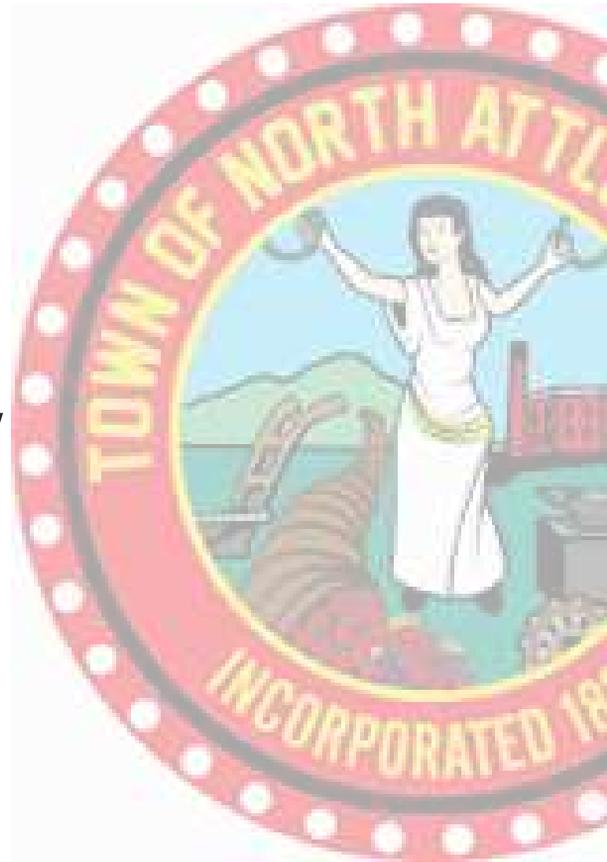


North Attleborough Financial Condition Review

Cathcart Conference Room
January 13, 2025

Mike Borg, Town Manager



Agenda

- Charter Requirement and Acknowledgments
- Notable Achievements
- Revenue and Expenditure Update
- Year-End Forecast
- Key Topics Impacting the FY26 Budget
- Capital Projects Preview
- Closing Remarks

Charter Requirement and Acknowledgements



Article VI – Financial Management, Section 6-2. Annual Budget Policy

The Council President shall call for a joint meeting of the Town Council, the School Committee, and the Town Manager, and any other person determined by the Town Council or Town Manager to be necessary to the process, to be held no later than January 15, to review the financial condition of the Town, revenue and expenditure forecasts and other relevant information in order to develop a coordinated budget.

- **Recognition of Town Departments:** The collective contributions, hard work, and dedication of all Town departments ensure the smooth and efficient operation of our town services and programs, making a positive impact on the entire community. Your teamwork and commitment do not go unnoticed.
- **Fiscal Discipline:** Recognizing the efforts employed to maintain fiscal discipline, supporting our commitment to responsible management of public funds and long-term financial health.
- **Boards, Committees, and Commissions:** The invaluable voluntary contributions and initiatives driven by our board, committee, and commission members, whose dedication and service greatly enhance the quality of life in our town.

Success Along the Way

- PFAS Mitigation Strategy
- Facilities Management Strategy
- 451 Elm Street Procurement & Upgrades
- AMVET & Roosevelt Playgrounds
- Downtown Improvements & Renovations
- Special Education Stabilization Fund
- Stretch Code Review & Discussions
- Bylaws
 - Outdoor Dining/Food Truck
 - MBTA Communities Act
 - Kennel Bylaw
 - Sober Home Bylaw
- William James Interface Referral Services
- Webster Mill Safety Project
- 10 Mile River Dredging Funding
- Route 152/106 Upgrades
- NAPD Staff Increase (SRO)
- Increased Senior Tax Exemptions & Work off Program
- School Projects
 - Beaupre Field Improvements
 - Martin Boiler
 - Roosevelt Roof Project
 - SPED Classroom Updates
- Fire Station HQ Feasibility Study
- Website / Social Media / Communications Strategy

Revenue and Expenditure Update for FY25

Current Financial Landscape Uncovered

- **Revenue Stream Overview:** The Town's current revenue track is on target. ARPA funding is coming to an end, interest rates appear to be calming, but this will impact the performance of the Opportunity Fund.
- **Expenditure Performance to Date:** At the FY25 midpoint, expenditures are aligning with budget projections. However, insurance premiums, particularly healthcare and property & liability, are exceeding forecasts. Medical inflation rates are projected to be around 8% and some estimates indicating global medical cost increases up to 10%. Rising pharmaceutical expenses are contributing to the potential for a budget deficit by fiscal year-end. We are forecasting a deficit in Healthcare to materialize in June 2025 of this year. Claims to premium is currently running at 106%.



FY25 Year-End Forecast

What We Are Watching



Anticipated Fiscal Year-End Position

As we approach year-end our focus remains on accountability and transparency. Current data indicates that we are on track for a balanced closeout, less healthcare. We are monitoring healthcare expenses along with external market factors such as medical inflation (estimated at 8-10%) underscore the importance of strategic financial management.



Inflation's Effect on Budget

(1) Rising costs of goods and services, (2) Personnel Costs, (3) Contracts, (4) Utilities

Key Topics Impacting FY26 Budget

Laying Foundations for the Next Fiscal Year Budget

- **Rising Cost of Insurance (Health, Property, Liability):** Healthcare insurance will see an increase from 10 to 12.5% in FY26. Estimated \$50 on the low end for an employee (plan dependent) to \$1MM + for the Town. We will examine plan design options, an opt out program, and conduct an RFP for the service provider. We see increasing pressure on property and liability insurance.
- **Tri-County Regional Vocational High School:** Tri-County Regional Vocational School project underway and presents a significant financial obligation. The Town's projected cost, based on student attendance, is \$2.2 million for FY26, increasing to \$2.7 million in FY27.
- **New Growth Challenges:** Limited Housing stock in North Attleborough today, further impacted by low housing construction and a lack of diversity in housing stock, exacerbating affordability issues.
- **Pension Obligation:** We are tracking an 8% increase in FY26, a \$500,000 increase from FY25.



Capital Projects Preview for FY26

Review and Prioritization

Available Funding:

- Approx. \$6M in funding (Free Cash, CIP Stabilization, Municipal Borrowing)
- Consistent borrowing strategy with a stable debt payments as prepare for the NAHS debt exclusion vote.

Departmental Requests:

- General Government Requests: **\$11.8M**
- Enterprise Fund Projects: **\$5M**
- Total Requests: **\$16.8M**

Key Consideration:

- Not all submitted projects will be funded due to resource constraints.
- The focus will be on projects that align with strategic priorities and maintain fiscal responsibility.



Closing Remarks

Looking Ahead with Unity

Call to Action – Strength in Unity and Financial Stewardship:

Despite the financial challenges ahead, North Attleborough is in a strong position due to prudent fiscal management, a resilient local economy, and a commitment to transparency. By working together with a shared vision and a focus on responsible budgeting, we can navigate these pressures while continuing to support essential services and long-term community investments. Our collective efforts will ensure we meet our financial obligations and continue to strengthen our Town for future generations.



BACKUP SLIDES

Impact of Inflation on North Attleborough's Budget

Key Factors, Implications, Recommendations

- **Operational Costs**: Municipalities are experiencing increased expenses due to rising prices for goods and services, impacting budgets and financial planning. [Mass.gov](#)
- **Capital Projects**: Inflation has led to higher construction costs, affecting the feasibility and budgeting of planned infrastructure developments. [CMT Association](#)
- **Debt Service**: Elevated inflation and interest rates are influencing municipal bond markets, potentially increasing borrowing costs for local governments. [Northern Trust](#)
- **Budgetary Pressure**: Municipalities may face challenges in maintaining balanced budgets without reducing services or increasing taxes.
- **Service Delivery**: Rising costs could necessitate cuts to public services or delays in planned projects.
- **Financial Planning**: Accurate forecasting becomes more complex in an inflationary environment, requiring careful consideration of economic indicators.
- **Strategic Budgeting**: Implement conservative budgeting practices to account for potential cost increases.
- **Revenue Diversification**: Explore alternative revenue sources to mitigate reliance on traditional funding streams affected by inflation.
- **Cost Management**: Prioritize essential services and seek efficiencies to manage expenditures effectively.

Housing Market Drivers in 2025-2026

Current Trends

- **Home Value Growth:** The average home value in Massachusetts is approximately \$628,998, reflecting a 6.6% increase over the past year. [Norada Real Estate Investments](#) **60.2% of homes sold for over their list price in Massachusetts.**
- **Inventory Levels:** Remain low in North Attleborough but we are seeing a slight increase. In the Commonwealth we see a 12.8% increase compared to the previous year, indicating a gradual improvement in housing supply. [Homeownership Hub](#)
- **Affordability Challenges:** Home prices have risen significantly across New England, with **Massachusetts experiencing a 74% increase from October 2016 to 2024**, exacerbating affordability concerns. [Federal Reserve Bank of Boston](#)

Housing Market Drivers in 2025-2026

Key Drivers for the Next 12 to 18 Months

- **Mortgage Rates**: Projected to stabilize around 6% in 2025, influencing buyer demand and affordability. [Boston Real Estate Times](#)
- **Economic Conditions**: Continued job growth and rising incomes in the region are expected to support housing demand. [HUD User](#)
- **Housing Inventory**: Efforts to increase housing supply, including new constructions and legislative measures, aim to alleviate the supply-demand imbalance. [AP News](#)
- **Demographic Shifts**: Millennial homebuyers entering the market in greater numbers will impact demand dynamics. [New York Post](#)

Housing Market Drivers in 2025-2026

Potential Impacts on Homeowners' Insurance

- **Rising Premiums**: Homeowners across the U.S., including those in Massachusetts, are experiencing higher insurance costs due to escalating natural disasters. For instance, between 2020 and 2023, average home insurance costs rose from \$1,902 to \$2,530—a 13% increase after adjusting for inflation. In high-risk areas, the increases were even more substantial. [NBER](#)
- **Policy Non-Renewals**: Insurers are increasingly opting not to renew policies in high-risk areas. A recent survey found that 16% of U.S. homeowners had their home insurance non-renewed or canceled between January 2021 and January 2024, with 35% of these cases attributed to the homeowner residing in a high-risk area. [Policygenius](#)
- **Coverage Limitations**: To mitigate potential losses, some insurers are introducing higher deductibles for natural disaster-related claims or excluding certain disaster types from coverage altogether.

Impact of Healthcare Costs on North Attleborough

The Challenges We Face

- **Escalating Healthcare Costs**: Municipalities are experiencing significant increases in employee health insurance expenses, with some towns facing annual additions exceeding \$30,000 per new enrollee. [MMA](#)
- **Budgetary Constraints**: Rising healthcare costs are consuming funds that could otherwise support essential services, such as education and public safety. [MMA](#)
- **Pharmaceutical Expenditures and GLP-1 Drugs**: In 2023, Massachusetts saw over 313,000 prescriptions for GLP-1 drugs among commercially insured individuals, with total spending projected to surpass \$270 million, up from \$125 million in 2022. [Mass Retirees](#)
- **Insurance Premiums**: The high cost and growing demand for GLP-1 medications are contributing to rising insurance premiums, affecting both municipalities and their employees. [CBS News](#)

Impact of Healthcare Costs on North Attleborough

Healthcare Cost Forecast (Next 12-18 Months)

- **Projected Increases:** Employer healthcare spending is anticipated to rise by 7.8% in 2025, driven by factors such as inflation and increased pharmaceutical expenditures. [HR Executive](#)
- **Sustainability Concerns:** The continuous escalation of healthcare costs poses challenges to the financial sustainability of municipal budgets and the affordability of care for residents. [Mass.gov](#)

Impact of Healthcare Costs on North Attleborough

Recommendations

- **Strategic Planning**: Proactively budget for anticipated healthcare cost increases to mitigate financial strain.
- **Cost Management**: Explore alternative healthcare plans and wellness programs to control expenses.
- **Advocacy**: Engage with policymakers to address systemic issues contributing to rising healthcare costs.



Property, Liability, & Workers' Compensation Insurance

Current Trends

Property and Liability Insurance

- **Market Hardening**: The property insurance market is becoming more restrictive and expensive, particularly for properties in high-risk areas or those with poor loss histories. New properties near coastal regions face higher premiums and stricter underwriting. [BERRY INSURANCE](#)
- **Increased Construction Costs**: Rising construction costs are elevating the replacement value of municipal properties, leading to higher premiums. For instance, some new school buildings in Massachusetts are projected to cost up to \$100 million, impacting insurance costs. [MMA](#)

Workers' Compensation Insurance

- **Rate Adjustments**: After a 14.6% rate reduction in 2024, the Workers' Compensation Rating and Inspection Bureau of Massachusetts (WCRIBMA) has proposed a 7.1% average rate increase for industrial classes, effective July 1, 2025. This adjustment aims to balance previous reductions and ensure system sustainability. [AGENCY CHECKLISTS](#)
- **Regulatory Changes**: Recent legislative efforts focus on expanding worker protections, such as lowering the burden of proof for first responders claiming PTSD, potentially increasing claims and impacting municipal insurance costs. [REUTERS](#)

Property, Liability, & Workers' Compensation Insurance

Drivers of Premium Changes

- **Loss Histories**: Municipalities with higher claim frequencies or severe losses face increased premiums due to perceived higher risks.
- **Economic Factors**: Inflation and rising operational costs contribute to higher premiums across all insurance lines.

Market Outlook (Next 12-18 Months):

- **Property Insurance**: High-quality risks with favorable loss histories may see stable premiums, while properties in catastrophe-prone areas could experience double-digit rate increases. [Baker-Hopp Inc](#)
- **Workers' Compensation**: If the proposed 7.1% rate increase is approved, municipalities should prepare for higher premiums starting mid-2025. [Agency Checklists](#)

Economic Development Outlook

State Revenue Projections:

Uncertainty in State Aid: Massachusetts' state tax collections have recently fallen below benchmarks, introducing uncertainty in state revenue forecasts. This could impact Unrestricted General Government Aid (UGGA) allocations to municipalities, including North Attleborough. [MMA](#)

Local Economic Development:

Downtown Revitalization: North Attleborough's downtown area is experiencing growth, with new businesses and events enhancing its appeal. This development is expected to boost local economic activity and increase property values. [North Attleborough](#)

Building Permits as Economic Indicators: The town has observed a decrease in building permits, attributed to high interest rates and construction costs. Building permits are a leading economic indicator, and this decline may signal a slowdown in future construction activity. [North Attleborough](#)

Inflation and Operational Costs:

Rising Expenses: Inflation continues to drive up the costs of goods and services, affecting municipal budgets. This trend necessitates careful financial planning to maintain service levels without overburdening taxpayers.

Economic Development Outlook

Capital Investment and Infrastructure:

State-Level Investments: Massachusetts' Five-Year Capital Investment Plan includes funding for municipal infrastructure projects, which could benefit North Attleborough. These investments aim to stimulate economic growth and improve public services. [Massachusetts Budget](#)

Labor Market Conditions:

Employment Trends: Local employment rates and labor market conditions will influence economic stability. Monitoring these trends is essential for anticipating changes in consumer spending and housing demand.

Recommendations for North Attleborough:

Strategic Financial Planning: Develop contingency plans to address potential fluctuations in state aid and rising operational costs.

Economic Development Initiatives: Continue to support downtown revitalization and attract new businesses to enhance the local economy.

Community Engagement: Maintain open communication with residents about budgetary decisions and economic developments to foster transparency and trust.