

TOWN OF SHREWSBURY

FINANCIAL OBJECTIVES FISCAL YEAR 2020

November 13, 2018

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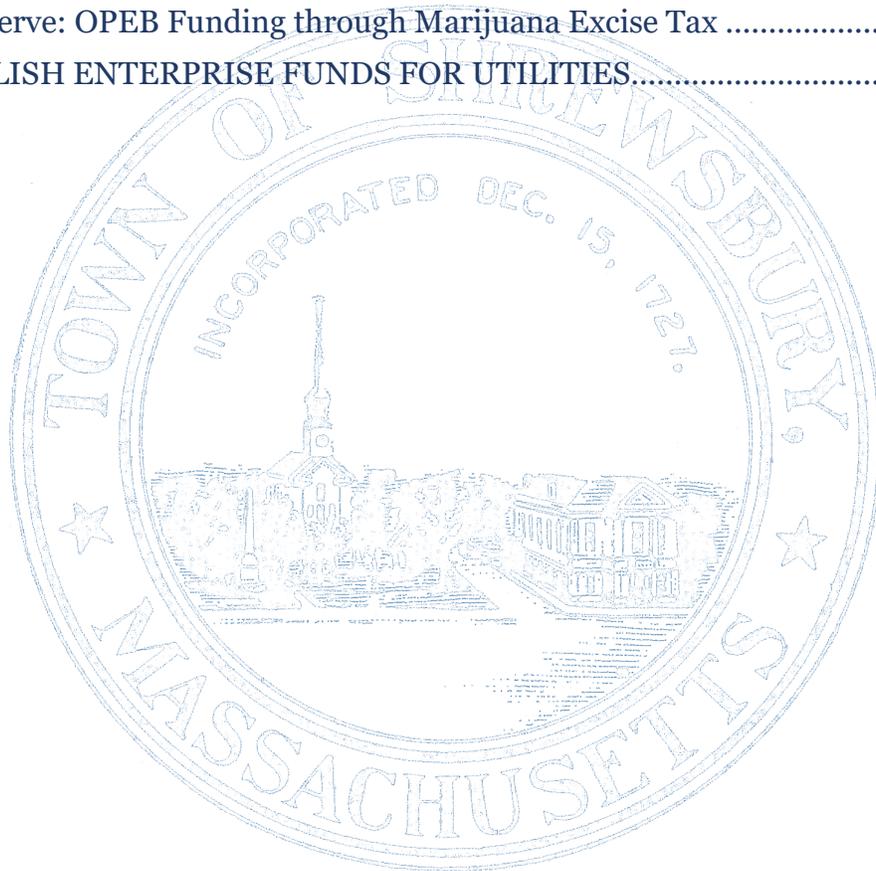
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INTRODUCTION

Annually at the outset of the budget planning process, the Board of Selectmen provides specific direction to the Town Manager by setting Financial Objectives for the upcoming budget year. These objectives clarify and enhance other policies of the Board providing the Town Manager with timely guidance on high priority matters that are to be incorporated into the development of the budget. These objectives are set in concert with the Financial Policies of the Town, and often are much more narrowly focused and provide a greater level of detail on the interests of the Board of Selectmen.

If you have any questions, please contact Town Manager Kevin J. Mizikar at 508-841-8508 or kmizikar@shrewsburyma.gov.

A – RETIREMENT & OTHER POST EMPLOYMENT BENEFITS FUNDING

Background:

The Town of Shrewsbury has prudently enacted a multi-year plan to fund its retiree pension obligations. The dedication to this plan, coupled with recent gains on investments, has placed the Town in a position to fully fund its obligation in fiscal year 2020 (FY20). A actuarial analysis of the Shrewsbury Retirement System as of January 1, 2018 shows the system is 92.4% funded with a remaining obligation of \$9,830,828. This enviable position will allow the Town to reallocate resources currently used to meet its pension obligations for other municipal purposes.

The Town has made \$3,886,000 in contributions to Other Post Employment Benefit (OPEB) liabilities. The most recent actuarial analysis as of June 30, 2018 calculates the Town's unfunded liability at \$52,650,000. The Board of Selectmen committed to enhancing funding for OPEB liabilities once it's pension obligations are fulfilled.

A.1 – Objective: Retirement System Funding: FY20 Budget

Sufficiently fund the revised requirements to fully fund the Town's outstanding pension liability by FY20. Contribute the reduction from Fy19 to Fy20 in retirement system funding obligations of \$358,916 to fund Other Post Employment Benefit liabilities.

A.2 – Objective: Retirement System Funds Planning

In FY20 study and recommend the future allocation of funds that are currently dedicated to meeting the funding goal of the Retirement System.

A.3 – Objective: OPEB Funding through Landfill Ash Revenue

Background:

The Town receives revenue annually through a contract with Wheelabrator for the operation of the Shrewsbury landfill. This revenue is derived from Wheelabrator depositing ash from its waste-energy incinerators into the Shrewsbury landfill. Payments are made based upon an agreed to amount per cubic yard of deposited material. In FY18 the total revenue from this contract was \$2,475,224.

The Town is free to use these revenues for any lawful municipal purpose. Currently these revenues are used to fund various aspects of the operating budget. The operations that this revenue sources funds are anticipated to continue in perpetuity.

Unfortunately, there is a limited amount of space remaining at the Shrewsbury Landfill. Based upon a detailed review of the current agreement and meetings with Wheelabrator's operations manager, the Town can expect to receive approximately \$1,800,000 per year through FY28 when the landfill will reach its current permitted capacity. Therefore, the Town must find a way to offset its reliance on this revenue source to prevent a structural budget deficit.

Objective:

In FY21 and each subsequent year required, dedicate all forecasted revenues from the agreement with Wheelabrator to funding OPEB liabilities. The Wheelabrator revenue used to fund the operating budget will be replaced with revenues currently funding the Retirement System.

A.4 – Objective: OPEB Funding through Marijuana Excise Tax

Background:

The Town is in a relatively unique situation where it will benefit from a new revenue source likely in FY19 or FY20. These funds will be realized through the collection of a 3.0% excise tax on the retail sales of recreational marijuana. The total revenue that the Town will receive through this source is unknown. However, various independent marijuana establishments have estimated the Shrewsbury market to have \$10,000,000 to \$15,000,000 in sales resulting in \$300,000 to \$450,000 in taxes.

Objective:

Transfer all marijuana excise tax revenue to fund OPEB liabilities.

B – ESTABLISH ENTERPRISE FUNDS FOR UTILITIES

Background:

The Shrewsbury Water Department is the Town’s first utility established in 1905. The Board of Selectmen serve as the Town’s Water Commissioners and are charged with setting the Water Rates. The Water Commissioners with the support of Town Meeting have prudently managed the water revenues as a General Fund revenue through Schedule A, local receipts. However, given the growing complexity of the system and the critical importance of the utility to the well-being of all residents it is prudent to safeguard the funds of the utility to ensure they are only utilized to the benefit of the drinking water system.

Town Meeting had to the foresight to establish a storm water utility over a decade ago. Town officials had the foresight to recognize the importance of this utility for the overall well-being of the Town’s water resources. As of July of 2018 the Town is now under the jurisdiction of a U.S. Environmental Protection Agency Municipal Separate Storm Sewer System (MS4) permit that requires a significant level of effort through enhance and new activities to maintain the quality of the water the enters the Town’s storm water system. These new requirements correlate to certain physical attributes property within the Town and therefore can be directly attributed and assessed thereto through a fee system.

Objective:

Seek Town Meeting authorization to establish enterprise funds to manage the Town’s drinking water and storm water utilities.

Adopted this 13th day of November, 2018.

Board of Selectmen:

John I. Lebeaux

Maurice M. DePalo

Moira E. Miller

James F. Kane

Beth N. Casavant

