

# The Town of East Greenwich

## Proposed Fiscal Year 2019 Budget: Context and Challenges

May 14, 2018

Gayle A. Corrigan

Town Manager

CONTEXT

Participating Employer	Discount Rate Sensitivity		
	Ending Net Pension Liability		
	1% Lower 6.50%	7.50%	1% Higher 8.50%
State of Rhode Island	\$ 1,497,645,140	\$ 1,212,754,055	\$ 979,527,984
Barrington	54,512,550	44,142,844	35,653,685
Bristol/Warren	50,804,515	41,140,174	33,228,462
Burrillville	30,759,756	24,908,450	20,118,278
Central Falls	42,965,135	34,792,048	28,101,151
Chariho	58,005,012	46,970,949	37,937,914
Coventry	80,755,358	65,393,587	52,817,674
Cranston	170,586,840	138,136,783	111,571,546
Cumberland	67,599,409	54,740,242	44,213,086
East Greenwich	38,111,015	30,861,308	24,926,336

State Education Aid / Funding Formula

The state of Rhode Island provides direct financial support to public schools and public school students through state aid.

EMPLOYEES' RETIREMENT SYSTEM  
OF THE STATE OF RHODE ISLAND

Employees' Retirement System  
Cost-Sharing Plan

Schedules of Employer Allocations

Schedules of Pension Amounts by Employer

 **Carolyn Mark for EG Schools**  
May 3, 2017 at 8:56pm · 📍


The East Greenwich School Committee has posted a public statement on the EGSD website regarding the teachers' contract settlement. Click below to view the full statement.


 egsd.net  
www.egsd.net

TOWN OF EAST GREENWICH


ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

 State of Rhode Island  
**Employees' Retirement System of Rhode Island**  
OFFICE OF THE GENERAL TREASURER

 **RIDE** Rhode Island  
Department  
of Education

Bonds payable	\$ (45,246,501)
Accrued compensated absences	(1,177,420)
Claims, judgments, and settlements	(2,291,980)
Capital leases payable	(16,943)
Net OPEB liability	(39,218,245)
Net pension liability	(46,489,295)
	<u><u>\$ (134,440,384)</u></u>

 **RI Department of  
Labor and Training**

1155	East Greenwich Fire	C,D	10.00%	N/A	29.97%
1154	East Greenwich Police Department	C,D	10.00%	N/A	28.87%

**State of the State**  
**A Statistical Profile of  
Rhode Island's Cities and Towns**

Municipal Employees Retirement System

State of Rhode Island

Actuarial Valuation Report

As of June 30, 2017

EGSD East Greenwich School Dept.

**Collective Bargaining  
Agreements**

Employees' Retirement System of Rhode Island

Contribution Rates

For Fiscal Year Ending June 30, 2019

Rates for all schools districts\*

Defined Benefit Plan - ERSRI

Certified

Employee rate	3.75% (11.00% for members with 20 years of service at 6/30/2012)**
Local Employer Rate	13.45%
State Share	10.06%
Federally Funded	23.51%

Enrollment, Dropout, and Graduation Data

RIDE reports on enrollment, dropout, and graduation data statewide and for each Rhode Island public high school.

Employees' Retirement System of  
Rhode Island

Actuarial Valuation Report

As of June 30, 2017

Town of East Greenwich, Rhode Island  
Postretirement Health Insurance Program

Financial Disclosure Information

in accordance with Statement of  
Governmental Accounting Standards

Board No. 75

EMPLOYEES' RETIREMENT SYSTEM OF THE  
STATE OF RHODE ISLAND

Municipal Employees' Retirement System  
Multiple-Employer  
Defined Benefit Agent Plan

GASB STATEMENT No. 68 REPORTS

# East Greenwich 2000 - 2015

## East Greenwich Snapshot

<http://www.dlt.ri.gov/lmi/pdf/stateofstate.pdf>

<http://www.eride.ri.gov/reports/reports.asp>

<https://smartasset.com/investing/inflation-calculator>

2000 Tax Levy = \$29,728,162

2015 Tax Levy = \$55,443,801

2000 Population = 12,948

2015 Population = 13,114

2000 Student Enrollment = 2,374

2015 Student Enrollment = 2,412

2000 Median Household Income = \$70,063

2015 Median Household Income = \$87,292

## Summary

Increase in Tax Levy	\$25,715,639
Increase % in Tax Levy	87%
Inflation %	38%
Increase % in EG Median Income	25%
Increase in Median Income	\$17,229
Increase in Residents	166
Increase % in Residents	1.3%
Increase in Enrollment	38
Increase % in Enrollment	1.6%

# School Funding from the Town

Year	Appropriation	% Increase
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2006	<b>\$25,706,870</b>	
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	\$1,252,938	4.87%
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	\$1,517,378	5.63%
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	\$948,016	3.33%
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	\$387,143	1.32%
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	\$260,171	0.87%
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+

	\$428,561	1.43%
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	\$649,043	2.13%
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	\$626,081	2.01%
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	\$695,899	2.19%
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	\$795,455	2.45%
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	<u>\$751,351</u>	2.26%
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2017	<b>\$34,018,906</b>	
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**\$55,157,446**

# 2018 Educational State Aid

Rhode Island Total

**\$940,710,524**

**or**

**\$6,580 per pupil**

East Greenwich

**\$2,739,941**

**or**

**\$1,096 per pupil**

**or**

**1/3<sup>rd</sup> of 1% of the total state aid issued**

# CHALLENGES

# Biggest Challenges we Face as a Community

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1. The Surge in Tax Revenue Needed to Cover the Increasing Cash Flow Requirements For :

- 1. Contracts**
- 2. Pensions & Other Post Employment Benefits (OPEB)**
- 3. Debt**

2. The Decrease in Tax Revenue Allocated To :

- 1. Deferred Maintenance**
- 2. Capital Improvements**
- 3. Educational Initiatives & Improvements**



CONTRACTS :

FIRE DEPARTMENT

# Fire Overtime Budget Pressure

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OVERTIME :

**FY14 - \$438,385**

**FY19 (est.) – \$1,200,089**

# How is \$1.2 Million in Overtime Possible?

**Written into the contract :** Overtime earned on hour one, day one, of the workweek, “for work beyond their normally assigned work schedule”

## Example:

Fire Fighter 1 :	Scheduled for 10 hour morning shift
Fire Fighter 2:	Scheduled for 14 hour night shift
Fire Fighter 1:	Takes a vacation day for morning shift
Fire Fighter 2:	Covers shift for Fire Fighter 1
Fire Fighter 2:	Takes a vacation day for night shift
Fire Fighter 1:	Covers Fire Fighter 2's night shift –

**Both get paid overtime = time and a half**

# Fire Fighter Contract Provisions

**Elimination of all floaters**, increases in vacation days, sick days, personal days

With 20 years of employment

Vacation Days	28
Sick Days	14
Holidays	12
Personal Leave	2
Total Days	<b>56</b>

With 1 year of employment

Vacation Days	12
Sick Days	14
Holidays	12
Personal Leave	2
Total Days	<b>40</b>

# EG Fire Department Scheduled Work Days

182 scheduled

-

46 average days off potentially available

=

136 average potential total work days

# Fire Department Cost Comparison

## BARRINGTON

FY18 Budget      \$2.38 million

FY18 Overtime      \$78,000

FY17 Actual      \$77,195

FY17 Employees      23

## EAST GREENWICH

FY18 Budget      \$4.16 million

FY18 Overtime      \$789,724

FY17 Actual      \$645,526

FY17 Employees      39

CONTRACTS :

SCHOOL  
DEPARTMENT

# Surge in Teacher Contract Expenses

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The 2017-'19 Teachers' Contract Settlement was announced on May 3, 2017

## 0% Raise in Year One

- + Statutorily Provided Step Increase
- + Top Step Teachers Receive \$4,500 from one-time health buy back

## 2% Raise in Year Two & 2.25% Raise in Year Three

Step Increases are significant and need to be quantified



2016 / 2017    0% Raises    +    “Statutorily Provided Step Increases”

CERTIFIED TEACHER WITH A BACHELOR DEGREE

		<u>Step % Increases That Are</u> <u>Negotiable</u>	
Step 1	\$41,286		
Step 2	\$44,871	8.68%	
Step 3	\$48,494	8.07%	
Step 4	\$52,118	7.47%	
Step 5	\$55,743	6.96%	
Step 6	\$59,366	6.49%	
Step 7	\$62,991	6.10%	
Step 8	\$66,616	5.75%	<u>Which is equal to or greater than</u>
Step 9	\$71,741	7.69%	<u>5%</u>
Step 10	\$78,898	9.98%	↑
Step 10+	\$78,898	0.00%	→ <u>+ \$4,500 from one time health</u> <u>care buy-back payment</u>

# 0% , 2% , 2.25% Raises

## 3 Year 2017-19 Contract Experience For Certified Teacher With A Bachelor Degree

		<u>\$ Increase in Base Salary</u>	<u>% Increase in Base Salary</u>	<u>3 Year Total Raise Awarded</u>
Step	1 - 3	\$9,167	22%	\$13,649
Step	2 - 4	\$12,938	31%	\$24,700
Step	3 - 5	\$13,124	29%	\$25,036
Step	4 - 6	\$13,270	27%	\$25,258
Step	5 - 7	\$13,418	26%	\$25,478
Step	6 - 8	\$13,564	24%	\$25,695
Step	7 - 9	\$15,273	26%	\$27,481
Step	8 - 10	\$19,295	31%	\$33,105
Step	9 – 10+	\$15,670	24%	\$34,655
Step	10 – 10++	\$10,545	15%	\$26,437
Step	10+ - 10+++	\$3,388 <small>+ \$4,500 healthcare buyback one time payment</small>	4.29%	\$4,966 + \$,4500 <small>buyback one time payment</small>

# Contract Experience from Step 1 to Step 10

Certified Teacher With a Bachelor Degree 2007 - 2016

<u>Years of Service</u>		<u>Salary</u>	<u>\$ Raise</u>	<u>% Raise</u>
1 <sup>st</sup>	'06/'07	\$35,682	N/A	N/A
2 <sup>nd</sup>	'07/08	\$39,827	\$4,145	8.68%
3 <sup>rd</sup>	'08/09	\$44,033	\$4,206	8.07%
4 <sup>th</sup>	'09/'10	\$47,323	\$3,290	7.47%
5 <sup>th</sup>	'10/'11	\$51,627	\$4,305	9.09%
6 <sup>th</sup>	'11/'12	\$56,220	\$4,593	8.90%
7 <sup>th</sup>	'12/'13	\$59,653	\$3,433	6.10%
8 <sup>th</sup>	'13/'14	\$63,717	\$4,064	6.81%
9 <sup>th</sup>	'14/'15	\$69,991	\$6,274	9.84%
10 <sup>th</sup>	'15/'16	\$78,898	\$8,907	12.73%
		\$546,971		121%

# School Funding from the Town

Year	Appropriation	% Increase
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2006	<b>\$25,706,870</b>	
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	\$1,517,378	5.63%
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2017	<b>\$34,018,906</b>	
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**\$55,157,446**

# Fiscal Impact Statements Matter

ORIGINAL 17 / 19 FIRE DEPARTMENT FISCAL IMPACT STATEMENT

March 2, 2016

**Net Estimated Contractual Impact: \$165,221**

Walker Report 17 / 19 FIRE DEPARTMENT FISCAL IMPACT STATEMENT

October 20, 2017

“The cumulative cost of implementing the FY2017-FY2019 contract is \$1.65 million.”

# Fiscal Impact Statements Matter

## ORIGINAL 17 / 19 SCHOOL DEPT. FISCAL IMPACT STATEMENT APRIL 25, 2017

Total Net Fiscal Impact	\$247,216	\$668,785	\$350,065
	<b>Three Year Fiscal Impact</b>		
	\$1,266,067		

## CORRECTED 17 / 19 SCHOOL DEPT. FISCAL IMPACT STATEMENT FEBRUARY 28, 2018

<b>Additional Financial Burden Carried to FY 18/19 from Above Impact</b>			
<b>2016/2017</b>		<b>2017/2018</b>	
600,881		600,881	
		690,803	
		109,549	
<b>\$ 600,881.44</b>		<b>\$ 1,291,684.80</b>	
		<b>\$ 1,401,233.88</b>	
<b>3-Year Total Contract Impact</b>			<b>3,293,800</b>

PENSION & OPEB

# How To Calculate an Unfunded Liability

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Value of All Benefits Awarded Thus Far

-

Current Assets Set Aside To Pay For Them

-

Future Employee & Employer Contributions

=

**Unfunded Liability**



# Current East Greenwich Unfunded Liabilities

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**Pension**      **\$46,489,295**

**OPEB**      **\$39,218,245**

# PENSIONS

# Police Pension

TOWN CONTRIBUTION  
RATE

**2007 = 13.93%**

**2012 = 16.57%**

**2017 = 27.72%**

**2020 = 30.32%\***

TOWN CONTRIBUTION  
AMOUNT

**2007 = \$256,609**

**2012 = \$332,486**

**2017 = \$680,591**

**2020 = \$782,441\***

UNFUNDED  
LIABILITY

**2007 = \$239,456**

**2012 = \$4,680,502**

**2017 = \$7,222,434**

**2020 = unknown**

\*2020 estimates provided by 2017 Rhode Island State Pension MERS actuarial report

# Fire Pension

<u>Year</u>	<u>Town Contribution Rate</u>	<u>Town Contribution Amount</u>	<u>Unfunded Liability</u>
2007	18.97%	\$400,716	\$1,861,500
2012	19.74%	\$460,602	\$5,859,491
2017	27.82%	\$769,057	\$8,183,005
2020	30.29%*	\$883,365*	UNKNOWN

\*2020 estimates provided by 2017 Rhode Island State Pension MERS actuarial report

# Teacher Pension & 401a

<b>2002</b>	5.97%
<b>2007</b>	11.78%
<b>2012</b>	13.39%
<b>2016</b>	16.88%
<b>2019</b>	<b>17.20%</b>



**182% increase  
or  
2.8 X**

# East Greenwich Pension & 401a Costs

POLICE	FIRE	TEACHER	TOWN	TOTAL
2012 = \$332,486	2012 = 460,602	2012 = 2,104,976	2012 = \$196,431	2012 = \$3,094,495
2017 = \$680,591	2017 = \$769,057	2017 = \$2,803,502	2017 = \$258,409	2017 = \$4,511,559

IN JUST A 5 YEAR SPAN, OVER \$1.4 MILLION ON AN ANNUAL BASIS

\$1,417,064

OPEB

Other Post  
Employment  
Benefits

# OPEB - Actives & Retirees

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**TOTAL 467**

## TOWN

**Actives 152**

**Retirees/Surviving Spouses 83**

## SCHOOL

**Actives 228**

**Retirees & Beneficiaries 4**



# Unfunded OPEB Liability

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**TOTAL \$39,218,245**

**TOWN \$33,931,266**

**SCHOOL \$5,286,979**

Why is the Town OPEB Unfunded Liability 6 times that of the School?

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Police & Fire Receive LIFETIME Family or Individual Coverage at Retirement

School Department Retirees Receive 2 Years of Coverage at Retirement

# Who Is Eligible & When?

**Police and Fire:** Upon retirement, Police Officers and Fire Fighters receive fully covered medical coverage (single or family) under Blue Cross Blue Shield (or equivalent) until the retiree becomes Medicare eligible. At the time the retiree becomes eligible for Medicare they will become covered under the Group Plan 65 (single or single +1 overage).

Police Officers and Fire Fighters are participants in the Municipal Employee Retirement System (MERS) and are eligible for retirement at age 55 with 10 years of service or any time after attaining 20 years of service. Effective July 1, 2012, retirement age under MERS changed to age 55 and 25 years of service (or Social Security Normal Retirement Age and 5 years of service) for police officers and fire fighters that were not retirement eligible as of June 30, 2012.

**DPW, NEARL, and Other divisions:** Employees who retire after age 65 and after earning 10 or more years of credited service are eligible for full coverage under the Group Plan 65 (single coverage only). If an employee retires prior to age 65, the retiree is partially covered under the Blue Cross Blue Shield Plan (single coverage only) with the Town contributing

# OPEB

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2014 Unfunded OPEB Liability	\$29,718,396
2017 Unfunded OPEB Liability	\$39,218,245
	<hr/>
	\$9,499,849

2014 Annual Required Contribution	\$3,494,835
2017 Annual Required Contribution	\$4,095,673
	<hr/>
	\$600,838

# DEBT

## Existing Sewer Debt Service to Rhode Island Infrastructure Bank

EXISTING DEBT SERVICE  
Water Pollution Control General Obligation Debt  
Issued to Rhode Island Infrastructure Bank  
For Fiscal Years 2019 through 2025

Period Ending	Principal	Interest	RIIB Servicing Fee	Total Debt Service
6/30/2019	\$2,005,023.24	\$252,273.24	\$74,359.09	<b>\$2,331,655.57</b>
6/30/2020	2,036,735.29	212,345.17	61,104.07	<b>2,310,184.53</b>
6/30/2021	1,623,327.39	229,559.26	66,029.12	<b>1,918,915.77</b>
6/30/2022	1,657,697.22	209,363.08	57,826.56	<b>1,924,886.86</b>
6/30/2023	1,693,486.46	188,101.08	49,448.60	<b>1,931,036.14</b>
6/30/2024	992,603.13	169,452.73	42,733.37	<b>1,204,789.23</b>
6/30/2025	<u>1,012,999.34</u>	<u>153,508.84</u>	<u>37,719.36</u>	<b><u>1,204,227.54</u></b>
	\$11,021,872.07	\$1,414,603.40	\$389,220.17	\$12,825,695.64

TOWN OF EAST GREENWICH, RHODE ISLAND

# TAX CAP 4%

2018  
BUDGET

\$61,958,368

EXPECTED  
INCREASES

SCHOOL	\$1,396,295
FIRE OVERTIME	\$650,000
OPEB ARC	\$3,400,000
CAPITAL EXPENSE	\$1,000,000
ETC	!!!!

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\$6,446,295

2019 BUDGET  
WITH 4% CAP

\$63,810,656

# Final Analysis

- Not enough tax revenue to cover contractual obligations for combined school/town
- Debt has climbed to 10% of total budget
- Town will no longer see surpluses at year end
- Potential for bond rating downgrade
- All major contracts up for negotiation in FY19
- Structural changes needed