

# THE SIGNIFICANCE OF NEW GROWTH IN THE TOWN'S LONG-RANGE FINANCIAL PLAN

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Presented to the Chestnut Hill Commercial Area Study

Community Advisory Group

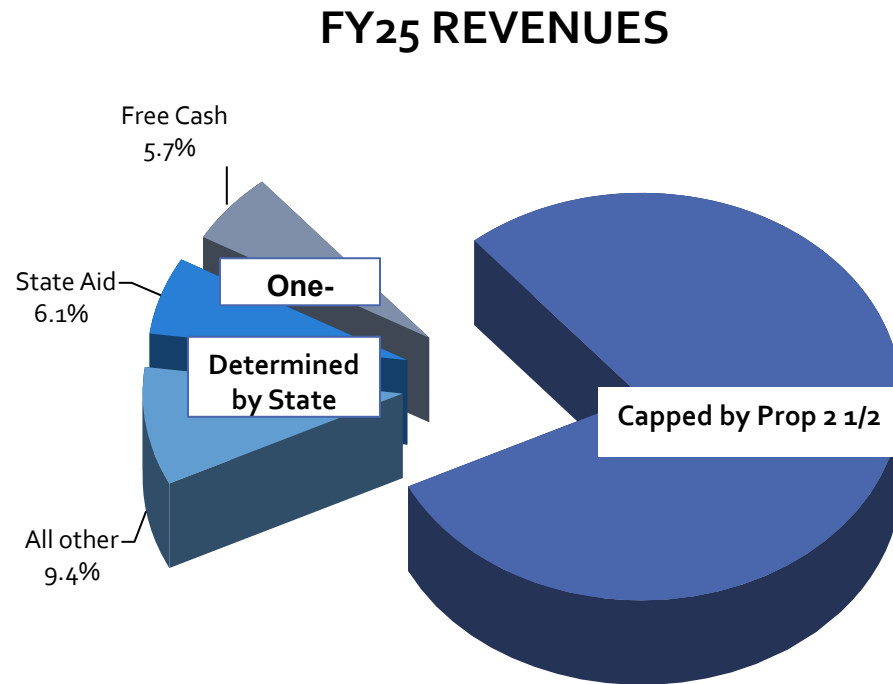
January 13, 2025

# CONSTRAINTS OF PROPOSITION 2 ½

- Proposition 2 ½ limits the annual growth of property taxes, the Town's primary source of revenue, to 2 ½ %.
- The 2 ½ % growth is not sufficient to compensate for the effects of general inflation, let alone the double-digit inflationary environment of the health care industry.
- The only way to grow the property tax base under Prop 2 ½ is "new growth", which includes new construction and substantial rehabilitation of existing properties.

# CONSTRAINTS OF PROPOSITION 2 1/2

- 91% of all general fund revenues are capped, determined by the State, or one-time in nature.



# STRATEGIC ACTIONS

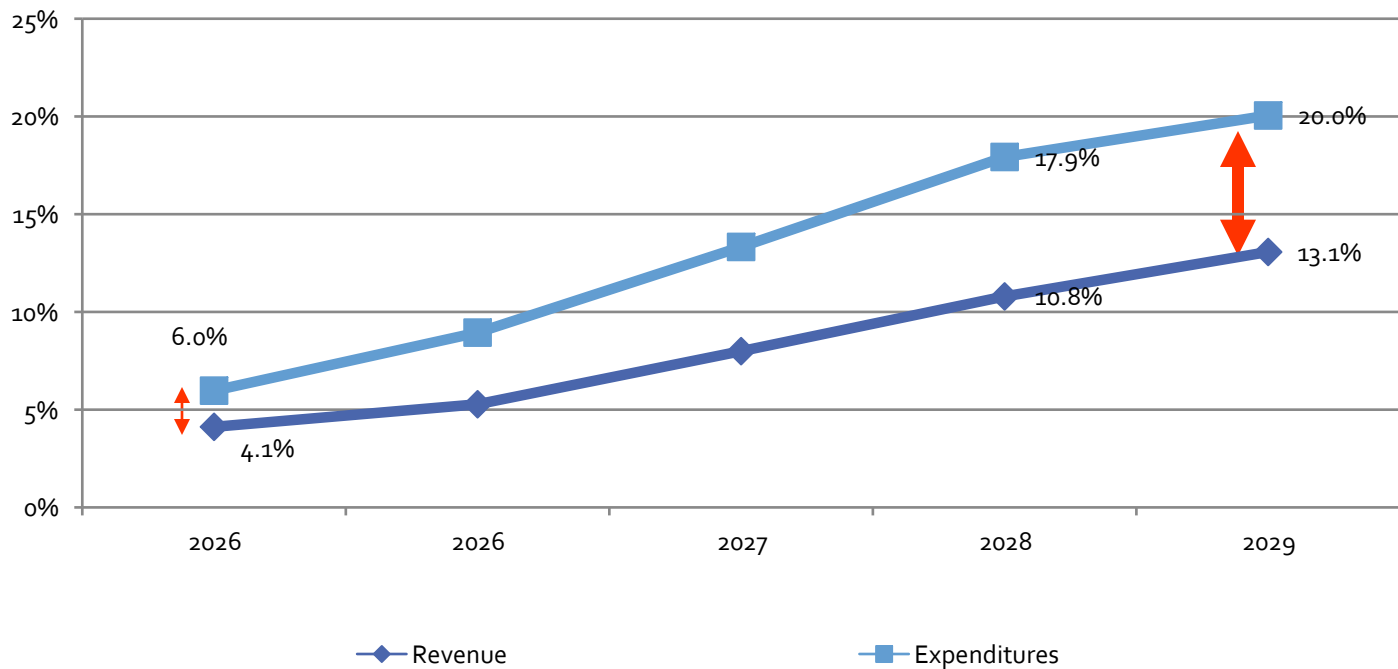
- Efficiencies & Expense Control
- Revenue Enhancement
- Economic Development

# STRATEGIC ACTIONS – EFFICIENCIES & EXPENSE CONTROL

- Multi-year contracts for electricity and solid waste
- Strict position control
- Investment in technology and energy efficiency
- Strategic use of ARPA funds to support departmental operations, limiting recurring expenditures

# LONG RANGE FORECAST

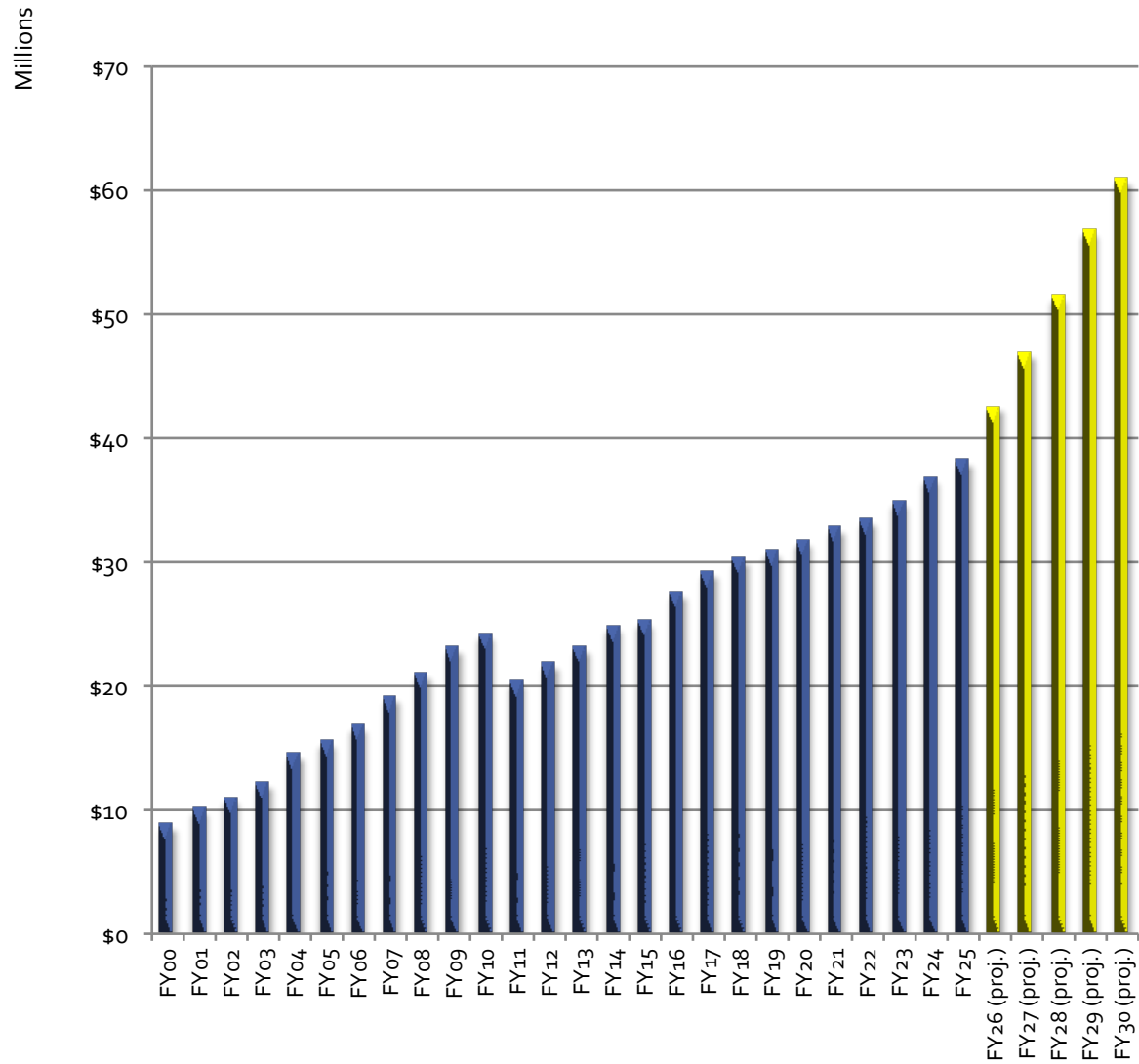
## PROJECTED CUMULATIVE GROWTH



# CAUSES OF PROJECTED DEFICITS - EXPENDITURES

- Health Insurance costs are escalating annually at double-digit rates
- Special Education continues to consume most of the School Department's annual growth
- Utility costs continue to escalate
- Collective Bargaining agreements are necessary to remain competitive and protect the Town's employees against the effects of inflation
- New and more expensive services contracts, particularly for sanitation

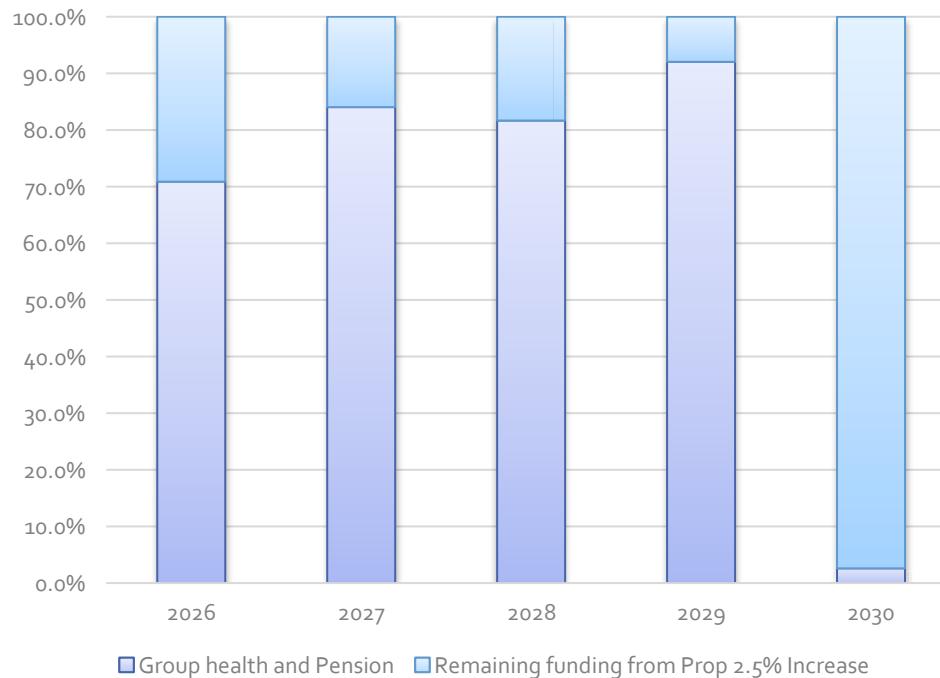
# BENEFITS – Group Health





# ANNUAL INCREASE IN BENEFITS

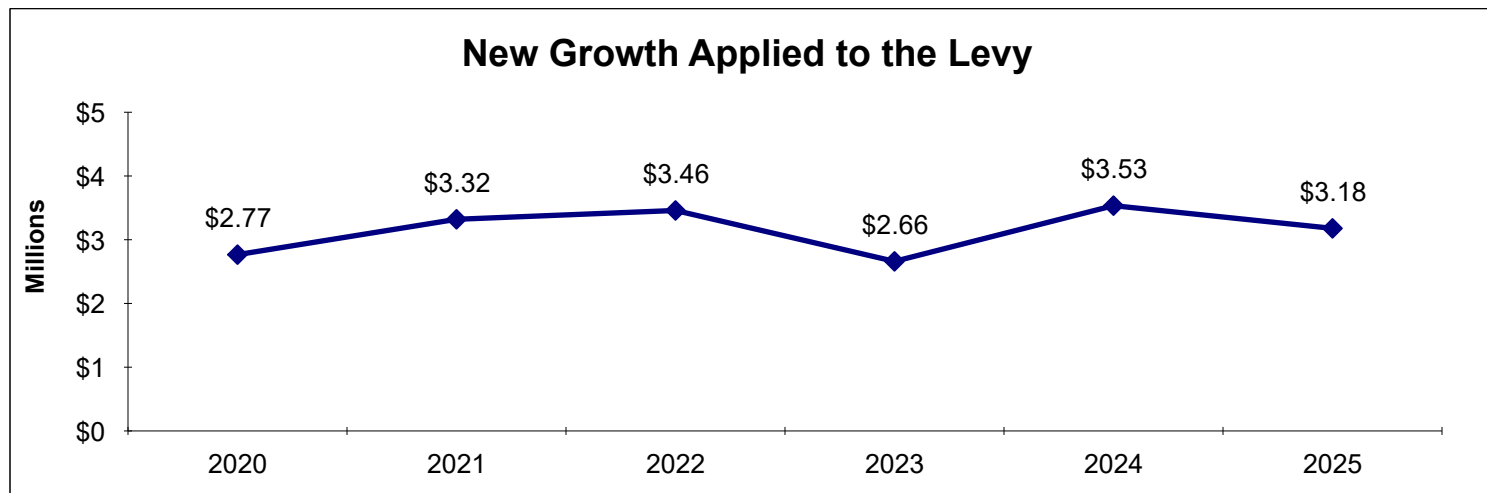
- The annual increase in appropriations for Pensions and Health Insurance is absorbing much of the annual 2 ½% increase in Prop Taxes
- Doesn't account for other increases, such as OPEB's
- Figures assume 12% in FY26, and average 8.5% out- years Heath Insurance cost



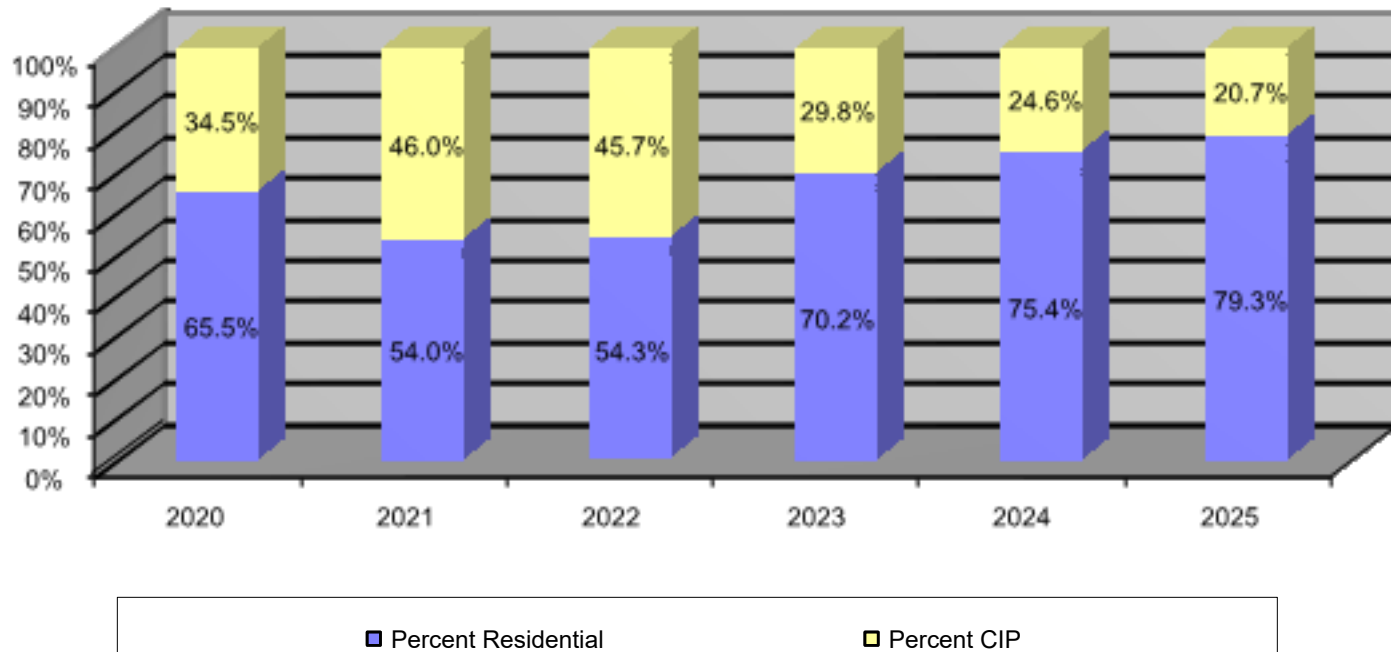
Run off from  
pension funding  
– can be used  
for unfunded  
OPEB liability

# WHY ECONOMIC DEVELOPMENT?

- As previously shown, the only way to increase the Town's property tax base is through "New Growth"
- New Growth comes from new development and substantial rehabilitation of existing property
- Since FY20, \$18.9M of New Growth has been added to the tax levy



# Composition of New Growth Added to Levy



	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
<b><u>REVENUE</u></b>						
Property Taxes	312,575,807	332,119,800	348,570,398	359,124,846	370,001,429	380,409,368
Local Receipts	33,050,910	34,395,693	34,718,684	35,263,658	35,630,642	36,004,779
State Aid	24,806,774	24,806,774	25,417,237	26,042,961	26,684,328	27,341,730
Other Available Funds	7,029,580	4,243,443	4,467,916	4,684,540	4,916,481	5,162,351
Free Cash	22,422,386	20,800,000	8,000,000	7,500,000	7,500,000	5,926,815
<b>TOTAL REVENUE</b>	<b>399,885,456</b>	<b>416,365,710</b>	<b>421,174,235</b>	<b>432,616,004</b>	<b>444,732,881</b>	<b>454,845,043</b>
\$\$ Increase	23,496,291	16,480,254	4,808,525	11,441,769	12,116,877	10,112,162
% Increase	6.2%	4.1%	1.2%	2.7%	2.8%	2.3%
<b><u>EXPENDITURES</u></b>						
Departmental	95,108,187	98,121,124	100,729,556	103,389,767	106,092,484	108,838,018
Schools	136,847,619	145,692,000	152,125,373	158,870,258	165,756,522	172,642,786
Non-Departmental - Benefits	88,508,319	92,123,822	100,307,692	108,774,874	118,272,910	119,384,293
Non-Departmental - General	6,451,003	3,851,457	2,918,209	2,961,986	3,048,897	3,135,979
Non-Departmental - Debt Service	36,917,484	44,050,783	50,025,678	52,354,885	53,928,574	53,884,094
Non-Departmental - Reserve Fund	3,245,681	3,415,094	3,554,438	3,659,996	3,770,424	3,881,795
Special Appropriations (CIP)	22,440,786	25,901,039	15,824,253	14,340,339	14,177,954	13,118,743
Non-Appropriated	10,366,377	10,613,732	10,867,272	11,127,150	11,393,525	11,666,559
<b>TOTAL EXPENDITURES</b>	<b>399,885,457</b>	<b>423,769,053</b>	<b>436,352,472</b>	<b>455,479,254</b>	<b>476,441,289</b>	<b>486,552,266</b>
\$\$ Increase	26,759,944	23,883,596	12,583,419	19,126,782	20,962,034	10,110,977
% Increase	7.7%	6.0%	3.0%	4.4%	4.6%	2.1%
<b>CUMULATIVE SURPLUS/(DEFICIT)</b>		<b>(7,403,343)</b>	<b>(15,178,238)</b>	<b>(22,863,250)</b>	<b>(31,708,408)</b>	<b>(31,707,223)</b>
<b>DEFICIT AS A % OF OP REV</b>		<b>-1.9%</b>	<b>-3.7%</b>	<b>-5.4%</b>	<b>-7.3%</b>	<b>-7.1%</b>
<b>Total Town Surplus / (Deficit)</b>	<b>0</b>	<b>(1,124,539)</b>	<b>(4,725,026)</b>	<b>(7,679,911)</b>	<b>(11,035,134)</b>	<b>(11,143,100)</b>
<b>Total School Surplus / (Deficit)</b>	<b>0</b>	<b>(6,278,804)</b>	<b>(10,453,212)</b>	<b>(15,183,339)</b>	<b>(20,673,274)</b>	<b>(20,564,123)</b>

\*NOTE: Free cash not certified for FY26 use.