



CITY OF WORCESTER, MASSACHUSETTS

AUDITING DEPARTMENT

Robert V. Stearns, CPA

City Auditor

February 23, 2016

Honorable Members of the City Council
City of Worcester, Massachusetts

RE: The City Auditor be and is hereby requested report the city's current growth rate and the current spending rate to see if it is going to collide against the tax levy capacity and include some estimated years. Further, request the report include the actual current unused and available tax levy. January 26, 2016.

Dear Councilors:

Enclosed is a schedule of the Tax Levy Limit and resulting Excess Levy Capacity for fiscal 2015 and fiscal 2016 with projections for fiscal 2017 through fiscal 2020 based on estimates provided by the administration for new growth and taxable valuation increases. Three examples of alternative valuation growth assumptions are provided to show the impact total valuation has in limiting the tax levy and on the Excess Levy Capacity. The assumed Tax Levy in all examples assumes annual increases equal to 2.5% of the prior year levy limit, plus the tax on new growth of \$4 million. This is the typical annual increase to the tax levy. Two budgeting scenarios are provided both using the same Tax Levy assumptions (2.5% increase over prior year and \$4 million new growth), one based on the five year forecast and another using historical rates.

The Tax Levy is limited to the lesser of 1) the Prior Year Levy Limit or 2) the Levy Ceiling. The Prior Year Levy Limit calculation increases the prior year levy limit by 2.5% plus new growth. The Levy Ceiling is 2.5% of the total taxable valuation. The taxable property is valued as of January 1st and used in the basis for the next fiscal year's tax classification. For fiscal 2016, the valuation date was January 1, 2015 when the total valuation of taxable property was \$11.2 billion. This is the most current total taxable valuation available as the January 1, 2016 valuation date is in progress. The last triennial certification by the state was fiscal 2014 (valuation date January 1, 2013) when property valuations last were adjusted in mass to market and reflect current fair cash values at that time.

Fiscal 2016 Tax Levy Limit, used and excess:

Limit 1 - Prior Year Levy Limit: The fiscal 2015 ending levy limit is the starting point for the fiscal 2016 Prior Year Levy Limit. The fiscal 2015 levy limit was \$271,963,069. This amount was increased for the following: (1) prior year amended growth \$6,104; (2) proposition 2.5% increase \$6,799,229 and; (3) tax on new growth \$6,177,865. The total Prior Year Levy Limit for fiscal 2016 was \$284,946,267.

Limit 2 - Levy Ceiling: The total taxable valuation for fiscal 2016 was \$11,236,881,245 and the Levy Ceiling was 2.5% or \$280,922,031.

Fiscal 2016 Levy Limit: The Levy Ceiling is the maximum allowable levy for fiscal 2016 since it is less than the Prior Year Levy Limit.

Excess (unused) levy capacity: The actual Tax Levy for fiscal 2016 was \$274,868,950. The resulting Excess Levy Capacity was \$6,053,081 which was the levy limited by the ceiling less the Tax Levy (\$280,922,031 – \$274,868,950).

Prior to fiscal 2016, the Levy Ceiling was not a limiting factor as it exceeded the Prior Year Levy Limit which meant the annual increase to the Levy Limit was 2.5% of the Prior Year Levy Limit plus new growth. Most often the increase to the Tax Levy was this maximum allowable increase to the Prior Year Levy Limit. This is why the Excess Levy Capacity remained constant at \$10 million. In fiscal 2016, the Levy Ceiling fell below the Prior Year Levy Limit resulting in a \$9 million increase in the Levy Limit which was \$4 million less than the increase to the actual Tax Levy that increased \$13 million. This use of the Tax Levy decreased the Excess Levy Capacity from \$10 million to \$6.1 million.

For the Excess Levy Capacity to remain constant at \$6.1 million in future years, the increase in the Tax Levy would need to be equal to the increase in the annual Levy Limit. In addition, the Levy Ceiling would need to be equal to or greater than the Prior Year Levy Limit. Projections for fiscal 2017 show an estimated increase in the Tax Levy of \$11 million. The increase in the Prior Year Levy Limit is also \$11 million. The Levy Ceiling exceeded the Prior Year Levy Limit and was not a limiting factor. This will leave the Excess Levy Capacity unchanged at \$6.1 million. In order to restore the Excess Levy Capacity back to \$10 million, either the Tax Levy needs to increase at a smaller amount (i.e. \$7 million rather than \$11 million) or the tax on new growth needs to be \$8 million rather than \$4 million with the added growth being unused.

The ceiling used in the below projection is based on the five year forecast. The Levy Ceilings for fiscal 2017 through 2020 are not limiting factors as they exceed the Prior Year Levy Limit. The \$296 million Levy Ceiling for fiscal 2017 increased 5.4% over fiscal 2016. This would require total taxable assessed valuations totaling \$11.8 billion, an increase of \$603 million over the prior year. This includes increases in existing property valuations of 5% plus amounts for new growth. This increase is based on a current market analysis where the median assessment to sales ratio (ASR) is currently 90% - 91% for residential property. An adjustment of 5% is assumed to bring all properties in line with the median ASR as of January 1, 2016 which is a certification date. Previous valuations for many properties were last updated at the 2014 triennial certification (valuation 1/1/13). Commercial and industrial are also expected to increase 5%.

Levy Limit - Example 1 – Levy ceiling exceeds PY limit

Below is the affect the Prior Year Levy Limit has on the Excess Levy Capacity when the increase in the Tax Levy and the Prior Year Levy Limit are both \$11 million each year while the Levy Ceiling is high enough not to limit the levy.

	FY15 ACTUAL	FY16 ACTUAL	FY17 PROJECTED	FY18 PROJECTED	FY19 PROJECTED	FY20 PROJECTED
LEVY LIMITS						
A Prior Year Levy Limit (from C)	260,880,705	271,963,069	280,922,031	291,945,082	303,243,709	314,824,802
Amended prior year growth	-	6,104	-	-	-	-
Propositon 2.5% limit on prior year levy	6,522,018	6,799,229	7,023,051	7,298,627	7,581,093	7,870,620
New Growth	4,560,346	6,177,865	4,000,000	4,000,000	4,000,000	4,000,000
Total Prior Year Levy Limit	271,963,069	284,946,267	291,945,082	303,243,709	314,824,802	326,695,422
Total Taxable Assessed Valuation	11,171,271,238	11,236,881,245	11,840,000,000	12,296,000,000	12,756,000,000	13,228,000,000
	x 2.5%	x 2.5%	x 2.5%	x 2.5%	x 2.5%	x 2.5%
B Levy ceiling @ 2.5%	279,281,781	280,922,031	296,000,000	307,400,000	318,900,000	330,700,000
percentage increase	1.3%	0.6%	5.4%	3.9%	3.7%	3.7%
C Levy Limit (lesser of A or B)	271,963,069	280,922,031	291,945,082	303,243,709	314,824,802	326,695,422
percentage increase	4.2%	3.3%	3.9%	3.9%	3.8%	3.8%
Tax Levy	261,878,340	274,868,950	285,800,000	297,200,000	308,700,000	320,500,000
percentage increase	4.4%	5.0%	4.0%	4.0%	3.9%	3.8%
Excess levy capacity	10,084,729	6,053,081	6,145,082	6,043,709	6,124,802	6,195,422

- Tax Levy increase is equal to 2.5% of prior year plus new growth of \$4 million
- Total taxable assessed valuations used in the Levy Ceiling are from five year forecast and include increases in property valuations of 5% in FY17 and FY18 and 3% thereafter.
- The Levy Ceiling exceeded the Prior Year Levy Limit and is not a limiting factor in any year.
- Excess Levy Capacity is retained at \$6.1 million each year
- Excess Levy Capacity is not restored to \$10 million because the Tax Levy increased by the same amount as the Levy Limit

Levy Limit - Example 2 – Levy ceiling equals PY limit to show necessary growth in total valuations

If the Tax Levy is assumed to increase by the maximum change to the prior year levy including new growth and the Excess Levy Capacity is to be retained, the Levy Ceiling would need to be equal to or greater than the Prior Year Tax Limit. Below the Tax Ceiling is assumed to be equal to the Prior Year Levy Limit. The Tax Levy increase is 2.5% plus new growth of \$4M. To retain the Excess Levy Capacity of \$6.1 million, the Total Taxable Assessed Valuation would need to increase 3.8% to 3.9% each year.

	FY15 ACTUAL	FY16 ACTUAL	FY17 PROJECTED	FY18 PROJECTED	FY19 PROJECTED	FY20 PROJECTED
LEVY LIMITS						
A Prior Year Levy Limit (from C)	260,880,705	271,963,069	280,922,031	291,945,082	303,243,709	314,824,802
Amended prior year growth	-	6,104	-	-	-	-
Proposition 2.5% limit on prior year levy	6,522,018	6,799,229	7,023,051	7,298,627	7,581,093	7,870,620
New Growth	4,560,346	6,177,865	4,000,000	4,000,000	4,000,000	4,000,000
Total Prior Year Levy Limit	271,963,069	284,946,267	291,945,082	303,243,709	314,824,802	326,695,422
Total Taxable Assessed Valuation	11,171,271,238	11,236,881,245	11,677,803,276	12,129,748,358	12,592,992,067	13,067,816,869
	x 2.5%	x 2.5%	x 2.5%	x 2.5%	x 2.5%	x 2.5%
B Levy ceiling @ 2.5%	279,281,781	280,922,031	291,945,082	303,243,709	314,824,802	326,695,422
percentage increase	1.3%	0.6%	3.9%	3.9%	3.8%	3.8%
C Levy Limit (lesser of A or B)	271,963,069	280,922,031	291,945,082	303,243,709	314,824,802	326,695,422
percentage increase	4.2%	3.3%	3.9%	3.9%	3.8%	3.8%
Tax Levy (rounded)	261,878,340	274,868,950	285,800,000	297,200,000	308,700,000	320,500,000
percentage increase	4.4%	5.0%	4.0%	4.0%	3.9%	3.8%
Excess levy capacity	10,084,729	6,053,081	6,145,082	6,043,709	6,124,802	6,195,422

- Tax Levy increase is equal to 2.5% of prior year plus new growth of \$4 million.
- Total taxable assessed valuations used in the Levy Ceiling generate a Levy Ceiling equal to the Prior Year Levy Limit to determine the minimum increase needed in valuations plus new growth for the assumed Tax Levy while retaining the Excess Levy Capacity.
- Total taxable assessed valuations need to increase 3.8% to 3.9% each year.

Levy Limit - Example 3 – Levy Ceiling falls below Prior Year Limit and Excess Capacity diminishes

Alternatively, assume that total taxable valuations increase 3.5% each year rather than 3.9% to 5.4% in the five year projection. The Levy Ceiling would be the limiting factor and the Excess Levy Capacity diminishes each year to under \$2 million by fiscal 2020.

	FY15 ACTUAL	FY16 ACTUAL	FY17 PROJECTED	FY18 PROJECTED	FY19 PROJECTED	FY20 PROJECTED
LEVY LIMITS						
A Prior Year Levy Limit (from C)	260,880,705	271,963,069	280,922,031	290,754,302	300,930,703	311,463,277
Amended prior year growth	-	6,104	-	-	-	-
Proposition 2.5% limit on prior year levy	6,522,018	6,799,229	7,023,051	7,268,858	7,523,268	7,786,582
New Growth	4,560,346	6,177,865	4,000,000	4,000,000	4,000,000	4,000,000
Total Prior Year Levy Limit	271,963,069	284,946,267	291,945,082	302,023,160	312,453,970	323,249,859
Total Taxable Assessed Valuation	11,171,271,238	11,236,881,245	11,630,172,089	12,037,228,112	12,458,531,096	12,894,579,684
	x 2.5%	x 2.5%	x 2.5%	x 2.5%	x 2.5%	x 2.5%
B Levy ceiling @ 2.5%	279,281,781	280,922,031	290,754,302	300,930,703	311,463,277	322,364,492
percentage increase	1.3%	0.6%	3.5%	3.5%	3.5%	3.5%
C Levy Limit (lesser of A or B)	271,963,069	280,922,031	290,754,302	300,930,703	311,463,277	322,364,492
percentage increase	4.2%	3.3%	3.5%	3.5%	3.5%	3.5%
Tax Levy	261,878,340	274,868,950	285,800,000	297,200,000	308,700,000	320,500,000
percentage increase	4.4%	5.0%	4.0%	4.0%	3.9%	3.8%
Excess levy capacity	10,084,729	6,053,081	4,954,302	3,730,703	2,763,277	1,864,492

- Tax Levy increase is equal to 2.5% of prior year plus new growth of \$4 million.
- Total taxable assessed valuations used in the Levy Ceiling increase 3.5% each year.
- The Levy Ceiling was the levy limit each year as it was less than the Prior Year Levy Limit.
- Excess Levy Capacity is diminished each year when the Tax Levy increase is 2.5% of the prior year plus new growth.

Levy Limit - Example 4 – Property values decline in a future year

To demonstrate the impact a decrease in taxable valuations may have on the Tax Levy and Excess Levy Capacity, fiscal 2019 is assumed to experience a decrease of 1% in property values. As shown in Exhibit 1 at the end of the report, four of nine fiscal years between 2008 and 2013 experienced decreases in total taxable valuations. In the example below, there would be no Excess Levy Capacity and the tax increase would be smaller than projected thereby hampering balancing the budget.

	FY15 ACTUAL	FY16 ACTUAL	FY17 PROJECTED	FY18 PROJECTED	FY19 PROJECTED	FY20 PROJECTED
LEVY LIMITS						
A Prior Year Levy Limit (from C)	260,880,705	271,963,069	280,922,031	291,945,082	303,243,709	304,326,000
Amended prior year growth	-	6,104	-	-	-	-
Proposition 2.5% limit on prior year levy	6,522,018	6,799,229	7,023,051	7,298,627	7,581,093	7,608,150
New Growth	4,560,346	6,177,865	4,000,000	4,000,000	4,000,000	4,000,000
Total Prior Year Levy Limit	271,963,069	284,946,267	291,945,082	303,243,709	314,824,802	315,934,150
Total Taxable Assessed Valuation	11,171,271,238	11,236,881,245	11,840,000,000	12,296,000,000	12,173,040,000	12,294,770,400
	x 2.5%	x 2.5%	x 2.5%	x 2.5%	x 2.5%	x 2.5%
B Levy ceiling @ 2.5%	279,281,781	280,922,031	296,000,000	307,400,000	304,326,000	307,369,260
percentage increase	1.3%	0.6%	5.4%	3.9%	-1.0%	1.0%
C Levy Limit (lesser of A or B)	271,963,069	280,922,031	291,945,082	303,243,709	304,326,000	307,369,260
percentage increase	4.2%	3.3%	3.9%	3.9%	0.4%	1.0%
Tax Levy	261,878,340	274,868,950	285,800,000	297,200,000	304,326,000	307,369,260
percentage increase	4.4%	5.0%	4.0%	4.0%	2.4%	1.0%
Excess levy capacity	10,084,729	6,053,081	6,145,082	6,043,709	-	-

- Tax Levy increase is equal to 2.5% of prior year plus new growth of \$4 million.
- Total taxable assessed valuations include increases in property valuations of 5% in FY17 and FY18 and a decrease of 1% FY19 followed by a 1% increase in FY20.
- The Levy Ceiling became a limiting factor in FY19 causing the Excess Levy Capacity to disappear and the increase in the Tax Levy was smaller than the Prior Year Levy Limit resulting in \$4 million less Tax Levy available for budgeting in FY19 and \$13 million less in FY20.

TWO BUDGETING SCENARIOS

Below are two scenarios assuming an increase in the Tax Levy each year equal to 2.5% of the prior year limit plus \$4 million in new growth and that valuations of taxable property do not limit the levy in any year (see Levy Limit Example 1 and 2). The total revenues and expenses reported in the first scenario approximate that of the five year forecast. The second scenario uses higher expenditures rates closer to historical amounts. The largest increase is payroll driven including mid-year 2% raises. Fiscal 2015 and 2016 included retroactive raises which result in a higher expenditure ratio of 3.5% and 3.8%.

Budgeting Scenario 1 - Below are revenue and expenditure totals from the five year forecast. Property taxes in the budget equal the Tax Levy less the reserve for abatements and exemptions (overlay). The resulting budgeted revenue from property taxes increases annually at 4% and is consistent with historical data (2.8% to 6.1%) shown in Exhibit 3 on p. 8. Other revenue is assumed to increase slightly (1% in 2017), with a drop in FY18 due to a decrease in MSBA reimbursements of \$6 million. Total expenditures are increasing 1.3% to 2.1% annually in the projection, which is down from historical rates of 3.3% to 4.2%. The bottom line is in deficit each year in excess of \$2 million as shown in the five year forecast. If this is to be funded with Tax Levy, it would reduce the \$6 million Excess Levy Capacity to under \$4 million.

Scenario 1 - based on five year forecast

	FY15 ACTUAL	FY16 BUDGETED	FY17 PROJECTED	FY18 PROJECTED	FY19 PROJECTED	FY20 PROJECTED
Property taxes (levy-overlay reserve)	255,790,862	271,309,357	282,500,000	293,800,000	305,300,000	317,000,000
<i>annual change</i>	3.5%	6.1%	4.1%	4.0%	3.9%	3.8%
Other revenue	315,152,025	325,200,554	328,487,887	324,602,708	325,736,011	327,375,053
<i>annual change</i>	-0.7%	3.2%	1.0%	-1.2%	0.3%	0.5%
Expenditures	(568,631,420)	(590,146,358)	(601,587,939)	(609,192,016)	(621,551,818)	(634,449,171)
<i>annual change</i>	3.5%	3.8%	1.9%	1.3%	2.0%	2.1%
Other financial sources (uses)	(4,371,367)	(7,851,805)	(11,400,000)	(11,680,000)	(11,969,600)	(12,269,392)
<i>annual change</i>	70.9%	79.6%	45.2%	2.5%	2.5%	2.5%
Net revenues less expenditures	(2,059,900)	(1,488,252)	(2,000,052)	(2,469,308)	(2,485,408)	(2,343,509)
Intrafund transfers:						
Transfer 50% free cash for OPEB/operations	2,328,324	503,252	-	-	-	-
Transfers from Emergency Reserve Funds for HUD settlement	-	985,000	-	-	-	-
Net change in fund balance	268,424	0	(2,000,052)	(2,469,308)	(2,485,408)	(2,343,509)
Excess levy capacity before deficit			6,145,082	6,043,709	6,124,802	6,195,422
Deficit			(2,000,052)	(2,469,308)	(2,485,408)	(2,343,509)
Excess levy capacity after funding the deficit with tax levy			4,145,030	3,574,401	3,639,394	3,851,912

Budgeting Scenario 2 - Detailed line items are on Exhibit 2, p.10. Budgeted property tax assumptions are the same. State aid is assumed to increase 2% and other revenue 1%, with a drop off of \$6 million in fiscal 2018 of MSBA funding. Expenditures, except certain lines, are assumed to increase 2%. Fringe benefits assume to increase 6% as historical trends the past two years reflect annual increases of over 7%. The POB debt service is level per its amortization schedule. Debt service decreases in fiscal 2017 to account for refunding expenditures not assumed going forward. Annual increases to total expenditures are 2.7% beginning in fiscal 2018, and closer to historical trends of 3.3% to 4.2%. Historical trends are shown on Exhibit 3, p. 11. This scenario results in higher deficits in fiscal years 2018 – 2020, with the Excess Levy Capacity falling to \$1 million in fiscal 2018 to fund the shortfall.

Scenario 2	FY15 ACTUAL	FY16 BUDGETED	FY17 PROJECTED	FY18 PROJECTED	FY19 PROJECTED	FY20 PROJECTED
Property taxes (levy-overlay reserve)	255,790,862	271,309,357	282,500,000	293,800,000	305,300,000	317,000,000
<i>annual change</i>	3.5%	6.1%	4.1%	4.0%	3.9%	3.8%
Other revenue	315,152,025	325,200,554	330,011,218	330,070,846	336,158,755	342,364,419
<i>annual change</i>	-0.7%	3.2%	1.5%	0.0%	1.8%	1.8%
Expenditures	(568,631,420)	(590,146,358)	(601,018,822)	(617,142,709)	(633,855,250)	(651,184,189)
<i>annual change</i>	3.5%	3.8%	1.8%	2.7%	2.7%	2.7%
Other financial sources (uses)	(4,371,367)	(7,851,805)	(11,400,000)	(11,680,000)	(11,969,600)	(12,269,392)
<i>annual change</i>	70.9%	79.6%	45.2%	2.5%	2.5%	2.5%
Net revenues less expenditures	(2,059,900)	(1,488,252)	92,396	(4,951,864)	(4,366,096)	(4,089,162)
Intrafund transfers:						
Transfer 50% free cash for OPEB/operations	2,328,324	503,252	-	-	-	-
Transfers from Emergency Reserve Fund for HUD settlement	-	985,000	-	-	-	-
Net change in fund balance	268,424	0	92,396	(4,951,864)	(4,366,096)	(4,089,162)
Excess tax levy before deficit			6,145,082	6,043,709	6,124,802	6,195,422
Deficit			-	(4,951,864)	(4,366,096)	(4,089,162)
Excess tax levy after funding the deficit with tax levy			6,145,082	1,091,845	1,758,706	2,106,260

Summary

The Excess Levy Capacity would be restored to prior levels (\$10 million) if tax on new growth was closer to \$8 million rather than \$4 million and that added growth is not used, or if the required Tax Levy was \$4 million less than the increase in the Prior Year Levy Limit rather than equal to it. If the Tax Levy increase is smaller, it would require an increase in other revenue or cuts in expenditures in order to balance the budget. Valuations would also need to keep pace with the increase in the Prior Year Levy Limit so that the Levy Ceiling does not fall below and further limit the Tax Levy. This requires total taxable assessed valuations to increase 3.8% to 3.9% annually. A future decline in property value would limit the Tax Levy and likely require budgetary cuts. When total expenditures increase at 2.7%, the Tax Levy increases at 2.5% plus new growth assumed to be \$4 million, while other revenue increases less than 2%, resulting deficits would erode the Excess Levy Capacity.

Sincerely,



Robert V. Stearns, City Auditor

HISTORICAL AND PROJECTED LEVY LIMITS									EXHIBIT 1	
Fiscal Year	Prior Year Max. Levy	Prior Year Amended Growth	2.5% Increase	New Growth Increase	Prior Year Levy Limit	Total taxable assessed	Percentage Change	2.5% Levy Ceiling	Lesser of PY Levy Limit or Levy Ceiling	LIMITED BY:
2007	184,556,398	68,755	4,615,629	4,517,802	193,758,584	12,563,051,200		314,076,280	193,758,584	PY LEVY LIMIT
2008	193,758,584	-	4,843,965	3,921,427	202,523,976	12,726,994,400	1.3%	318,174,860	202,523,976	PY LEVY LIMIT
2009	202,523,976	7,923	5,063,297	3,602,919	211,198,115	12,137,258,500	-4.6%	303,431,463	211,198,115	PY LEVY LIMIT
2010	211,198,115	24,733	5,280,571	3,031,096	219,534,515	10,911,942,365	-10.1%	272,798,559	219,534,515	PY LEVY LIMIT
2011	219,534,515	-	5,488,363	3,270,437	228,293,315	10,856,862,089	-0.5%	271,421,552	228,293,315	PY LEVY LIMIT
2012	228,293,315	-	5,707,333	5,678,909	239,679,557	11,277,616,303	3.9%	281,940,408	239,679,557	PY LEVY LIMIT
2013	239,679,557	-	5,991,989	4,463,396	250,134,942	10,878,856,279	-3.5%	271,971,407	250,134,942	PY LEVY LIMIT
2014	250,134,942	-	6,253,374	4,492,389	260,880,705	11,030,010,983	1.4%	275,750,275	260,880,705	PY LEVY LIMIT
2015	260,880,705	-	6,522,018	4,560,346	271,963,069	11,171,271,238	1.3%	279,281,781	271,963,069	PY LEVY LIMIT
2016	271,963,069	6,104	6,799,229	6,177,865	284,946,267	11,236,881,245	0.6%	280,922,031	280,922,031	LEVY CEILING
Projected	ESTIMATED NEW GROWTH					PROJECTED	ASSUMED % INCR.	CEILING	LEVY LIMIT	LIMITED BY:
2017	280,922,031	-	7,023,051	4,000,000	291,945,082	11,840,000,000	5.4%	296,000,000	291,945,082	PY LEVY LIMIT
2018	291,945,082	-	7,298,627	4,000,000	303,243,709	12,296,000,000	3.9%	307,400,000	303,243,709	PY LEVY LIMIT
2019	303,243,709	-	7,581,093	4,000,000	314,824,802	12,756,000,000	3.7%	318,900,000	314,824,802	PY LEVY LIMIT
2020	314,824,802	-	7,870,620	4,000,000	326,695,422	13,228,000,000	3.7%	330,700,000	326,695,422	PY LEVY LIMIT

Source: Dept. of Revenue, tax recap for Worcester, and five year forecast for projected valuations and new growth.

	FY15 Actual	FY16 BUDGET	FY17 PROJECTED	FY18 PROJECTED	FY19 PROJECTED	FY20 PROJECTED	yearly change
Revenues							
Property taxes	\$ 255,790,862	271,309,357	282,500,000	293,800,000	305,300,000	317,000,000	
percentage change in property tax revenue	3.5%	6.1%	4.1%	4.0%	3.9%	3.8%	
Other revenue							
Motor vehicle excise taxes	14,113,156	13,300,000	13,433,000	13,567,330	13,703,003	13,840,033	1.0%
Other taxes and in-lieu payments	4,777,003	4,582,000	4,627,820	4,674,098	4,720,839	4,768,048	1.0%
Penalties and interest on taxes	2,106,626	2,200,000	2,222,000	2,244,220	2,266,662	2,289,329	1.0%
Licenses and permits	5,795,068	5,299,825	5,352,823	5,406,351	5,460,415	5,515,019	1.0%
Intergovernmental-CH 70	220,569,583	231,540,738	236,171,553	240,894,984	245,712,883	250,627,141	2.0%
Intergovernmental-General Gov't	36,978,717	38,309,951	38,309,951	39,076,150	39,857,673	40,654,826	2.0%
Intergovernmental-state aid other	4,021,379	4,324,697	4,324,697	4,411,191	4,499,415	4,589,403	2.0%
Intergovernmental-MSBA	11,575,058	11,575,058	11,575,058	5,662,262	5,662,262	5,662,262	pre-deter
Intergovernmental-other	4,348,834	3,800,000	3,838,000	3,876,380	3,915,144	3,954,295	1.0%
Charges for services	5,565,704	5,621,600	5,677,816	5,734,594	5,791,940	5,849,860	1.0%
Fines and forfeitures	3,097,071	3,028,500	3,028,500	3,058,785	3,089,373	3,120,267	1.0%
Investment earnings (losses)	476,634	350,000	350,000	353,500	357,035	360,605	1.0%
Miscellaneous	1,727,192	1,268,185	1,100,000	1,111,000	1,122,110	1,133,331	1.0%
	315,152,025	325,200,554	330,011,218	330,070,846	336,158,755	342,364,419	
percentage change in other revenue	-0.7%	3.2%	1.5%	0.0%	1.8%	1.8%	
Total revenue	570,942,887	596,509,911	612,511,218	623,870,846	641,458,755	659,364,419	
percentage change in total revenue	1.1%	4.5%	2.7%	1.9%	2.8%	2.8%	
Expenses							
General government	17,930,031	17,971,778	18,331,214	18,697,838	19,071,795	19,453,230	2.0%
Contingency	-	2,238,102	-	-	-	-	
Public safety	83,930,093	88,987,374	90,767,122	92,582,464	94,434,114	96,322,796	2.0%
Health and human services	859,653	3,074,956	3,136,455	3,199,185	3,263,168	3,328,432	2.0%
Education, excluding fringe benefits	247,222,702	258,815,096	263,991,398	269,271,226	274,656,650	280,149,783	2.0%
Public works	12,399,030	12,494,810	12,744,706	12,999,600	13,259,592	13,524,784	2.0%
Snow and ice removal	5,641,768	4,000,000	4,080,000	4,161,600	4,244,832	4,329,729	2.0%
Street lighting	2,247,282	2,252,828	2,297,885	2,343,842	2,390,719	2,438,533	2.0%
WRA/Union Station	470,305	447,484	456,434	465,562	474,874	484,371	2.0%
Culture and recreation	9,385,133	10,019,497	10,219,887	10,424,285	10,632,770	10,845,426	2.0%
Fringe benefits	102,332,997	104,629,080	110,906,825	117,561,234	124,614,908	132,091,803	6.0%
Regional charges-charter schools	24,456,630	24,866,853	25,364,190	25,871,474	26,388,903	26,916,681	2.0%
Regional charges-school choice	2,700,679	2,651,386	2,704,414	2,758,502	2,813,672	2,869,945	2.0%
State and regional charges-WRTA and other	3,502,274	3,670,429	3,743,838	3,818,714	3,895,089	3,972,990	2.0%
Debt service - pension obligation bonds	16,638,125	16,638,125	16,638,125	16,638,125	16,638,125	16,638,125	flat
Debt service - other	35,109,337	37,388,560	35,636,331	36,349,058	37,076,039	37,817,560	2.0%
Debt service - BAN pay down	1,500,000	-	-	-	-	-	
Debt service - refunding	2,305,381	-	-	-	-	-	
Total expenditures	568,631,420	590,146,358	601,018,822	617,142,709	633,855,250	651,184,189	
percentage change in total expenditures	3.5%	3.8%	1.8%	2.7%	2.7%	2.7%	
Other financing sources (uses):							
Transfers in	6,561,436	3,855,313	3,000,000	3,060,000	3,121,200	3,183,624	2.0%
Transfers in - refunding	2,305,381	2,478,966	-	-	-	-	
Transfers in - temp. debt and other debt	1,500,000	2,433,167	-	-	-	-	
Transfers out	(14,405,487)	(14,501,084)	(14,500,000)	(14,790,000)	(15,085,800)	(15,387,516)	2.0%
Transfers out - HUD grant	-	(3,418,167)	-	-	-	-	
Net transfers - OPEB	(1,326,535)	-	(500,000)	(550,000)	(605,000)	(665,500)	10.0%
Premium on issuance of bonds	993,838	1,300,000	600,000	600,000	600,000	600,000	0.0%
	(4,371,367)	(7,851,805)	(11,400,000)	(11,680,000)	(11,969,600)	(12,269,392)	
	70.9%	79.6%	-45.2%	-2.5%	-2.5%	-2.5%	
Net change in budgetary fund balance	\$ (2,059,900)	(1,488,252)	92,396	(4,951,864)	(4,366,096)	(4,089,162)	

SCENARIO 2

1. Property taxes equal to tax levy less reserve for abatements and exemptions. Approx. 98.9% of tax levy.
2. Intergovernmental - MSBA revenue decreasing \$5.9 M in FY18 and ends in FY20
3. Expenses for Veteran's administration and benefit included in general government through FY15 and then included in HHS beginning FY16.
4. Increased property taxes is equal to the increase in levy limit of 2.5% over prior year plus \$4M new growth. Other revenue increases 1% except state aid which increases 3%. Expenses increase 3% and fringe benefits increase 7%.
5. Debt excludes refunding expenditures in fiscal 2017 of \$2.5 million.

	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual
Revenues					
Property taxes	\$ 216,325,187	227,377,947	233,738,612	247,088,092	255,790,862
<i>percentage change in property tax revenue</i>	<i>5.7%</i>	<i>5.1%</i>	<i>2.8%</i>	<i>5.7%</i>	<i>3.5%</i>
Other revenue					
Motor vehicle excise taxes	11,418,760	11,849,289	12,689,898	13,300,714	14,113,156
Other taxes and in-lieu payments	4,933,528	4,439,610	4,412,866	4,804,075	4,777,003
Penalties and interest on taxes	2,285,359	2,871,626	2,532,025	2,439,959	2,106,626
Licenses and permits	4,864,744	5,210,469	4,991,676	5,273,740	5,795,068
Intergovernmental-CH 70	187,838,166	201,135,279	210,364,137	219,897,733	220,569,583
Intergovernmental-unrestr. general gov't aid	35,150,026	32,608,533	35,150,026	35,980,899	36,978,717
Intergovernmental-state aid other	8,293,579	10,723,434	7,828,596	5,797,973	4,021,379
Intergovernmental-MSBA	16,113,046	15,203,374	15,203,374	15,203,377	11,575,058
Intergovernmental-other	4,751,238	5,316,748	5,011,328	4,316,177	4,348,834
Charges for services	5,938,646	5,813,754	5,745,683	5,682,959	5,565,704
Fines and forfeitures	2,805,580	2,845,336	2,594,179	3,151,048	3,097,071
Investment earnings (losses)	68,270	99,947	316,090	388,474	476,634
Miscellaneous	1,428,814	1,318,000	1,112,215	1,246,159	1,727,192
	<u>285,889,756</u>	<u>299,435,399</u>	<u>307,952,093</u>	<u>317,483,287</u>	<u>315,152,025</u>
<i>percentage change in other revenue</i>	<i>1.0%</i>	<i>4.7%</i>	<i>2.8%</i>	<i>3.1%</i>	<i>-0.7%</i>
Total revenue	<u>502,214,943</u>	<u>526,813,346</u>	<u>541,690,705</u>	<u>564,571,379</u>	<u>570,942,887</u>
<i>percentage change in total revenue</i>	<i>3.0%</i>	<i>4.9%</i>	<i>2.8%</i>	<i>4.2%</i>	<i>1.1%</i>
Expenses					
General government	13,729,821	14,598,537	15,569,879	16,809,098	17,930,031
Contingency	-	-	-	-	-
Public safety	74,930,734	77,811,750	80,412,429	82,546,004	83,930,093
Health and human services	674,683	763,990	926,099	730,011	859,653
Education, excluding fringe benefits	205,918,288	222,922,770	235,105,509	245,209,376	247,222,702
Public works	10,876,155	11,725,884	11,640,988	11,984,903	12,399,030
Snow and ice removal	4,893,592	3,546,355	4,590,477	4,566,196	5,641,768
Street lighting	2,076,828	2,337,828	2,349,151	2,850,899	2,247,282
WRA/Union Station	408,098	420,128	414,540	337,459	470,305
Culture and recreation	7,806,826	8,123,080	8,467,274	8,951,437	9,385,133
Fringe benefits	93,197,785	87,329,425	88,904,764	95,565,176	102,332,997
Regional charges-charter schools	22,987,591	24,056,471	25,526,265	24,433,604	24,456,630
Regional charges-school choice	1,901,448	2,177,845	2,291,731	2,758,651	2,700,679
State and regional charges-WRTA and other	3,365,521	3,291,289	3,425,304	3,434,155	3,502,274
Debt service - pension obligation bonds	16,636,874	16,638,125	16,638,125	16,638,125	16,638,125
Debt service - other	30,458,111	30,428,786	30,871,646	32,358,564	35,109,337
Debt service - BAN pay down	-	-	-	-	1,500,000
Debt service - refunding	-	-	-	-	2,305,381
Total expenditures	<u>489,862,355</u>	<u>506,172,263</u>	<u>527,134,181</u>	<u>549,173,658</u>	<u>568,631,420</u>
<i>percentage change in total expenditures</i>	<i>3.3%</i>	<i>3.3%</i>	<i>4.1%</i>	<i>4.2%</i>	<i>3.5%</i>
Other financing sources (uses):					
Transfers in	9,435,092	7,076,678	3,754,343	3,516,207	6,561,436
Transfers in - refunding	-	-	-	-	2,305,381
Transfers in - BAN pay down	-	-	-	-	1,500,000
Transfers out	(18,643,292)	(15,411,358)	(17,194,899)	(15,151,997)	(14,405,487)
Net transfers - OPEB	-	-	(2,650,132)	(4,272,066)	(1,326,535)
Premium on issuance of bonds	566,756	478,707	2,696,546	877,164	993,838
	<u>(8,641,444)</u>	<u>(7,855,973)</u>	<u>(13,394,142)</u>	<u>(15,030,692)</u>	<u>(4,371,367)</u>
	<i>-4.1%</i>	<i>9.1%</i>	<i>-70.5%</i>	<i>-12.2%</i>	<i>70.9%</i>
Net change in budgetary fund balance	\$ <u>3,711,144</u>	<u>12,785,110</u>	<u>1,162,382</u>	<u>367,029</u>	<u>(2,059,900)</u>