



Fiscal Year 2014 Budget Presentation

City Manager Michael V. O'Brien

May 14, 2013



FY14 Budget Recommendation

City-WPS Combined = \$564M Dollars

- **City Municipal Services and City Finances are Stable – Final Year and Due to Nearly a Decade of Reforms, Reductions and Redeployments. FY15 Forecasts... Ahead for FY14 REFORMS**
- **Manage to Our Five Point Financial Plan. Key Mandate – Sustainability... Decisions and Growth Today that Can Be Afforded Tomorrow and Every Day Thereafter.**
- **City Government is Smaller and Leaner than Ever Before. We are More Efficient and We Rely on Technology More and More.**
- **Unfunded Liabilities Such As Retiree Health Care (OPEB) and Pension Costs Must Be Addressed. Ticking Time Bombs**
- **Cost Drivers in Budget Continue to Be Employee/ Retiree Health Insurance Costs. 8-10% Year to Year Increases Expected**

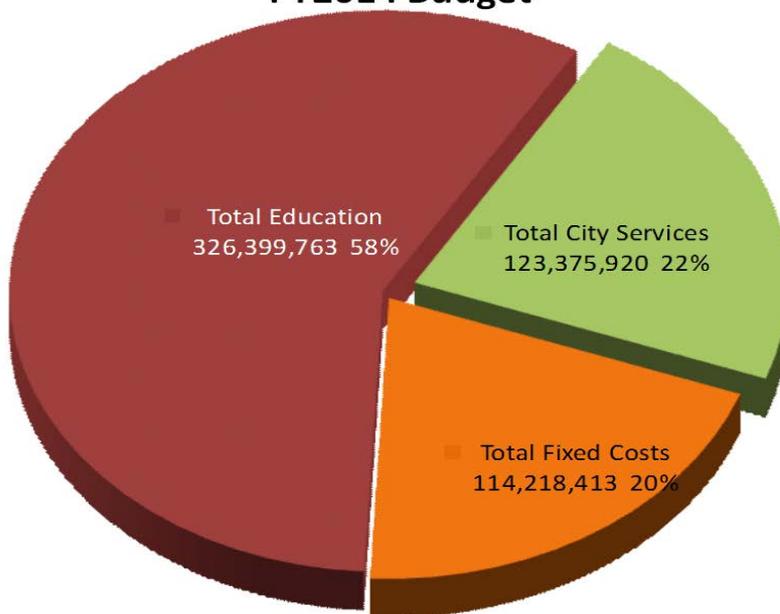
Fiscal Year 2014 Budget Overview

Expenditures - \$564M

The FY14 Budget Appropriates \$564M in Revenues Distributed to Fund:

- \$326.4M (58%) to Education (WPS/Charter/School Choice)
- \$123.4M (22%) to City Departmental Operations
- \$114.2M (20%) to City Fixed Costs (Debt, Pension, Health Insurance, Etc.)

FY2014 Budget



Fiscal Year to Fiscal Year Budget Growth

\$14.7 Million in New Revenues, Increases Combined City and WPS FY Budget By 2.7% from FY13 to FY14:

- **3.9% Increase in Funding for Education, a \$12.25M Addition for the Operation of our Public Schools**
- **1.1% City Budget Increase of \$2.48M**

Category	FY13	FY14	Change	%
Public Education	314,153,474	326,399,763	12,246,289	3.9%
City Services	235,111,139	237,594,333	2,483,194	1.1%
Total	549,264,613	563,994,096	14,729,483	2.7%



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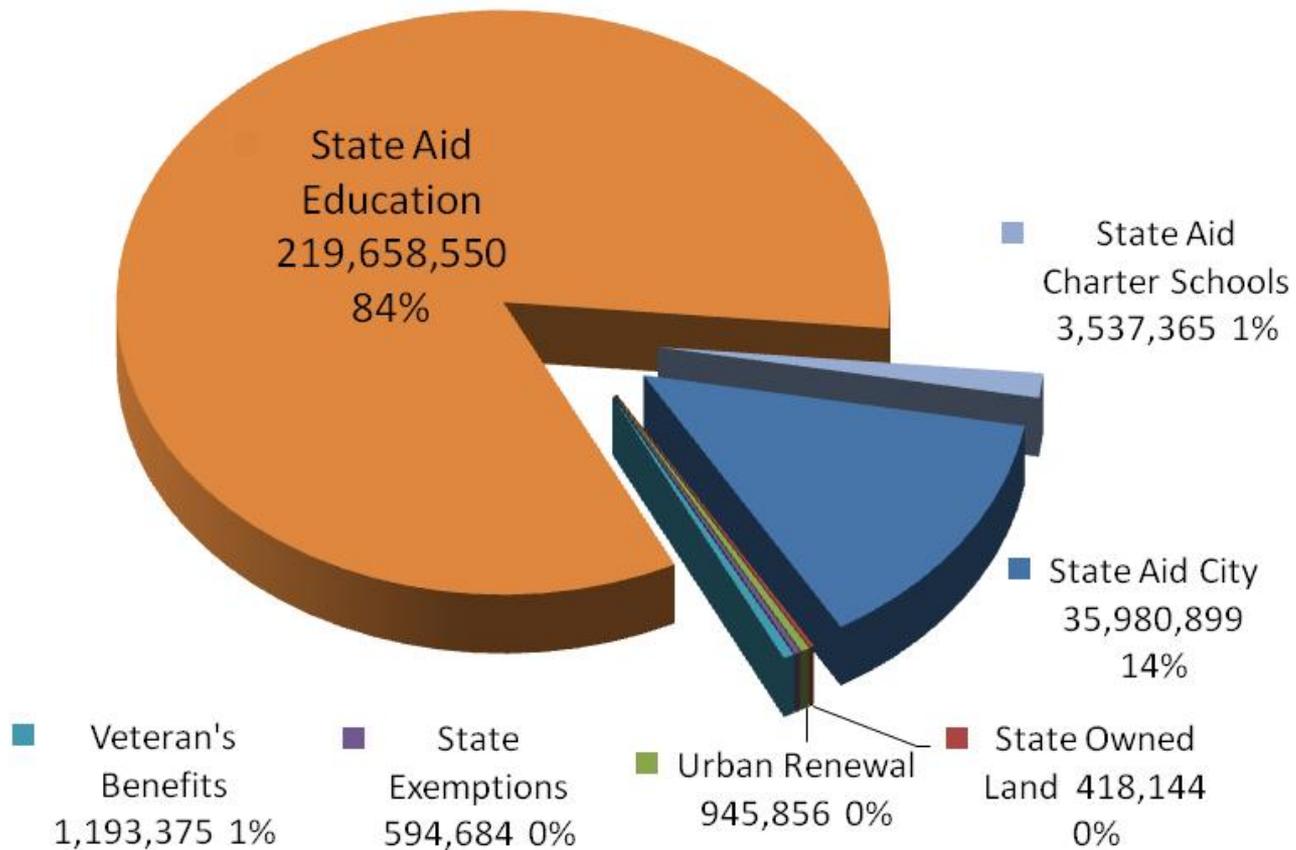
Funding Public Education— A City Commitment

- **City Funding to WPS - Increase \$12M**
- **Reduces Carryover Deficit for Net School Spending by More Than \$434K (From \$862K to \$428K)**
- **FY14 Budget Includes \$870K for Growing Cost of WPS Non Educational Costs Such As Transportation**

Worcester Public Schools Budget	FY13	FY14	Change
Total Net School Spending	269,376,881	280,499,620	11,122,739
Total Non Net School Spending	15,989,931	16,860,913	870,982
Total WPS Budget	285,366,812	297,360,533	11,993,721

FY14 State Aid – CitySide and WPS Combined

State Aid Totals



State Aid: Their Focus - Education

State Aid Category	FY08 Actual	FY14 Budget	FY08 to FY14 %
Education Aid	179,107,581	223,195,915	24.6%
State Aid City Services			
State Aid City Services	FY08 Actual	FY14 Budget	FY08 to FY14 %
General Revenue Sharing	51,721,578	35,980,899	-30.4%
Urban Renewal	2,410,000	945,856	-60.8%
Veteran's Benefits	347,564	1,193,375	243.4%
Vet/Eld Abatements	668,998	594,684	-11.1%
State Owned Land	615,428	418,144	-32.1%
Regional Lib	119,655	0	-100.0%
Quinn Bill	2,190,117	0	-100.0%
Total State Aid City Services	58,073,340	39,132,958	-32.6%

- **Unrestricted State Aid Still \$19M Below FY08 Levels.**
- **Since FY08, State Education Aid has Increased 24.6%**
- **Since FY08, Unrestricted State Aid has Decreased 32.6%**
- **Over Last Six Years: City-Side Adapted to \$100M Less In State Recurring Revenue – Reductions, Reforms and Redeployments**

Fiscal Year 2014 – Budget Deficit Addressed

- **FY14 City-side Local Receipts have Experienced Minor Positive Trends for the First Time in Years - Motor Vehicle Excise, Permits**
- **Property Taxes - New Growth**
- **State Aid – Minor Increase For First Time since Great Recession - Still \$19 Below FY08 State Aid Levels**
- **Defer Deposit to OPEB Trust Fund**
- **Reduced Contingency Fund, \$1M**
- **Updating Vacancy Calculations for Public Safety (Retirements)**
- **Reducing Contributions to the Capital Campaign Stabilization Fund Per FFPF**



Fiscal Year 2014 City Budget Highlights

1.1% (\$2.4M) CITY BUDGET INCREASE - APPLIED TO PROVIDE CRITICAL CITY SERVICES:

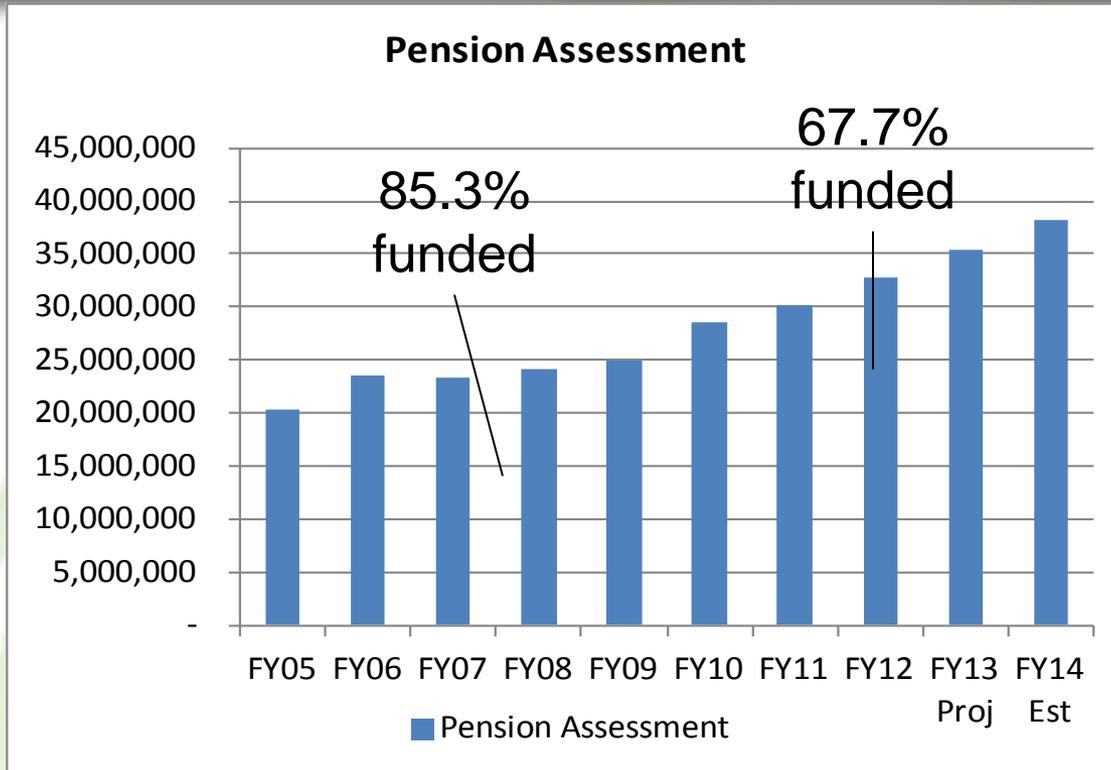
- **Shared Priority to Include WPD (25) and WFD Recruit (20) Classes**
- **Restore and Expand Worcester Public Library Hours of Operation, Services, and Technology**
- **Prepares for Transition and Increase Services in the Department of Public Works and Parks**
- **Builds on Regional Public Health Services, National Model**
- **Establishes a Centralized City Division of Energy and Asset Management**
- **Budgeted Anticipated Increases for Veterans Benefits**



FY14 Budget Challenges, Unavoidable Fixed Costs, and Lost Revenues

- **Health Insurance Costs Trending Up, Conventional Plan Premiums Growing at 9% (\$1.6M)**
- **Required Pension Contributions Increasing by 8% (\$1.5M)**
- **Urban Renewal Revenues of \$1M from the Commonwealth Cease**
- **Sequestration, Reductions in Federal Grant Allocations, Requiring Additional Tax Levy Resources to Make Up These Losses to Maintain City Services**
- **Delay the Start of the WPD and WFD Recruit Classes Until at Least October**
- **Defer FY14 Budget Funding to OPEB Trust Fund of \$4.8M (City and WPS)**

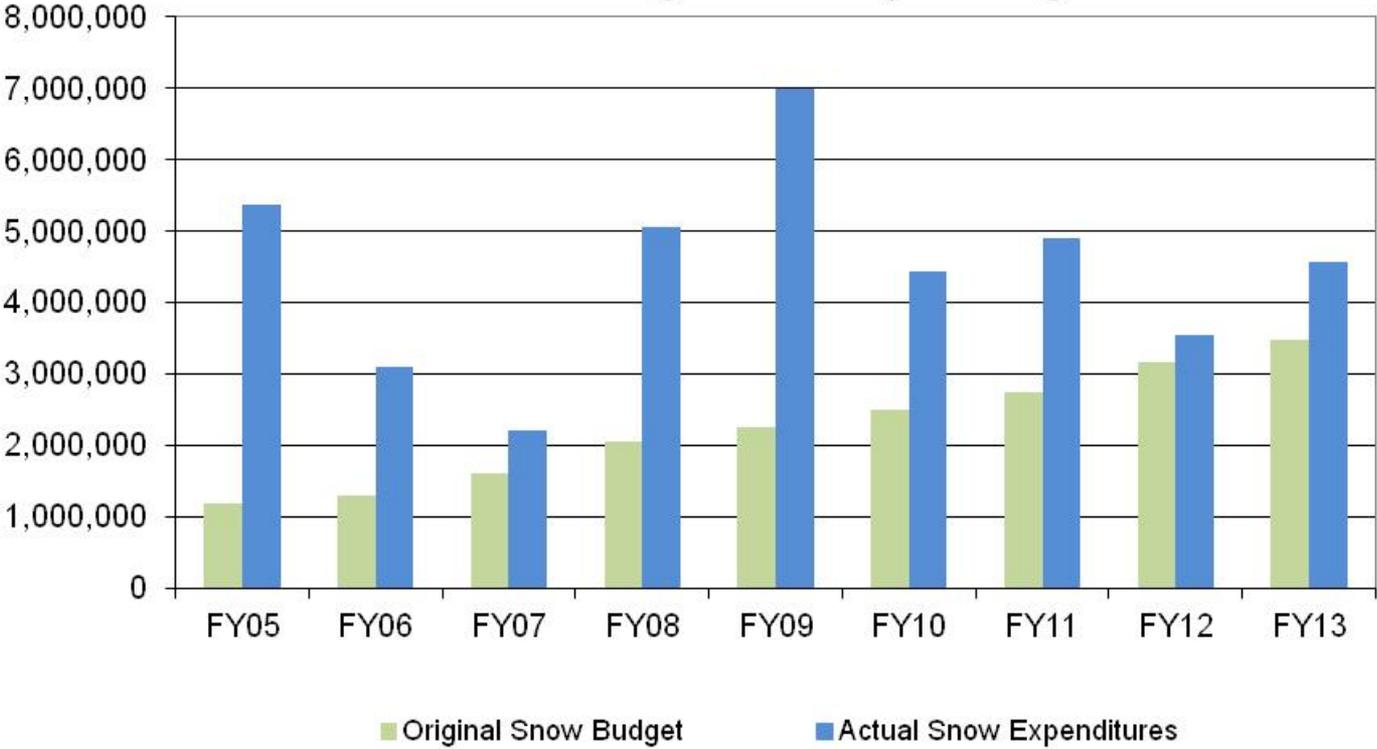
Pension Realities - Retirement System



- **Recovering from the Great Recession and Market Fluctuations Requires a Greater Rate of Increase of the Pension Assessment – Occurring Since FY08**
- **FY14 Includes an 8% increase from FY13. The Market Crash of 2009 has also taken a Toll on the Pension System’s Funding, which is down to 67.7% Since FY08**

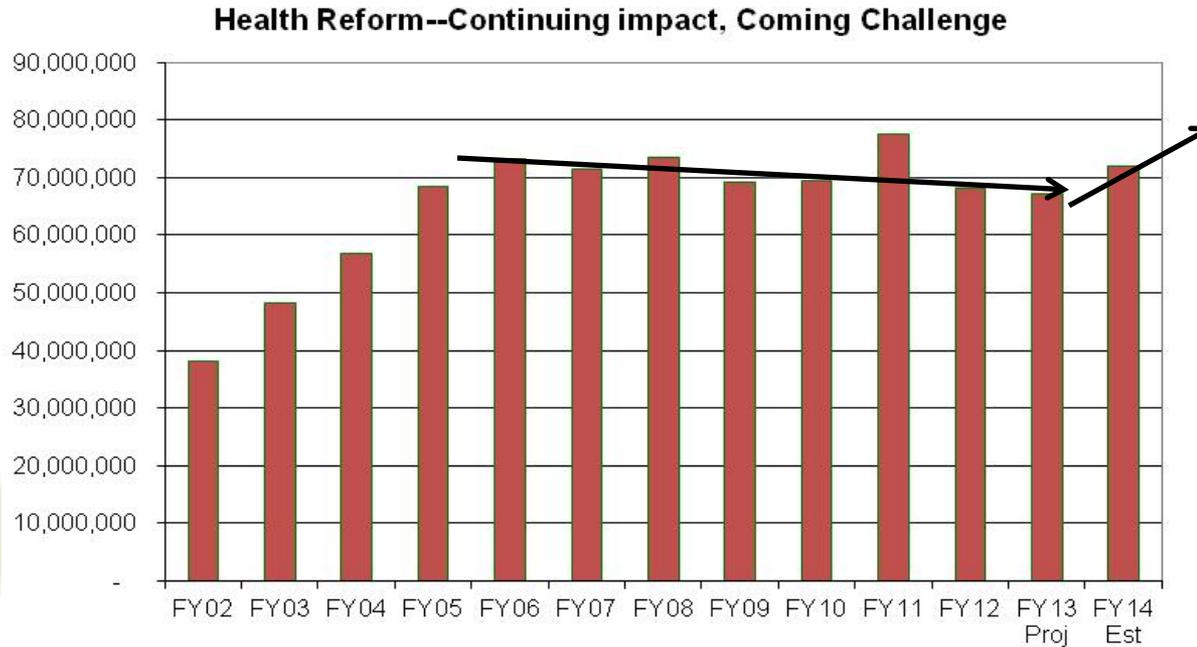
Snow Removal

Snow Budget and Spending



Our Systematic FY Increases in the Snow Removal Budget Get Us Closer to Reality... and Mother Nature

Upward Pressure Health Insurance Costs



- **Since FY06, Continuous Reform Implementation has kept Actual Health Care Costs Nearly Level**
- **FY14- Return of Significant Health Care Cost Increases**

Risk Management: FY14 and Beyond

- **Stability in FY14 Must Not Generate a False Sense of Security... Plan and Act Now for FY15**
- **Plan for Challenges in FY15 - \$10M Projected Deficit; \$5M Loss of Recurring Revenue; Growing Fixed Costs**
- **City's Collective Bargaining Agreements all Expire June 30, 2013**
- **Unfunded Liabilities Remain a Threat**
- **Must Align Costs of Government Services to the Growth of Economy**
- **Continued Financial Discipline Needed - Must Continue to Identify Reforms and New Business Practices**
- **Strong Financial Management Put Us on the Right Track - Five Point Financial Plan – Live Within Your Means, Decisions Today We Can Afford Tomorrow, Plan for Future, Address Reality... and Borrow Only What You Can Afford to Pay Back**