

RCL 2014 VOTER PREPARATION

What voters need to know and understand
Budget Presentation – pre-Deliberative Meeting

www.ryecivicleague.org

Special thank you to **Peter Crawford** who created the massive spreadsheet required for this presentation.

This table breaks out what different parts of our government will cost us if they all pass. School Support is for the years indicated. The total tax rate will be lower as there are offsetting revenues. However, the individual line items are accurate.

				If your property is assessed for this amount, this is what your approximate 2014 cost will be. Tax rate of \$10.97/\$1,000 (2013).				
Budget Item	Article	Amount	Amt. affecting 2014	\$350,000	\$500,000	\$750,000	\$1,000,000	\$1,250,000
Town Operating Budget	22	\$ 9,079,898	\$ 9,079,898	\$1,796	\$2,565	\$3,848	\$5,131	\$6,414
Conservation bond *	7	\$ 3,000,000	\$ 3,000,000	\$593	\$848	\$1,271	\$1,695	\$2,119
Town Hall design	8	\$ 250,000	\$ 250,000	\$49	\$71	\$106	\$141	\$177
Front-end loader lease (first year)	9	\$ 175,000	\$ 45,000	\$9	\$13	\$19	\$25	\$32
Six wheel dump truck	10	\$ 150,000	Reserve fund	\$0	\$0	\$0	\$0	\$0
Wallis Rd. culvert	11	\$ 150,000	\$ 150,000	\$30	\$42	\$64	\$85	\$106
Town Employees union contract	12	\$ 56,673	\$ 9,700	\$2	\$3	\$4	\$5	\$7
Town Police union contract	14	\$ 45,259	\$ 7,746	\$2	\$2	\$3	\$4	\$5
New one-ton truck	16	\$ 65,000	Reserve fund	\$0	\$0	\$0	\$0	\$0
Additional police officer (1/2 year)	17	\$ 88,326	\$ 46,915	\$9	\$13	\$20	\$27	\$33
Fire truck (5% match)	18	\$ 300,000	\$ 15,000	\$3	\$4	\$6	\$8	\$11
Fund Highway Equipment Capital Reserve	19	\$ 100,000	\$ 100,000	\$20	\$28	\$42	\$57	\$71
Fund Town Employees' Accumulated Leave Fund	20	\$ 50,000	\$ 50,000	\$10	\$14	\$21	\$28	\$35
Fund Library Maintenance Expendable Trust	21	\$ 5,000	\$ 5,000	\$1	\$1	\$2	\$3	\$4
No smoking signs for the beach	24	\$ 375	\$ 375	\$0	\$0	\$0	\$0	\$0
School Budget		\$ 13,213,843	\$ 13,213,843	\$2,613	\$3,734	\$5,600	\$7,467	\$9,334
Town Total if all approved		\$ 26,729,374	\$ 25,973,477	\$ 5,137	\$ 7,339	\$ 11,008	\$ 14,677	\$ 18,347
Rockingham County		\$ 2,028,310	\$ 2,028,310	\$401	\$573	\$860	\$1,146	\$1,433

* We have no idea of how the \$3 million will be requested and the actual cost calculation is much more complex than what we are showing.

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- Town Budget 101
- School Budget 101
- What Makes up the Tax Rate

Town Operating Budget items are up just over \$500K

Lower Debt Service payments and Capital Outlays reduce the budget by \$100K in 2014

The net increase for 2014 is 4.6% higher spending (not counting any of the Warrant Articles)

Town Government	2011	2012	2013	2014	\$ Change	% Change	% of Budget
Total General Government	\$ 1,446,774	\$ 1,521,107	\$ 1,480,146	\$ 1,674,970	\$ 194,824	13.2%	18.5%
Police Total	\$ 1,128,592	\$ 1,217,965	\$ 1,271,106	\$ 1,336,678	\$ 65,572	5.2%	14.8%
Fire Total	\$ 1,194,454	\$ 1,260,004	\$ 1,331,595	\$ 1,417,870	\$ 86,275	6.5%	15.7%
Total DPW	\$ 1,406,416	\$ 1,453,040	\$ 1,511,017	\$ 1,567,842	\$ 56,825	3.8%	17.3%
Library Operations	\$ 588,506	\$ 588,506	\$ 606,883	\$ 629,538	\$ 22,655	3.7%	7.0%
Recreation Operations	\$ 208,662	\$ 210,975	\$ 222,832	\$ 242,725	\$ 19,893	8.9%	2.7%
Other Services Total	\$ 365,005	\$ 379,771	\$ 410,871	\$ 442,741	\$ 31,870	7.8%	4.9%
Sewer excl. debt svc.	\$ 196,575	\$ 227,208	\$ 239,193	\$ 257,162	\$ 17,969	7.5%	0.0%
Other revolving	\$ 323,645	\$ 331,788	\$ 416,893	\$ 427,198	\$ 10,305	2.5%	
Capital Outlay	\$ 276,852	\$ 103,016	\$ 150,400	\$ 89,650	\$ (60,750)	-40.4%	
Total Debt Service	\$ 1,325,463	\$ 1,289,884	\$ 1,039,692	\$ 993,525	\$ (46,167)	-4.4%	
Total Town Budget	\$ 8,460,944	\$ 8,583,264	\$ 8,680,627	\$ 9,079,898	\$ 399,271		

Town Hall Government Includes:

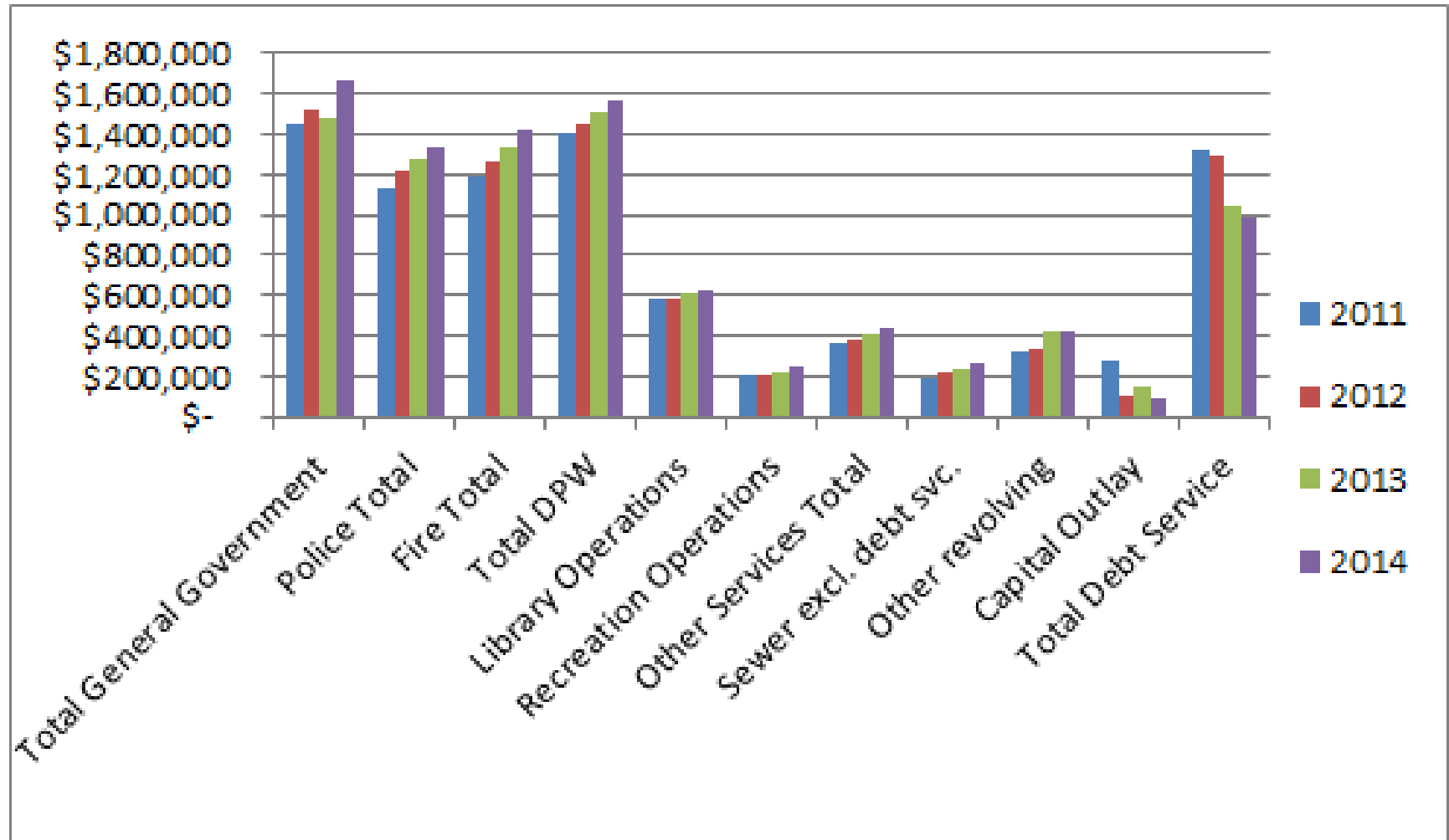
Executive Office, Town Clerk, Tax Collector, Assessing, Finance Office, Legal, Zoning Board, Planning Board, Building Inspection, Town Custodian, Town Hall Facility, and Insurance.

Other Services Include:

Health Officer, Animal Control, Mosquito Control, Direct Assistance, Cemetery, Beaches, Land Management, Patriotic Purposes, Historic District, Heritage Commission, Conservation and Other Services.

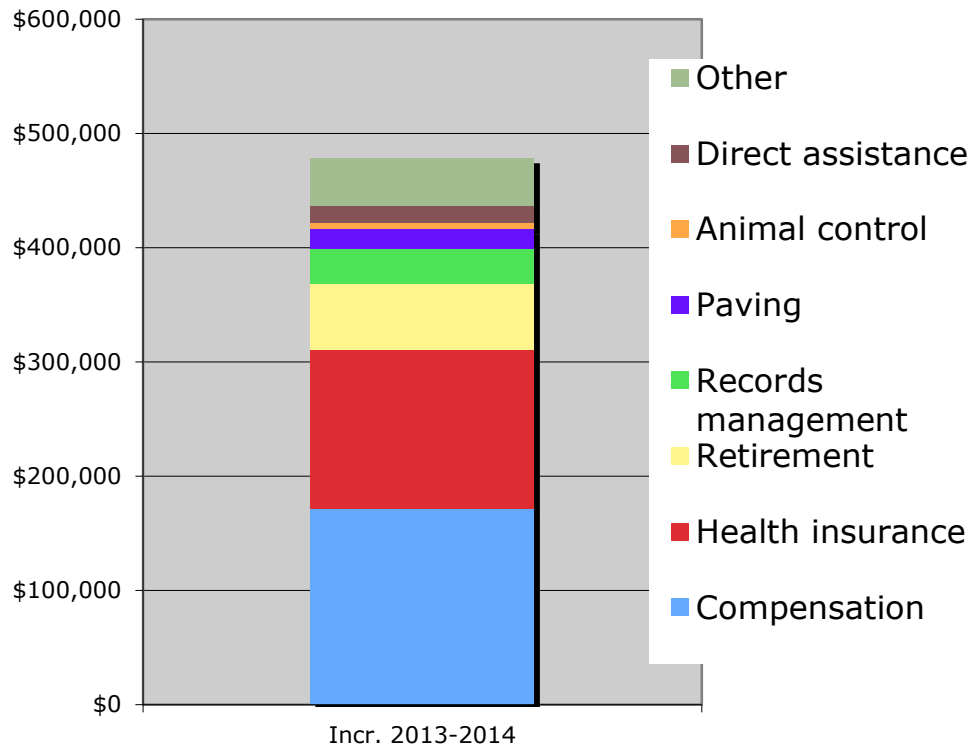
The big four (General Government, Police, Fire and DPW) continue to grow year over year. These four grew by over \$800,000 (16%) since 2011.

The Library continues to have very small cost increases.



What is driving the 2014 \$500K increase in spending?

The Town's General Fund budget before debt service and capital outlay is up about \$500K



Driving the \$500k:

- \$70k of compensation is from the 53rd week. There is also an additional employee in the Finance Office and employee wage increases.
- Healthcare costs are up 19 % (including Town payment of deductible)
- Retirement is up due to full year impact of mid-2013 rate increase

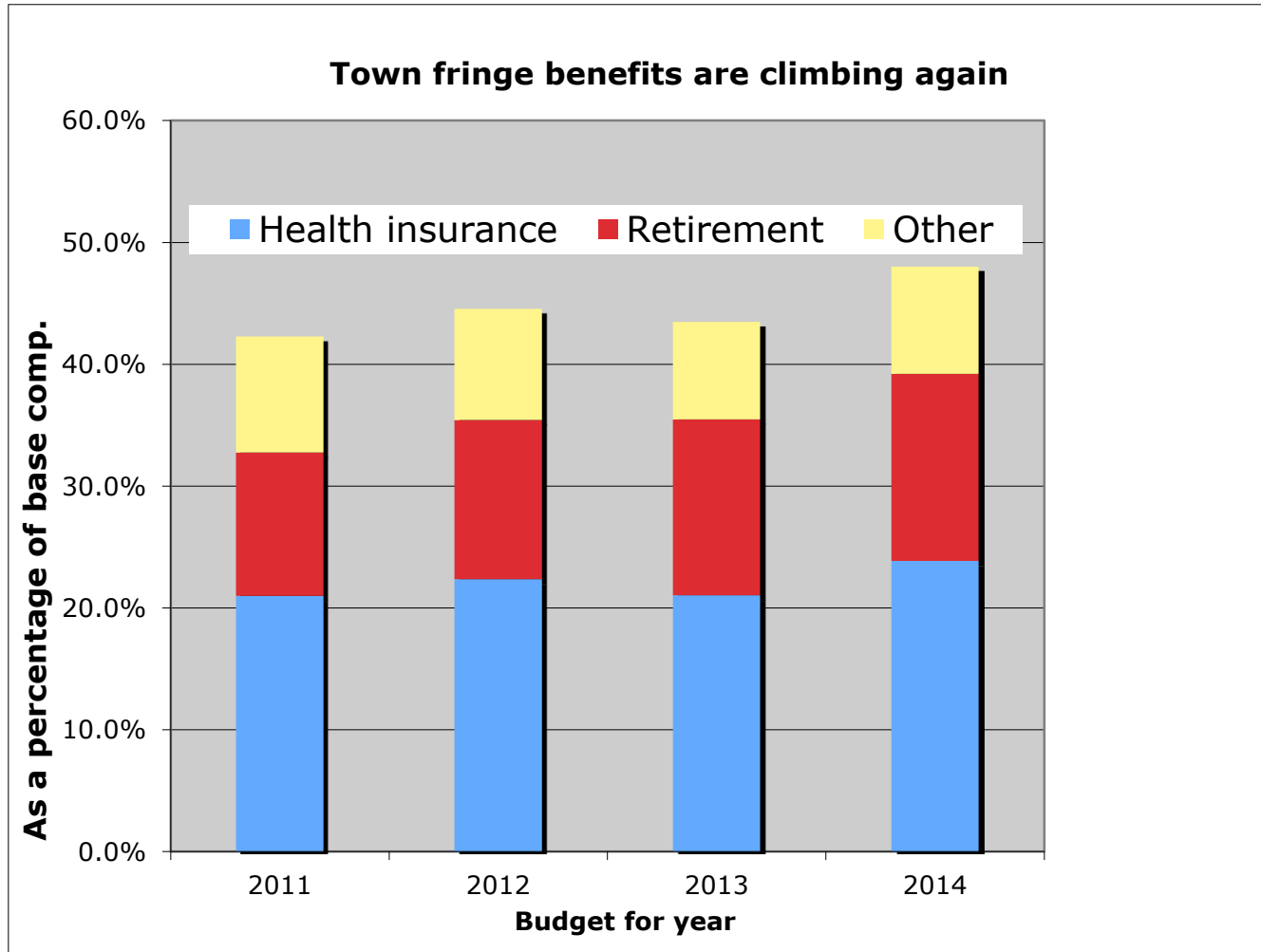
What is NOT included:

- \$9,700 Town Employees Union new contract
- \$7,746 Police Employees Union new contract
- \$150K for the Wallis Rd. Culvert
- \$512K of other Warrant Articles
- \$3 million Conservation Bond and \$215K for trucks

NOTE: The Town and the Fire Fighters Union did not come to terms on a new agreement, so there currently is **not** a new contract.

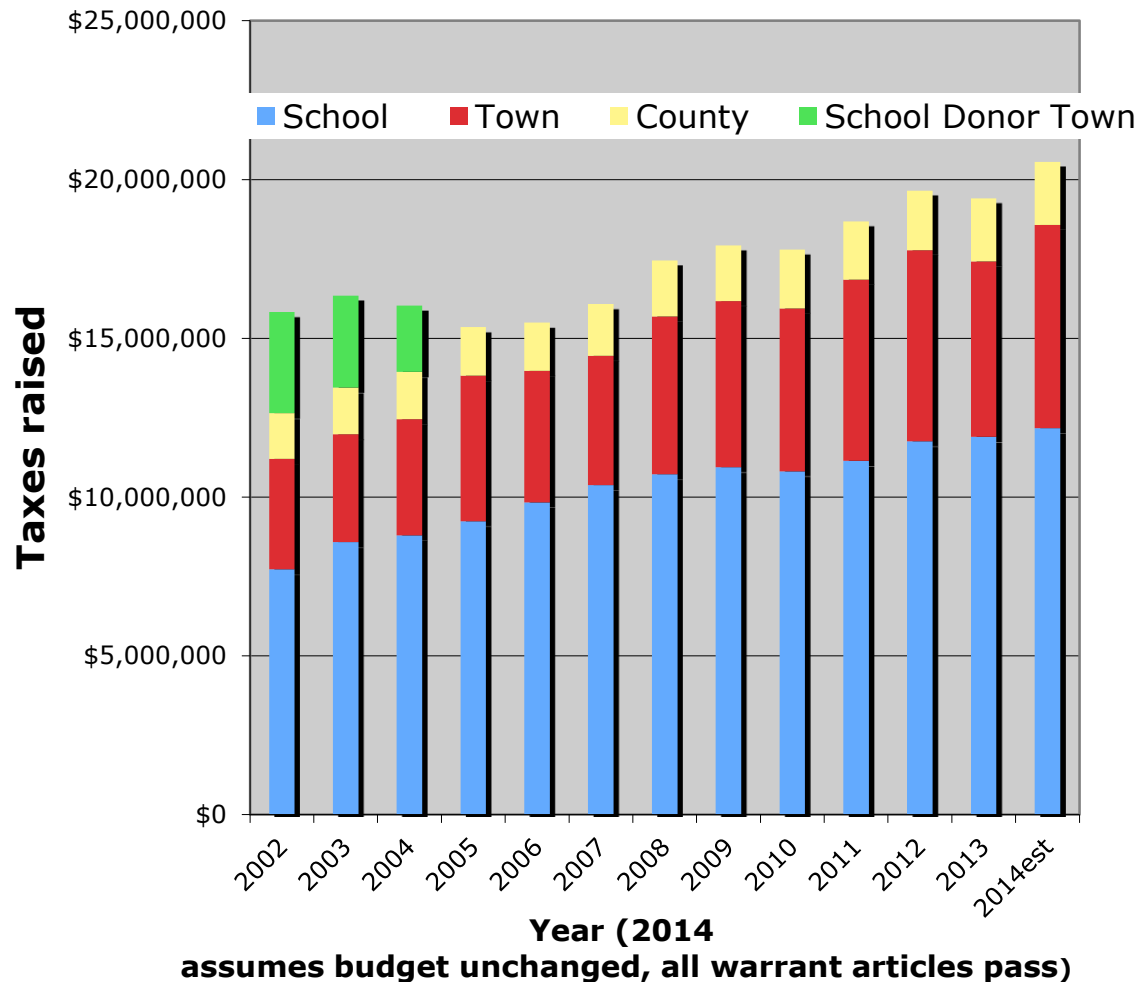
Benefit Ratio for Town Employees continues to grow

Private benefit ratios can be between 20% to 25%



Rye's net cost of government services (including schools) has grown faster than inflation. School is growing slower than the town portion.

Town taxes continue to increase



Compound annual growth rates

Town: 5.2%

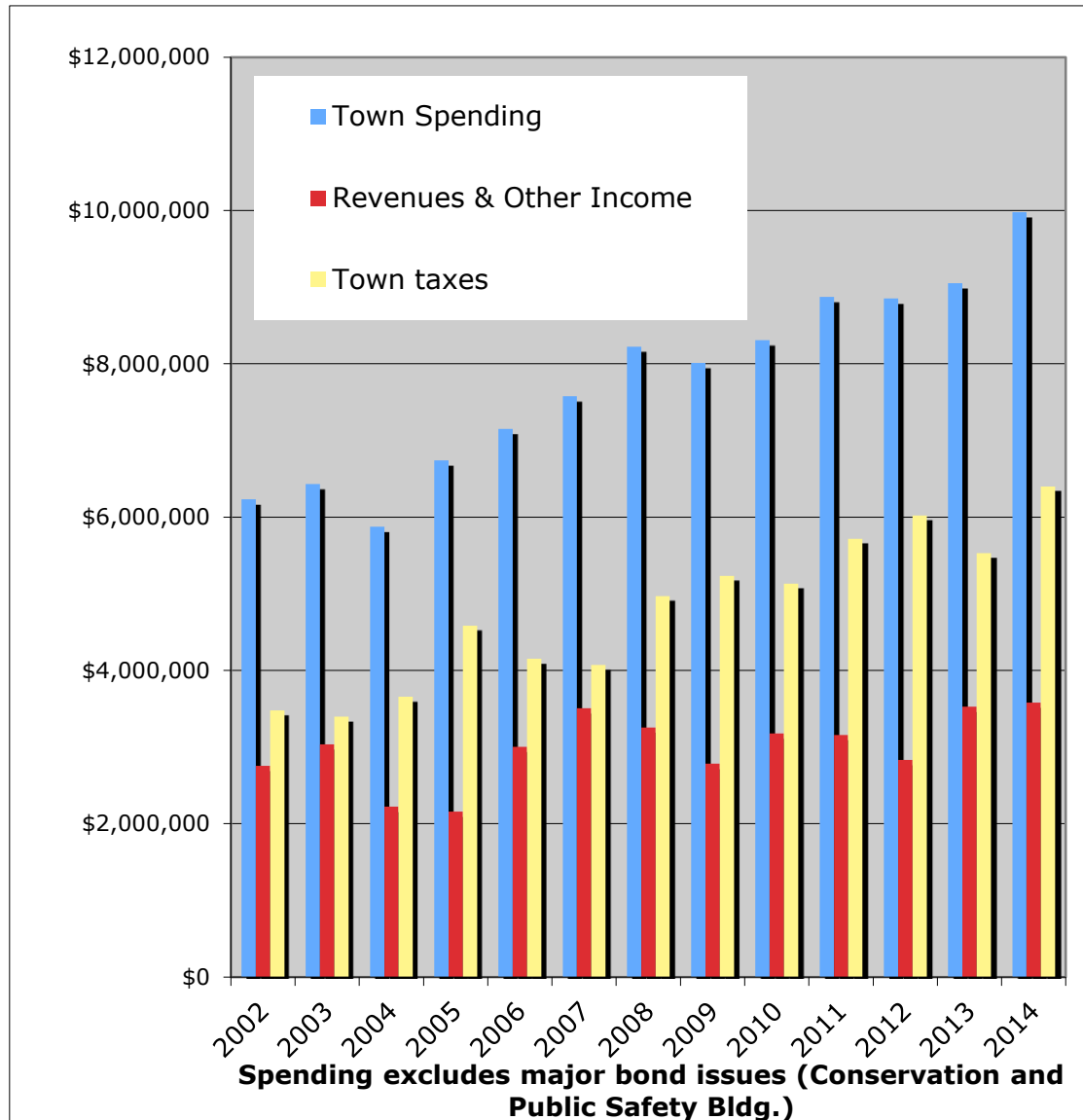
School (retained): 3.9%

County: 2.7%

Inflation: 2.3%

NOTE: Donor towns ended at the same time as the Safety Building and Conservation funding. This mitigated the tax impact.

Revenue growth does not keep pace with Town Spending



2012 Revenue Variances

- 2012 revenues were underestimated
- So more taxes were raised, leaving a large surplus.
- Building permits and vehicle registrations were somewhat above plan,
- Spending was also approximately \$250K under budget.
- A revaluation year and not all of the abatement provision was needed.
- The resulting surplus of \$818,648 was applied to reduce 2013 taxes.

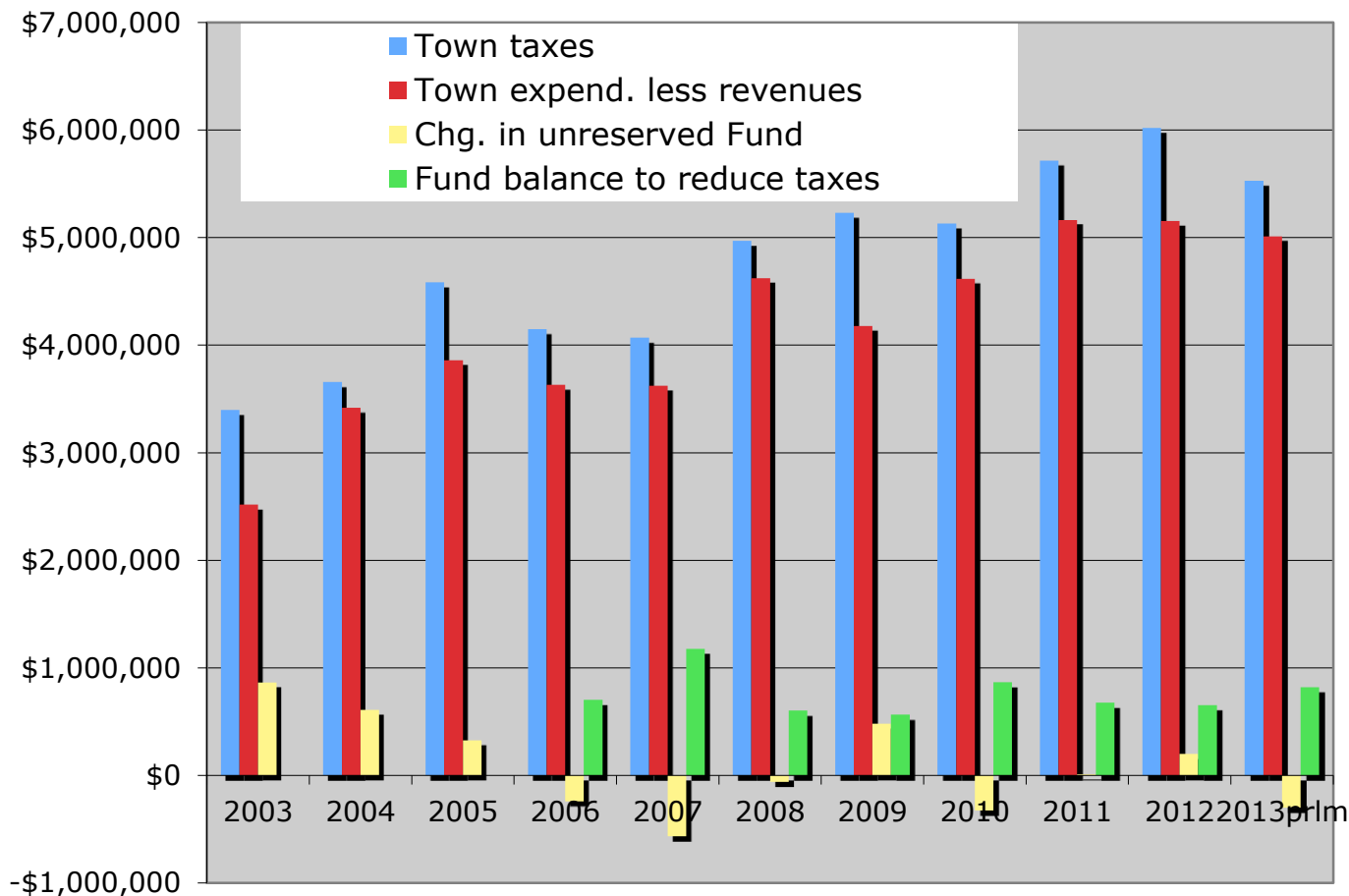
In 2013, the Town applied \$819K of the 2012 surplus (9% of 2013 expenditures) to reduce taxes. That is the major reason why the 2013 tax rate went down, while expenditures were up.

2006: Town started using fund balances to reduce the tax rate, reversing earlier accumulations.

Fund Balances:
Some of the Fund Balances are associated with special revenue funds.

Use of fund balances to reduce taxes has averaged around \$500,000 the past few years.

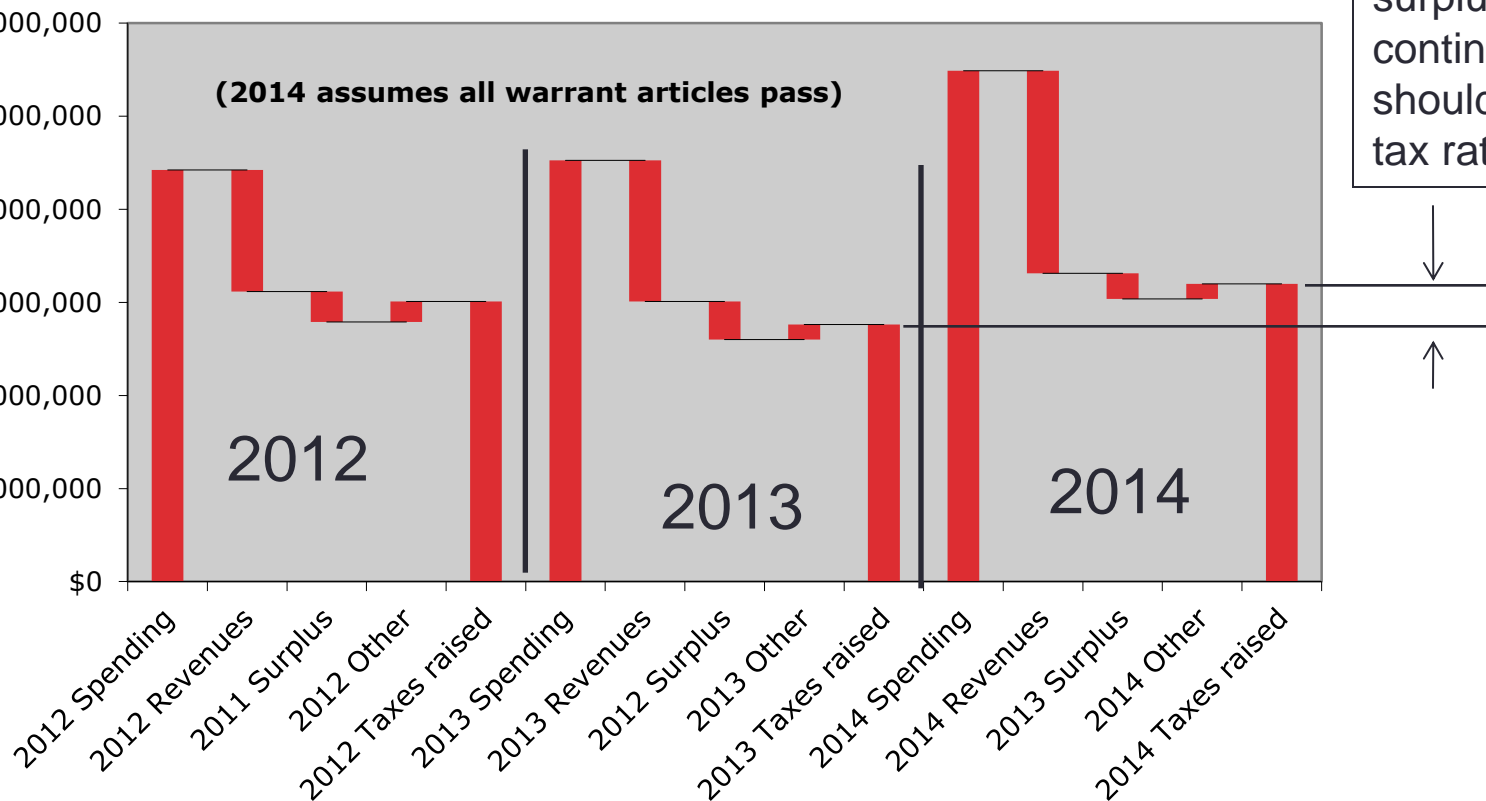
For 2013/2014 \$819K was used to reduce taxes.



Larger than normal surplus allowed 2013 taxes to be down despite an increase in 2013 spending. The same factors will not continue in 2014, so taxes will be up substantially.

2014 revenues include \$3 million conservation bond

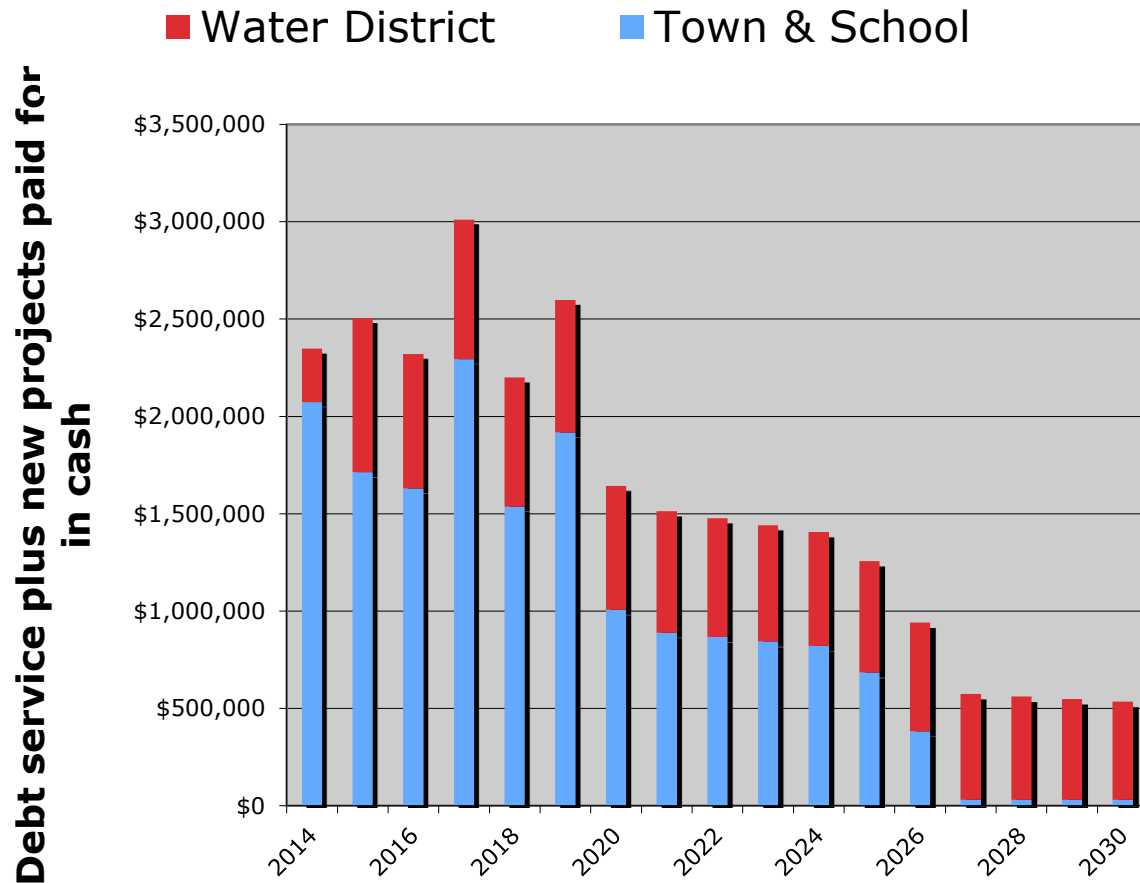
Without revenue growth and large surplus in 2012 continuing, we should expect 2014 tax rates to go up.



Note: 2014 numbers assume all warrant articles pass. The Conservation warrant article has no effect on 2014 taxes as principal and interest would start in 2015.

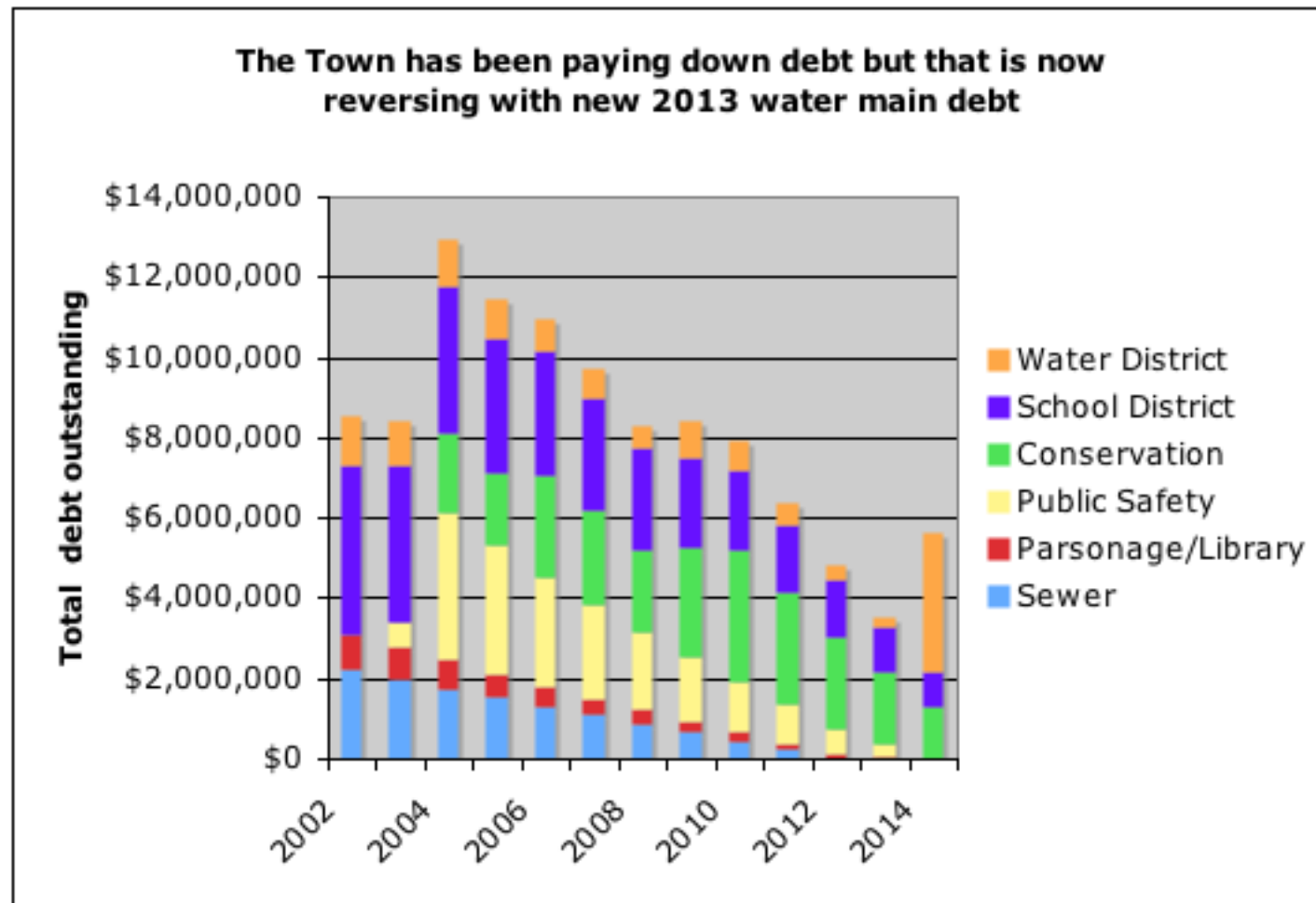
Only about two-thirds of the town is in the Rye Water District. Since Rye Water District has a smaller tax base than the total town, the cost per \$1,000 of assessed valuation of \$1 million in annual debt service costs is higher than for town projects (\$.90 vs. \$.57)

If all projects in the CIP Plan proceed on schedule, costs will spike



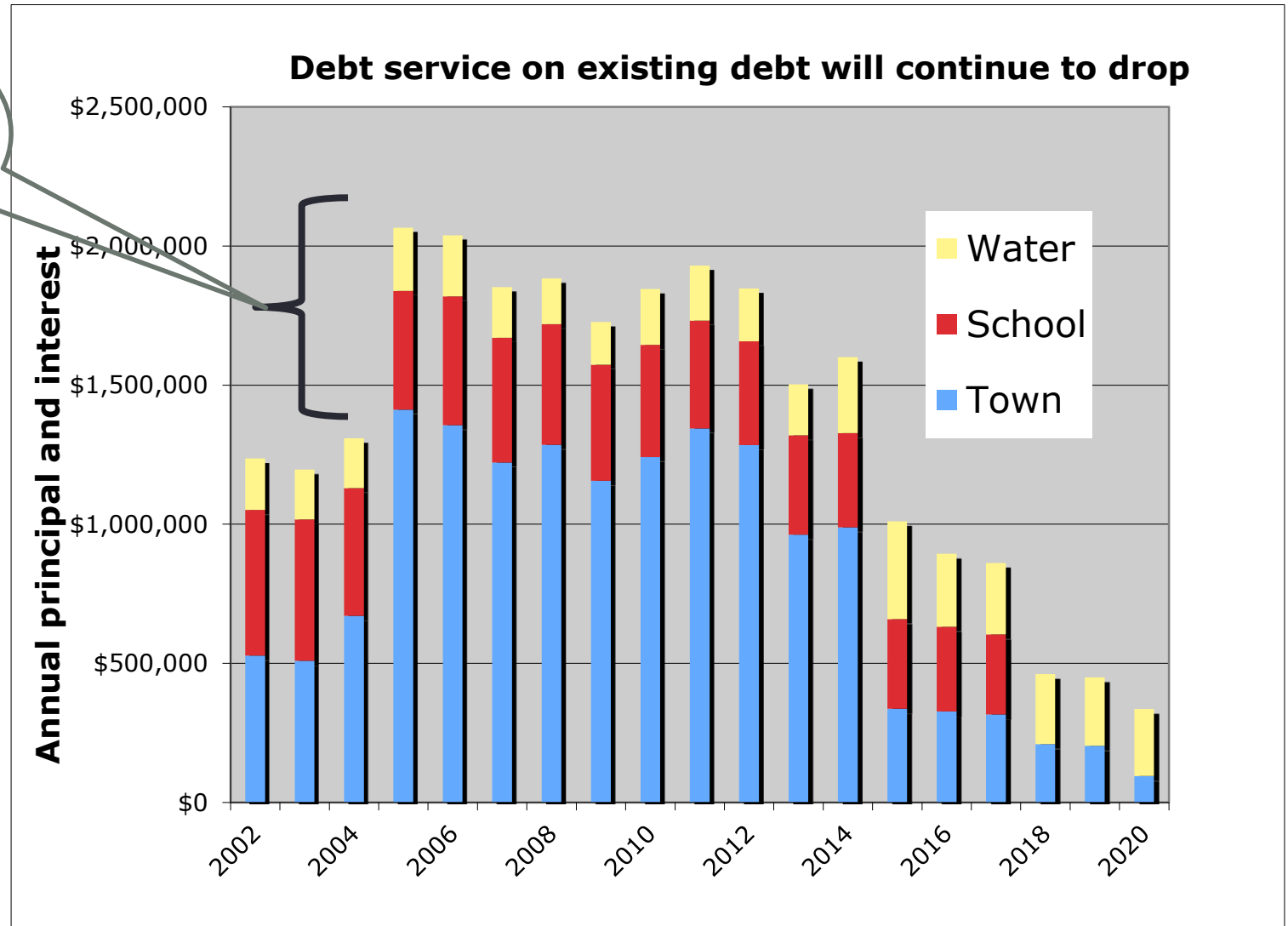
This point needs to be made since the next debt analysis is tailored to the 2/3 of town that is on Rye Water.

The Town has been paying down debt, but debt is now increasing due to the 2013 water main replacement approved by voters



Where we are today with our Town Debt. This is the view from the taxpayer's perspective, so it includes all of the town debt service **before** new debt is taken on.

Donor towns
went away

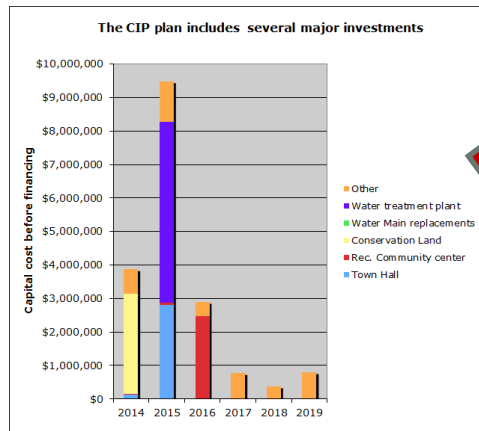


Debt Service payments (over \$1 million) can be more than one of our big four town government departments (General Town, Police, Fire, or DPW)

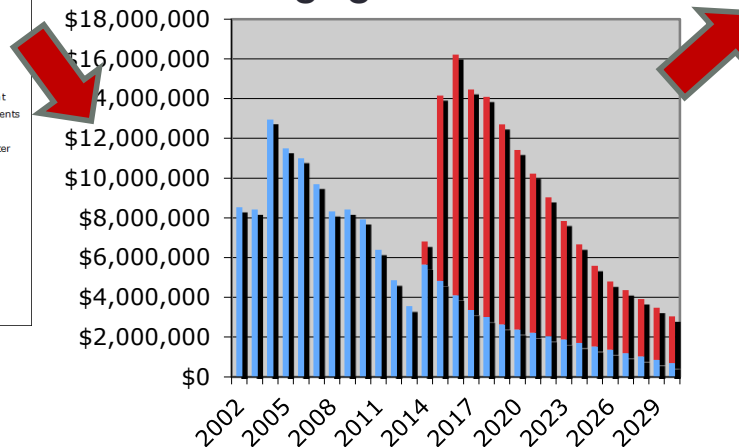
Rye has not had the conversation about the amount of debt service that we can afford. As with a home, based on the mortgage payment, what can you afford to buy?

Each approved major project means we have to borrow money and these mortgage payments add up. Impact to the tax rate is how to understand what is affordable.

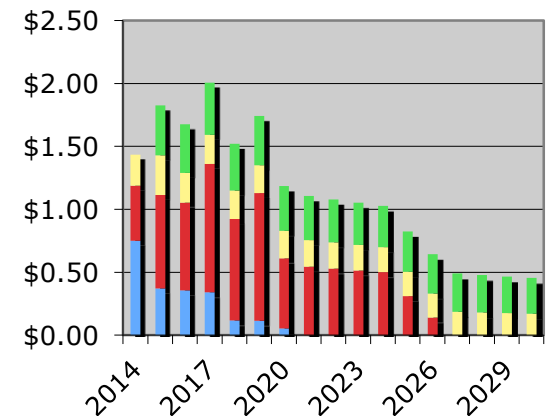
Approved Projects add Debt



Create larger total mortgage

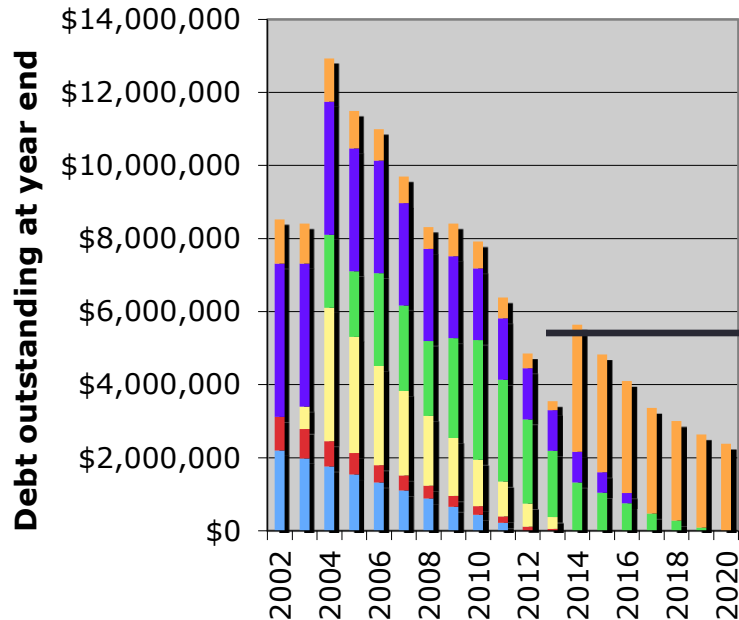


Large mortgage drives up the Tax rate

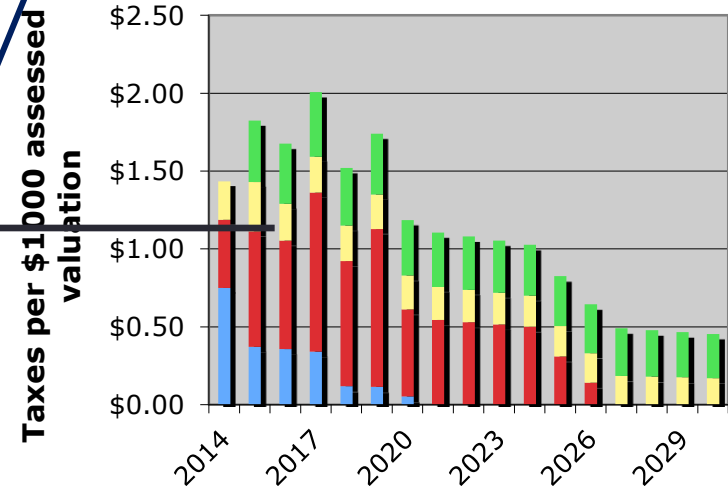


What is that level of total debt that we should manage to? Is it \$4 to \$6 million, \$6 to \$8 million or something else? This equates to an annual tax burden.

Total Town Debt as of 2013

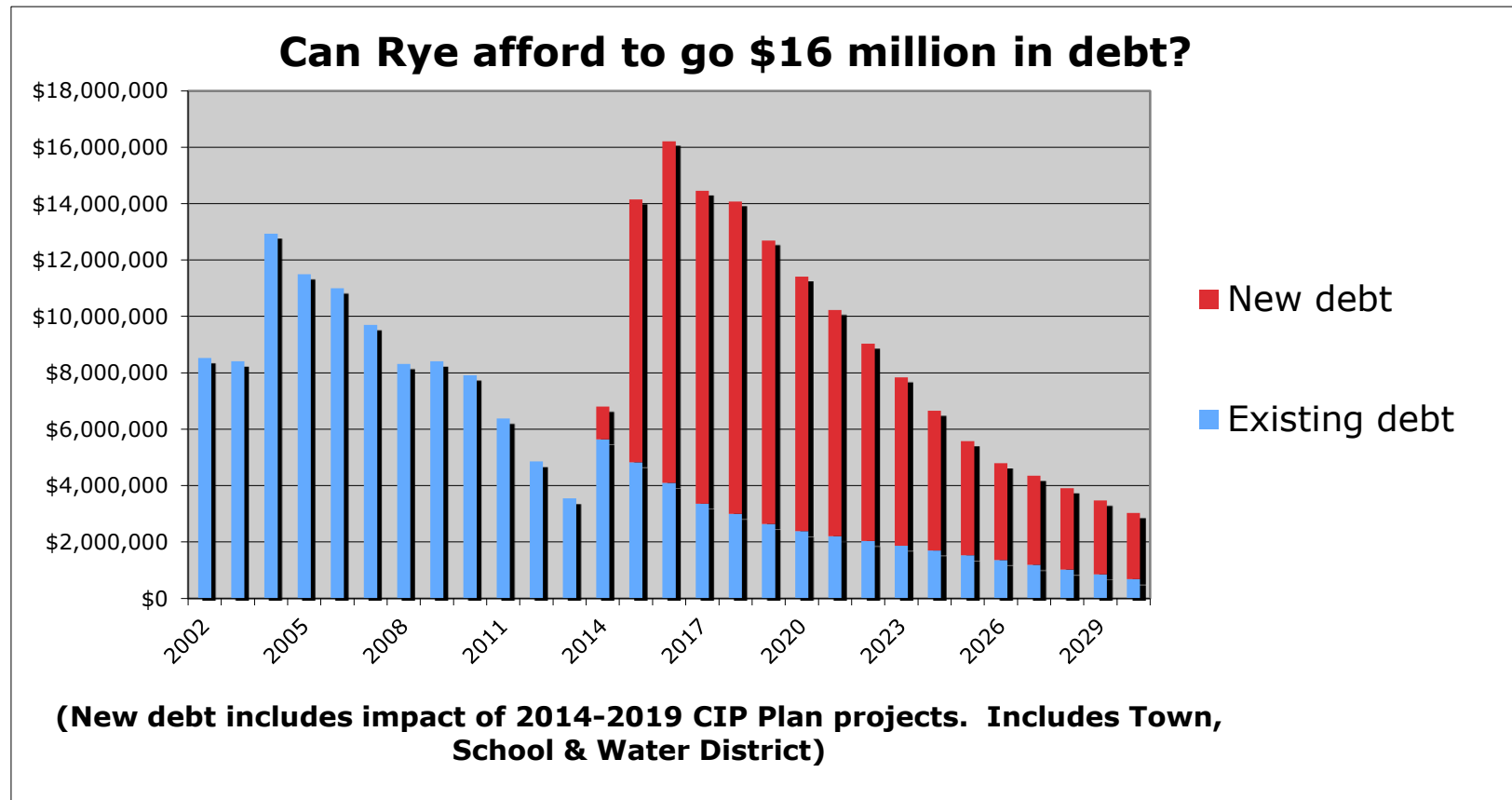


Debt level translates to a significant impact to annual tax rate



Each \$ 1 million of Town debt financed over 10 years at 3% creates \$.0735 per \$1,000 assessed valuation of taxes to pay principal and interest payments (the "Town Mortgage Payment"). In the Water District, the impact is \$.1172.

If 100% of CIP is approved it will be 15 years before our debt level (which drives our “mortgage payment”) is back to the 2013 level.



The “mortgage payment” for a \$500,000 house: $\$16 \times .0735 \times 500 = \$588/\text{year}$ (financed for 10 yrs. at 3%). Increase lasts 10 years, slowly declining as debt paid down. This is just to provide a “feel” for the cost. For a \$1 million house, \$1176/year.

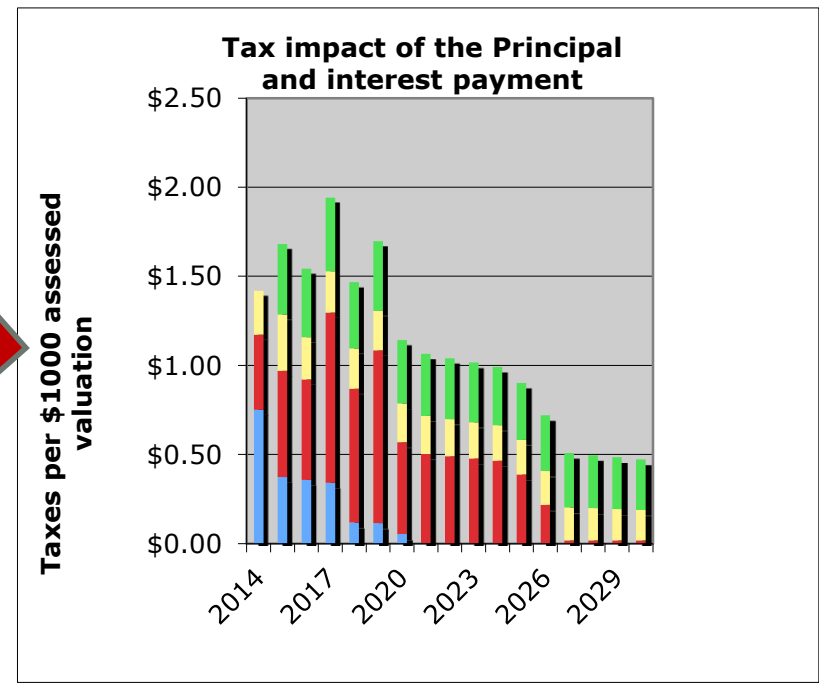
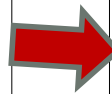
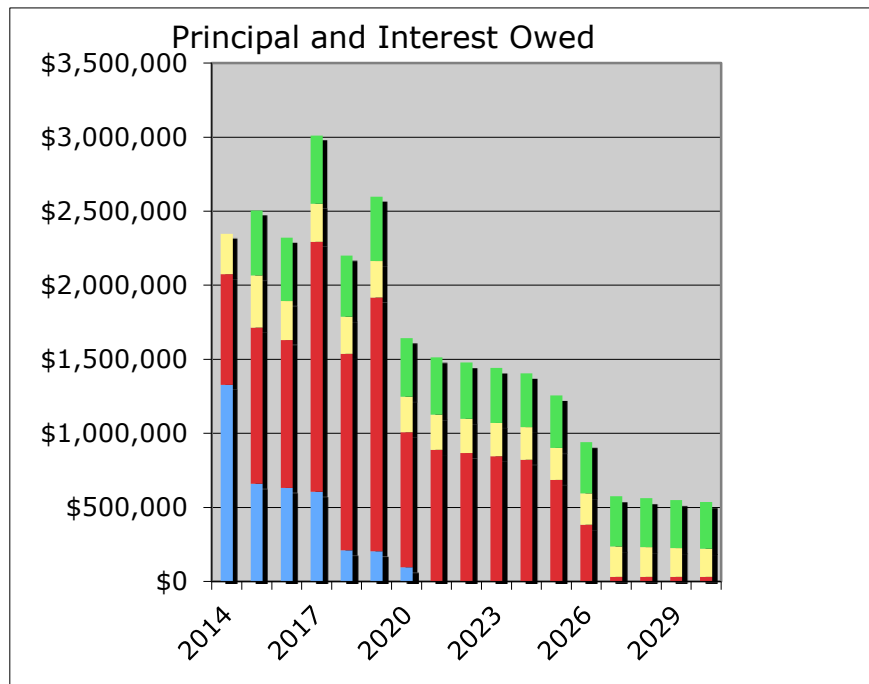
If all CIP projects proceed as planned, the principal and interest payments translate to a large tax increase.

Change in town Mortgage Payment:

2014 mortgage payment is: \$1.00 per \$1000 or \$500 for \$500K house

2017 mortgage payment could be: \$1.97 per \$1000 or \$985 for \$500K house

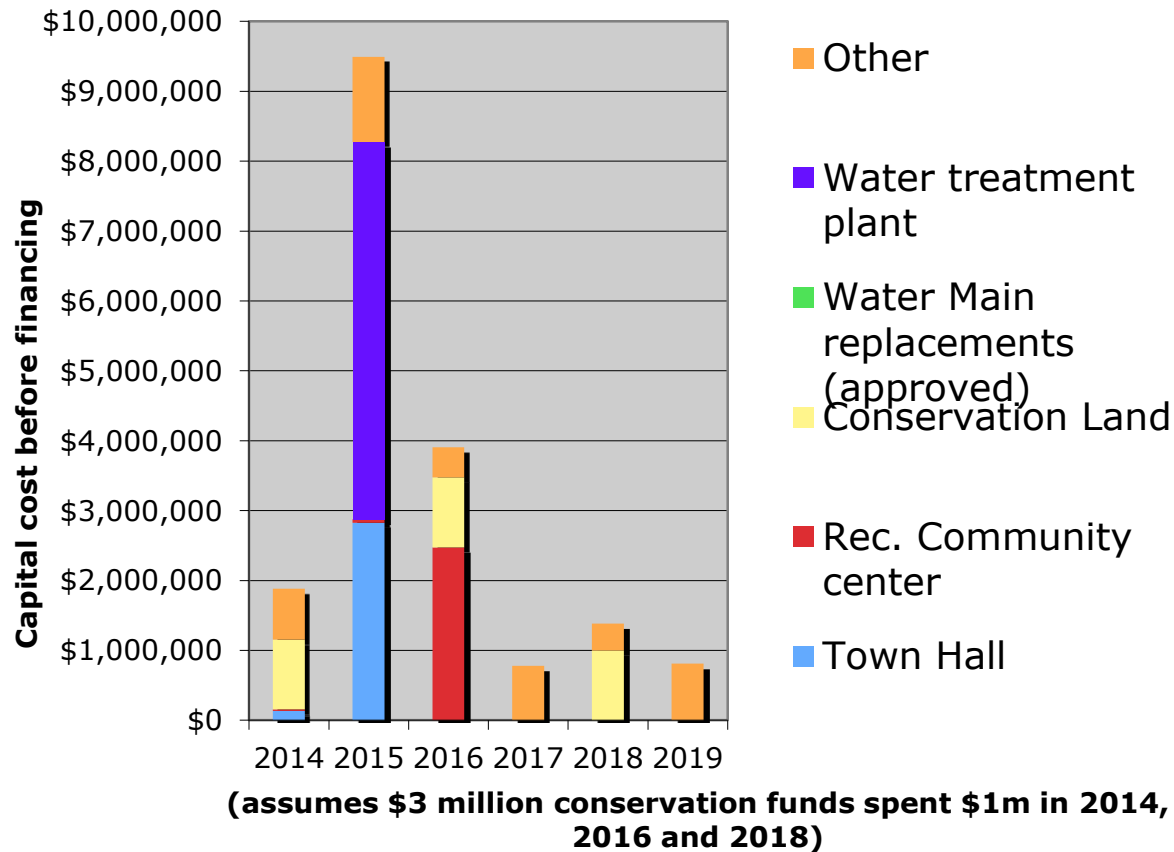
Impact on a \$500K house is \$485 more a year, on a \$1M house \$970/year more



Charts are for illustration and are not to be used for calculations

Big projects are Town Hall, Water Treatment Plant, Community Center and Conservation

Net new debt from the CIP plan includes \$18.3 million in projects through 2019



CIP includes a number of very large projects that are now being discussed for the near future.

Town, Schools, Water and Beach Districts are all separate entities.

Last year, the Water District approved \$3.4M with only a handful of residents at the meeting. They said “it is a good time for us to borrow money” (paraphrased)

Bottom Line on the Debt:

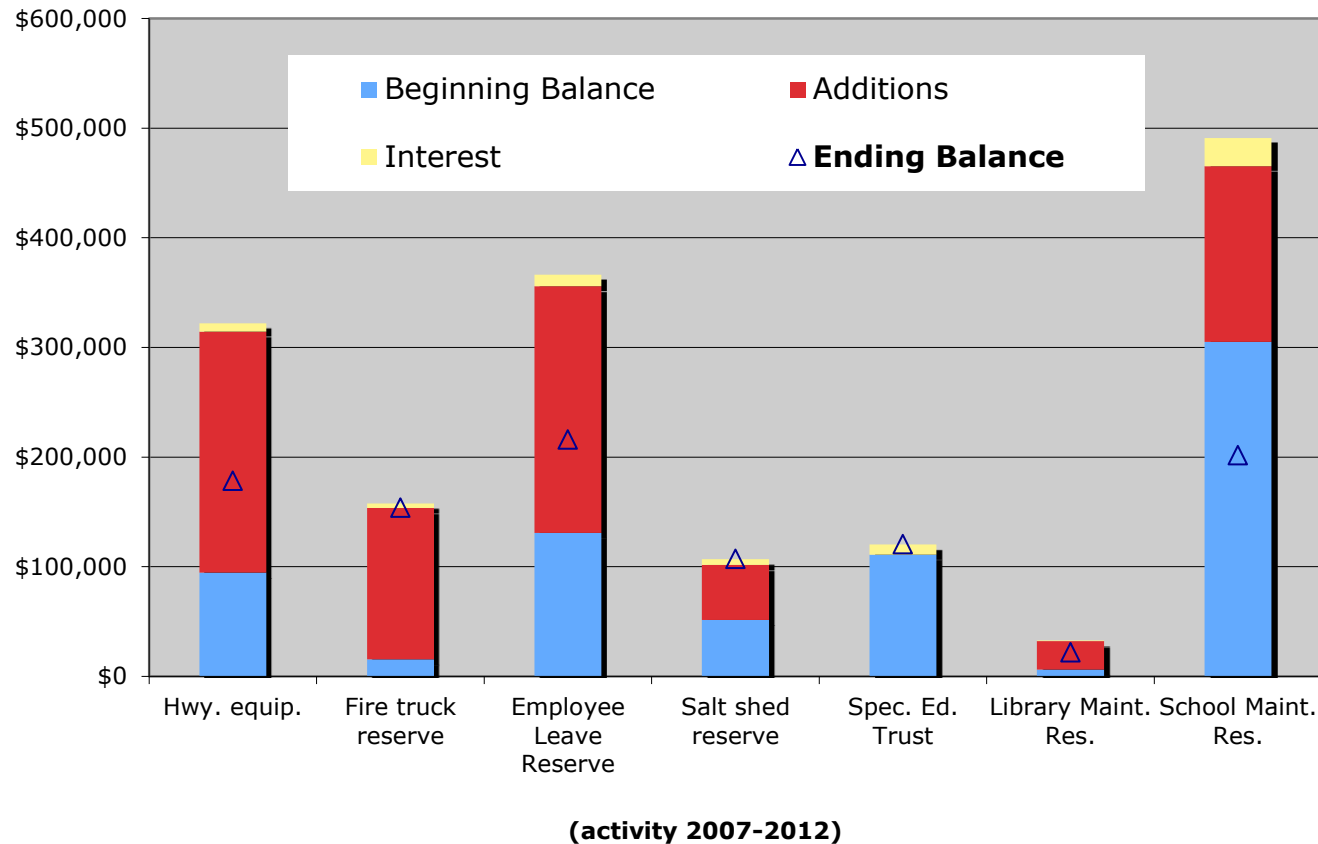
The impact to the last large increase in debt was mitigated when Rye no longer had Donor Town payments. That will not be the case with the current investments.

- 1) We need to discuss and decide if we want to either:
 - Fund big projects as needed and accept spikes in our taxes
 - or
 - Decide on what is the volume of debt we can comfortably carry on an annual basis
- 2) If we are going to balance the timing of the large investments:
 - How does the town discuss priorities and decide what to do when?
- 3) RCL December 2013 survey showed that around 80% of respondents would like to see the actions that impact the town mortgage payments discussed and coordinated

Some funds are being actively used, while others are not being utilized.

In addition to these funds/trusts shown below there are a Sewer Capital Reserve, Sewer Fund, Ambulance Reserve Fund, and numerous other specific funds

Some of the Town Trust and Reserve Funds



From the 2013 CIP

Town of Rye
Capital Improvements Plan
2014-2019

TABLE 7
Expendable Trusts & Capital Reserves – balance December, 2012

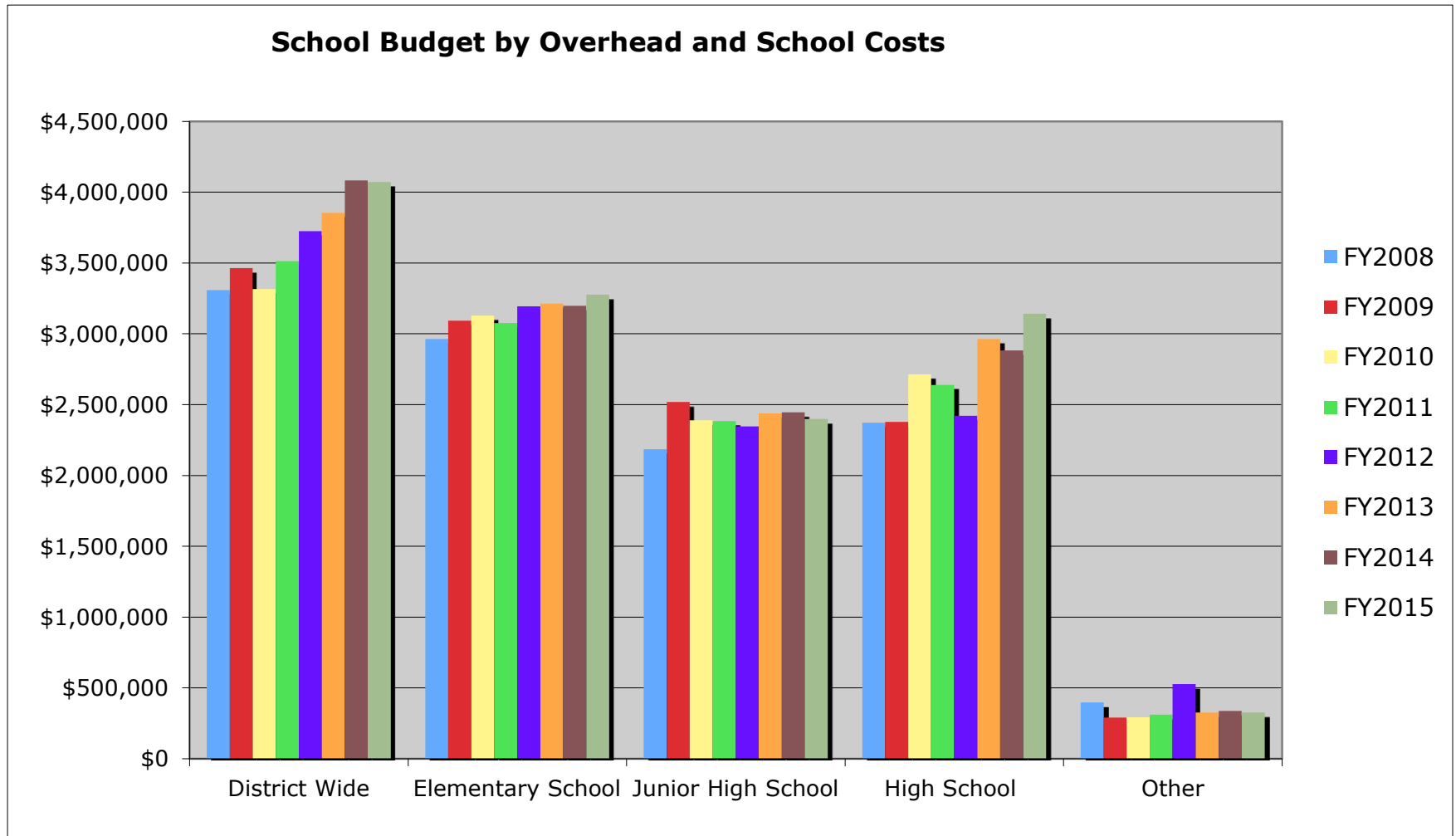
Department	Capital Reserves	Ex. Trusts	Purpose
Library		\$21,500	Unanticipated Maintenance
Town Buildings		\$25,700	Unanticipated Maintenance
Town		\$215,000	Retirement
School		\$100,000	Unanticipated Tuition
Water		\$35,500	Unanticipated Maintenance
Public Works	\$278,000		Equipment
Water	\$135,000		Building/Equipment
Fire	\$153,00		Fire Truck
Town (Clerk)	\$11,000		Records Restoration
Sewer	\$49,000		Replace Lines
Public Works	\$39,000		Grove Rd. Landfill
Recreation	\$14,500		Bld. Maintenance
Fire	\$11,300		Ambulance
School	\$201,500		Maintenance
School	\$120,000		Special Education
Town	\$6,000		Computer Hardware
Water	\$27,000		Equipment
Public Works	\$107,000		Salt Shed

Chart is just to show that there are many different funds with balances.

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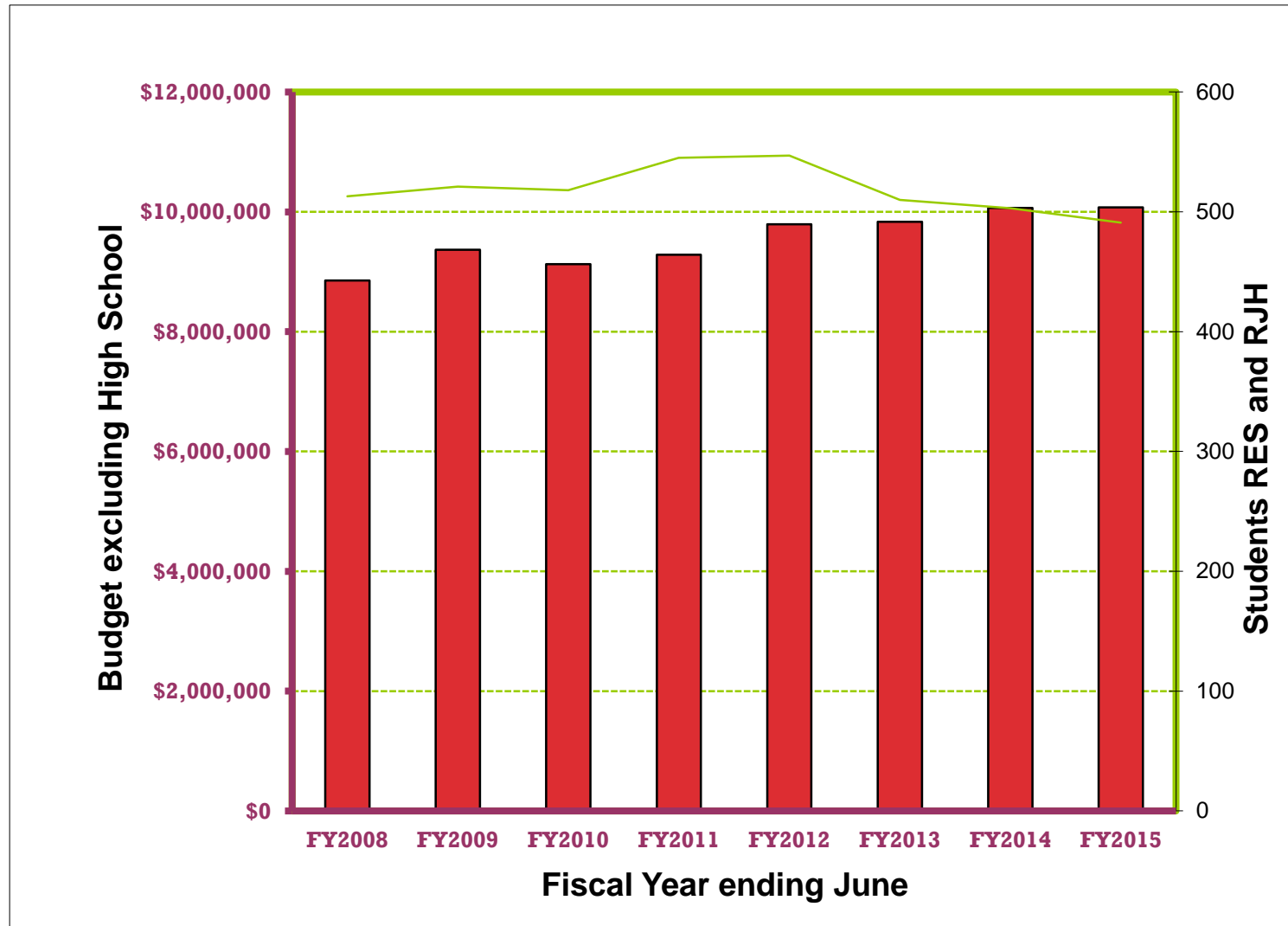
- Town Budget 101
- School Budget 101
- What Makes up the Tax Rate

RES and RJH are doing a PHENOMENAL job keeping operating costs flat.
Proactive measures on early retirement delivered benefit savings.
Health rates up 4.7%, but costs are down by \$137K (reduced staff)

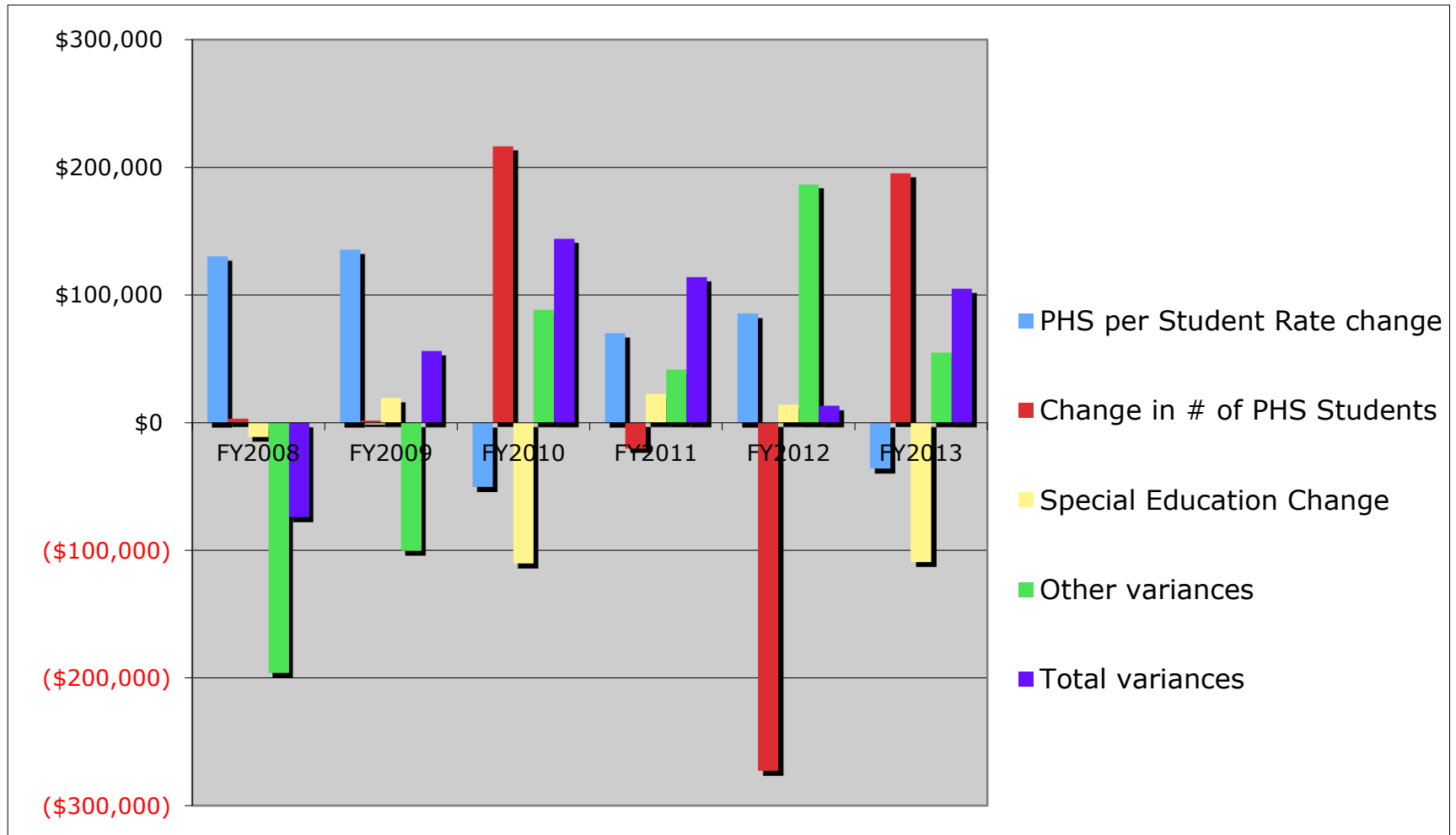


RES & RJH Operating costs are remaining stable.

However, recent drops in students drives up the cost/student.

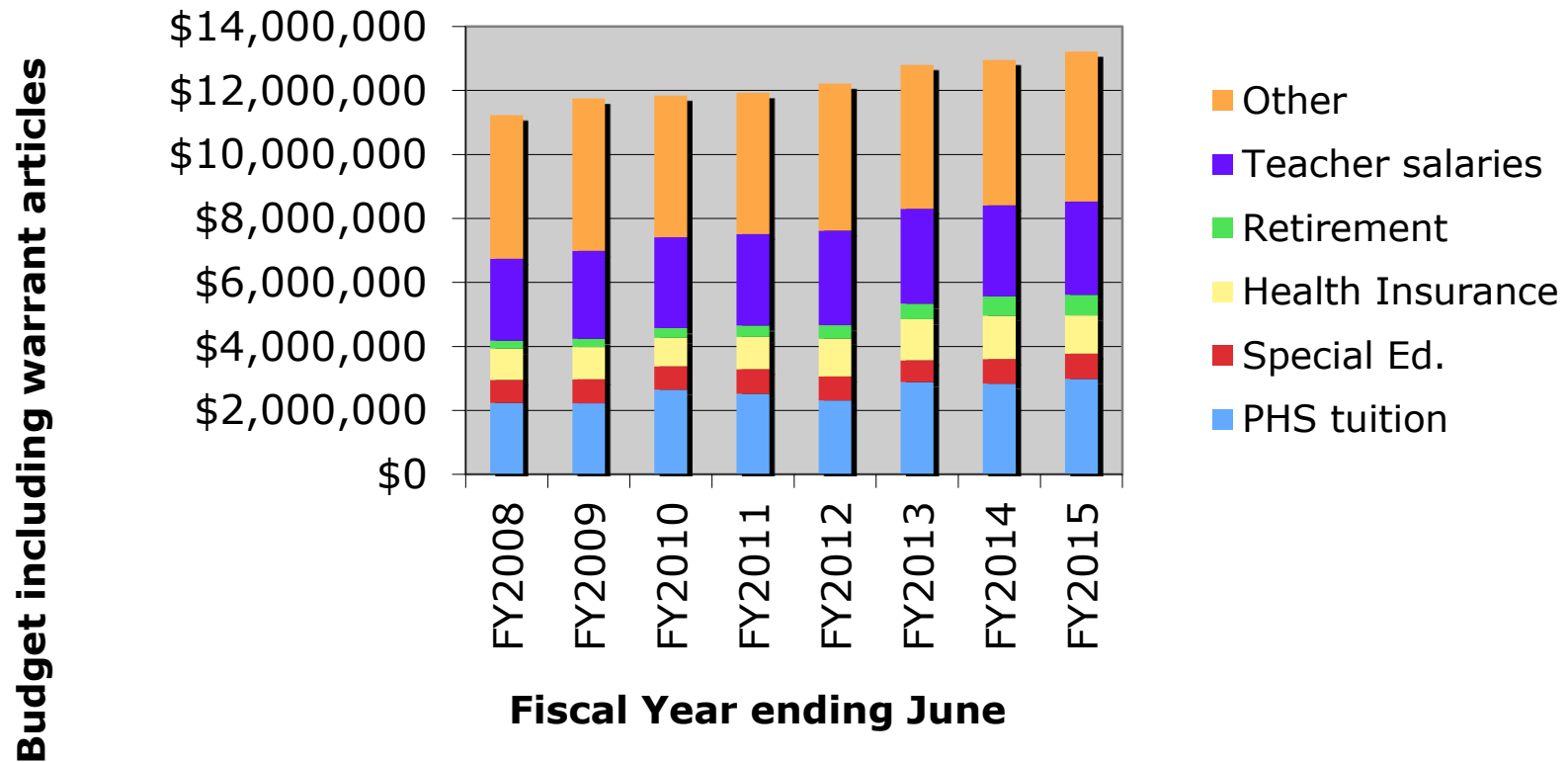


Total school budgets have been experiencing variances between budget and actual expenditures most years, particularly due to PHS estimates.



Retirement is up because rates have increased due to underfunding of the state pension plan. 38 % of the increase since 2008 is due to PHS students and cost/student both increasing.

School health insurance and retirement costs are leveling out



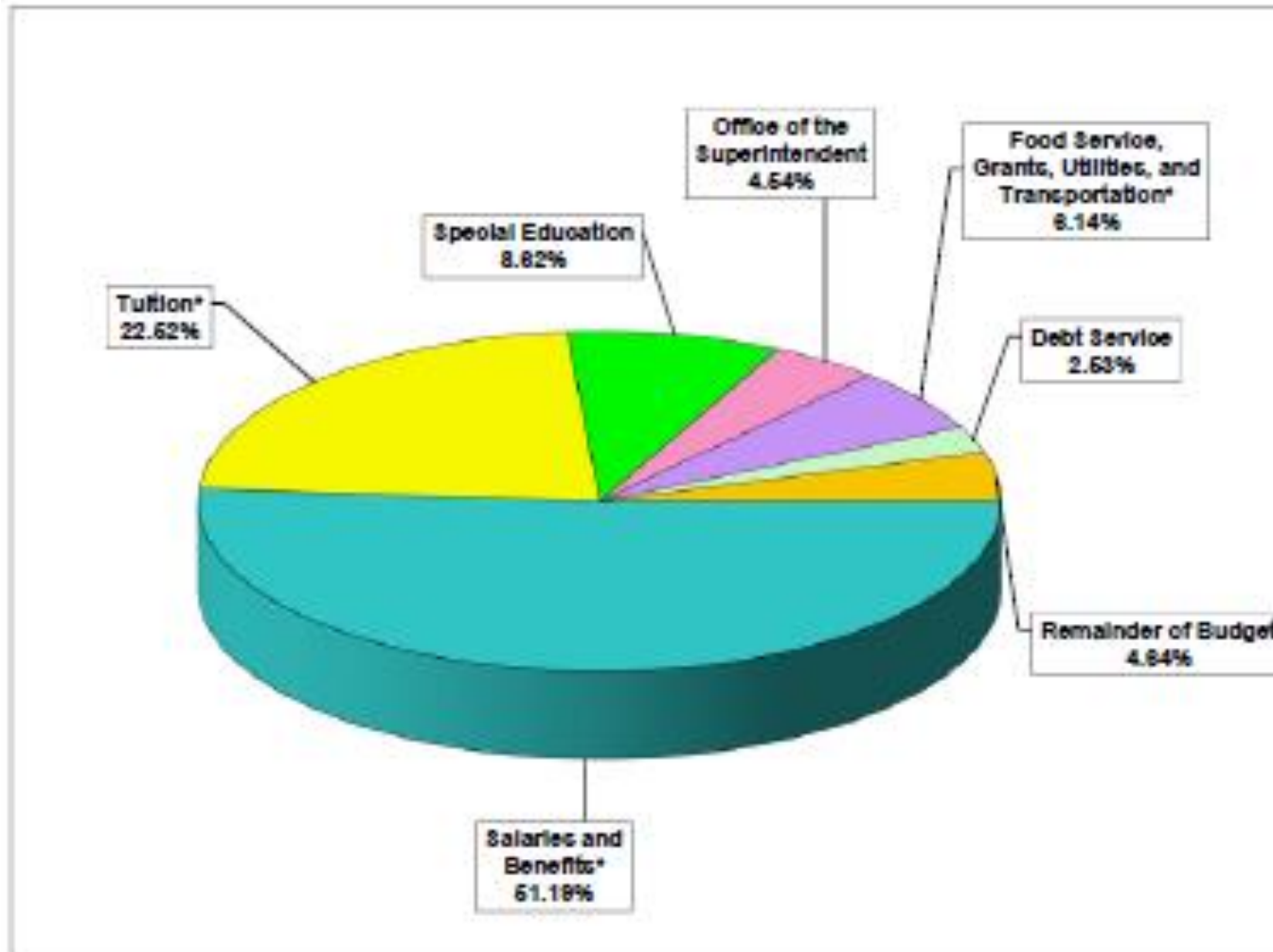
The School Budget increase is driven by PHS Tuition, Elem. School Teacher Salaries, offset by reduced Health Insurance

School District Major Changes from 2013-2014 to 2014-2015 budget

	2013-2014	2014-2015	Change	Percent
Increases				
PHS Tuition	\$2,826,846	\$2,975,574	\$148,728	5.3%
Elem. School Teacher Salaries	\$1,648,915	\$1,746,345	\$97,430	5.9%
High School Special Ed. Tuition	\$6,200	\$99,500	\$93,300	1504.8%
Decreases				
Health Insurance	\$1,338,091	\$1,201,115	-\$136,976	-10.2%
Elem. School Special Ed. Tuition	\$91,653	\$22,000	-\$69,653	-76.0%
Other items	\$7,037,412	\$7,169,309	\$131,897	1.9%
Gross Operating Budget	\$12,949,117	\$13,213,843	\$264,726	2.0%

Table is directly from the School Budget

73% of the budget is Tuition and Salaries/Benefits (51% of budget).



Graphic from the School budget page 55

School benefits have declined because of early retirements, while **town** benefits continue to climb with a 19% health care increase this year.
(comparable private industry ratios are 20-25%)

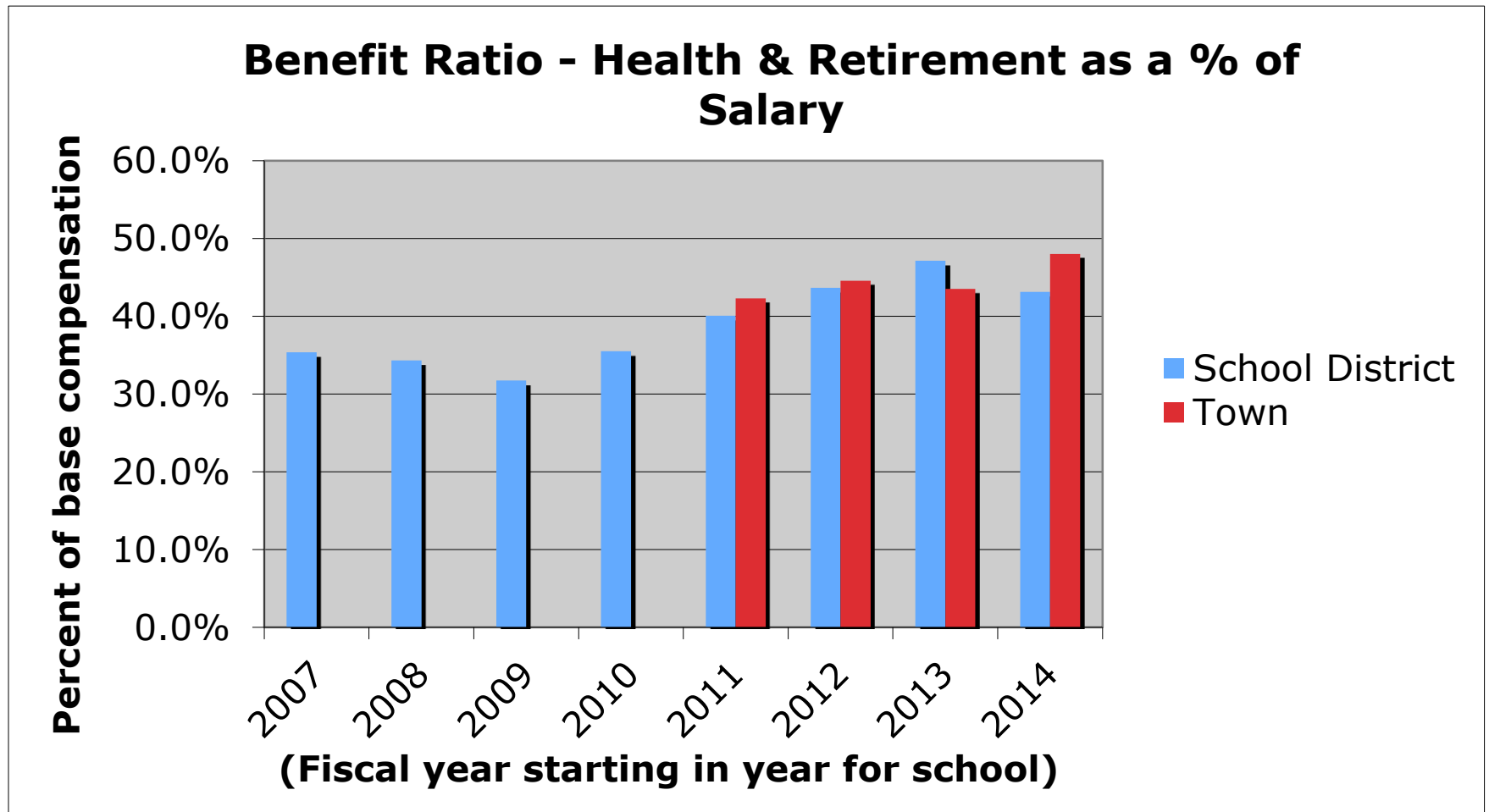
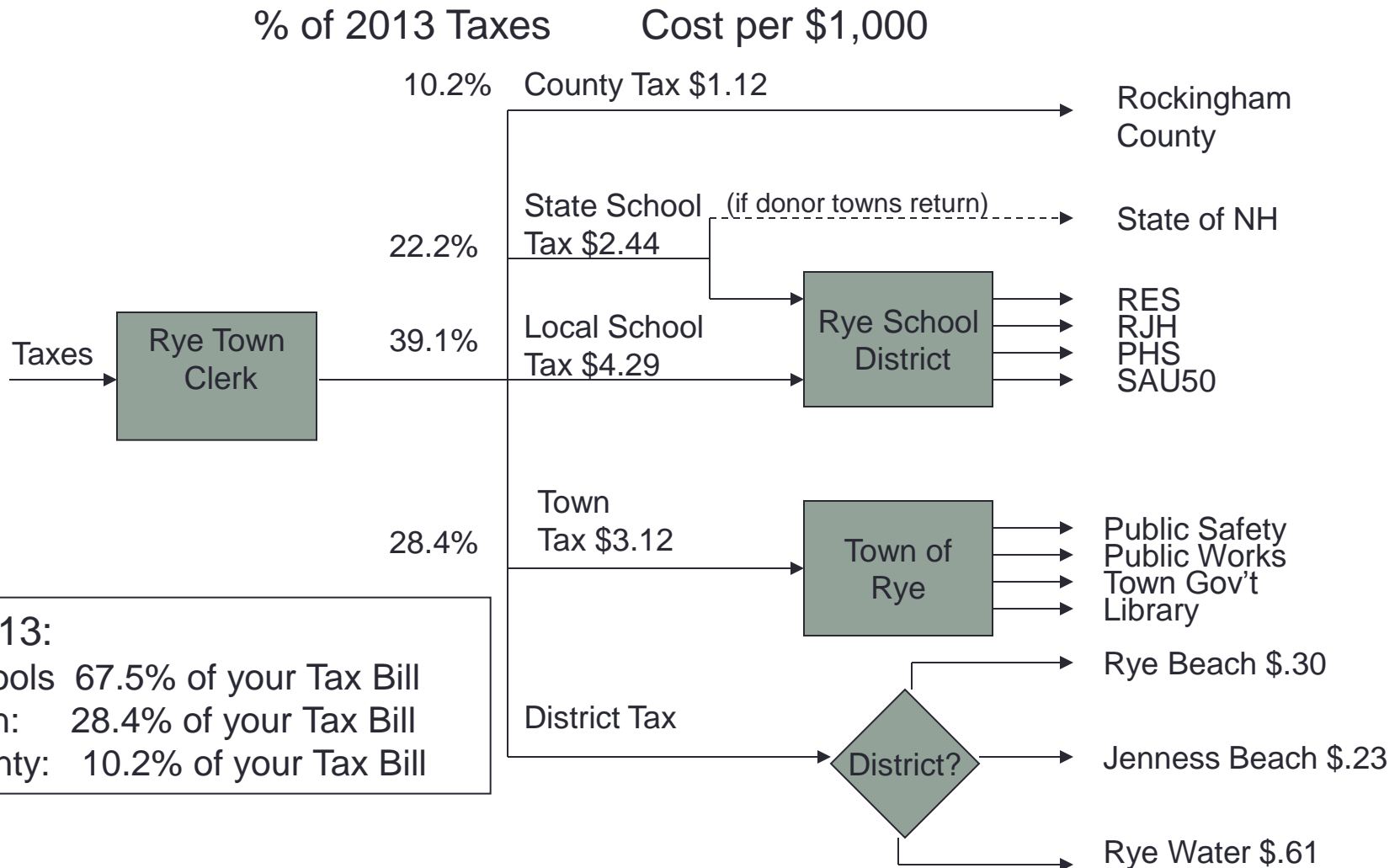


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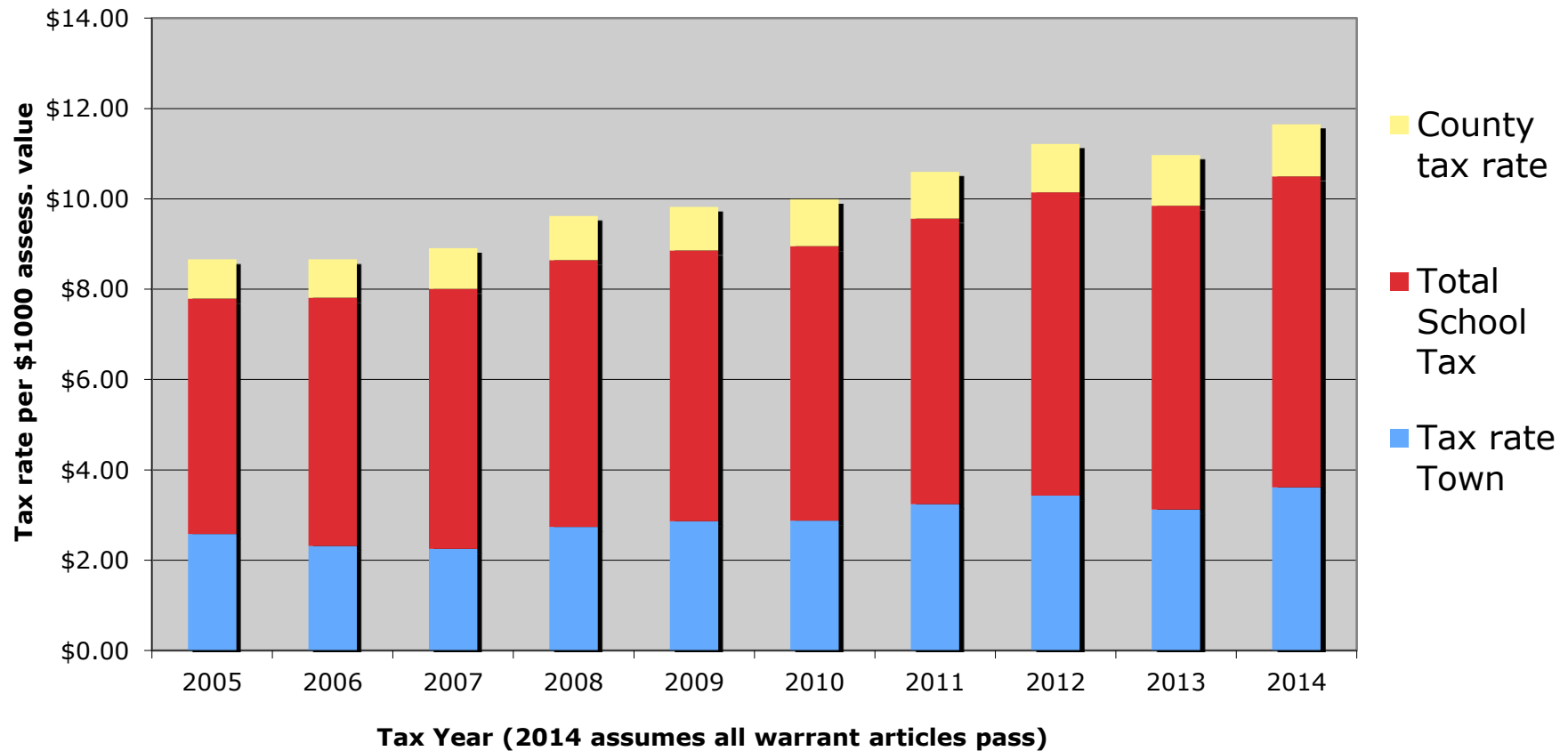
- Town Budget 101
- School Budget 101
- What Makes up the Tax Rate

Rye property taxes are divided several ways. All money comes into the Town and is then turned over to independent parts of Government Services (Schools, Library, Sewer...).



The 2013 drop in Town tax rate is from the larger than average surplus. 2014 tax rates look as if they will continue the historic increase (if all warrant articles pass).

Total Tax Rates continue to rise (does not include districts)



Is there a State School Tax?

- Donor Towns have not gone away completely
- State still requires towns to show their share of the cost of a minimally acceptable education for all students in the state
- No money actually leaves the town and goes to the State anymore

SCHOOL PORTION

Net Local School Budget:			
Gross Approp. - Revenue	12,794,784	1,045,085	11,749,699
Regional School Apportionment:			0
Less: Education Grant			0

Education Tax (from below)	(4,260,851)		
Approved School(s) Tax Effort		7,488,848	LOCAL SCHOOL RATE 4.27

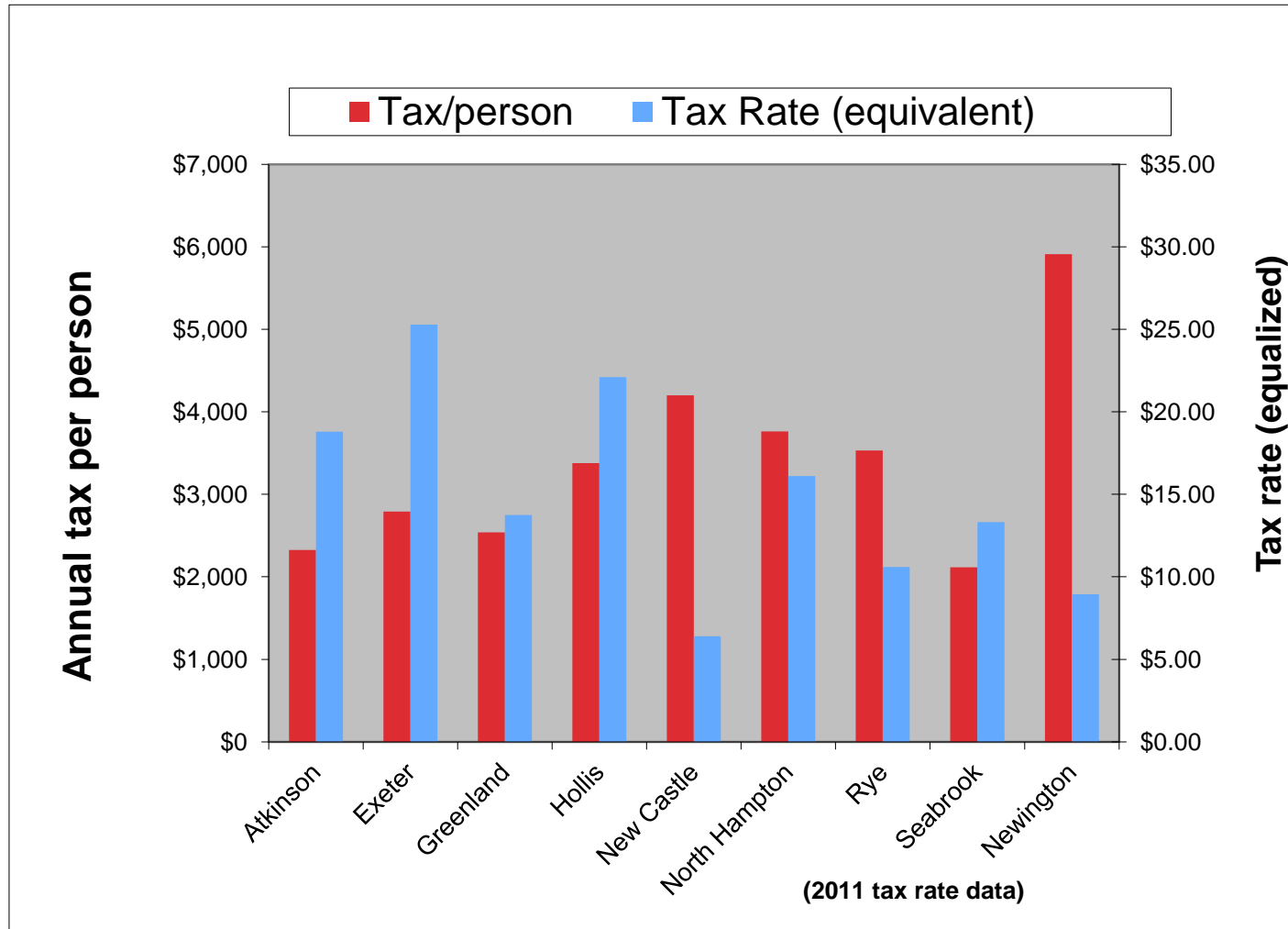
EDUCATION TAX

Equalized Valuation (no utilities) x	\$2.390		
1,782,782,922		4,260,851	STATE SCHOOL RATE 2.44
Divide by Local Assessed Valuation (no utilities)			
1,746,850,890			

Total = \$11,749,699

This is what needed to be raised to fund our schools. This plus State and other revenue equals the budget

Rye has a low Tax Rate (blue bar) since we have a high property value/person. But, we pay a lot per person (red bar).



This Presentation

Was created by the Rye Civic League to help taxpayers be prepared for the deliberative town meeting

- This has now been updated after the Deliberative Town Meeting and posted.

The Rye Civic League publishes the monthly Rye Civic News. You can add yourself to the Rye Civic News at www.ryecivicleague.org

Key concepts

Appropriations

General fund + Revolving funds + Warrant articles voted for. Deliberative session can alter budget and warrant article amounts. Voted up or down at election. Default budget applies if defeated (last year's budget adjusted for any contractual commitments that changed up or down)

Revolving funds: Appropriations that are anticipated to be covered by revenues, such as Sewer, Recreation programs, School food service. These are nevertheless appropriated by voters and become part of the taxation. Revolving fund revenue estimates are not assured.

Revenues

Money that the Town or school collects, excluding property taxes. Includes license fees, sewer charges, Recreation program charges, School lunches, tuition from New Castle.

Unreserved fund balance

Similar concept to equity. Represents cumulative "profits," i.e. revenues less expenditures, from prior years, less that already used to reduce taxes. Excludes reserved portion. Does not represent cash.