

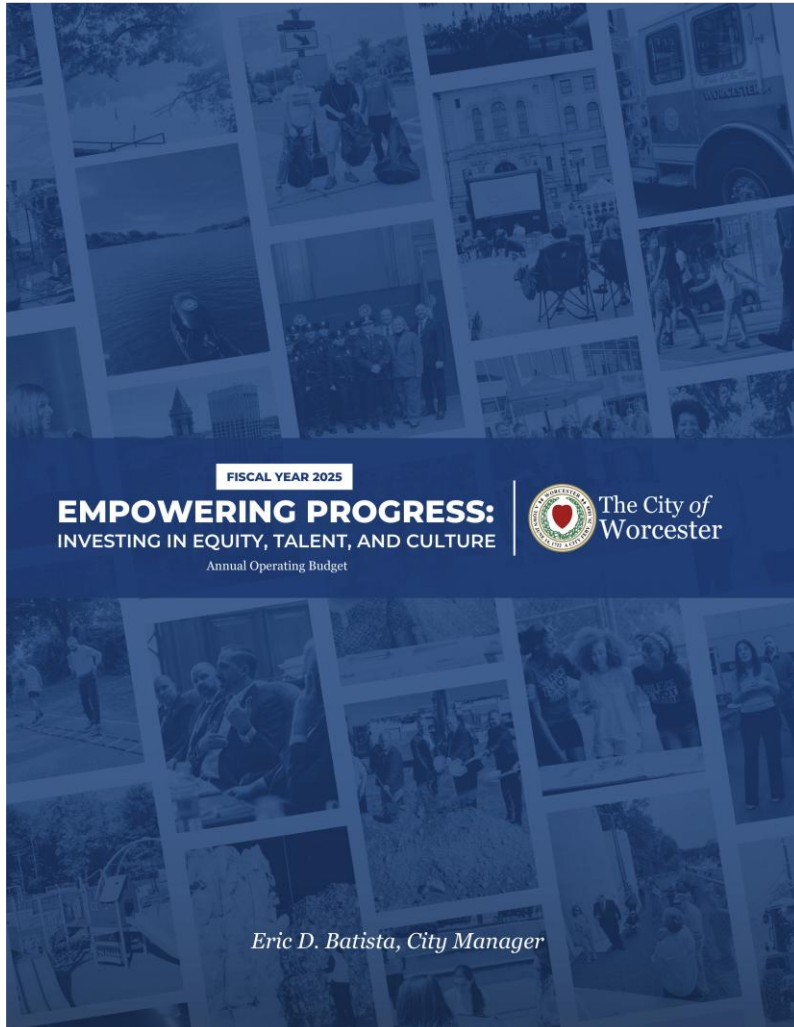
City of Worcester Financial Overview

Timothy J. McGourthy
Chief Financial Officer

ONE CITY, TWO SYSTEMS



The City of
WORCESTER



City of Worcester Leadership *Legislative*

- Mayor & City Council

Executive

- City Manager

Worcester Public Schools Leadership *Legislative*

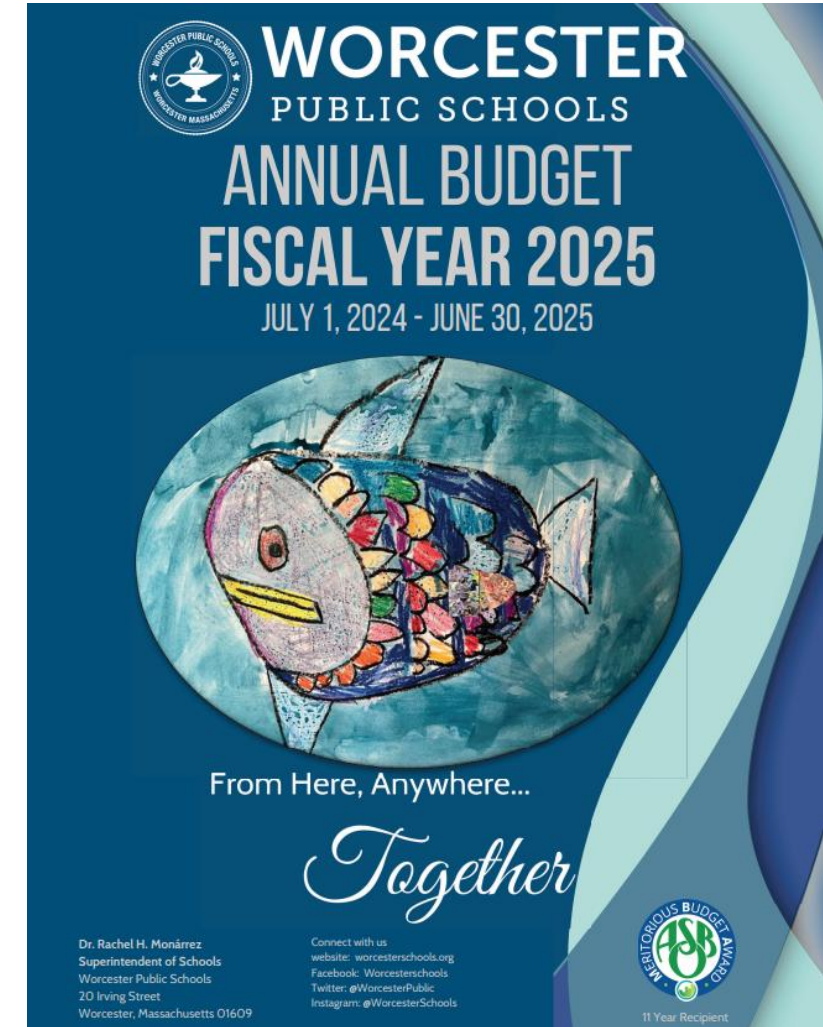
- Mayor & School Committee

Executive

- Superintendent of Schools



WORCESTER
PUBLIC SCHOOLS





FINANCIAL CONSIDERATIONS

- The City's financial system is largely controlled by State Law:
 - Revenues are limited – state aid, property taxes, local fees.
 - Expenses are significantly proscribed – education, intergovernmental charges, retirement & other post-employment costs, debt service.
 - Discretionary funds are limited – municipal operations make up only 22% of the City's approximately \$920M FY25 budget.
- The City operates four enterprise/special revenue accounts:
 - Water, Sewer, Golf, Parking
- The City must balance operational and capital demands, and current and future needs:
 - Capital budget investments turn into debt service which impact future operational budgets.



The City of
WORCESTER

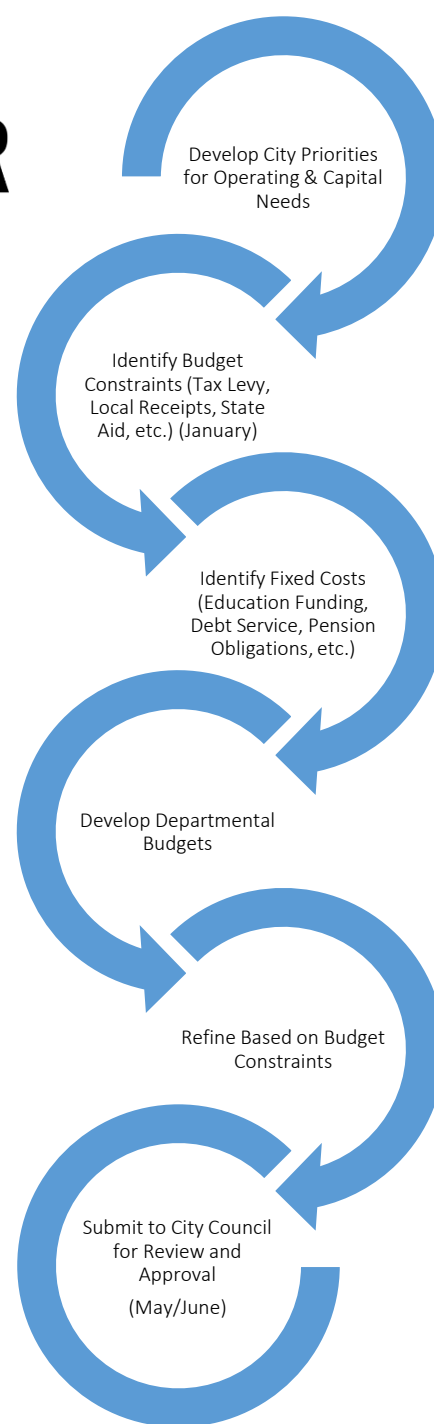
FOR AN AVERAGE RESIDENTIAL BILL OF \$5,266...

Every Worcester resident can enjoy:

- K-12 education through the Worcester Public Schools
- Roads that lead to every part of the City and beyond through the Department of Public Works
- Green spaces and playgrounds to play in and enjoy through the Parks Department
- 24-hour security through the Worcester Police Department
- 24-hour fire and emergency response through the Emergency Communications and Worcester Fire Departments
- Access to literary and cultural offerings through the Worcester Public Library
- Job training and assistance through the Economic Development Department and Mass Hire
- Public health services, including homelessness and drug addiction assistance, through the Department of Health & Human Services

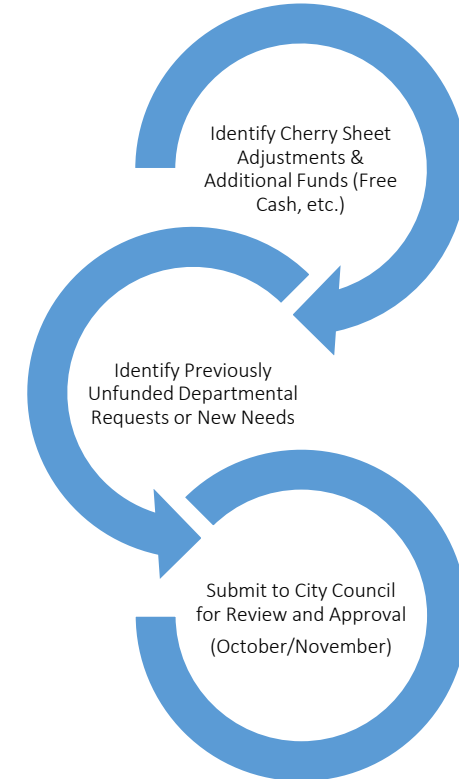


Spring Budget Process



THE BUDGET PROCESS

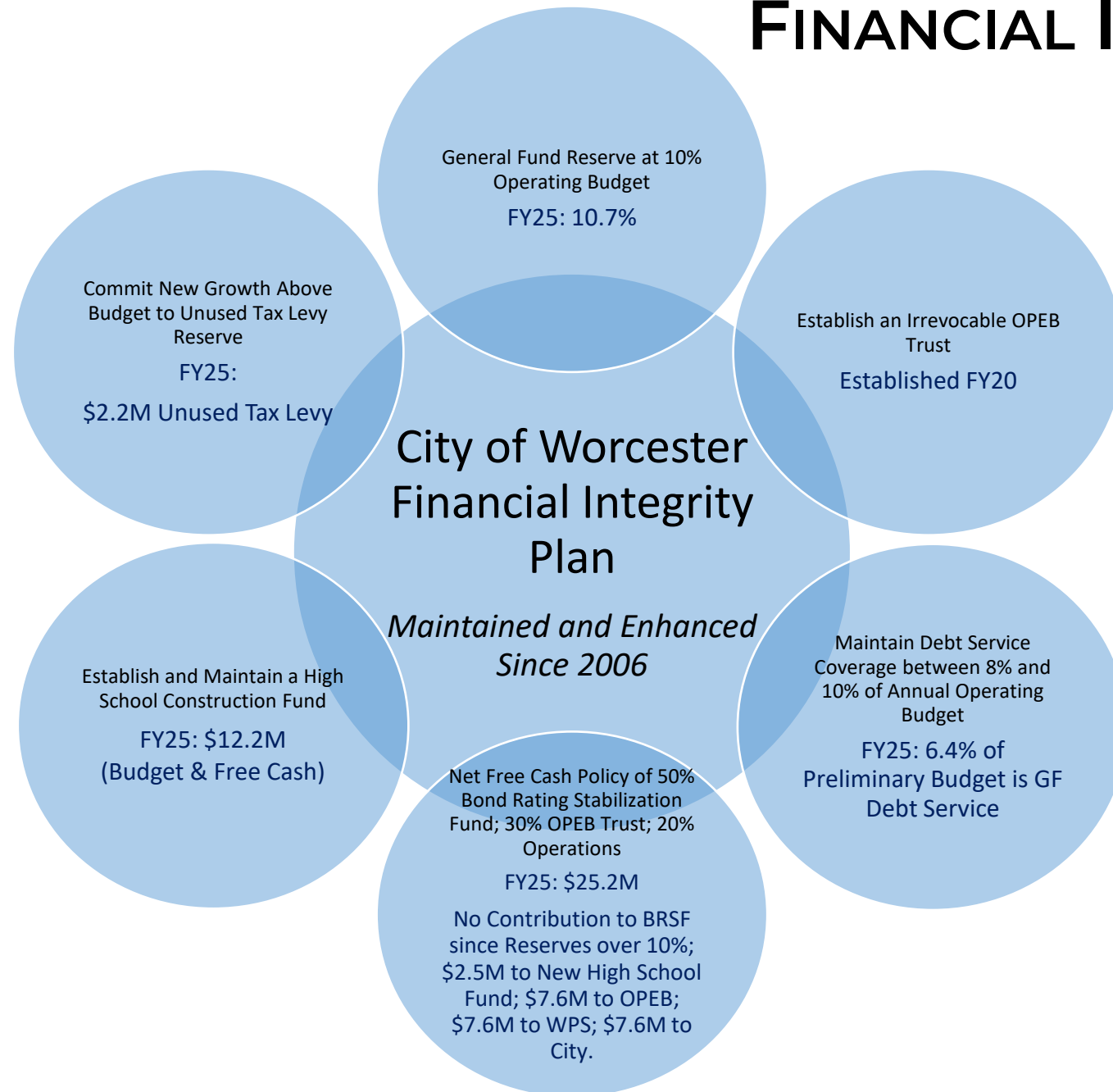
Fall Budget Adjustment Process





The City of
Worcester

FINANCIAL INTEGRITY PLAN





The City of
Worcester

- Original Budget
 - Total Revenue: \$893M (3% Increase)
 - State - Governor's Budget
 - 5.4% Increase in Education Funding (\$19.8M)
 - 3% Increase in Local Aid (\$1.5M)
 - Local - Tax Levy
 - 4.9% Increase in Property Taxes (\$10.1M in 2.5%; \$7.5M in New Growth)
 - Local - Receipts
 - 7.3% Increase

FISCAL YEAR 25 BUDGET EMPOWERING PROGRESS

FISCAL YEAR 2025

EMPOWERING PROGRESS:

INVESTING IN EQUITY, TALENT, AND CULTURE

Annual Operating Budget



The City of
Worcester

Eric D. Batista, City Manager



The City of
Worcester

FISCAL YEAR 2025 REVENUES

**\$396.1M Property
Tax**

4.7% Increase

Real Estate Tax

Personal
Property Tax

**\$52.8M State Aid -
City**

3% Increase

Unrestricted
State Aid

MSBA
Construction

Veterans Benefits

Elderly &
Veterans
Exemptions

**\$387.2M
Education Aid**

5.4% Increase

Chapter 70 Aid

Charter Tuition

School Choice
Tuition

**\$56.7M Local
Receipts**

7.3% Increase

Vehicle Excise Tax

Hotel & Meal Tax

Licenses &
Permits

Trash Fees

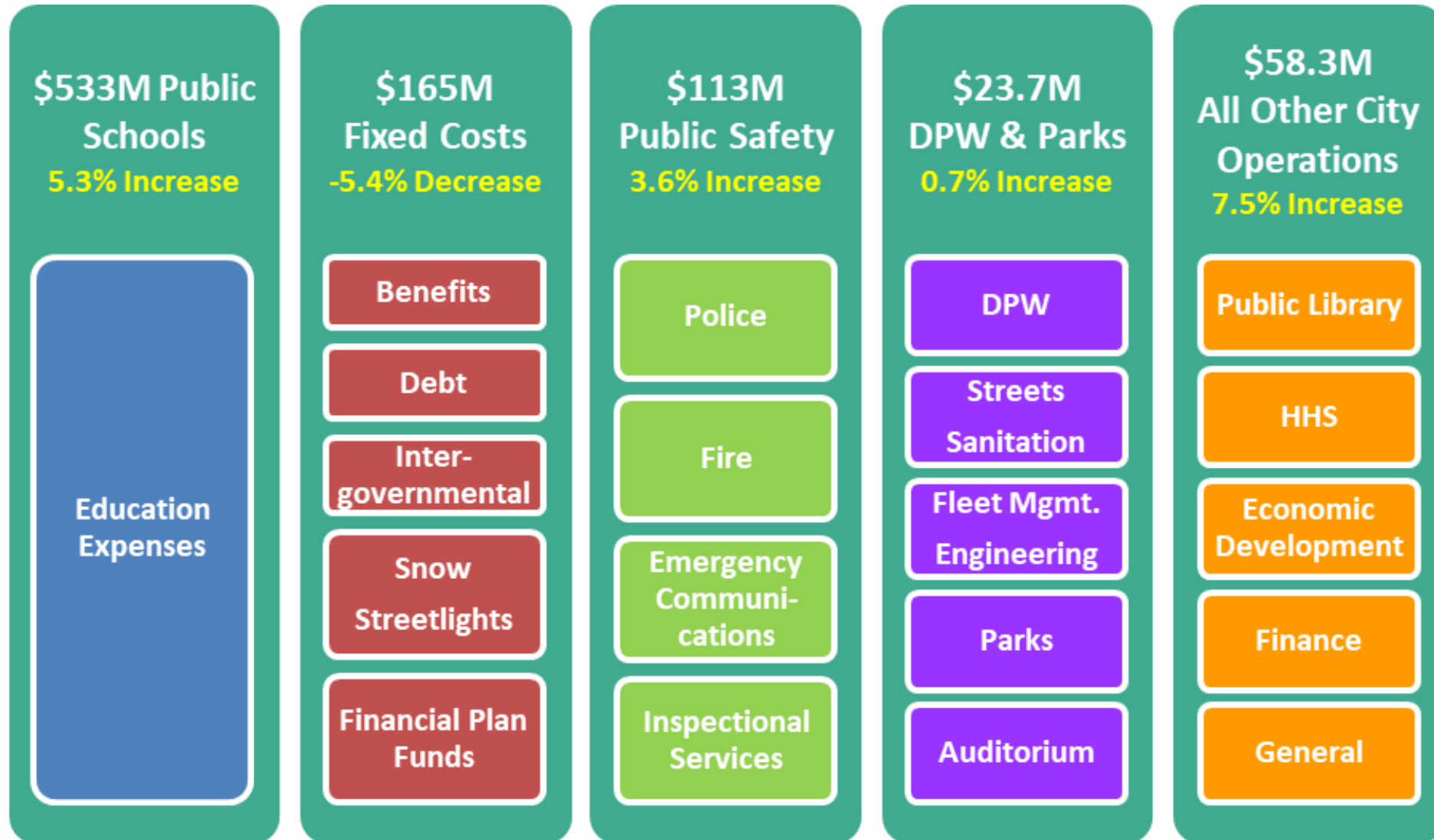
Fines &
Forfeitures

Other Fees &
Income



The City of
Worcester

FISCAL YEAR 2025 EXPENSES



ANNUAL BUDGET SUMMARY

Police

Debt Service

Fire

Pensions

Health Insurance

Financial Integrity Plan Funds

Pension Bond Debt Service

Innovation & Technology

Snow Removal

Intergovernmental Charges

Health and Human Services

Public Works and Parks

Contingency

Finance

Human Resources

Transportation & Mobility

Public Facilities

Emergency Communica...

City Manager's Office

Streets...

Work... Comp...

OPEB Trust Dep...

City Clerk

Union Stat...

Su...

W...

M...

City Cou...

Asse...

Auditing

10

Inspectional Services

Law/Insurance/ Court

Economic Developm...

Injured on Duty

Divers... Equity...

City Clerk

Union Stat...

Su...

W...

M...

City Cou...

Asse...

Auditing

10

Inspectional Services

Law/Insurance/ Court

Economic Developm...

Injured on Duty

Divers... Equity...

City Clerk

Union Stat...

Su...

W...

M...

City Cou...

Asse...

Auditing

10

Total Budget - \$893M (3% Increase over FY24)

Significant Fixed Costs

- \$533M – Education
- \$47M – Debt Service
- \$39M – Pensions
- \$33M – Health Insurance
- \$19M – Financial Integrity Plan
- \$10M – Pension Obligation Bonds

Budget Priorities

- \$4.5M – 3% COLA
- Centralization



The City of
Worcester

FISCAL YEAR 2025 BUDGET ADJUSTMENTS

- Adjusted Budget
 - New Revenue: \$27.7M
 - Local Aid: \$234K
 - Education Aid: \$66K
 - New Growth Over Budget: \$2.2M
 - Free Cash: \$25.2M
- Allocations:
 - State Aid
 - \$66K – WPS Salaries & Special Ed
 - \$234K – Fire Stabilization
 - New Growth Over Budget
 - \$2.2M – Unused Tax Levy Capacity
 - Free Cash
 - \$7.6M – OPEB Trust Reserve
 - \$2.4M – New High Schools Fund
 - \$7.6M – WPS Operational & Capital Needs
 - \$7.6M – City Operational & Capital Needs

Eric D. Batista
City Manager



City of Worcester

November 19, 2024

Attachment for Item #9.36 B

TO THE WORCESTER CITY COUNCIL

COUNCILORS:

I respectfully recommend City Council's approval of the attached adjustments required to finalize the Fiscal Year 2025 (FY25) budget, as received from Timothy J. McGourthy, Chief Financial Officer, and forwarded for the consideration of your Honorable Body.

As part of the annual budget process, the municipality's budget is developed and predicated on assumptions of revenue by both the Commonwealth and the City based upon the most accurate information available at the time. Once the budget is formulated and adopted by City Council, revenue updates and other adjustments are necessary during the fiscal year to finalize the annual City budget. To complete the budget prior to submission of the municipality's annual tax recapitulation (Tax Recap) to the Department of Revenue, the following adjustments must be recommended to and approved by City Council.

Included in the budget adjustments are updates to Cherry Sheet revenues and expenses which have occurred since the adoption of the City's FY25 budget. The final State budget includes a net increase to the Worcester Public Schools FY25 budget appropriation of \$61,501. The net increase to the municipality, after funding the Worcester Public Schools, totals \$239,684 and is being appropriated to the Fire Stabilization Fund. This fund was established to support the debt service costs associated with the proposed construction of a new South Division Fire Station.



FISCAL YEAR 2025 CAPITAL BUDGET

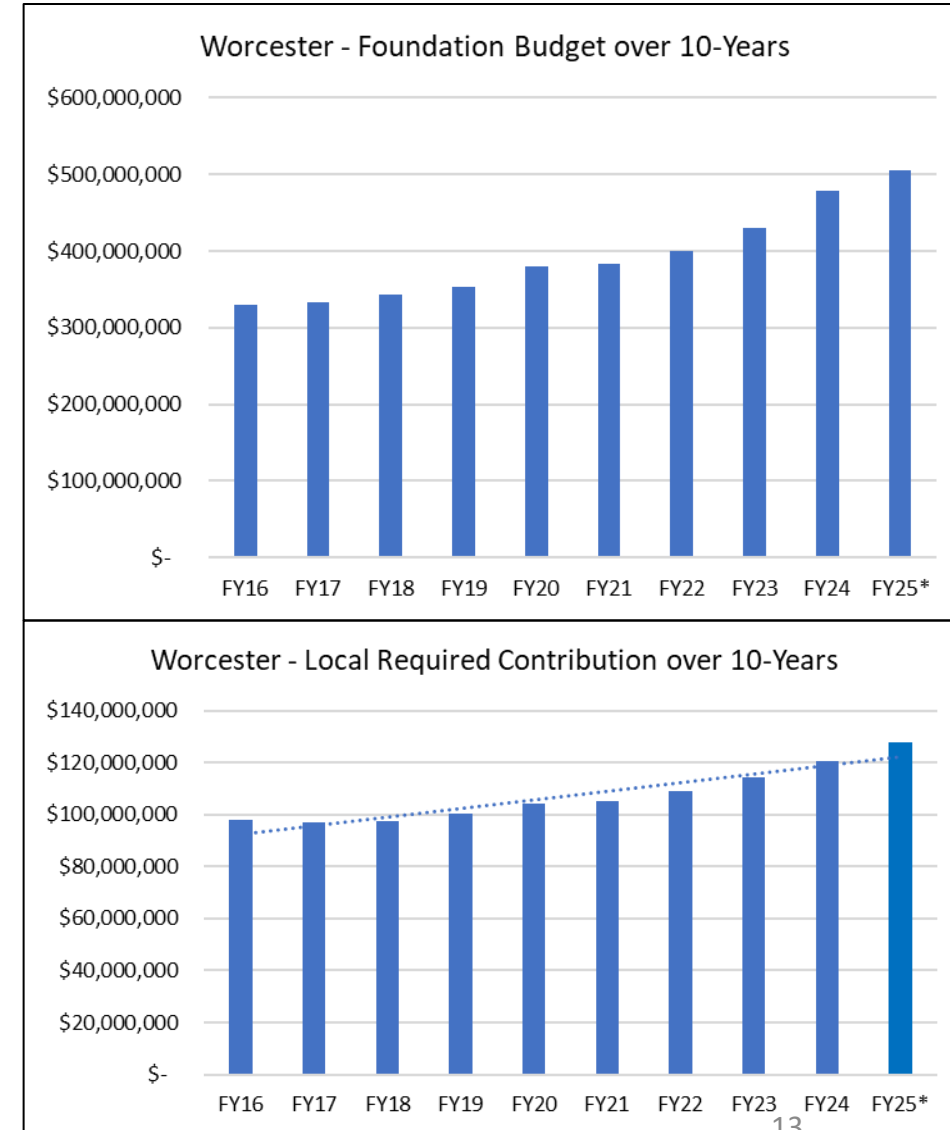
Debt Funding Source	FY25 Borrowing	FY25 New Authorization	Prior Year Loan Authorization	Grant / Donation Funds
Tax Levy	41,555,302	46,371,444	38,273,858	23,923,981
DCU Center	9,606,708	-	9,606,708	-
ESCo	1,200,000	1,200,000	-	-
MSBA	41,250,000	-	41,250,000	28,000,000
Off Street Parking Board	1,200,000	150,000	2,950,000	-
Golf	75,000	-	150,000	-
Sewer	21,266,000	20,430,000	15,296,000	4,500,000
Water	19,655,000	18,070,000	3,700,000	-
Total	\$ 135,808,010	\$ 86,221,444	\$ 111,226,566	\$ 56,423,981

- Key Projects include:
 - Doherty Memorial High School & Worcester Arts Magnet
 - Fire Department Engines and Ladders
 - Marked Police Vehicles
 - Upgrades to Public Safety Radio Equipment
 - Core Public Facility Rehabilitation Projects
 - DCU & Union Station Facility Improvements
 - Complete Street Design & Overall Improvements
 - Auditorium Roof Replacement
 - Parks Improvements, including Green Hill Park, East Park, University Park, and Great Brook Valley Park.
 - Playground Resurfacing at Elm Park and Blithewood Park, and sports courts improvements
 - Parking, Water & Sewer Infrastructure Upgrades



EDUCATION FUNDING IN MASSACHUSETTS

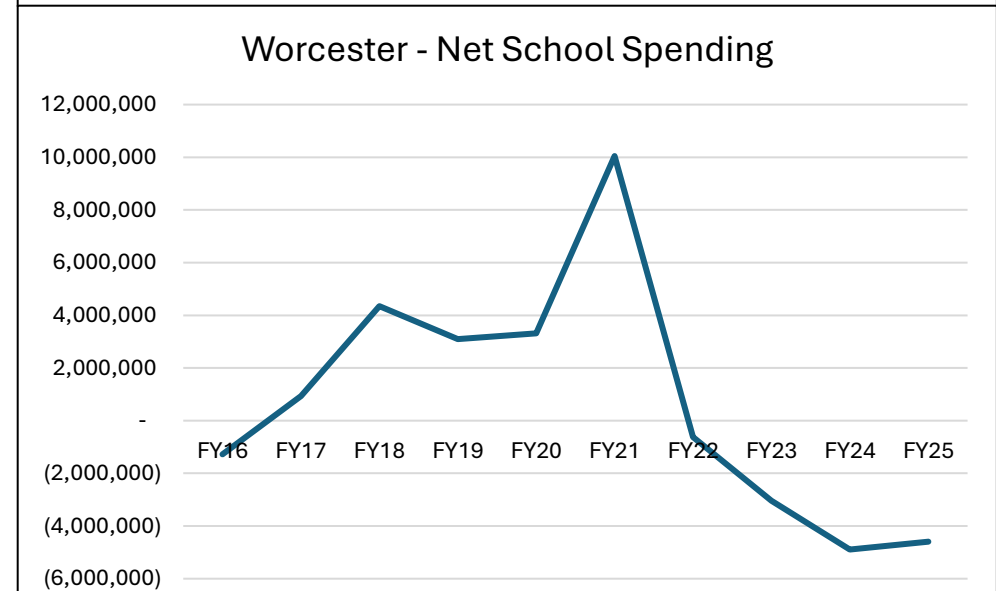
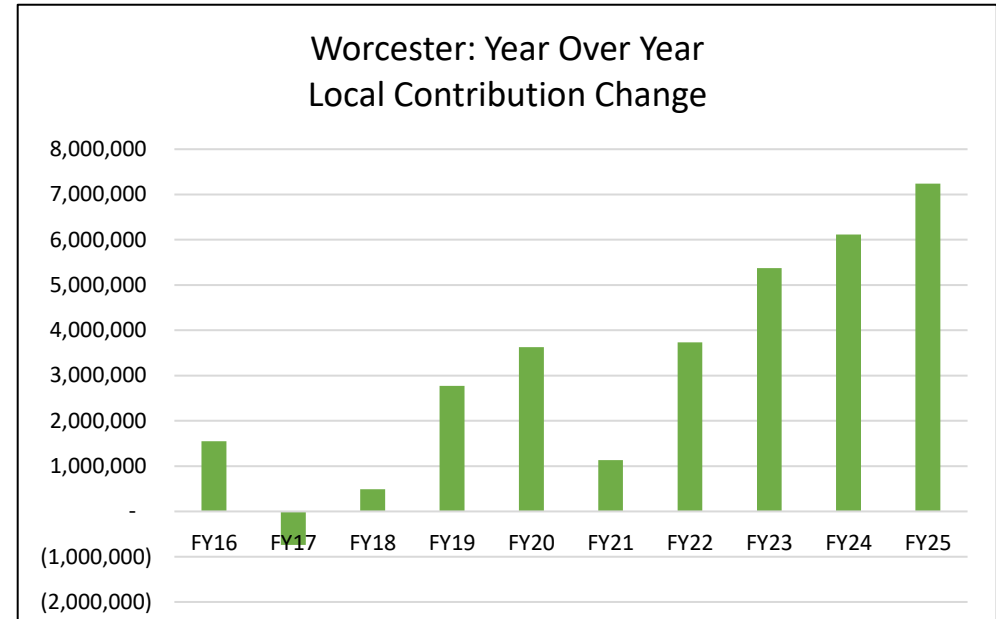
- **Chapter 70 of the Massachusetts General Laws** – Regulates education spending by regions, municipalities, and school districts.
- **Foundation Budget** – Establishes minimum adequate spending requirements for each school district, and minimum requirements for each municipality's share of school costs.
- **Local Required Contribution** – The mandatory municipal contribution to education as determined by the State Department of Elementary & Secondary Education (DESE).
- **Actual Contribution** – The funding raised from local sources and directed to the school district.
- **State-Aid – Education** – Funds representing the difference between the Foundation Budget and the Local Required Contribution that are provided by the State to augment local education revenues.
- **Net School Spending** – The sum of certain education-related expenditures by a school district. Does not include debt service, long-term building rentals, or transportation.





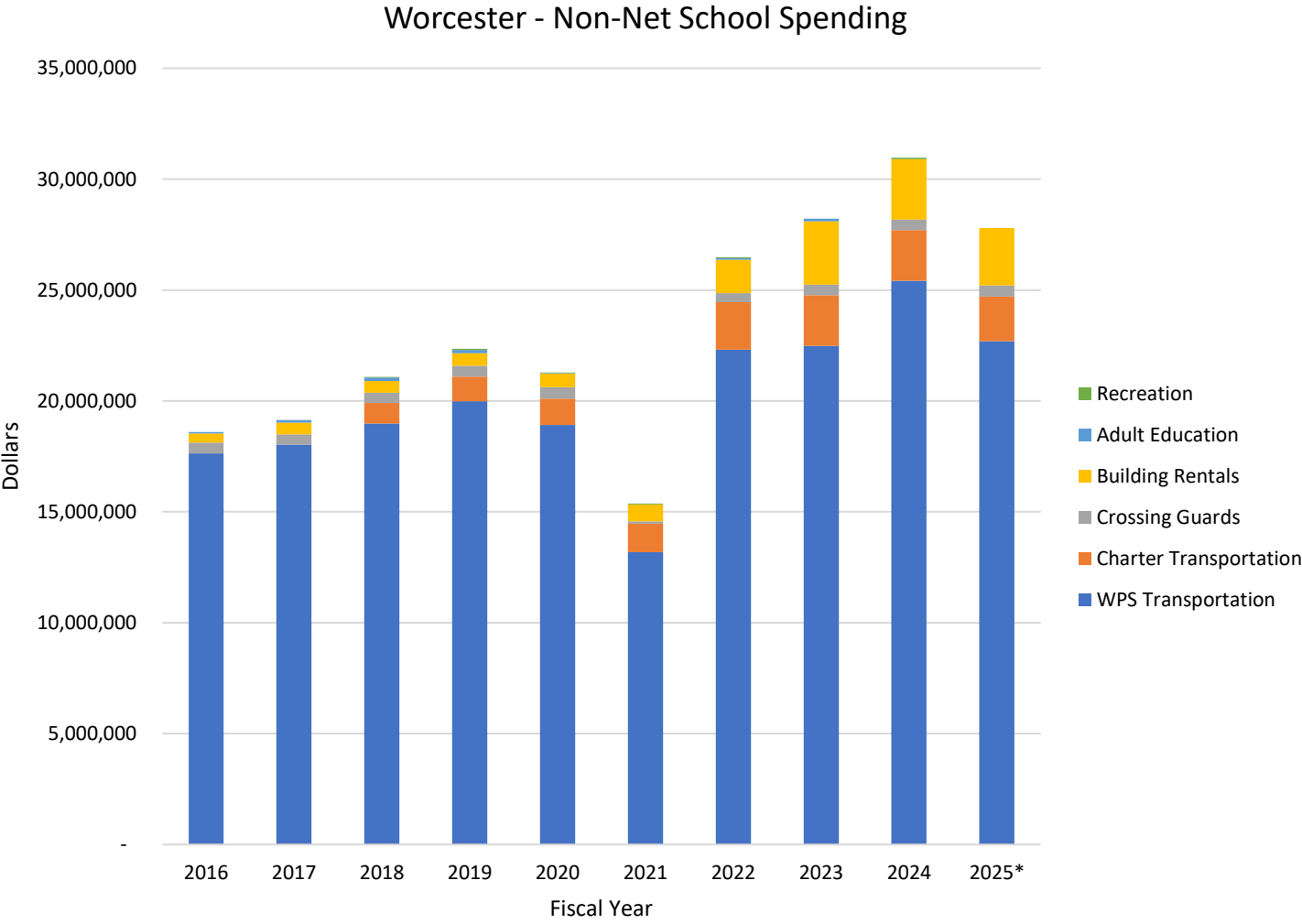
WORCESTER EDUCATION FUNDING

- **Total Education: \$533M – 59.7% of Budget**
 - FY24 to FY25 - City of Worcester Budget increased 3%.
 - FY24 to FY25 - Education Budget increased 5.2%.
 - FY24 to FY25 – Municipal Budget decreased (0.4%)
- Foundation Budget increased \$122M, or 31.9%, over last five years.
- Local Contribution increased \$22.5M, or 21.6%, over last five years.
- Worcester Public Schools General Fund Budget is \$485,710,712, an increase of \$23.8M over FY24, \$7.2M of which is additional local contribution to Education.
- WPS General Fund Budget increased nearly \$113M, or 30%, over last five years.





WORCESTER NON-NET SCHOOL SPENDING



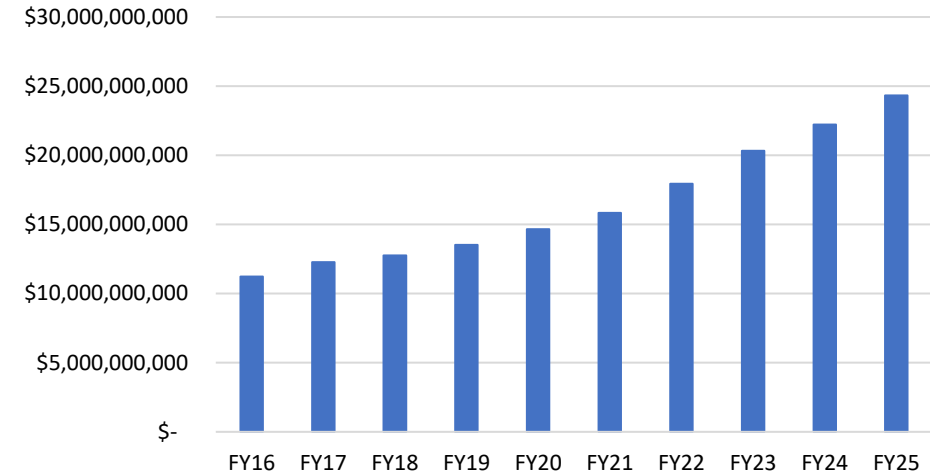


The City of Worcester

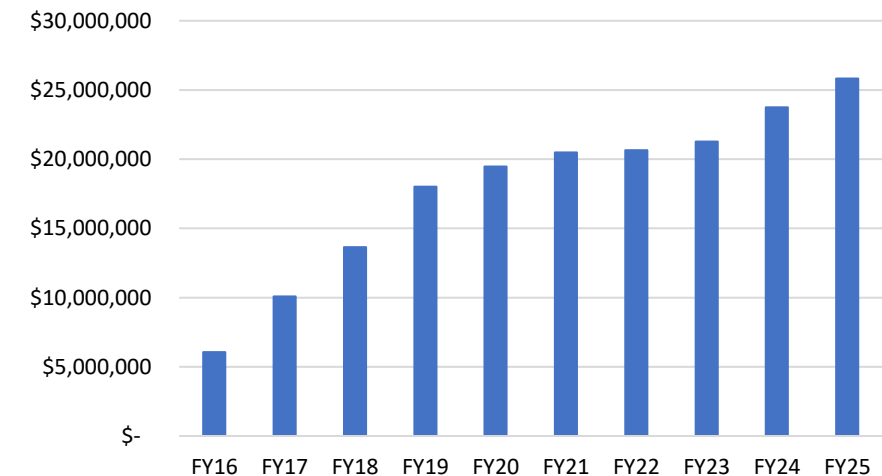
- FY25 Tax Levy Considerations
 - \$24.3 Billion AV, Increase of 9.5% over FY24
 - \$19.2B in Class 1 Residential
 - \$2.9B in Class 2 Commercial
 - \$873M in Class 4 Industrial
 - \$1.3B in Class 5 Personal Property
 - \$7.2B in Tax-Exempt Value
 - New Growth Value: \$452.8M
 - 38.3% Residential
 - 24.7% Commercial/Industrial
 - 37.0% Personal
 - Unused Levy Capacity: \$25.8M

CITY OF WORCESTER TAX LEVY

Worcester Total Assessed Value (FY16 to FY25)



Unused Levy Capacity (FY16 to FY25)





The City of WORCESTER

THE TAX RATE PROCESS

City of Worcester
Assessing Department
Fiscal Year 2025 Assessed Values
Summary of Possible Tax Rate Options

\$399,910,848 Proposed Levy

Single Tax Rate: \$16.44

LINE	Res Factor	CIP Factor	Res. Tax Rate	CIP Tax Rate	Pct. Change to AVG Single		Pct. Change to AVG Condo		Pct. Change to AVG Three		Pct. Change to AVG		Pct. Change to AVG Comm.		Pct. Change to MEDIAN	
					AVG Single Family Tax Bill	Family Tax Bill FY24 to FY25	AVG Condo Tax Bill	Bill FY24 to FY25	AVG Three Family Tax Bill	Family Bill FY24 to FY25	AVG Apartment Tax Bill	Apartment Tax Bill FY24 to FY25	AVG Comm. Tax Bill	Tax Bill FY24 to FY25	MEDIAN Comm. Tax Bill	Comm. Tax Bill FY24 to FY25
1	1.0000	1.0000	\$ 16.44	\$ 16.44	\$ 6,564	28.64%	\$ 4,367	29.13%	\$ 9,623	33.48%	\$ 26,835	56.58%	\$ 20,806	-42.31%	\$ 7,707	-41.90%
2	0.9993	1.0028	\$ 16.43	\$ 16.47	\$ 6,560	28.56%	\$ 4,365	29.05%	\$ 9,617	33.40%	\$ 26,819	56.48%	\$ 20,843	-42.21%	\$ 7,721	-41.79%
3	0.9985	1.0056	\$ 16.41	\$ 16.54	\$ 6,552	28.41%	\$ 4,359	28.89%	\$ 9,605	33.23%	\$ 26,786	56.29%	\$ 20,932	-41.96%	\$ 7,754	-41.54%
4	0.9978	1.0084	\$ 16.40	\$ 16.58	\$ 6,548	28.33%	\$ 4,357	28.81%	\$ 9,599	33.15%	\$ 26,770	56.20%	\$ 20,983	-41.82%	\$ 7,773	-41.40%
5	0.9970	1.0113	\$ 16.39	\$ 16.62	\$ 6,544	28.25%	\$ 4,354	28.73%	\$ 9,593	33.07%	\$ 26,753	56.10%	\$ 21,033	-41.68%	\$ 7,791	-41.26%
6	0.9963	1.0141	\$ 16.38	\$ 16.66	\$ 6,540	28.17%	\$ 4,351	28.66%	\$ 9,588	32.99%	\$ 26,737	56.01%	\$ 21,084	-41.54%	\$ 7,810	-41.12%
7	0.9955	1.0169	\$ 16.36	\$ 16.72	\$ 6,532	28.02%	\$ 4,346	28.50%	\$ 9,576	32.83%	\$ 26,704	55.82%	\$ 21,160	-41.33%	\$ 7,838	-40.91%
8	0.9948	1.0197	\$ 16.35	\$ 16.77	\$ 6,528	27.94%	\$ 4,343	28.42%	\$ 9,570	32.75%	\$ 26,688	55.72%	\$ 21,223	-41.16%	\$ 7,862	-40.73%
9	0.9940	1.0225	\$ 16.34	\$ 16.81	\$ 6,524	27.86%	\$ 4,341	28.34%	\$ 9,564	32.67%	\$ 26,672	55.63%	\$ 21,274	-41.02%	\$ 7,881	-40.59%
10	0.9933	1.0253	\$ 16.33	\$ 16.85	\$ 6,520	27.78%	\$ 4,338	28.26%	\$ 9,558	32.58%	\$ 26,655	55.53%	\$ 21,324	-40.88%	\$ 7,899	-40.45%
11	0.9925	1.0281	\$ 16.31	\$ 16.91	\$ 6,512	27.63%	\$ 4,333	28.11%	\$ 9,547	32.42%	\$ 26,623	55.34%	\$ 21,400	-40.66%	\$ 7,927	-40.23%
12	0.9918	1.0309	\$ 16.30	\$ 16.95	\$ 6,508	27.55%	\$ 4,330	28.03%	\$ 9,541	32.34%	\$ 26,607	55.24%	\$ 21,451	-40.52%	\$ 7,946	-40.09%
13	0.9910	1.0338	\$ 16.29	\$ 17.00	\$ 6,504	27.47%	\$ 4,327	27.95%	\$ 9,535	32.26%	\$ 26,590	55.15%	\$ 21,514	-40.35%	\$ 7,970	-39.92%
14	0.9903	1.0366	\$ 16.28	\$ 17.03	\$ 6,500	27.39%	\$ 4,325	27.87%	\$ 9,529	32.18%	\$ 26,574	55.05%	\$ 21,552	-40.24%	\$ 7,984	-39.81%
15	0.9895	1.0394	\$ 16.27	\$ 17.07	\$ 6,496	27.31%	\$ 4,322	27.79%	\$ 9,523	32.10%	\$ 26,558	54.96%	\$ 21,603	-40.10%	\$ 8,002	-39.67%
16	0.9888	1.0422	\$ 16.25	\$ 17.14	\$ 6,488	27.16%	\$ 4,317	27.63%	\$ 9,512	31.93%	\$ 26,525	54.77%	\$ 21,691	-39.86%	\$ 8,035	-39.42%
17	0.9880	1.0450	\$ 16.24	\$ 17.18	\$ 6,484	27.08%	\$ 4,314	27.56%	\$ 9,506	31.85%	\$ 26,509	54.67%	\$ 21,742	-39.72%	\$ 8,054	-39.28%
18	0.9873	1.0478	\$ 16.23	\$ 17.22	\$ 6,480	27.00%	\$ 4,311	27.48%	\$ 9,500	31.77%	\$ 26,492	54.58%	\$ 21,793	-39.58%	\$ 8,073	-39.14%
19	0.9865	1.0506	\$ 16.22	\$ 17.26	\$ 6,476	26.92%	\$ 4,309	27.40%	\$ 9,494	31.69%	\$ 26,476	54.48%	\$ 21,843	-39.44%	\$ 8,091	-39.00%
20	0.9857	1.0534	\$ 16.20	\$ 17.32	\$ 6,468	26.76%	\$ 4,304	27.24%	\$ 9,482	31.53%	\$ 26,443	54.29%	\$ 21,919	-39.23%	\$ 8,120	-38.79%
21	0.9850	1.0563	\$ 16.19	\$ 17.37	\$ 6,464	26.69%	\$ 4,301	27.16%	\$ 9,476	31.45%	\$ 26,427	54.20%	\$ 21,982	-39.05%	\$ 8,143	-38.61%
22	0.9842	1.0591	\$ 16.18	\$ 17.41	\$ 6,460	26.61%	\$ 4,298	27.08%	\$ 9,471	31.37%	\$ 26,411	54.10%	\$ 22,033	-38.91%	\$ 8,162	-38.47%
23	0.9835	1.0619	\$ 16.17	\$ 17.45	\$ 6,456	26.53%	\$ 4,296	27.01%	\$ 9,465	31.29%	\$ 26,394	54.01%	\$ 22,084	-38.77%	\$ 8,181	-38.33%
24	0.9827	1.0647	\$ 16.15	\$ 17.51	\$ 6,448	26.37%	\$ 4,290	26.85%	\$ 9,453	31.12%	\$ 26,362	53.82%	\$ 22,160	-38.56%	\$ 8,209	-38.11%
25	0.9820	1.0675	\$ 16.14	\$ 17.55	\$ 6,444	26.30%	\$ 4,288	26.77%	\$ 9,447	31.04%	\$ 26,345	53.72%	\$ 22,210	-38.42%	\$ 8,227	-37.97%
26	0.9812	1.0703	\$ 16.13	\$ 17.60	\$ 6,440	26.22%	\$ 4,285	26.69%	\$ 9,441	30.96%	\$ 26,329	53.63%	\$ 22,274	-38.24%	\$ 8,251	-37.80%
27	0.9805	1.0731	\$ 16.12	\$ 17.63	\$ 6,436	26.14%	\$ 4,282	26.61%	\$ 9,435	30.88%	\$ 26,313	53.53%	\$ 22,312	-38.14%	\$ 8,265	-37.69%
28	0.9797	1.0759	\$ 16.10	\$ 17.68	\$ 6,432	26.06%	\$ 4,277	26.56%	\$ 9,429	30.79%	\$ 26,297	53.44%	\$ 22,357	-38.02%	\$ 8,283	-37.60%



THE TAX RATE PROCESS (CONT.)

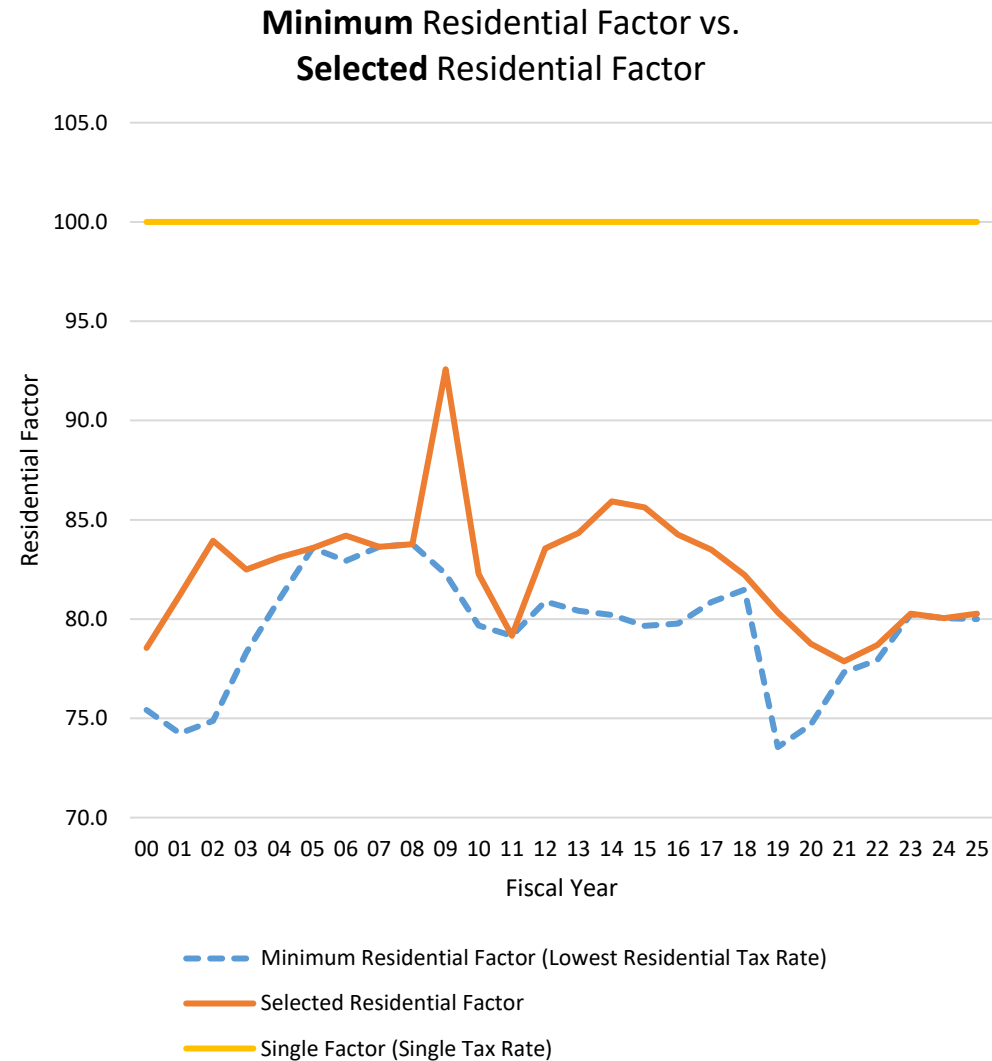
FY25 Tax Rate Considerations - FY25 Levy: \$399,910,848

- **Total Valuation:** \$24,328,752,608 (9.5% Increase over FY24)
- **Average & Median SFV:** \$399,273 & \$377,700
- **Average & Median ComVal:** \$1,265,542 & \$468,800
- **Residential Average Increase:** 7.97% Single Family Increase; 11.63% Apartment Increase; 11.73% Three-Family Increase
- **Residential Median Increase:** 7.29% Single Family Increase; 16.1% Apartment Increase
- **CIP Increase:** 5.41% Average Increase; 6.17% Median Increase
- **Impact of \$1M Change:** Lowest Residential: AVE: \$12 R and \$101 CIP; MED: \$11 R and \$38 CIP

Approach	Res. Factor	Res. Rate	CIP Rate	Residential Bill	CIP Bill	Res. Change	CIP Change	Notes
Single Tax Rate	1.0	\$16.44	\$16.44	\$6,564 AVG \$6,209 MED	\$20,806 AVG \$7,707 MED	\$1,462 AVG 28.64% AVG \$1,369 MED 28.27% MED	-\$15,261 AVG -42.31% AVG -\$5,557 MED -41.90% MED	Line 1
Lowest Residential	.8004	\$13.16	\$28.74	\$5,254 AVG \$4,971 MED	\$36,372 AVG \$13,473 MED	\$152 AVG 2.98% AVG \$130 MED 2.68% MED	\$305 AVG 0.85% AVG \$209 MED 1.58% MED	Line 267
Closest Average \$ Change	.8012	\$13.22	\$28.51	\$5,278 AVG	\$36,081 AVG	\$176	\$14	Line 262
Closest Average % Change	.8004	\$13.16	\$28.74	\$5,254 AVG \$4,971 MED	\$36,372 AVG \$13,473 MED	\$152 AVG 2.98% AVG \$130 MED 2.68% MED	\$305 AVG 0.85% AVG \$209 MED 1.58% MED	Line 267
Closest Median \$ Change	.8027	\$13.19	\$28.61	\$4,982 MED	\$13,412 MED	\$141	\$148	Line 264
Closest Median % Change	.8004	\$13.16	\$28.74	\$5,254 AVG \$4,971 MED	\$36,372 AVG \$13,473 MED	\$152 AVG 2.98% AVG \$130 MED 2.68% MED	\$305 AVG 0.85% AVG \$209 MED 1.58% MED	Line 267
Residential & CIP Both Pay More (Median)	.8072	\$13.27	\$28.32	\$5,012 MED	\$13,276 MED	\$171	\$12	Line 258
No Change in Residential Rate	.8365	\$13.75	\$26.52	\$5,490 AVG \$5,193 MED	\$33,562 AVG \$12,433 MED	\$387 AVG \$353 MED	-\$2,504 AVG -\$832 MED	Line 219

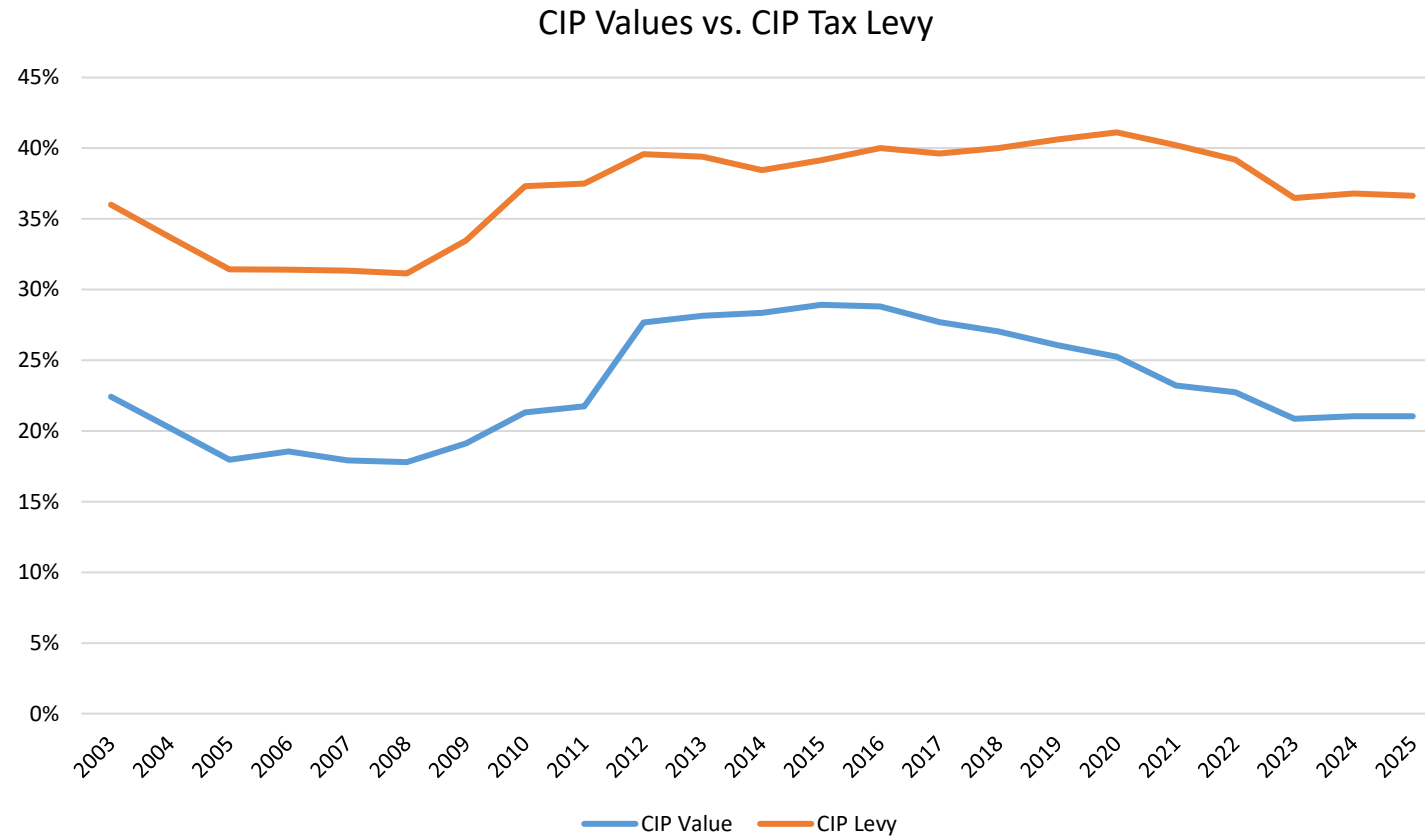


THE SELECTED TAX RATE





COMMERCIAL, INDUSTRIAL, AND PERSONAL PROPERTY *VALUES VS. TAX LEVY*





COMMUNITY PRESERVATION ACT (CPA)

- Community Preservation Act
 - Adopted by public referendum on November 8, 2022
 - 1.5% surcharge on property taxes
 - Exempt
 - Owner-occupied low-income housing or moderate-income senior housing
 - \$100,000 of value of residential property
 - \$100,000 value of commercial/industrial property
 - Annual distribution from state trust fund
 - Purposes: Affordable Housing, Open Space, Historic Preservation
 - Implemented in FY24
 - Average Single-Family Surcharge: \$56
 - Average Commercial Surcharge: \$496
 - Total Commitment: \$4,231,800
 - Collected as of 6/30/24: \$3,596,445 (84.99%)
 - FY24 State Match (Received in FY25): \$764,309
 - Commitment for FY25: \$4,521,469
 - CPA Committee developing Community Preservation Plan to be followed by applications and awards.



The City of
Worcester

COLLECTIVE BARGAINING

Name of CBU	Union	Length of Contract	Start Date	Contract Expires	Approx. Number of Employees
<u>Municipal</u>					
Fire Department - Firefighters	IAFF - Local 1009	3 Years	07/01/23	06/30/26	414
Police Department - Police Officers	NEPBA - Local 911	3 Years	07/01/22	06/30/25	353
Police Department - Police Officials	IBPO - Local 504	3 Years	07/01/23	06/30/26	91
Civilian Employees	NAGE - Local 495	3 Years	07/01/23	06/30/26	447
City Departments - Clerical	NAGE - Local 490	2 Years	07/01/24	06/30/26	74
Public Works - Clerical	Local 170 - Teamsters Union	3 Years	07/01/23	06/30/26	25
Unrepresented	NA	NA	NA	NA	440
Municipal Employees:					1,844
<u>Worcester Public Schools</u>					
Unrepresented (Administrator & Non Administrator)	NA	NA	NA	NA	680
Computer Technicians (Unit D)	LIUNA - Local 272	3 Years	07/01/22	06/30/25	27
Custodians	LIUNA - Local 272	3 Years	07/01/22	06/30/25	164
Educational Secretaries	LIUNA - Local 172	3 Years	07/01/22	06/30/25	62
School Nurses	Massachusetts Nurses Association	1 Year	07/01/23	06/30/26	64
Administrative Secretaries	NAGE R1-156	4 Years	07/01/22	06/30/26	62
Cafeteria Workers	NAGE R1-16	2 Years	08/26/21	08/25/23	183
Units A&B	EAW	4 Years	09/01/22	08/31/26	2,588
Paraeducators	EAW	4 Years	09/01/22	08/31/26	683
Parent Liaisons & EPL Testers	EAW	4 Years	09/01/22	06/30/26	9
ESL Tutors	EAW	n/a	n/a	n/a	0
Therapy, Speech, Language Assistants	EAW	1 Year	07/01/22	06/30/23	30
Aides to Physically Handicapped	EAW	3 Years	07/01/23	06/30/26	330
Bus Monitors	EAW	3 Years	07/01/23	06/30/26	
Large Bus Drivers & 7D	EAW	3 Years	07/01/23	06/30/26	
Tradesmen	IUPE - Local 135	1 Year	07/01/22	06/30/23	14
Plumbers & Steamfitters	IUPE - Local 125	1 Year	07/01/22	06/30/23	
WPS Employees:					4,896

City of Worcester
All Units Settled

Worcester Public Schools
5 of 16 Units Outstanding

Shading Indicates
Expired Contracts

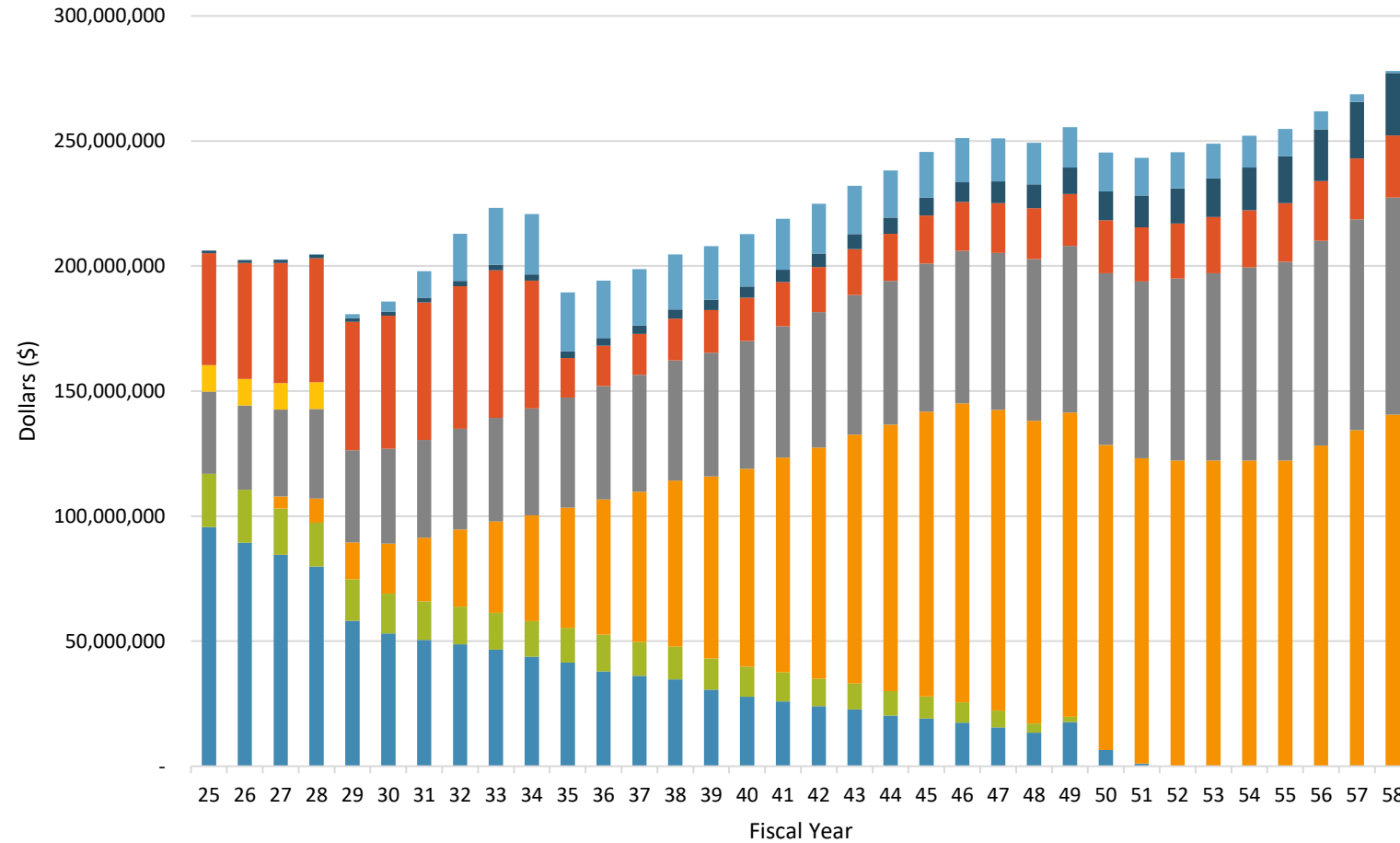
Total
Employees: 6,740



The City of
Worcester

PREDICTING THE CITY'S FIXED OBLIGATIONS

City of Worcester Fixed Cost Analysis

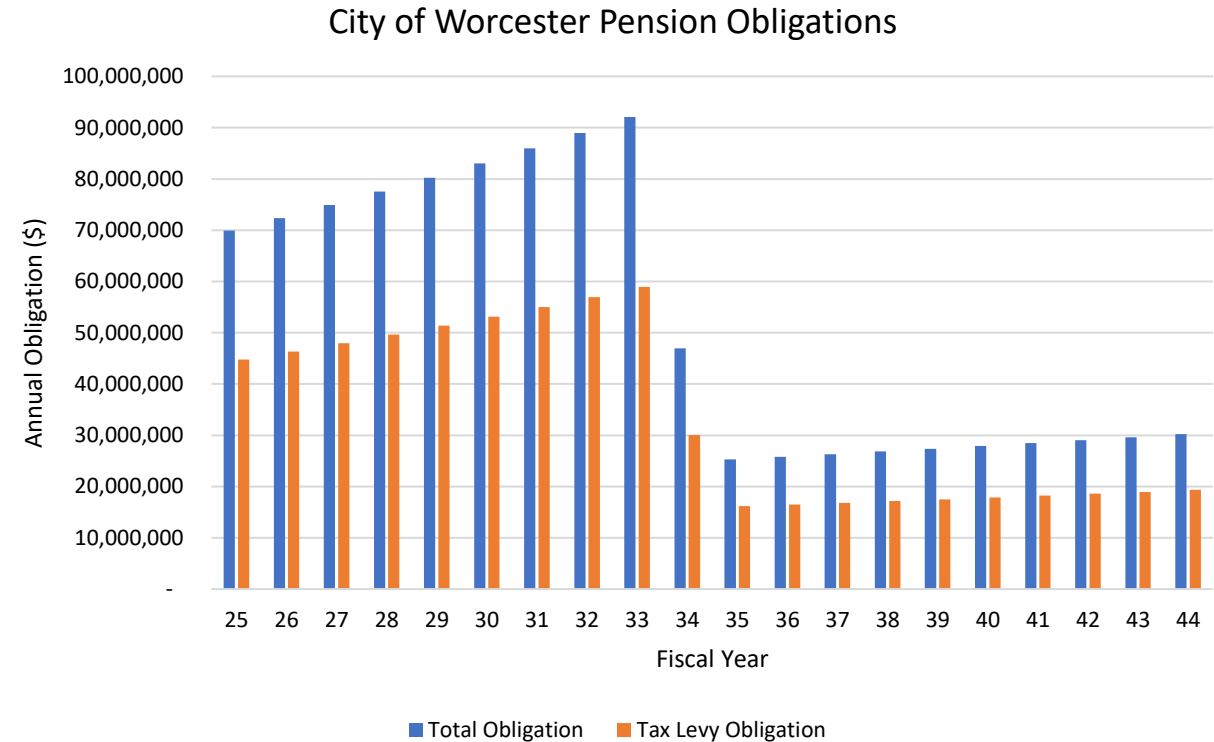


- Current Debt Service - No WPS
- Future Estimated Debt Service Obligations (City + WPS/No Burncoat)
- Pension Obligation Bonds (City Tax Levy)
- OPEB Trust Commitment
- Current WPS-Related Debt Service
- Health Insurance Obligations (City Tax Levy)
- Retirement Obligations (City Tax Levy)
- Burncoat Middle & High Debt Service



THE CITY IS PROGRESSIVELY FUNDING ITS PENSION OBLIGATION

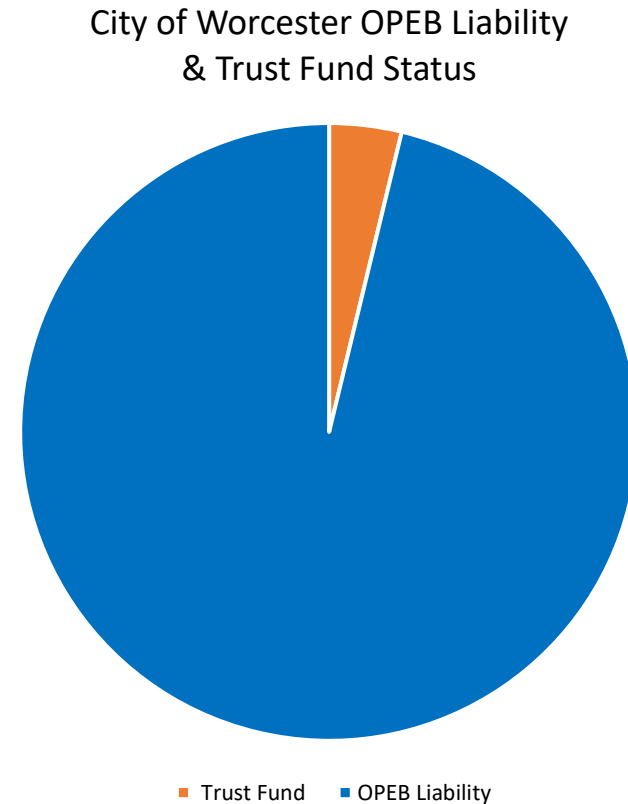
- The Worcester Retirement System provides a life-time pension to eligible employees who reach ten (10) years of service.
- Under state law, the City is obligated to fully fund the Worcester Retirement System by 2040, however the City is committed to a plan to fully fund by 2034.
- As of January 1, 2024, the actuarial accrued liability of the City's pension obligation was \$1,755,685,119.
 - As of January 1, 2024, the actuarial value of assets of the retirement system was \$1,344,095,169.
 - As of January 1, 2024, the unfunded actuarial accrued liability on the actuarial value of assets was \$411,589,950.
- The City's annual obligation increased by 6% in FY25 and will increase by 3% thereafter until FY34.
- The City assumes a 6.80% net investment return.
- As of January 1, 2024, there were 2,756 retired participants and beneficiaries, 173 inactive vested participants, 1,310 inactive participants due to a refund of employee contributions, and 3,763 active participants.





THE CITY HAS A LARGELY UNFUNDED OPEB LIABILITY

- OPEB includes health insurance and life insurance for retirees and spouses.
- The City's OPEB obligations expand as retirees live longer, new employees vest, and health care costs increase.
- As of June 30, 2024, the City's OPEB liability was \$1,158,527,736.
- The City currently pays approximately \$25M annually for OPEB-related health care costs.
- Under the City's Financial Integrity Plan, the City dedicates a fixed amount (increasing 10% annually) to OPEB obligations as well as 30% of available Free Cash.
- In FY20, the City established an irrevocable OPEB Trust for the investment of these funds.
- As of 6/20/24, the OPEB Trust had a fiduciary net position of approximately \$47.4M.





THE CITY'S DEBT CAPACITY AND COST IS AFFECTED BY MANY CONSIDERATIONS

- Bond Ratings
 - Fitch Ratings (AA)
 - Moody's Investors Service (Aa3)
 - Standard & Poor's Rating Services (AA-)
- Reserves (Bond Rating Stabilization Fund; Capital Campaign Stabilization Fund; North High Construction Fund; New High School Fund; Fire Department Stabilization Fund; Etc.)
- Unused Tax Levy Capacity (\$25.8M)
- Assessed Values, Per Capita Income & Economic Investment
 - Per Capita: \$4,906 (2020 Census)
 - % of Equalized Valuation: 5.41%
- Outstanding Liabilities
 - Pensions
 - Other-Post Employment Benefits (OPEB)



The City of WORCESTER

Worcester Debt As of June 30, 2024

General Obligation (GO) Bonds

Within the Debt Limit \$304,785,464

Outside the Debt Limit \$708,401,568

Total GO Bonds \$1,013,187,032

Bond Anticipation Notes (BANs)

\$40,574,929

Total Debt \$1,053,761,961

FY25 Debt Service (Budgeted) \$ 114,006,369

WORCESTER'S DEBT STATUS

Less Deduction for Self-Supporting

Water 67,004,488

Sewer 132,264,116

CitySquare 53,527,714

Off Street Parking 24,117,386

DCU Special District 29,679,769

Other Enterprise 1,435,151

CSX 260,578

PILOT 1,106,486

North High Fund 11,096,870

HUD 37,000

New School 184,199,239

Building Campaign 1,670,000

Baseball 139,688,067

Total Self-Supporting \$646,607,483

TOTAL NET DIRECT DEBT: \$407,154,478



FUTURE BUDGET CONSTRAINTS

- Increasing Education Obligations
 - Estimated growth of \$26M in additional Required Local Contributions, over next five years, based on past five-year average.
 - Increased capital demands of school repair and replacement projects.
 - Capital and Operational Impact of Burncoat High & Middle School replacement project.
- Increasing Personnel Commitments
 - Collective Bargaining
- Increasing Subscription Obligations
 - ERP/Workday, Tyler, Vertex One, Microsoft 365, CAD/RMS
- Increasing Fixed Costs
 - Pension Obligations (through FY34) – 3.5% Annual Increases
 - Health Insurance – 3%+ Annual Increases
 - Debt Service Obligations
- Increasing Financial Integrity Plan Obligations
 - New High School Fund – 25% Annual Increases
 - Other Post-Employment Benefits (OPEB) Trust Fund Contributions – 10% Annual Increase



City of Worcester:

- \$54M, including SAFER* (Fire) Grants (\$23M), Community Development Block Grant (\$9M), Housing (\$8.6M), Brownfields (\$6.2M), and Lead (\$4.1M). Approximately \$10.8M of the total is used to support FY25 operations/92 positions.

Worcester Public Schools:

- \$54M, including Child Nutrition (\$17M), Low-Income Families (\$14.5M), Individuals with Disabilities (\$8.6M), Head Start (\$7.2M). Nearly 100% is used to support FY25 operations/779 positions.

Other Federal Funding:

- | | |
|---|---|
| • American Rescue Plan Act (ARPA): | \$146.6M |
| • CARES Act & Direct COVID Response: | \$30M |
| • WPS ESSER Funding: | \$130M (\$78M ARPA) |
| • Massachusetts ARPA: | \$4.5B |
| • Federal Infrastructure Bill (MA Share): | \$9.5B (\$5.4B in Highway; \$2.2B in MBTA; \$591M in RTS, \$1.4B Environmental) |