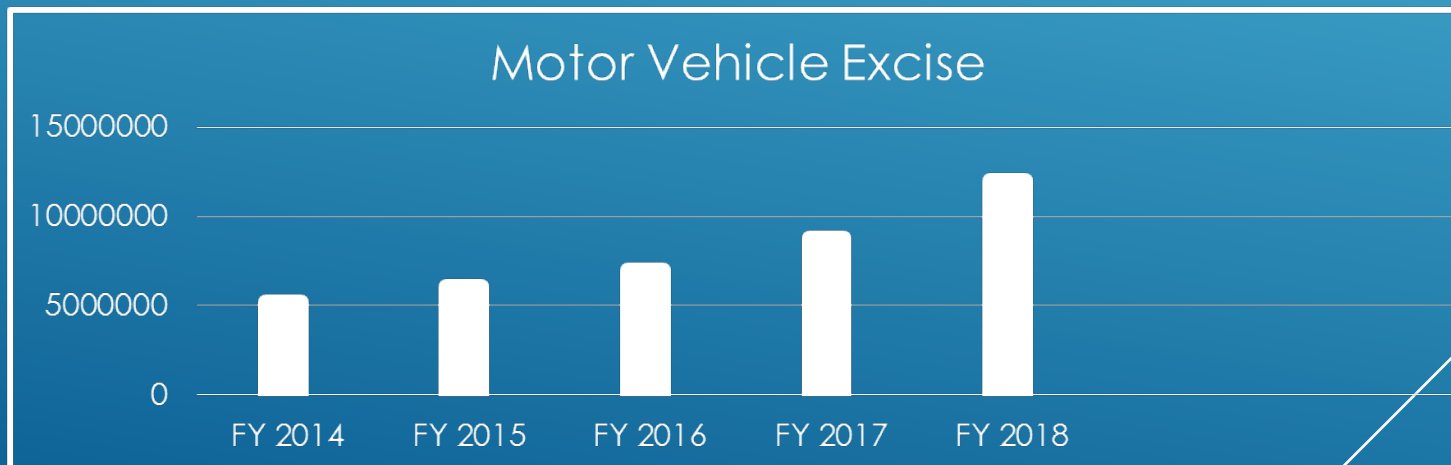
# DEBT SERVICE INCREASES

- Next Year increase almost \$1million.
- Investment necessary but come at a cost.



# EXCISE TAX

- Budget heavily dependent upon Excise Tax. \$12 million in FY18.
- Large gap between excise guarantee from Enterprise and Revenue projections: \$7 million.
- Industry future uncertain given hailing services like Uber and self-driving vehicles.





# FINAL COMMENTS

- Reserves, along with fiscal prudence, will allow us to meet budgetary demands for next five years without any override.
- But, there will be pressure on the City to promote new revenue growth through continued economic development.