

# The Proposed Pawtucket Ballpark

## An Analysis of the City of Pawtucket's Finances

October 2017

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# We looked at information from:

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- The United States Census American Community Survey
- Rhode Island Department of Education data
- Department of Labor and Training unemployment data
- Division of Municipal Finance tax roll certifications
- Actuarial pension reports
- Property tax data
- State budget and Office of Revenue Analysis state aid documents
- Comprehensive Annual Financial Reports
- Budget-to-Actual Reports, Adopted Budget Surveys, Five-Year Forecast as submitted by the City

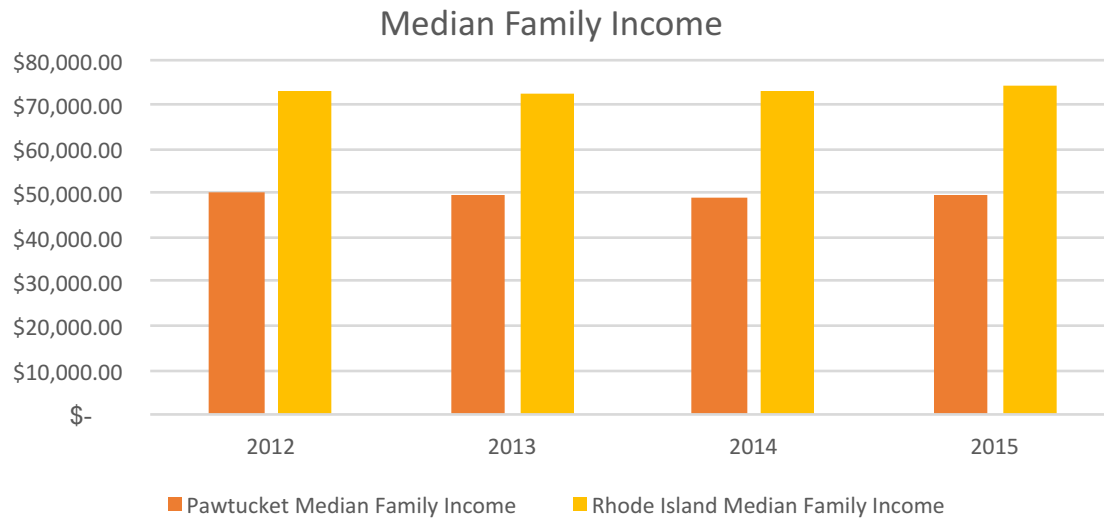
# Outline of Presentation

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- Demographics
- Property tax analysis
- State aid
- Current financial situation
- Five-Year projection

# Demographics

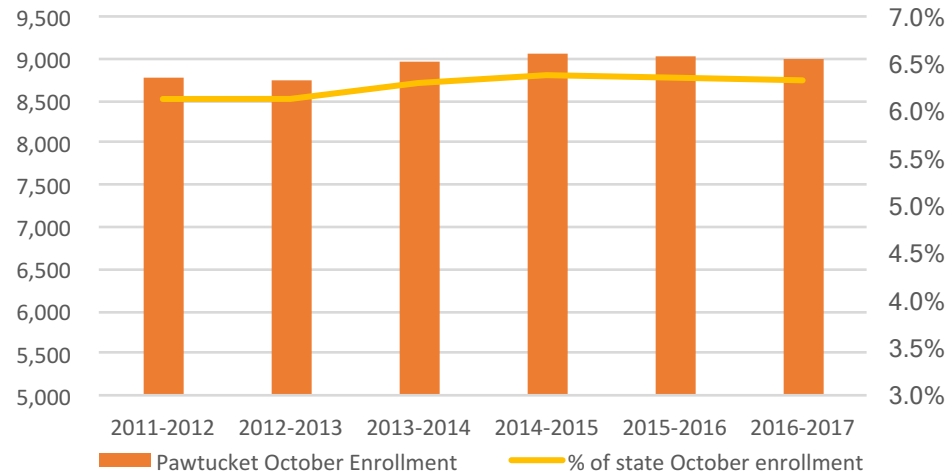
# Population and Median Family Income



- Pawtucket is the 4<sup>th</sup> largest municipality in Rhode Island
- From 2012-2015 the average population was 71,279 which was 6.7% of Rhode Island’s total population
- Pawtucket’s median family income is the 4<sup>th</sup> lowest among municipalities in Rhode Island

# October School Enrollment

Pawtucket October Enrollment

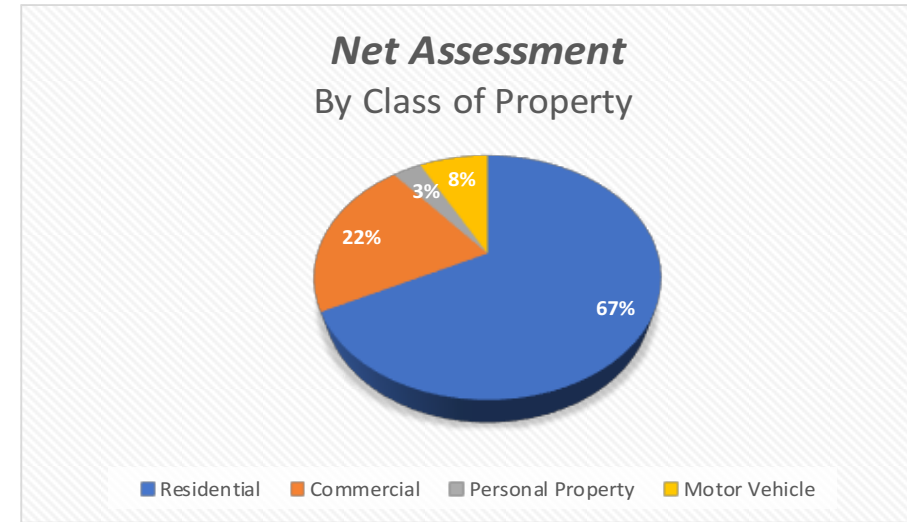
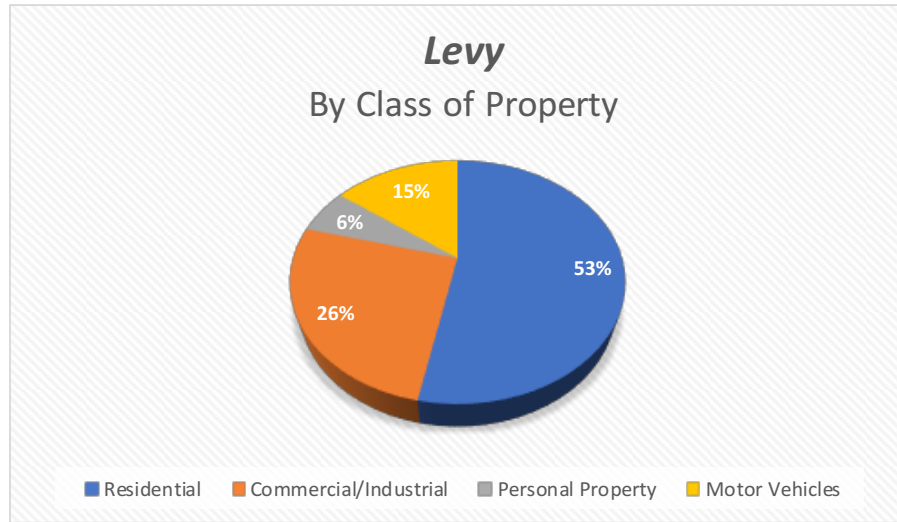


Data source: "Pawtucket 2011-2012 through 2016-2017 October Enrollment Data", RI Department of Education.

- From the 2011-2012 academic year to the 2016-2017 academic year Pawtucket average school October enrollment was 8,920 students which was 6.3% of Rhode Island's total October enrollment

# Property Tax Analysis

# Levy and Net Assessments (as of 12/31/15)

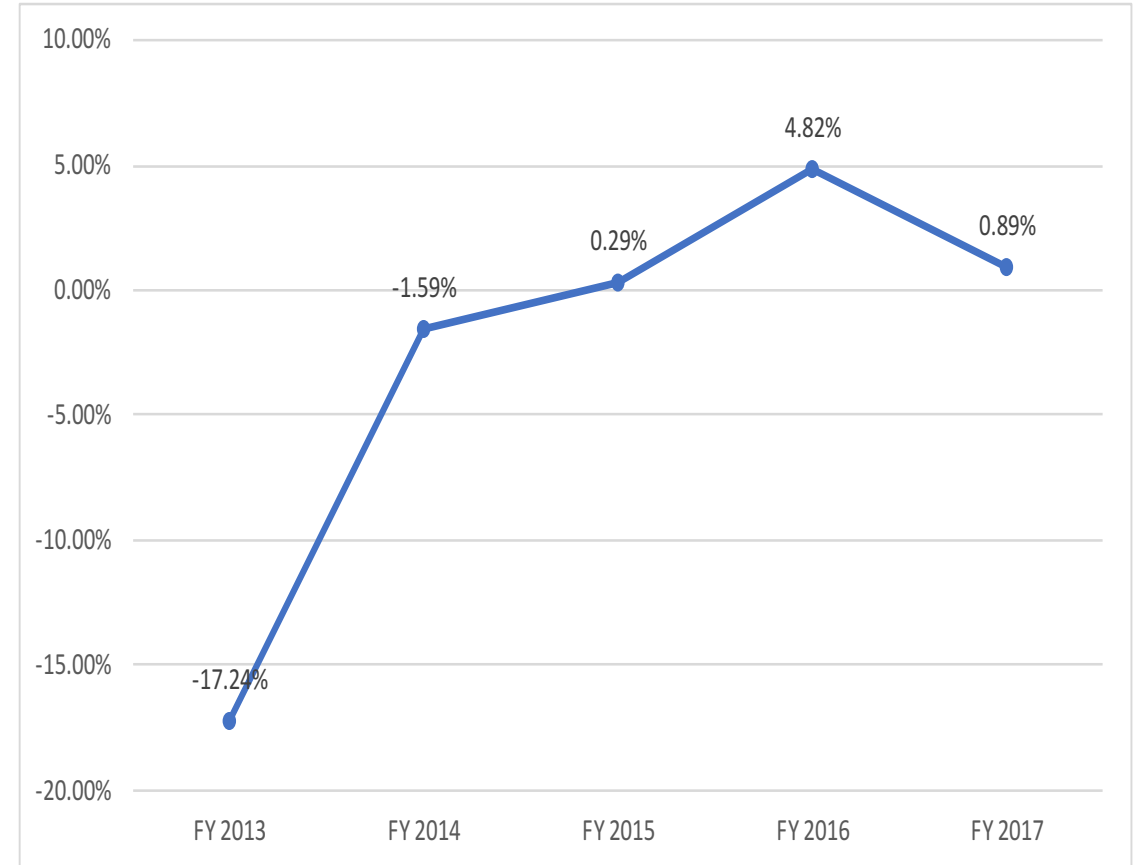


- Residential property represents 67% of the city's total property valuation, however, only generates 53% of the city's tax revenue.
- Commercial/Industrial property represents 22% of the city's total property valuation, however, generates 26% of the city's tax revenue.
- Personal property represents 3% of the city's total property valuation, however, generates 6% of the city's tax revenue.
- Motor vehicles represent 8% of the city's total property valuation, however, generate 15% of the city's tax revenue.



# Percent Net Assessment Change

- Net assessment change reflects the difference in values from previous fiscal year (Ex: FY2013 represents the change from FY12-13)
- Pawtucket had a statistical update on 12/31/11 (FY2013) and showed a decline in net assessment as reflective of the market.
- Pawtucket also had an additional statistical update in FY2016 which reflected an increase due to improving market conditions.
- Pawtucket is due for a full revaluation on 12/31/17 (FY2019)



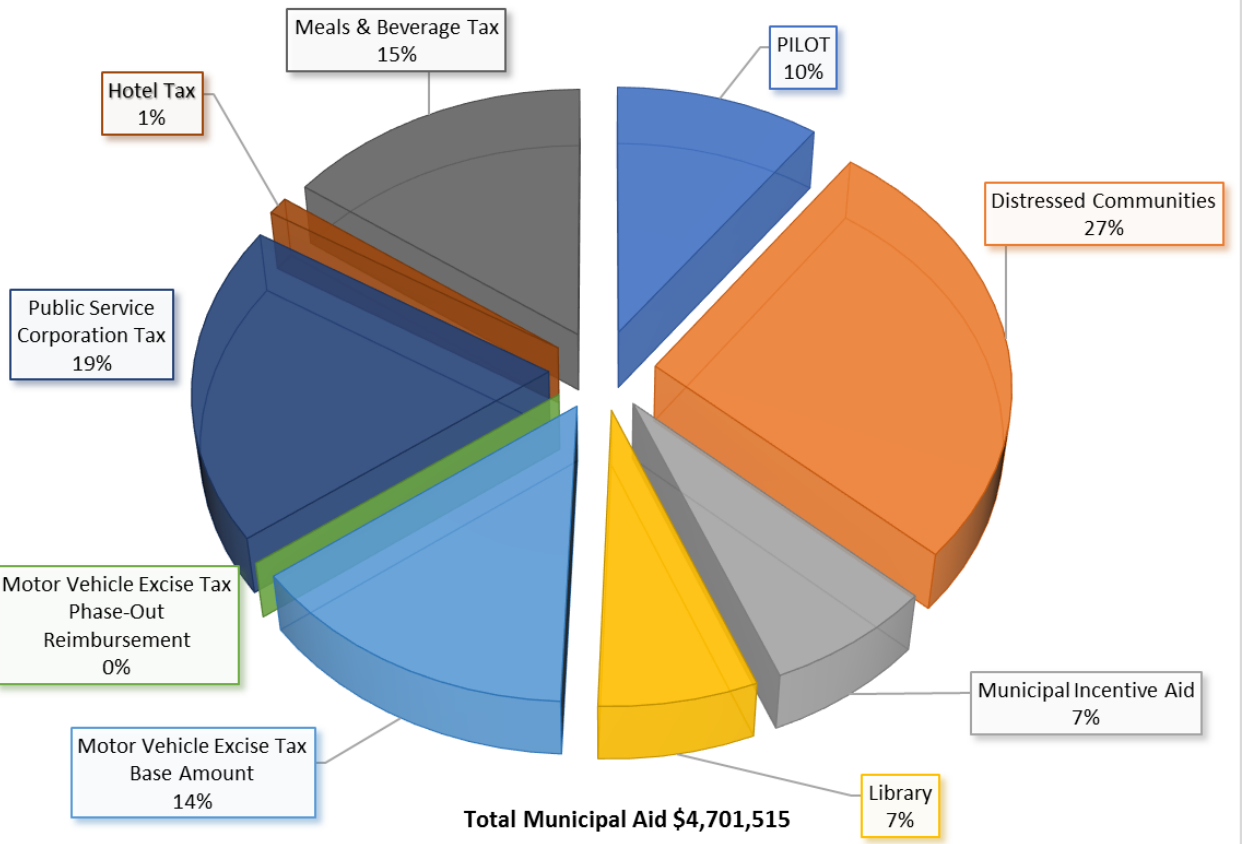
# FY 2012 – FY 2017 Certified Tax Levies (\$ Million)

| <b>CITY/TOWN</b>            | <b>FY2012</b>  | <b>FY2013</b>  | <b>FY2014</b> | <b>FY2015</b> | <b>FY2016</b>  | <b>FY2017</b>  |
|-----------------------------|----------------|----------------|---------------|---------------|----------------|----------------|
| <b>Pawtucket</b>            | <b>\$ 96.3</b> | <b>\$100.1</b> | <b>\$99.4</b> | <b>\$99.6</b> | <b>\$102.8</b> | <b>\$104.2</b> |
| <b>% Change</b>             |                | <b>3.95%</b>   | <b>-0.70%</b> | <b>0.20%</b>  | <b>3.21%</b>   | <b>1.36%</b>   |
| <b><u>FY 12 - FY 17</u></b> |                |                |               |               |                |                |
| <b>Average %<br/>Change</b> | <b>1.60%</b>   |                |               |               |                |                |

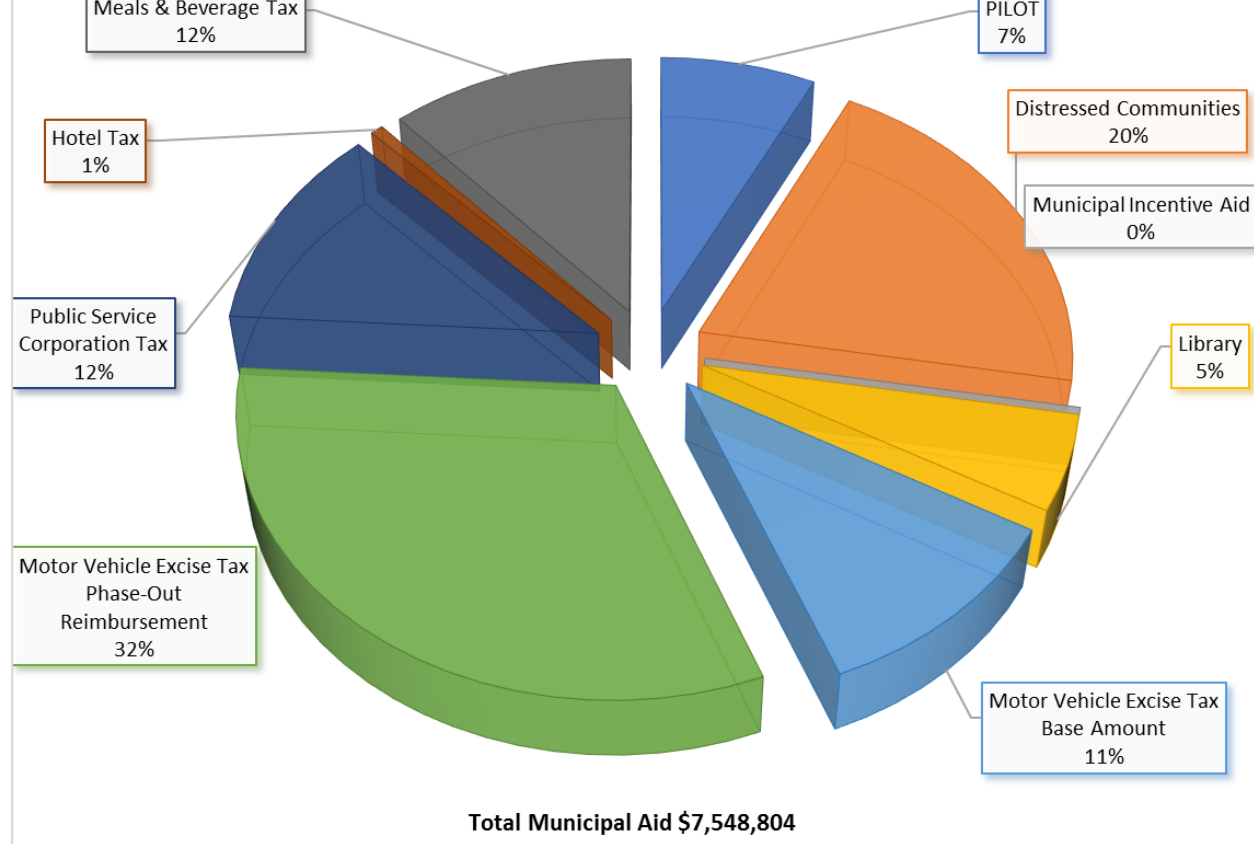
# State Aid

# Municipal Aid (Does not include education aid)

**FY 2014 TOTAL MUNICIPAL AID**



**FY 2018 TOTAL MUNICIPAL AID**



FY 2018 aid includes \$2.4 M in MV phase-out reimbursement which replaces the MV levy

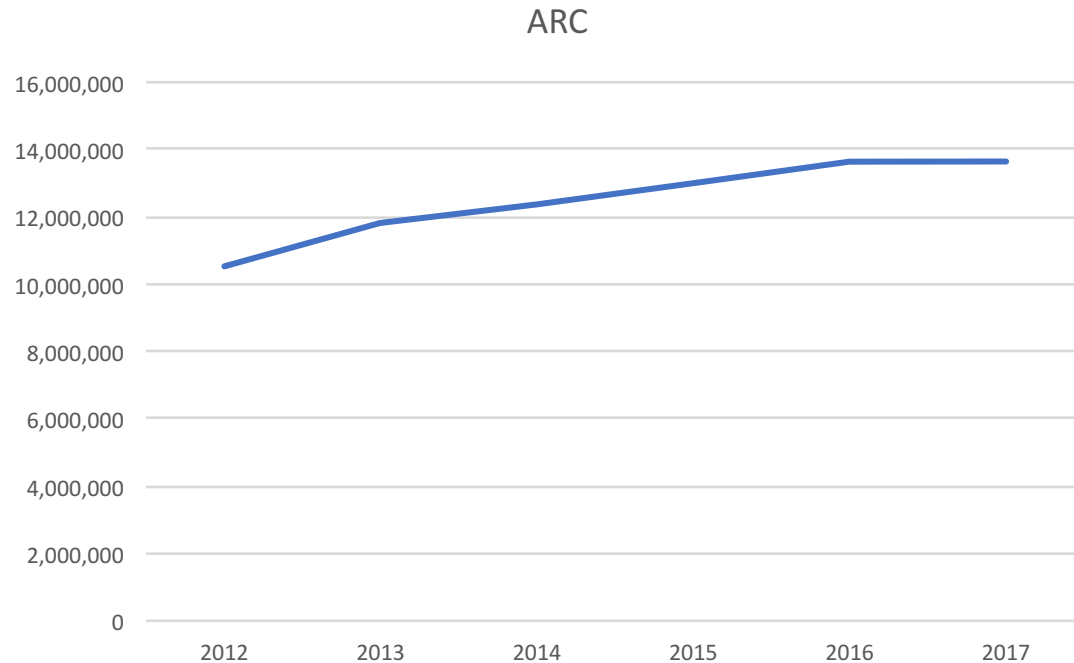
# State Aid Pledged Towards Bond Issuance

**Pawtucket Municipal Aid  
 (does not include education aid)**

|  | FY 2018<br>Enacted        | FY 2022<br>Projection      | FY 2018E vs FY 2022P      |                       |
|--|---------------------------|----------------------------|---------------------------|-----------------------|
|  |                           |                            | Change<br>Amount          | Percent               |
| <b><u>Direct Aid</u></b>                         |                           |                            |                           |                       |
| PILOT  | 554,958                   | 554,958                    | -                         | 0.00%                 |
| Distressed Communities                           | 1,539,903                 | 1,539,903                  | -                         | 0.00%                 |
| Motor Vehicle Excise Tax Base Amount             | 821,285                   | 821,285                    | -                         | 0.00%                 |
| Motor Vehicle Excise Tax Phase-Out Reimbursement | 2,410,249                 | 12,331,433                 | 9,921,185                 | 411.62%               |
| <i>Subtotal Direct Aid</i>                       | <u>\$5,326,394</u>        | <u>\$15,247,579</u>        | <u>\$9,921,185</u>        | <u>186.26%</u>        |
| <b><u>Pass - Through Aid</u></b>                 |                           |                            |                           |                       |
| Public Service Corporation Tax                   | 891,950                   | 891,950                    | 0                         | 0.00%                 |
| <b>Total Municipal Aid</b>                       | <u><b>\$6,218,344</b></u> | <u><b>\$16,139,529</b></u> | <u><b>\$9,921,185</b></u> | <u><b>159.55%</b></u> |

# Current and Projected Fiscal Situation

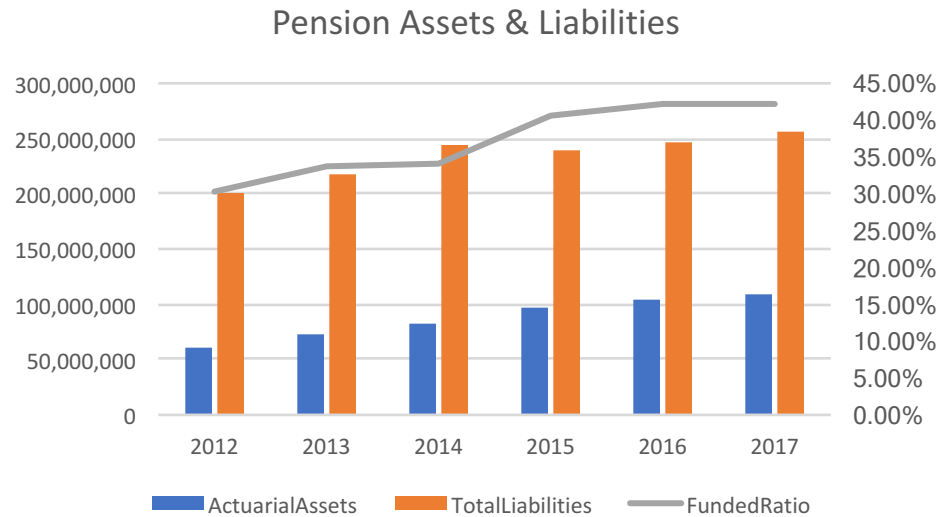
# Pawtucket Police & Fire Pension ARC



- The plan will be out of critical status in 2026 (> 60% funded)
- 100% funding forecasted for 2042.
- The city is compliant with the 2013 funding improvement plan (FIP).
- The city has paid 100% of its ARC since its funding improvement plan was adopted in 2013.

Source: actuarial valuation reports, funding improvement plan and municipal audits available at <http://www.municipalfinance.ri.gov>

# Other Pension Information



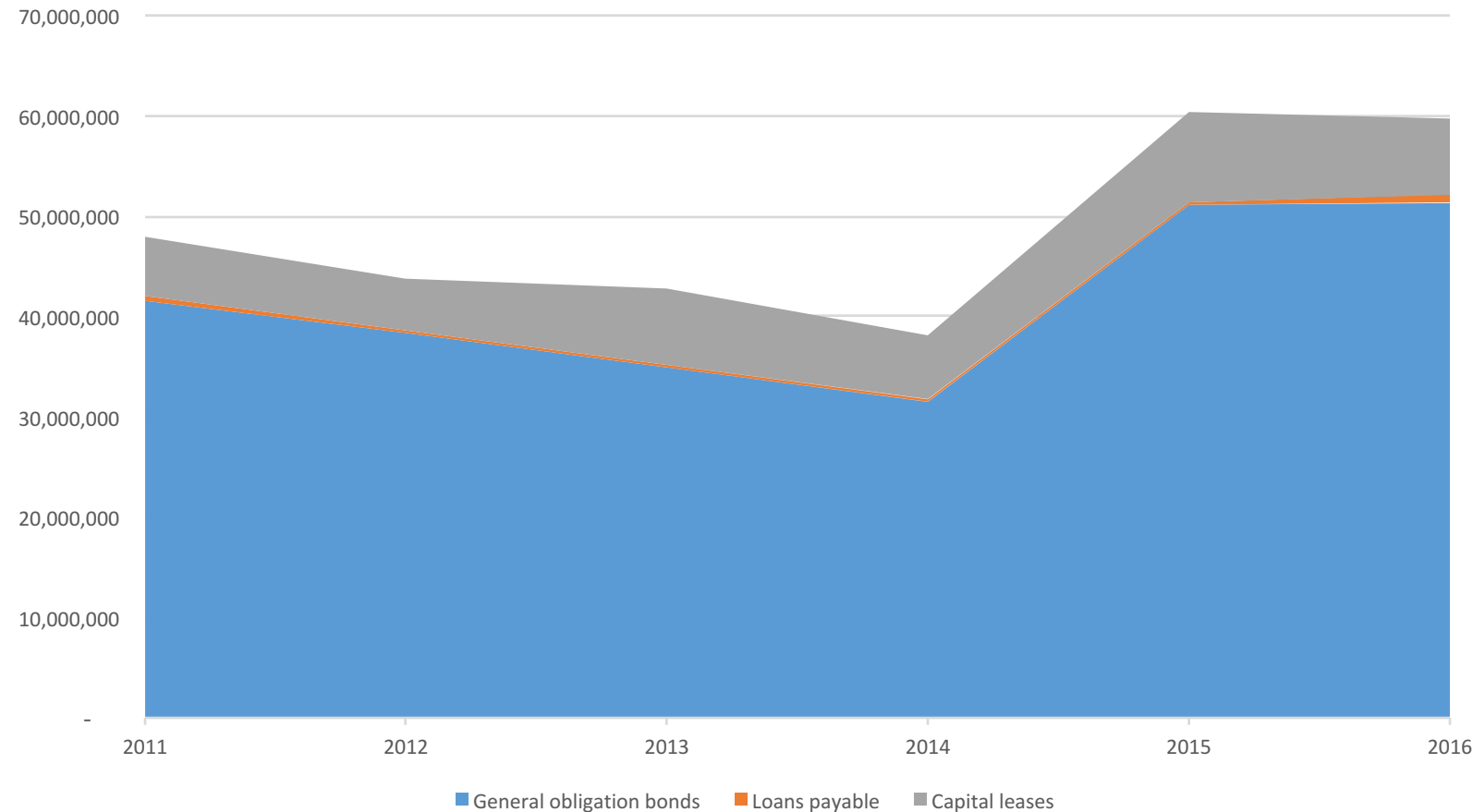
A challenge to the pension plan remains.

- The city’s funding improvement plan assumes COLA freeze for 3 years for retirees
- Some police and fire retirees contest the COLA freeze
- Should COLA not be frozen, due to an adverse decision in pending litigation, the unfunded liability would increase by \$28M and annual required contribution would increase by \$2.1M

Source: actuarial valuation reports, funding improvement plan and municipal audits available at <http://www.municipalfinance.ri.gov>



# Net Direct Debt and Other Ratios

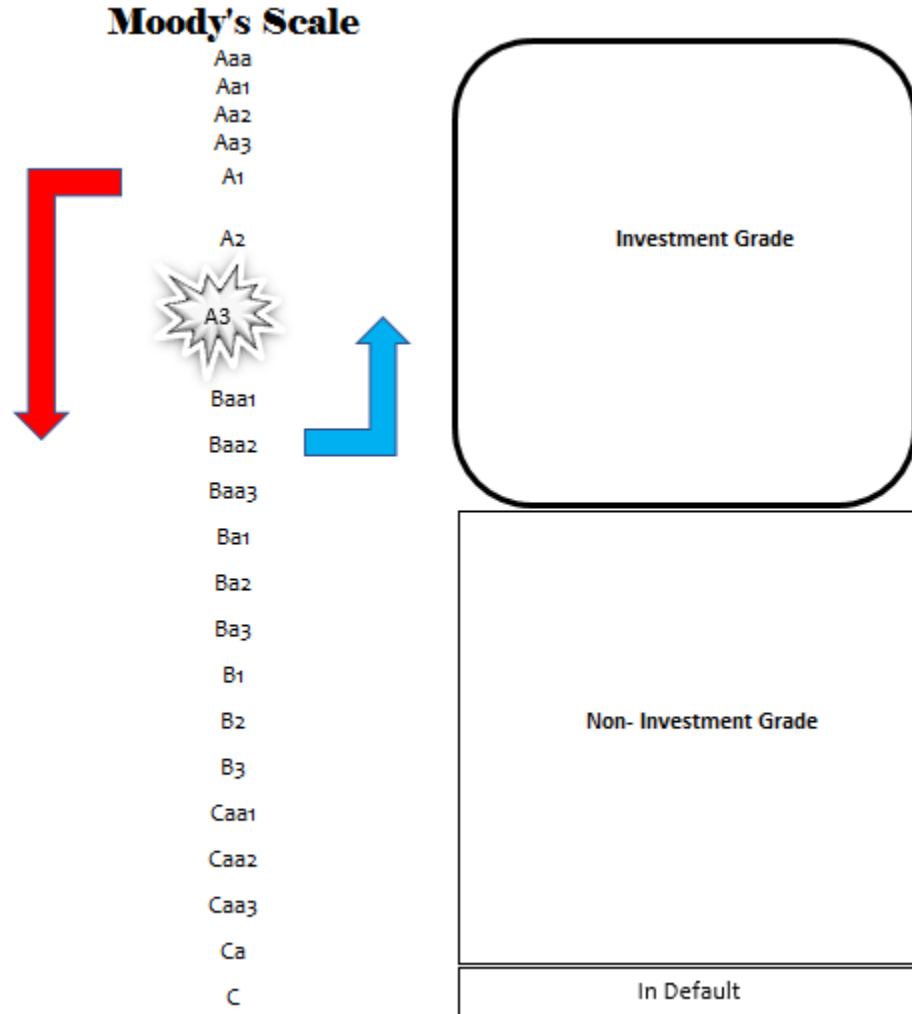


The recommended target for net direct debt is less than 3% of assessed value

- Pawtucket’s net direct debt is 1.8% of assessed value in 2015, well within the target of <3%.
- Overall debt + net pension liability is 14.9% of assessed value. This significantly exceeds the < 6.3% target.

Source: Public Finance Management Board Debt Affordability Study available at <http://debt.treasury.ri.gov/>, municipal audits available at <http://www.municipalfinance.ri.gov/data/>, assessed values available at <http://www.municipalfinance.ri.gov/data/tax-levies/>

# Moody's Rating



- Moody's has 21 possible ratings in its scale.
- In April 2010 Moody's recalibrated long-term municipal rating to their global rating scale to enhance comparability.
- Ratings:
  - May 2010 – A1
  - February 2011 – Baa2
  - September 2016 – A3

# Unassigned Fund Balance

|                           | 2011                  | 2012                  | 2013                | 2014                 | 2015                 | 2016                 |
|---------------------------|-----------------------|-----------------------|---------------------|----------------------|----------------------|----------------------|
| Municipal                 | \$ 952,951            | \$ 1,820,857          | \$ 5,109,189        | \$ 10,743,862        | \$ 12,376,714        | \$ 12,657,552        |
| School                    | \$ (2,736,761)        | \$ (4,351,809)        | \$ (1,534,386)      | \$ 25,475            | \$ -                 | \$ -                 |
| <b>Total</b>              | <b>\$ (1,783,810)</b> | <b>\$ (2,530,952)</b> | <b>\$ 3,574,803</b> | <b>\$ 10,769,337</b> | <b>\$ 12,376,714</b> | <b>\$ 12,657,552</b> |
| <b>FB as % of Revenue</b> | <b>-1.0%</b>          | <b>-1.4%</b>          | <b>1.9%</b>         | <b>5.7%</b>          | <b>6.4%</b>          | <b>6.3%</b>          |

# General Forecasting Assumptions

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## General

- Forecast is snapshot in time
- The further out it goes the less reliable it becomes
- Future years may be impacted by various factors, including, but not limited to an increase in revenues or a reduction in expenditures, ultimately impacting any forecasted surplus/deficit
- Projections are a management tool which enables long-term discipline
- On 12-31-17 the City will conduct a full revaluation that will affect FY19 and a statistical update on 12-31-20 that will affect FY22. The revaluation and statistical update will most likely result in an increase in assessments that could potentially result in an increase in levy without an increase in rates. However, the City has chosen to keep projected levy's equal to the base year of FY18

## Baseline Projection

- Projection provided by City of Pawtucket
- Assumes level-funding of education aid from the state
- Assumes no levy increase
- Totals exclude school revenues and expenditures, but include projected school operating deficits as increased appropriation by municipality as an expenditure

# Baseline – No Levy Increase

Projection for long-term planning purposes

|   | <b>FY2018</b> | <b>FY2019</b>     | <b>FY2020</b>     | <b>FY2021</b>     | <b>FY2022</b>     |
|---|---------------|-------------------|-------------------|-------------------|-------------------|
|   | <b>Budget</b> | <b>Projection</b> | <b>Projection</b> | <b>Projection</b> | <b>Projection</b> |
| Total Revenues                                | 123,698       | 125,869           | 125,682           | 125,265           | 125,126           |
| <b>Add School Operating (surplus)/Deficit</b> | <b>-</b>      | <b>3,524</b>      | <b>6,462</b>      | <b>8,332</b>      | <b>10,252</b>     |
| Total Expenditures                            | 123,936       | 129,807           | 133,804           | 136,983           | 141,075           |
| Operating Surplus / (Deficit)                 | (238)         | (3,938)           | (8,122)           | (11,717)          | (15,949)          |
| Total Fund Balance                            | 14,896        | 10,959            | 2,837             | (8,880)           | (24,829)          |

\*Projected municipal operating deficit FY18 -\$238, FY19 -\$414, FY20 -\$1,660, FY21 -\$3,385, FY22 -\$5,697  
 \$ thousands

# Assumptions for Proposed Ballpark (Slide 23)

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- All baseline assumptions except for adjustments listed below
- Levy and state aid increases associated with proposed ballpark are based on B&D Presentation on Economic & Fiscal Benefits Analysis of a New Downtown Pawtucket Ballpark
  - Includes Apex ancillary project, Division street, and ballpark; excludes Tidewater
  - % Levy Increase from PawSox Project – This item is consistent with property tax revenue projection from B&D with a reduction due the loss of existing Apex site property taxes and tangible taxes from existing ballpark
- Additional property tax collections and state aid associated with proposed ballpark are projected to begin in FY 2020
- Projected debt service associated with ballpark is provided by the city
- Levy increased to maximum of 4% allowable under RIGL 44-5-2
- Total revenue from Apex ancillary project of FY20 \$1.504M, FY21 \$1.521M, FY22 \$1.538M netted against \$211K per year from existing Apex billing

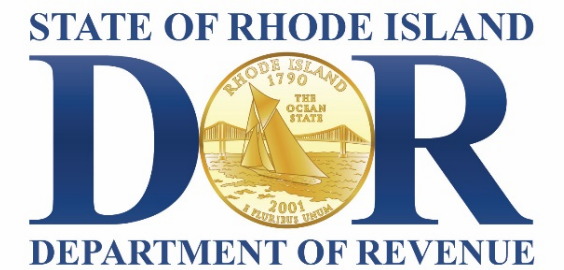
# Projection for Proposed Ballpark and Maximum Levy Increase <sup>1</sup>

|  | <b>FY2018<br/>Budget</b> | <b>FY2019<br/>Projection</b> | <b>FY2020<br/>Projection</b> | <b>FY2021<br/>Projection</b> | <b>FY2022<br/>Projection</b> |
|--|--------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Total Revenues <i>Baseline</i>                               | 123,698                  | 125,869                      | 125,682                      | 125,265                      | 125,126                      |
| <i>Add Property Tax Coll due to PawSox Project</i>           | -                        | -                            | <b>1,337</b>                 | <b>1,348</b>                 | <b>1,352</b>                 |
| <i>Add Property Tax Collection at 4% Levy Cap</i>            |                          | <b>3,625</b>                 | <b>6,080</b>                 | <b>9,994</b>                 | <b>14,064</b>                |
| <i>Add State Aid Rev from PawSox Projects</i>                |                          |                              | <b>194</b>                   | <b>198</b>                   | <b>204</b>                   |
| Total Revenue  | 123,698                  | 129,495                      | 133,293                      | 136,806                      | 140,746                      |
| Total Expenditures <i>Baseline</i>                           | 123,936                  | 129,807                      | 133,804                      | 136,983                      | 141,075                      |
| <i>Add Debt Service for Pawsox 15M bond</i>                  |                          | <b>606</b>                   | <b>891</b>                   | <b>894</b>                   | <b>893</b>                   |
| Total Expenditures   | 123,936                  | 130,413                      | 134,695                      | 137,877                      | 141,967                      |
| Operating Surplus / (Deficit)                                | (238)                    | (918)                        | (1,401)                      | (1,071)                      | (1,221)                      |
| Total Fund Balance <i>Baseline</i>                           | 14,896                   | 10,959                       | 2,837                        | (8,880)                      | (24,829)                     |
| <i>Add Cuml. FB from Increase in Levy and PawSox Project</i> | -                        | <b>3,019</b>                 | <b>9,740</b>                 | <b>20,386</b>                | <b>35,114</b>                |
| Total Fund Balance   | 14,896                   | 13,978                       | 12,577                       | 11,506                       | 10,285                       |

<sup>1</sup> in thousands

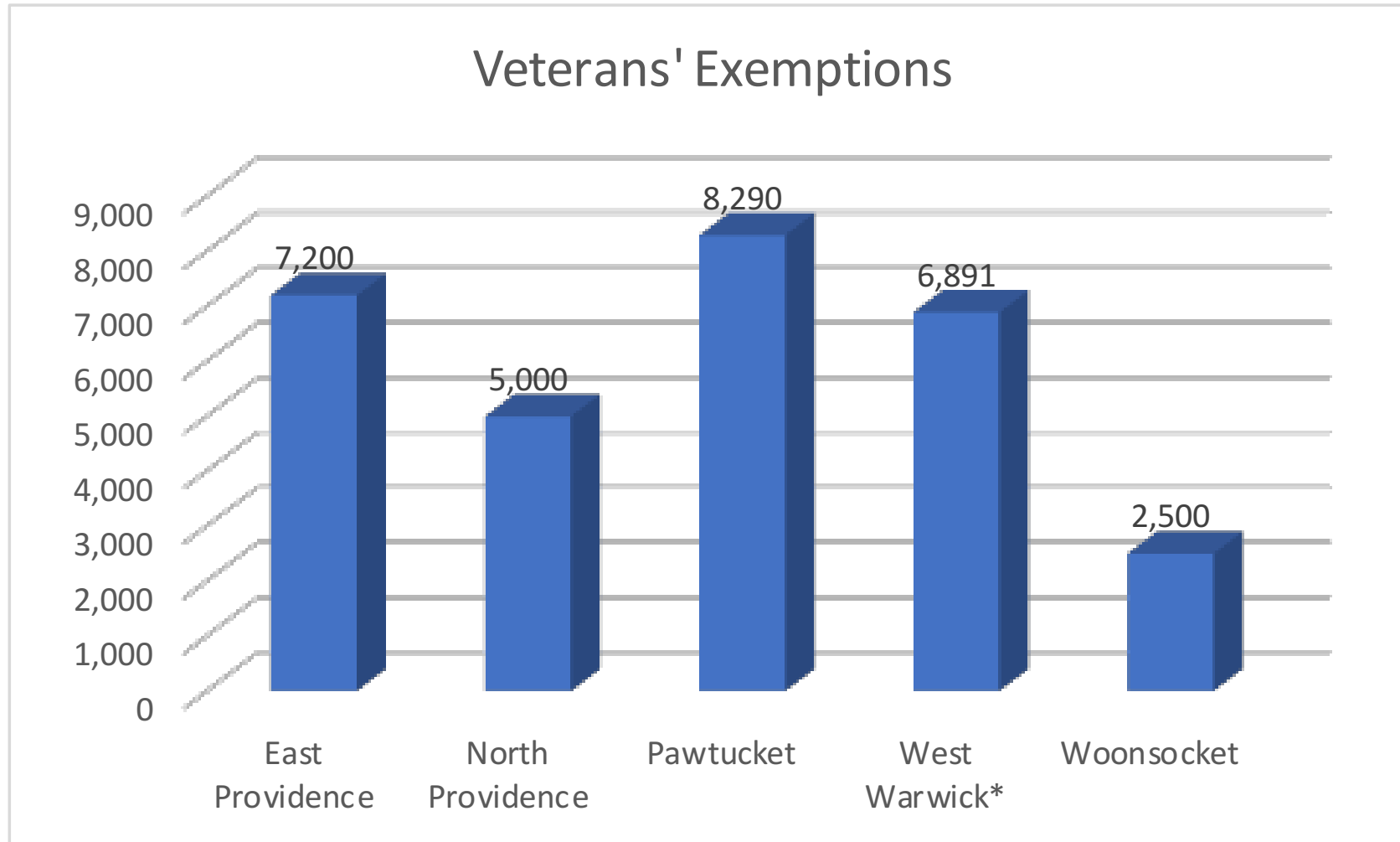
Total Revenue from Apex ancillary project of FY20 \$1.504M, FY21 \$1.521M, FY22 \$1.538M netted against \$211K per year from existing Apex billing

# Appendix





# Veterans' Exemptions



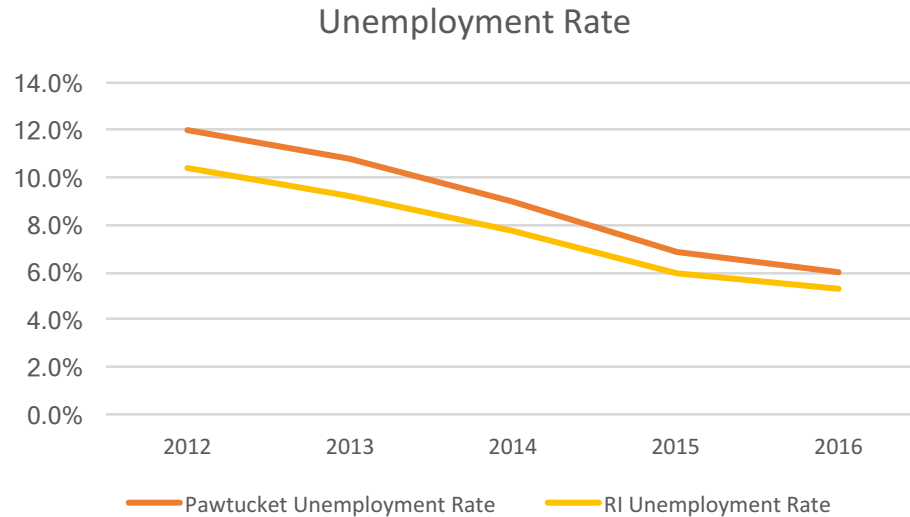
*\*Flat rate exemption calculated from exact dollar tax credit*

# Elderly Exemptions



*\*No income requirements*

# Unemployment Rate



- From 2012 to 2016 Pawtucket's unemployment rate decreased from a high of 12% (4,416) in 2012 to a low of 6% (2,182) in 2016
- Pawtucket's unemployment rate is higher than the state unemployment rate

[www.municipalfinance.ri.gov](http://www.municipalfinance.ri.gov)