

Town Meeting

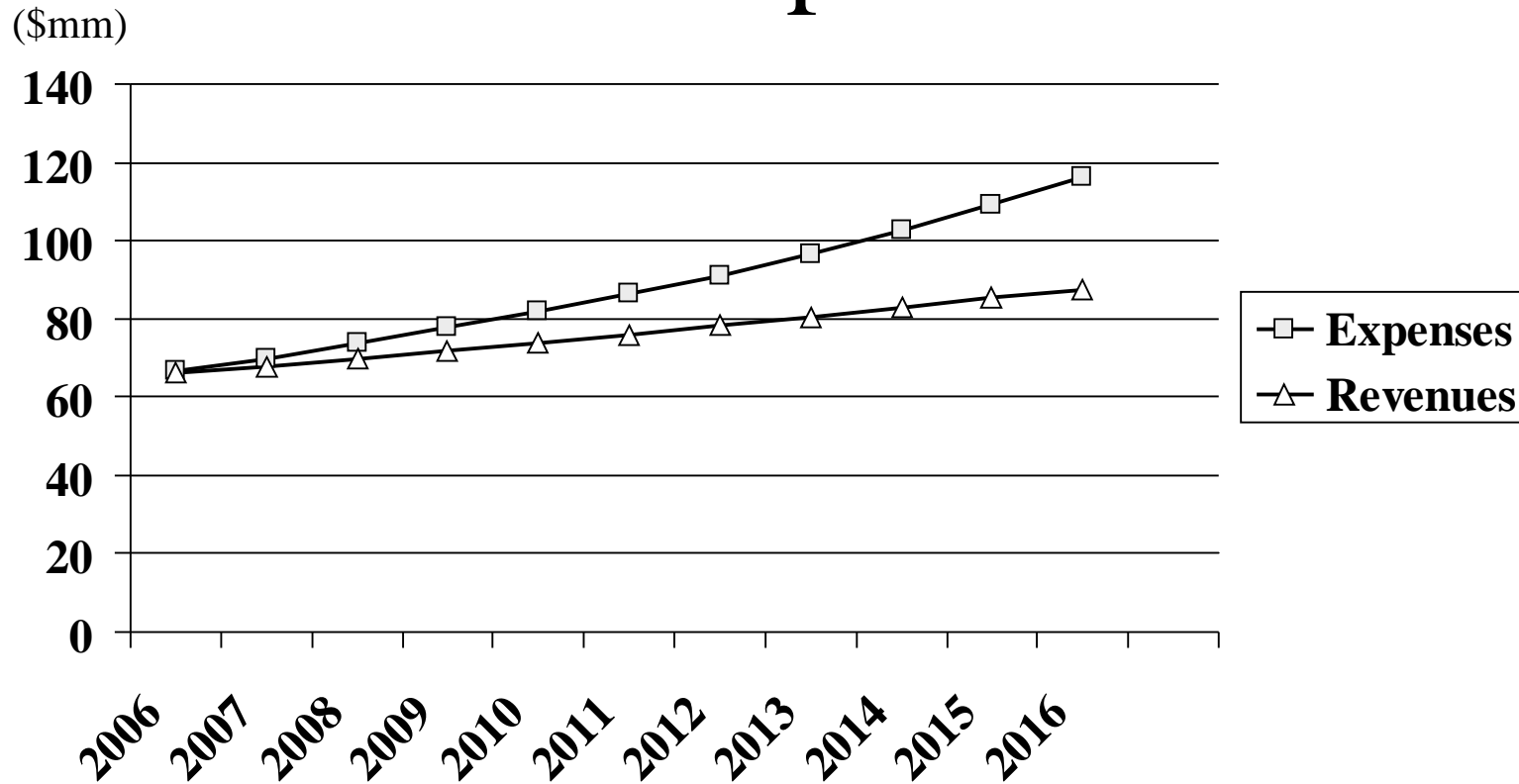
Financial Planning Overview

February 7, 2005

Collaborative Process

- Board of Selectmen
- Warrant Committee
- School Committee
- Capital Budget Committee

Structural Gap - Inflation



Cost Savings

- Lower-cost Health Care Provider
- Consolidation of Public Works
- Limited Wage Growth (FY04 and FY05)
- New Solid Waste Disposal Contract
- Restrictions on Town-Owned Vehicles
- Targeted Early Retirement Incentive
- Energy Savings for Town/School Buildings

Collaborative Policy Definition

- Policies
 - Debt level
 - Reserve level
 - *Revenue growth rate*
- Goals
 - Financial stability to support services
 - Defined expectations to reduce controversy

“We have defined broad priorities – near vs longer term, public vs. public-private.”

Near Term (0-5 yrs.) and Ongoing

Longer Term

PUBLIC
FUNDING

- WELLINGTON
- ROADS
- SEWER/STORM*
- WATER MAINS*

- TOWN YARD
- POLICE STATION

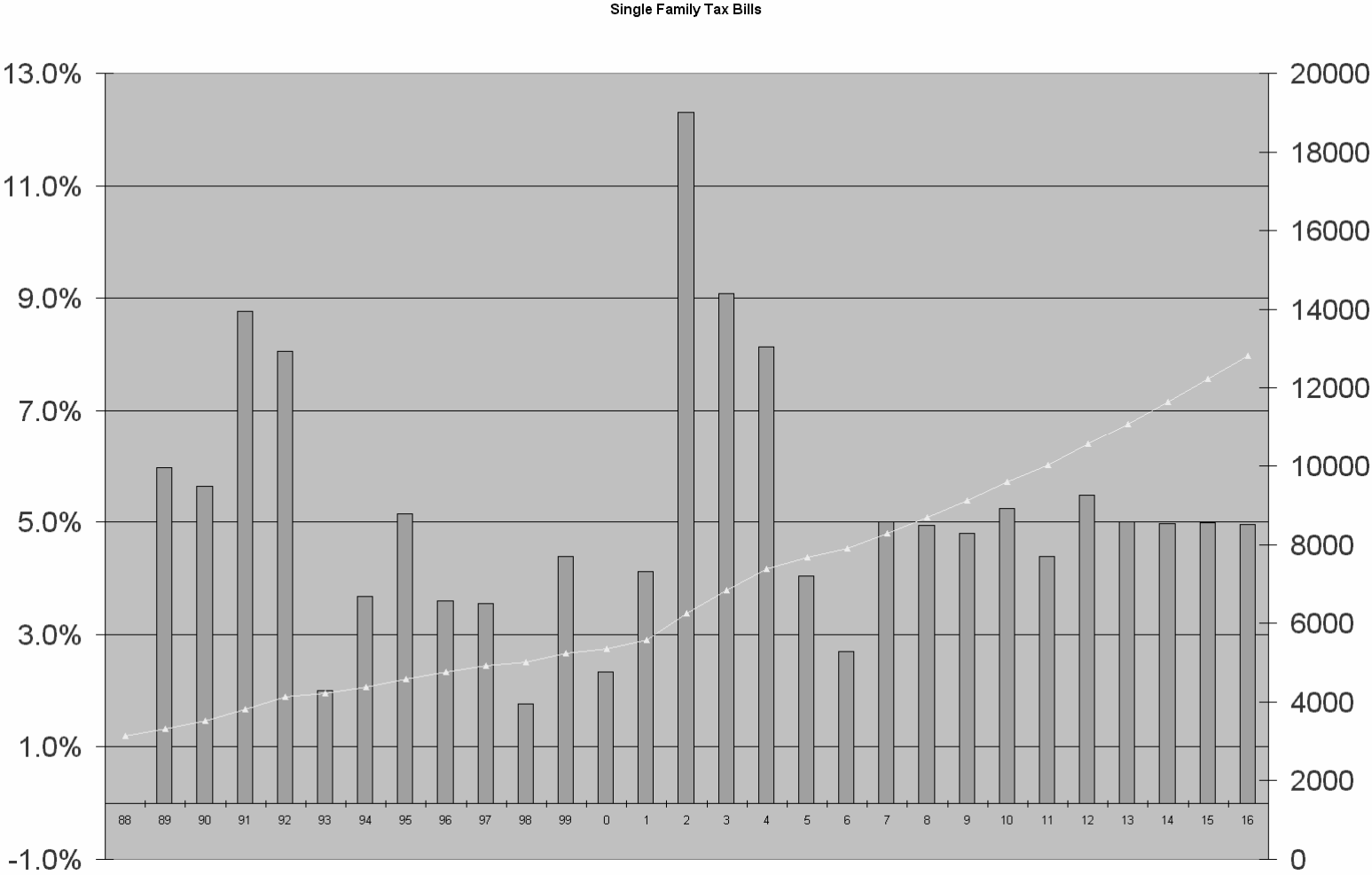
PUBLIC-
PRIVATE
FUNDING

- SENIOR CENTER

- MAIN LIBRARY
- UNDERWOOD
- SKATING RINK
- FIELD HOUSE

* Rate-based Funding

Growth of the Single Family Tax Bill



Alternative 10 Year Programs

Tax Growth	2.2%	2.8%	4.3%	5%
Capital Program	None	Proposed	None	Proposed
Overrides	None	None	Triennial Phased	Triennial Phased
Service Level by 2016	Deep Cuts (to -16%)	Deep Cuts (to -16%)	Slight Recovery (to +3%)	Slight Recovery (to +3%)

Economic Assumptions

- Almost Flat State Aid and other (1.65%)
- Achievable Commercial Growth (*Real* 1%)
- McLean at \$1m net phased 2010 to 2017
- Historic Market Salary Increases (3%)
- Reduced Health Care Inflation (to 10%)
- Bargained 10% cost shift of health care

Cost of Proposed Capital and *Level* Services in Alternative Economic Scenarios

Economic Assumptions	Required Tax Growth
Assumptions as shown on last slide	4.5%
As shown but Optimistic Development (2% Real Commercial Growth. \$2m <i>net</i> McLean all online by 2016; \$1m <i>net</i> Uplands in 2010)	4.2%
As shown but Higher Health Inflation (15%; but 10% cost shift bargained)	5.4%

Implications

- Operating cost inflation requires tax bill inflation in the 4-5% range to avoid cuts
- The capital project program adds only roughly 0.6% to the tax bill inflation rate.
- Optimistic economic development can only cut required tax bill inflation slightly.
- Health care costs are the wild card.

Next Steps

- Continue community discussion about level of services citizens are willing to support
- Refine analysis of key economic factors
- Continue collaboration of town boards and committees
- Build consensus around long term fiscal policies