

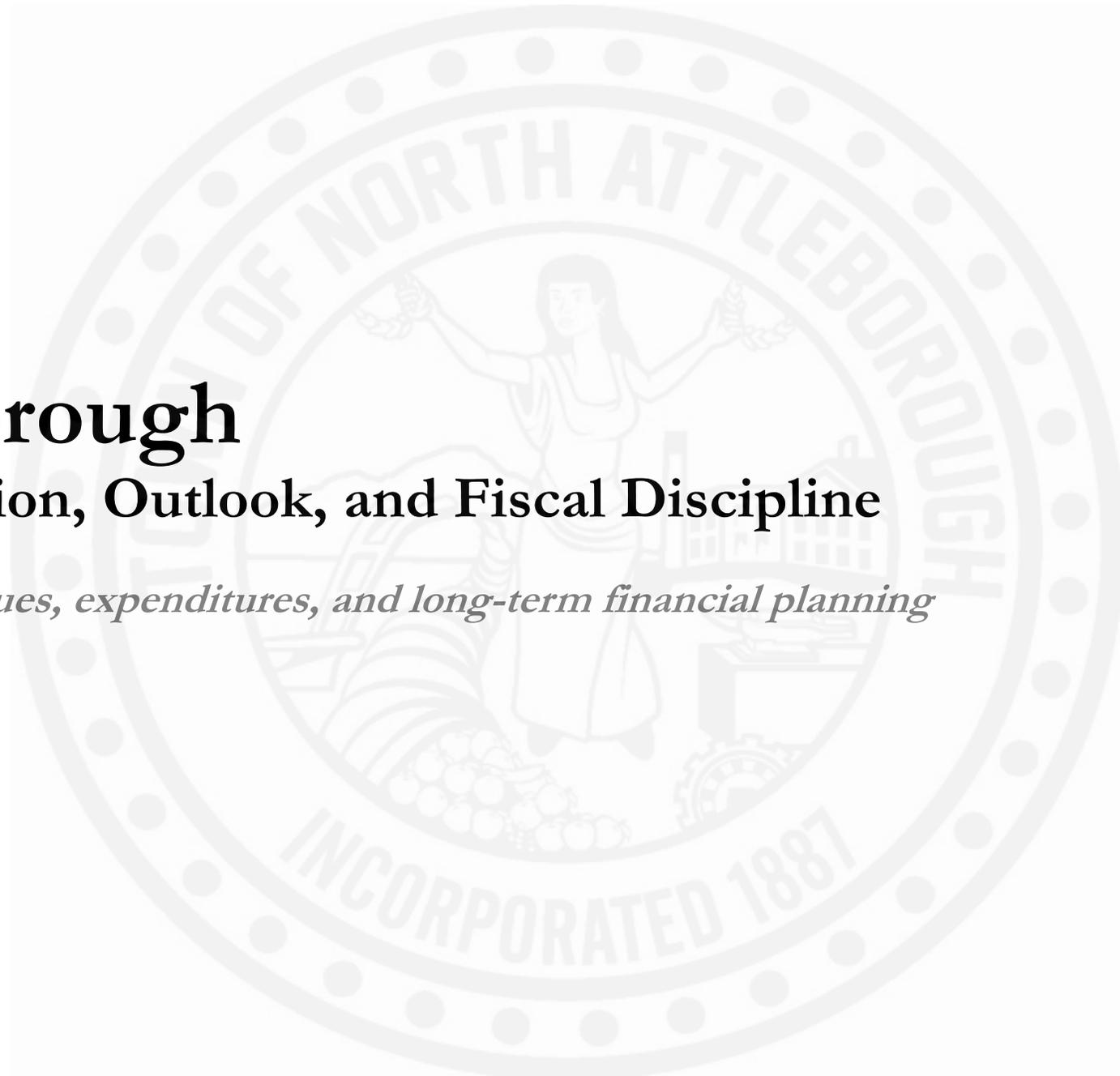
Town of North Attleborough

State of the Town: Financial Condition, Outlook, and Fiscal Discipline

Fulfilling the Charter requirement to review revenues, expenditures, and long-term financial planning

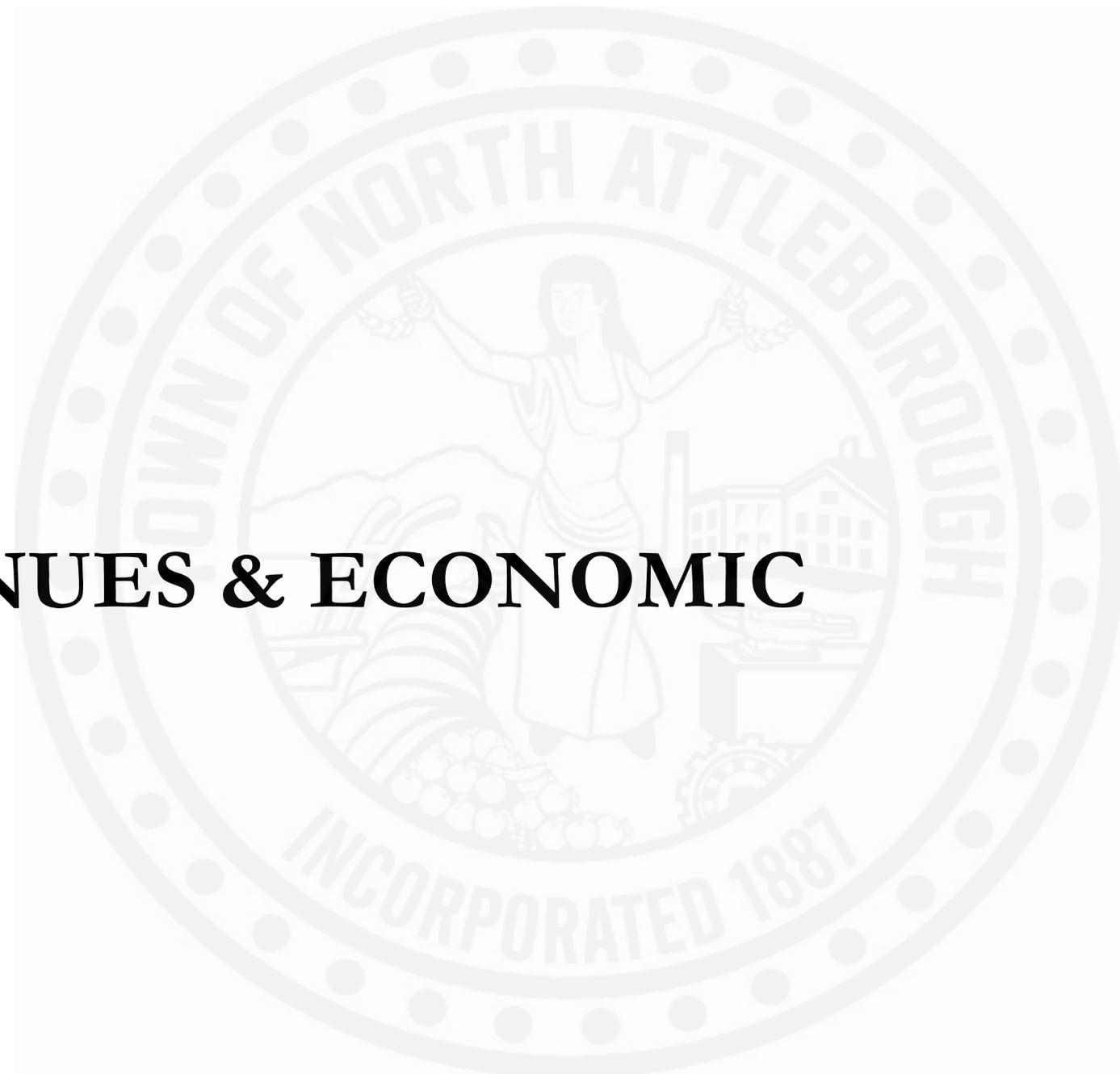
Michael D. Borg
Town Manager

12 January 2026



EXPENSES, REVENUES & ECONOMIC SIGNALS

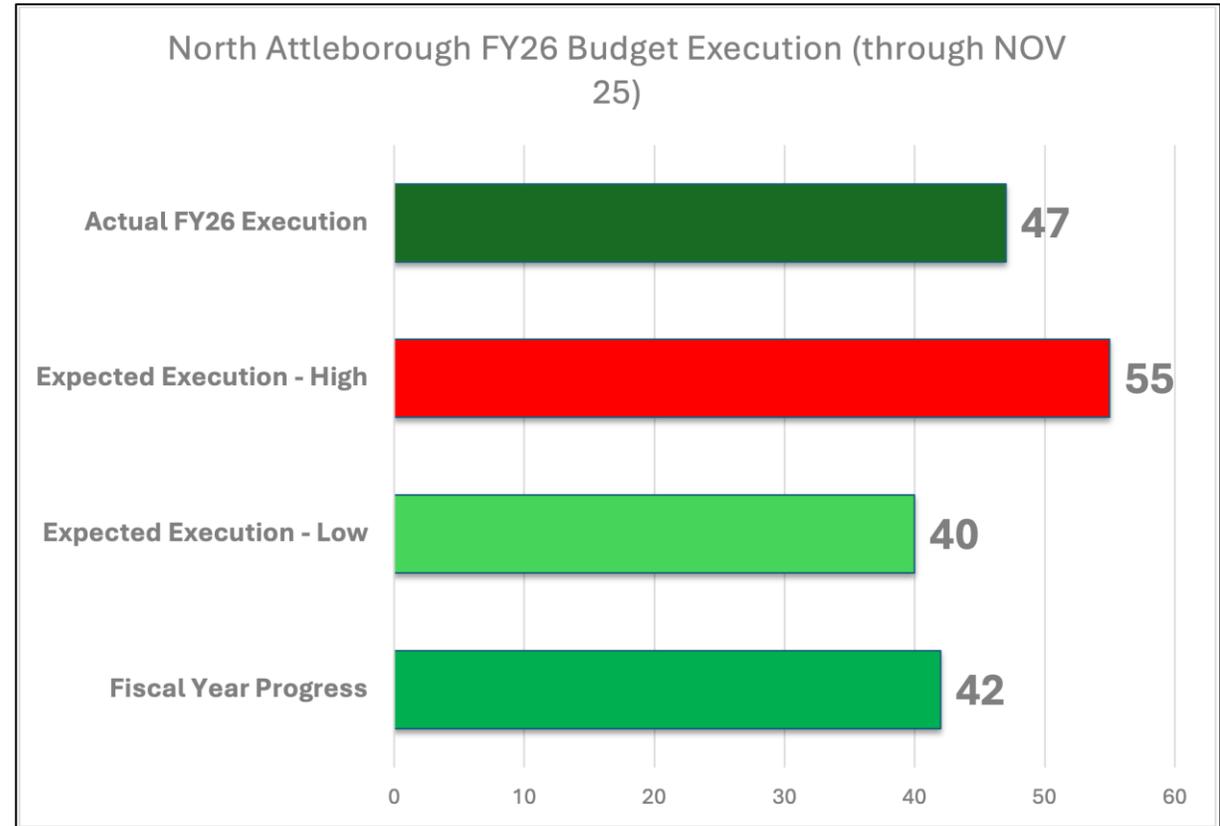
How strong is our base?



Current Budget Execution (through NOV 2025)

Through November 2025

- Overall Execution Is Tracking Where It Should Be
- Personnel Costs Are Predictable and Controlled
- Encumbrances Explain Higher Percentages in Certain Departments
- Legal, IT, and Facilities Are Known Pressure Areas — and Were Planned
- Healthcare Costs Reflect a Structural Trend, Not an Execution Issue



FY26 budget fundamentals remain sound; execution is tracking as planned

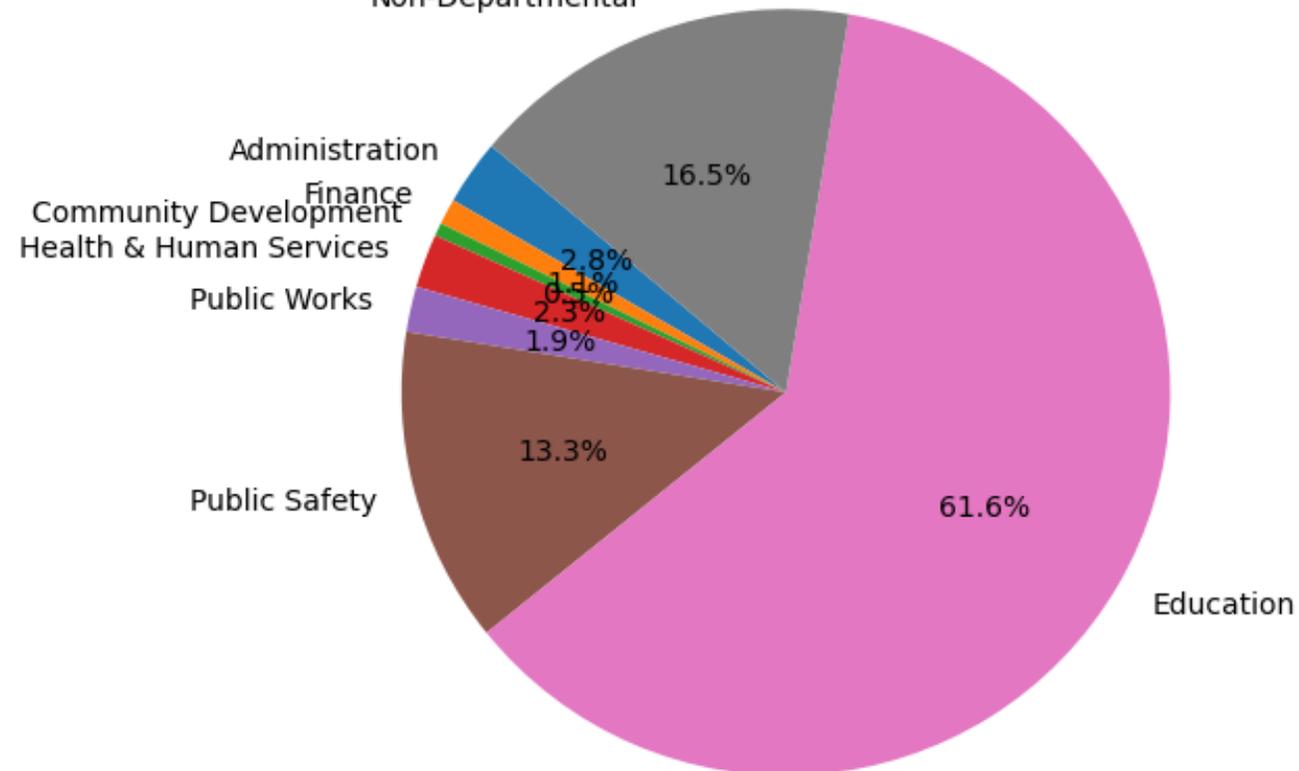
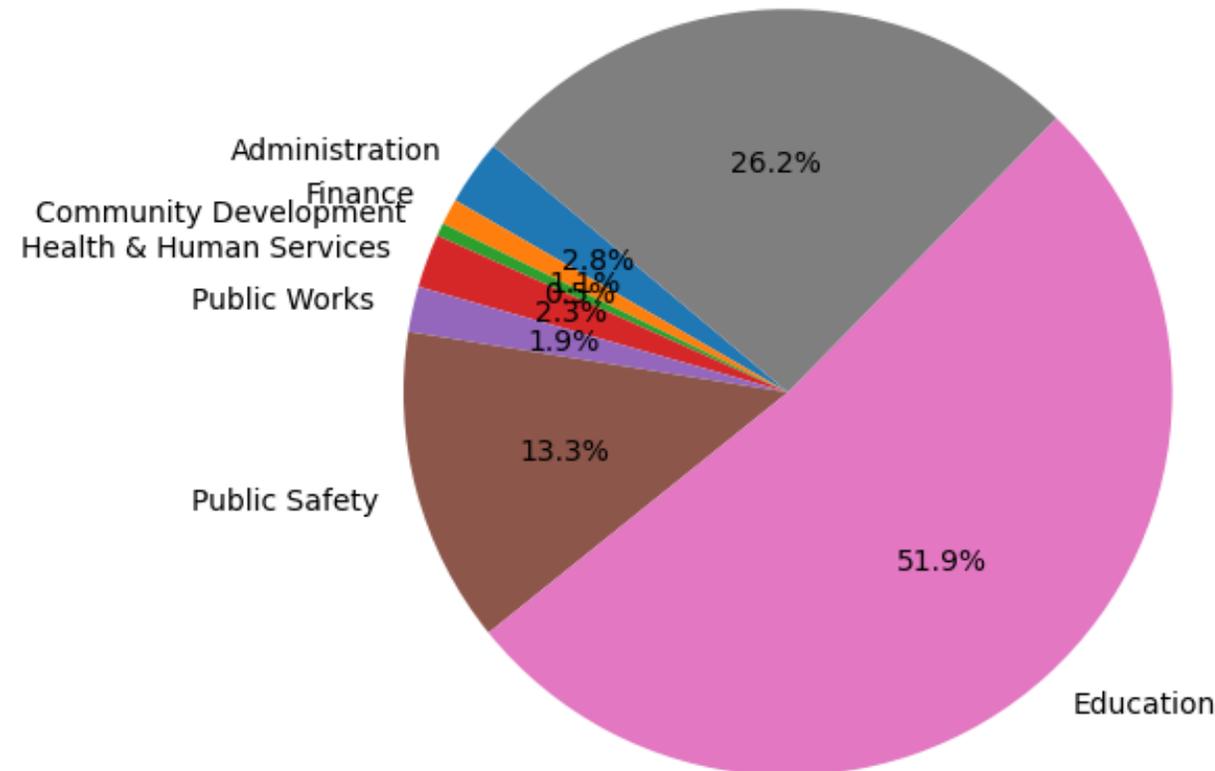
FY26 Town Budget: Departmental Spending Overview

Before: FY Budget as Presented

After: Education-Related Costs Reallocated

Non-Departmental

Non-Departmental



A clear, transparent view of the Town's full investment in education

Local Receipts & Economic Activity

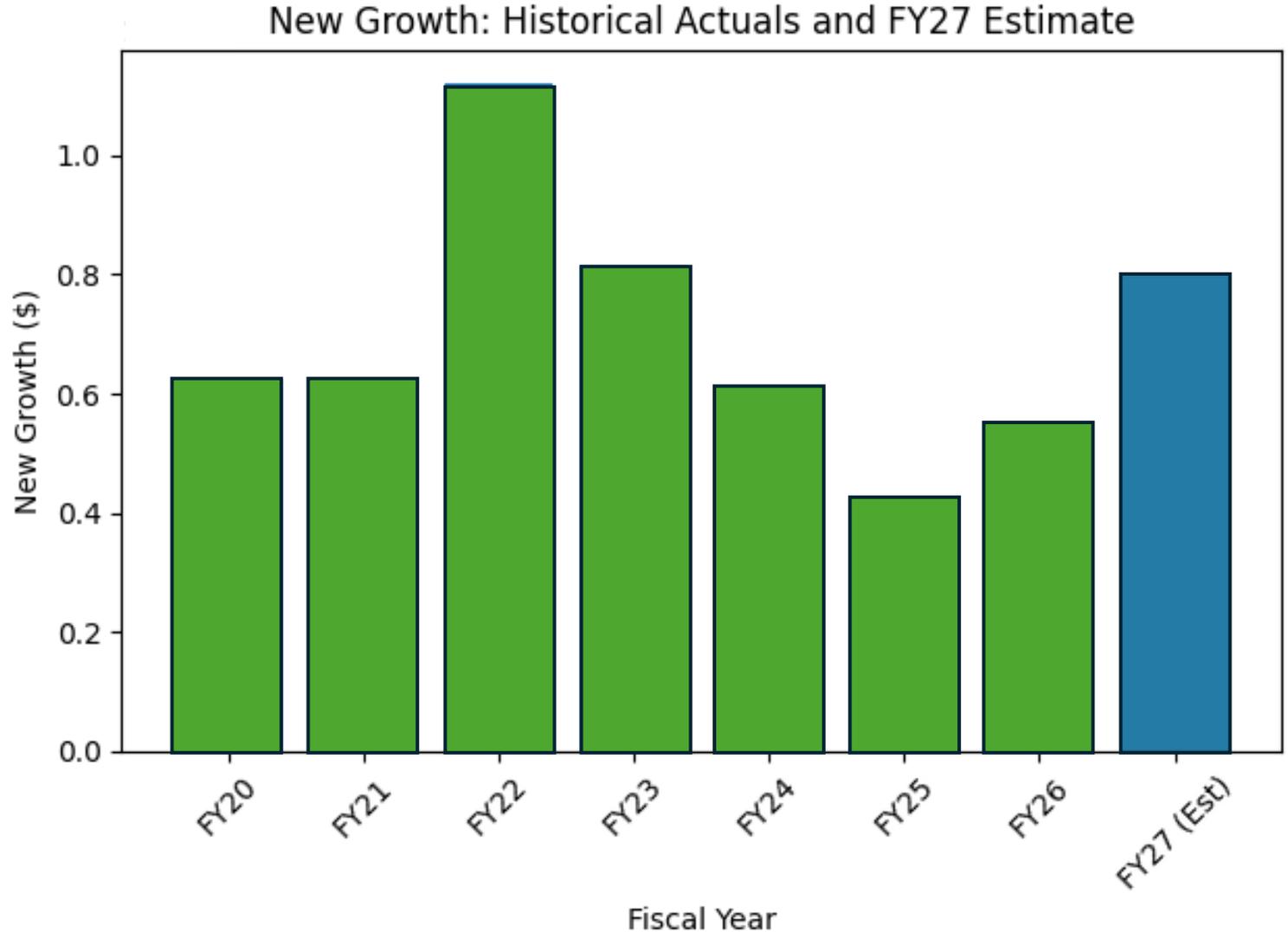
- Budget **\$9.33M**, through November, collected **\$2.5M (27%)**
- Local receipts are tracking consistently with FY26 projections
- Permitting, inspectional, and activity-based revenues remain steady
- Development-related receipts continue to reflect ongoing private-sector confidence
- No material softness or volatility emerging in core local revenue categories

Local receipts run seasonally; major categories, including motor vehicle excise, are collected later in the fiscal year

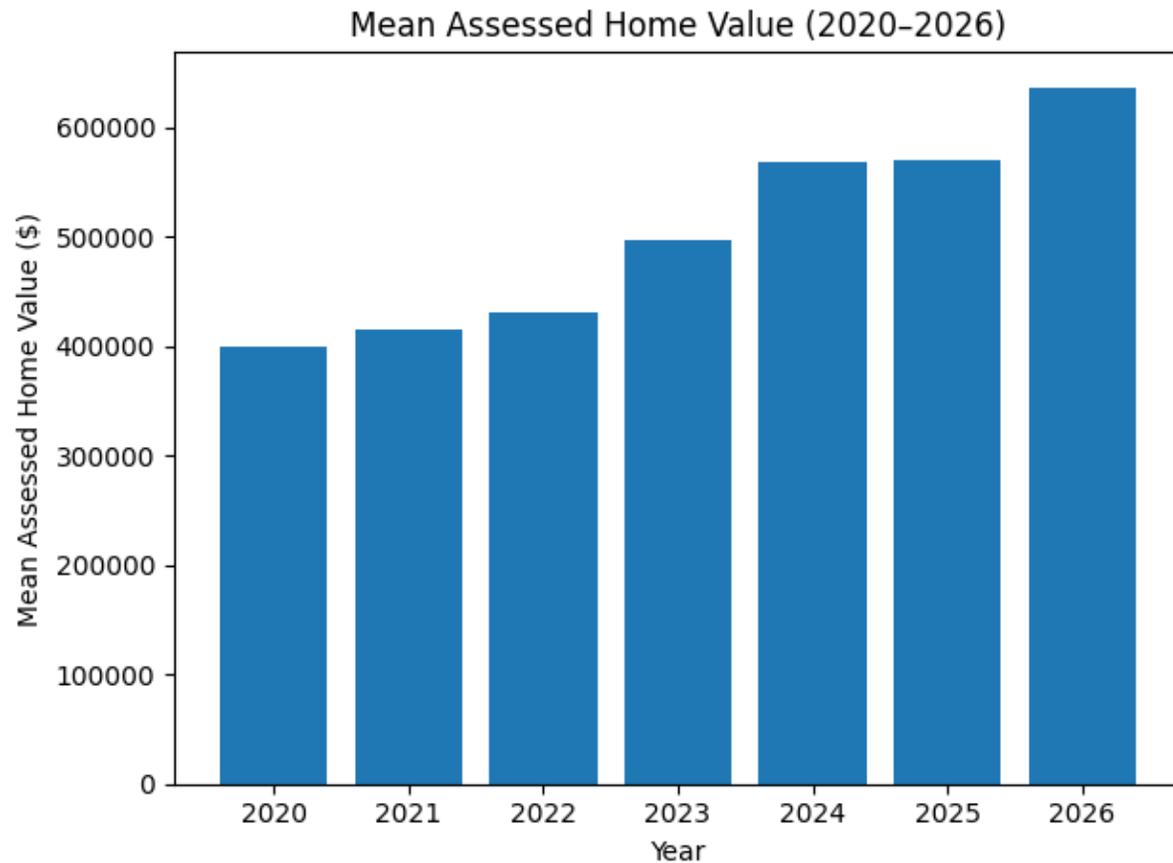
New Growth: Volatile by Nature, Incremental by Impact

FY27 Estimate
\$800,000

New growth supports stability,
but it is not a substitute for
disciplined financial planning



Mean Assessed Home Value: Trend & Context



FY26 Average Assessed Value
\$636,634

Assessed values shape tax distribution, not the town budget

State Aid Outlook: Structure & Constraints

- As of today, the Governor's Budget has not been released
- **REMINDER:** Cherry Sheet reflects both aid received and state-imposed assessments
- State aid is a revenue input, not an expense driver
- FY27 outlook points to flat to modest growth scenarios
- Historical pattern shows cost growth outpacing aid growth
- Implications affect both Town and School budgets

State aid feels bigger than it actually is

Looking Ahead: Economic Signals, Not Assumptions

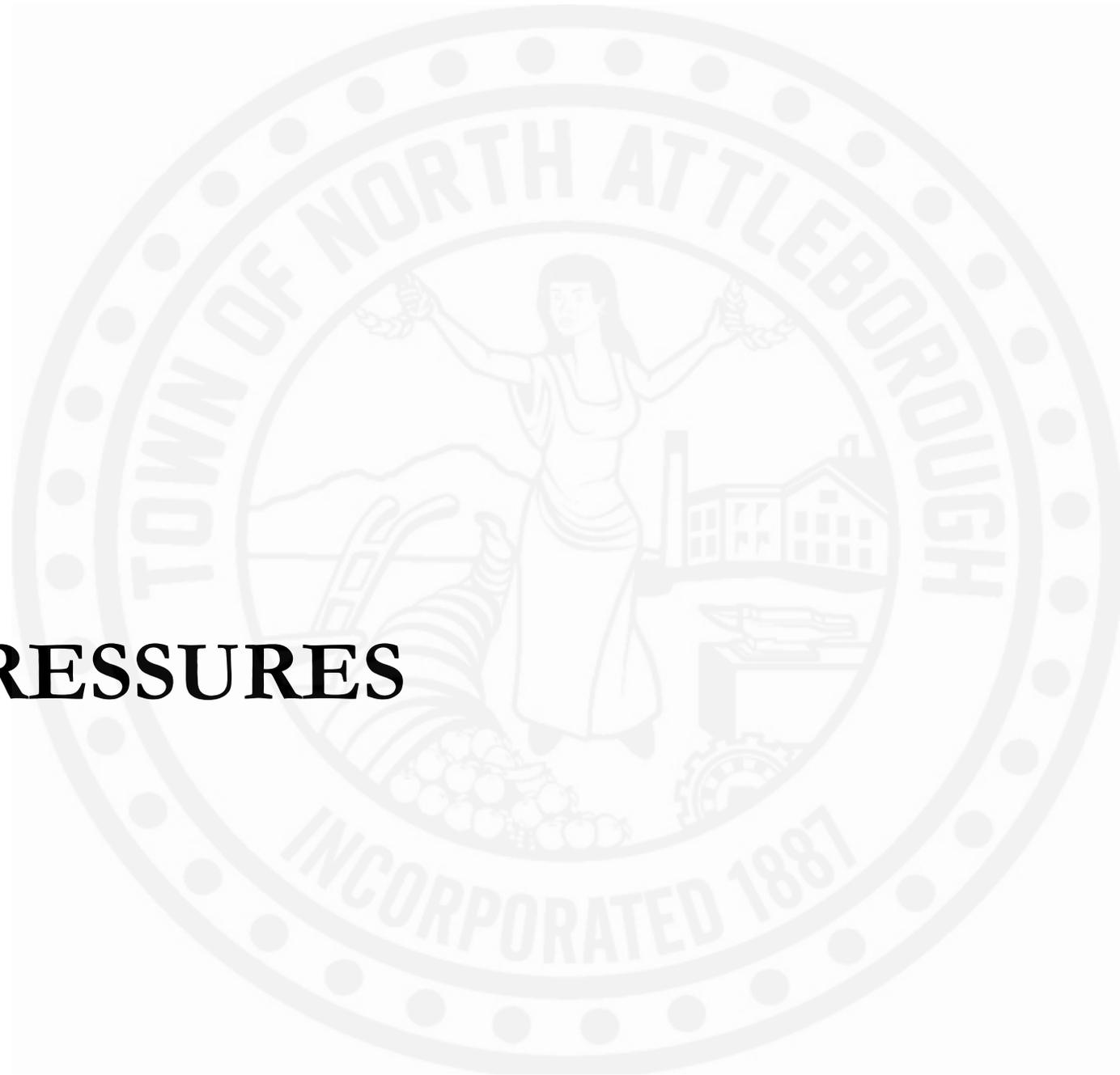
- Continued private development interest across multiple sectors
- Building and permitting activity supports near-term stability
- Multi-use zoning positioned to expand economic options
- Growth is incremental, not speculative

Why Local Discipline Matters

- State aid and Local Receipt assumptions are conservative by design
- Cost volatility must be absorbed locally
- Long-range planning smooths uncertainty
- Reserves provide stability, not excess

CORE EXPENSE PRESSURES

What is driving costs?



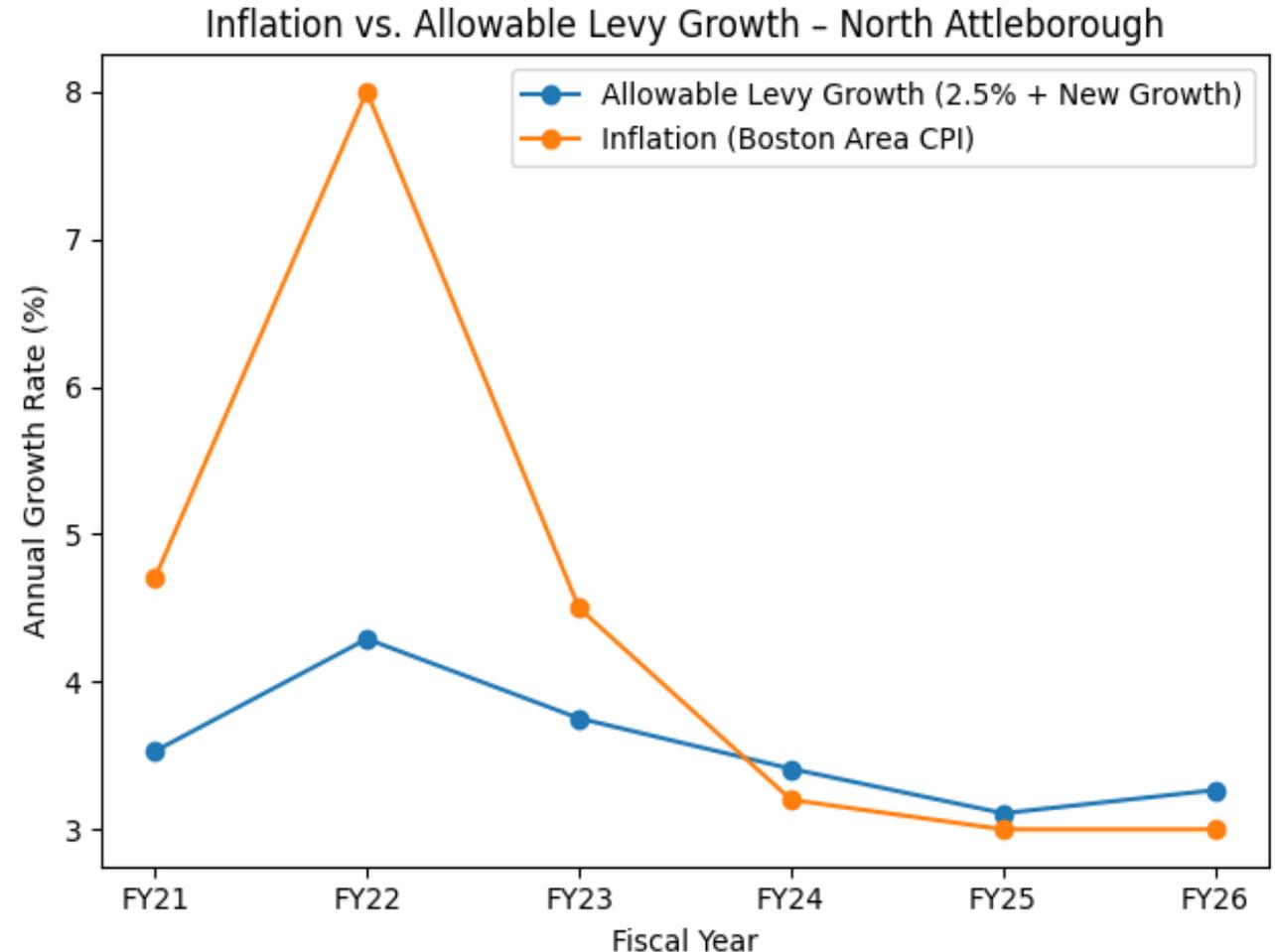
Health Insurance: Structural Cost Growth & Budget Impact

- Total claims exceeded premium levels in multiple recent months, including August (**110%**), September (**103%**), and October (**140%**)
- FY26 claims data shows 15 high-cost claimants exceeding \$50,000, totaling **~\$1.38 million in just the first four months**
- Claims volatility is increasing, with significant month-to-month swings rather than predictable patterns
- Prescription drug costs, particularly GLP-1 medications, increased by **~\$110,000 in one month (Sept–Oct 2025)**
- **FY27 projected trends: ~9.5% medical, ~16% pharmacy, ~11% blended**
- Health insurance costs are growing **2–3× faster than Proposition 2½–constrained revenues**
- These costs affect operating budgets and long-term liabilities, including OPEB

A primary cost driver growing faster than local revenues

Inflation and Fixed Costs: Compounding Budget Pressures

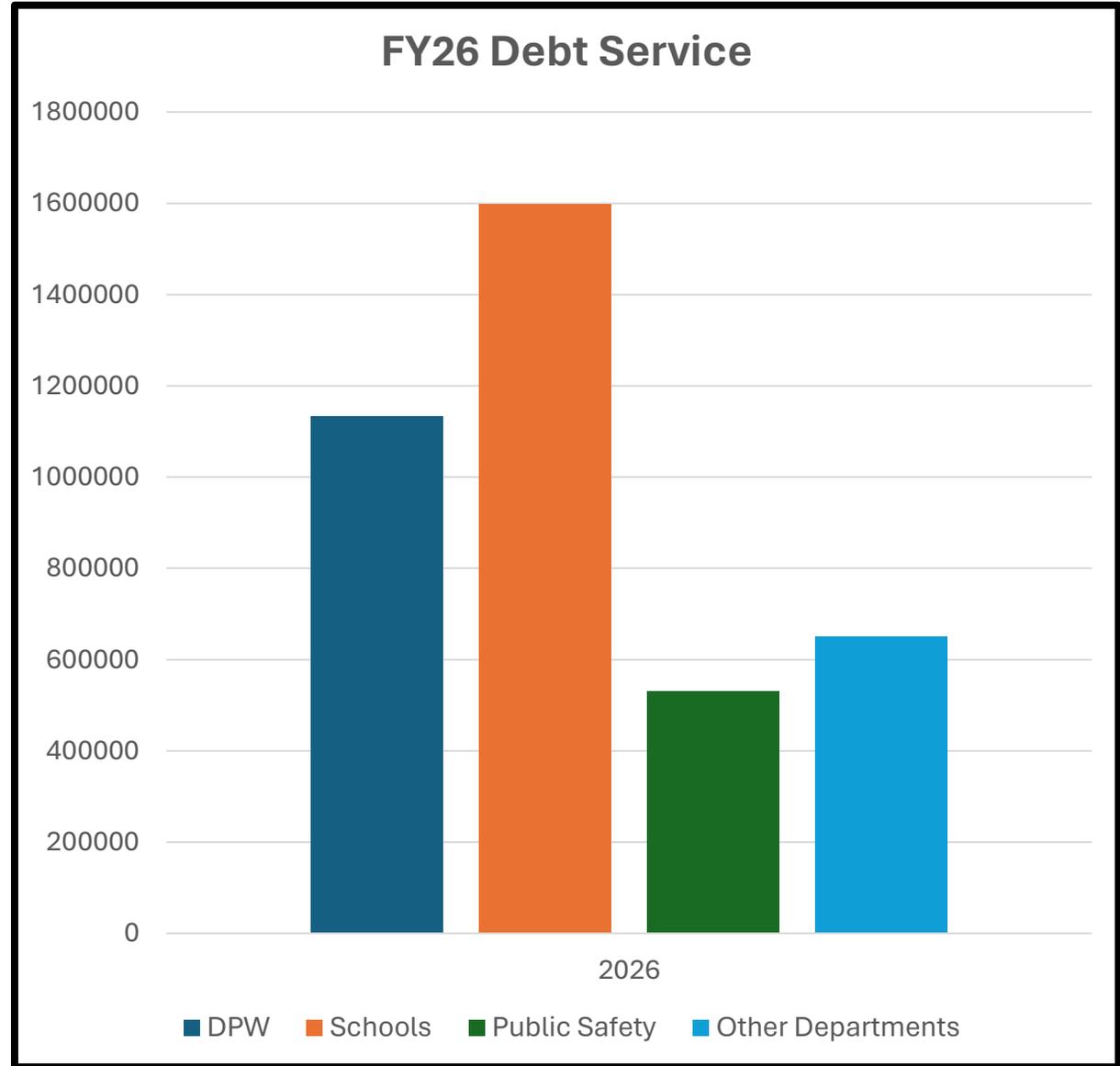
- Inflation raises the baseline cost of goods and services purchased by the Town
- Energy and utility costs remain volatile, even when usage is stable
- Labor agreements and contractual obligations lock in multi-year cost growth
- Many core costs are non-discretionary and escalate automatically



These costs are largely fixed and compound year over year

Debt Service

- Debt service reflects Town funded and approved planned capital investments, no debt exclusions at this time
- Costs are predictable and scheduled over time
- Major projects are planned years in advance
- Debt limits short-term flexibility but supports long-term needs



Reflects long-term investments in school facilities, public works infrastructure, public safety, and other core services

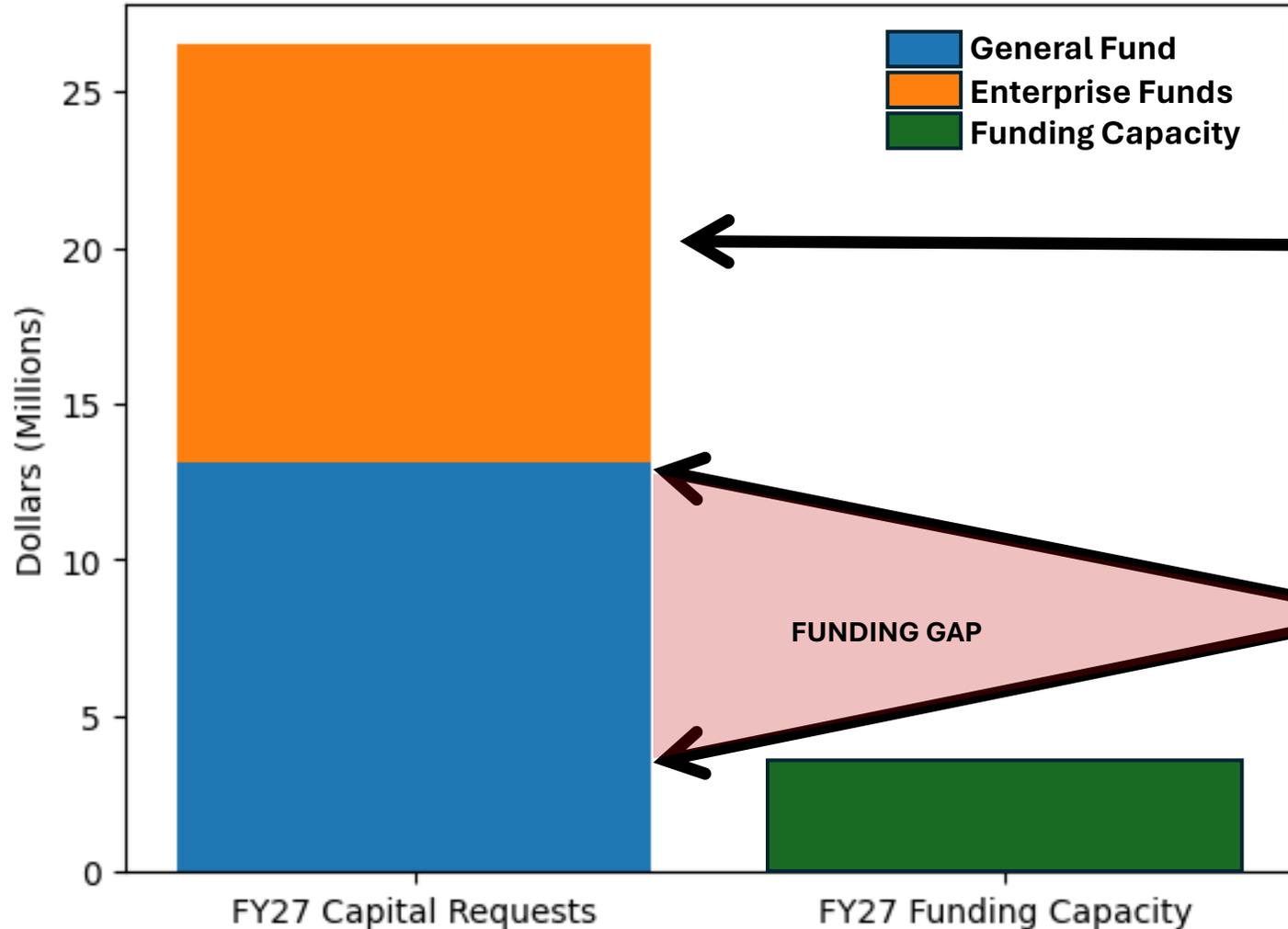
Capital Investment: Balancing Need, Capacity, & Affordability

- The Town received approximately **\$26.4M** in total capital requests for FY27
 - **\$13.1M** in General Fund (Town) projects
 - **\$13.4M** in Enterprise Fund projects (Water & Sewer – funded by ratepayers)
- For FY27, the Town anticipates capacity for:
 - ~**\$350K** in available Free Cash
 - ~**\$3.0M** in borrowing
 - ~**\$3.5M** total General Fund capital capacity
- This means the Town can realistically fund about 25% of General Fund capital requests in the current year
- Enterprise Fund projects are separate from the Town's tax-supported capital program
 - Funded through water and sewer rates, subject to approval

Strong demand for capital investment — disciplined prioritization required

FY27 Capital Requests vs. Funding Capacity

FY27 Capital Requests vs Funding Capacity



Enterprise Fund projects are funded by water and sewer rates and are separate from the Town's tax-supported capital capacity.

~\$9.75M in General Fund capital requests exceed FY27 funding capacity and will be prioritized and phased through the 5-Year Capital Plan.

RESERVES, LONG-TERM LIABILITIES & DISCIPLINE

Are we managing risk responsibly?

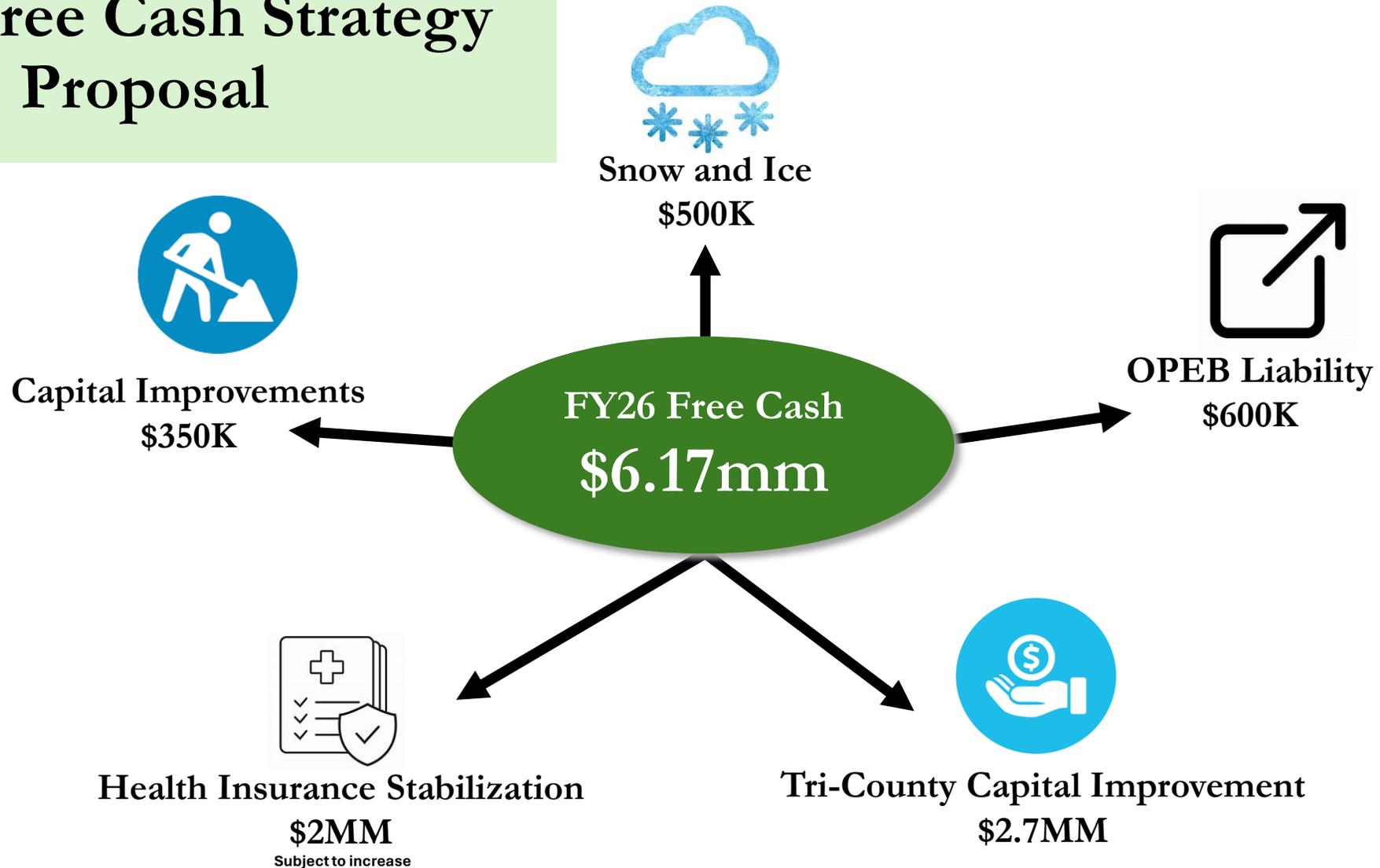


Stabilization Funds & Free Cash: Status & Strategy

- General Stabilization balance: **\$8.1M**
- Capital Stabilization balance: **\$3.6M**
- Special Education Stabilization balance: **\$74.7K**
- FY26 Free Cash: **\$6.17M**, with **\$5.32M** targeted for Capital Stabilization

Stabilization Strategy: Ensuring today's decisions don't become tomorrow's problems

FY26 Free Cash Strategy Proposal



Free Cash is being used deliberately to stabilize costs, reduce long-term liabilities, and strengthen capital capacity

Retirement System & Pension Costs

- FY27 pension appropriation totals **\$6.08M**
- Pension costs grow on a planned, actuarial schedule (**~8% annually**)
- Town and Schools account for **~78%** of total pension costs
- Obligations peak later in the schedule and are planned in advance

The Town is nearing the point of fully meeting its pension funding obligation

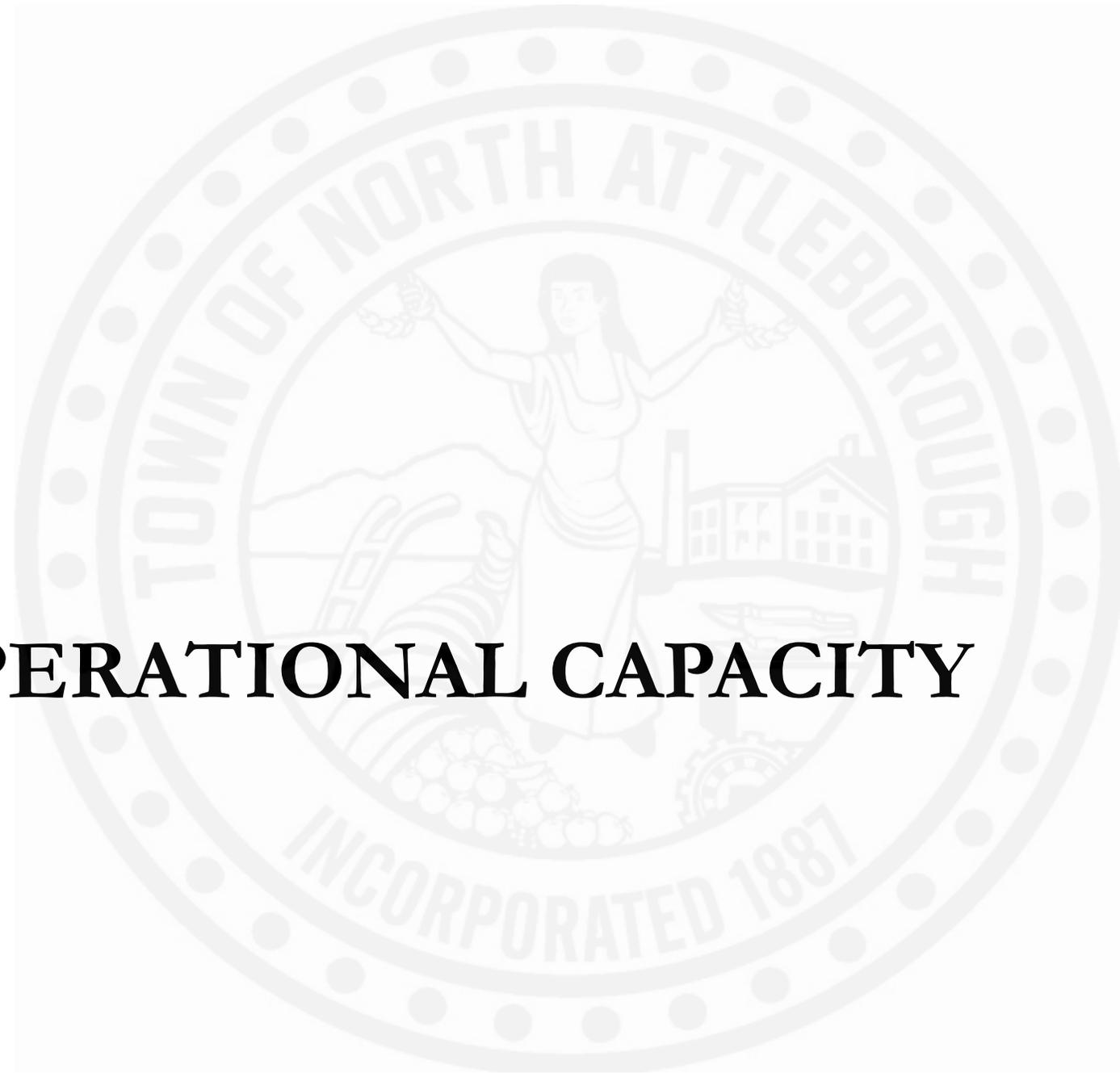
Other Post-Employment Benefits (OPEB): Status & Context

- OPEB Snapshot (as of **30 June 2025** valuation)
- Total OPEB Liability: **\$141.4M**
- Current OPEB Trust Balance (Nov 30, 2025): **\$12.6M**
- Funded Ratio: **8.94%**

OPEB: A long-term commitment requiring long-term planning

WORKFORCE & OPERATIONAL CAPACITY

Can we sustain services?



Collective Bargaining: Fiscal Implications & Planning Horizon

- All (Town) bargaining units are currently under negotiation
- The Town is seeking three-year agreements for stability and predictability
- Labor agreements represent one of the largest recurring cost drivers
- Compensation decisions affect multiple budget years, not just FY27
- Bargaining outcomes must align with long-term financial capacity

Long-term agreements shape long-term costs

Workforce Pressures: Capacity, Competition, and Cost

- Persistent vacancies in hard-to-fill municipal and school positions
- Increased reliance on overtime to maintain minimum staffing levels
- Recruitment challenges driven by demographics, competition, and process constraints
- Regional labor market competition increasing turnover and training costs

Staffing constraints affect service delivery, costs, and organizational resilience

CLOSE & OUTLOOK



Looking Ahead: Discipline, Clarity, and Shared Responsibility

- Financial stability is strong, but not guaranteed
- Cost pressures are structural and require early action
- Revenue growth is incremental and constrained by policy
- Town–School coordination and collaboration remains essential
- FY27 decisions will be deliberate, data-driven, and disciplined

It's a great day to be in North Attleborough!