

**FINANCE DEPARTMENT**  
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Fiscal 2017 was a very active and productive year for the Finance department. One of the key accomplishments included engineering the balancing and approval of the FY 2018 operating budget within identified available recurring revenues while maintaining and enhancing service levels across several departments including: Veterans, Council on Aging, Police, Fire, Inspections, Finance, Information Systems, Water, Highway, and School.

The operating budget came in at \$73.44MM, a 4.07% increase over FY '17, including reserves for unsettled union contracts. The passing of this particular budget was a major accomplishment, years in the making as a function of long range planning, because it includes the full debt service for the New Town Hall and funding for free all-day Kindergarten, all without the need for a debt exclusion or override. The budget was passed at the Annual Town Meeting (ATM) unchanged as presented, yet again.

FY 2018 Municipal (non-school) budgets increased 4.1%. The School budget increased 3.4%. "Fixed Costs" within the General Fund increased 6.1% driven entirely by Health Insurance (10%) and Pension (9.8%) cost obligations, resulting in an overall General Fund increase of 4.2%. Water and Sewer enterprise budgets increased by a combined 2.5%, resulting in the total Town operating budget increasing by 4.07%.

The FY 2018 capital budget was funded at the ATM with \$3.55MM for all critical needs, as financially engineered by the Finance Director, and all without the need to borrow. It's this type of conservative, i.e., cash, funding approach that greatly helps to keep the Town on solid financial footing. Within this budget the State's highway fund grant of \$645K was able to be supplemented with \$340K of Town funds, all originating from the local meals tax. \$500K was recommended from Free Cash to fund the Downtown sewer infrastructure, which will come back to the Town upon the sale of the old Fire Station & former funeral home. Also, \$352K was cobbled together from Sewer funds to purchase 60,000 gallons of valuable unused sewer capacity from Cannon Forge.

During the FY '18 budget process a great debate was held regarding the desire of some to not tax to the Levy Limit. Provided with financial analysis and sound reasoning why it was not in the Town's best economic interest to Not tax to the levy limit at this time, a responsible fiduciary result was agreed upon.

For starters, the Finance Director researched & uncovered the little known fact that 74% (259) of all cities & towns in Massachusetts have and rely on general property tax overrides to annually balance their operating budgets, where Foxborough does not and never has. This provided context to the financial challenges facing the overwhelming majority of the state municipalities, and conversely how conservative and successful Foxborough has been to the point of avoiding general overrides.

Presentations were made to the policy making boards that referenced the Town's Long Range Financial Plan (LRP) and recently adopted financial policies. Both highlighted the devastating financial and service level consequences to the Town by not taxing to the levy limit, at least until taxable property values reach critical mass to sustain recurring revenue needs in support of Town services.

As a result consensus was achieved on the better course of action, which was to put aside the equivalent of the contemplated tax cut (\$532K) into Capital Stabilization, which will reduce debt service costs on the upcoming Burrell School debt-excluded project, saving the taxpayers even more in interest related costs. Furthering the Town's commitment to its recently adopted financial policies, \$280K was voted into the Town's "Core" Stabilization account at the Annual Town Meeting so as to maintain it at the targeted level.

In addition, a commitment was made during the budget debate to provide an educational forum to assist all interested parties in understanding the Town's finances, progress, goals and the ability to provide direct input thereon. The forum was held in June of 2017. It was well received and taped for future viewing. Please visit the Finance webpage at [Foxboroughma.gov](http://Foxboroughma.gov) for the Financial Summit presentation document or the Town's homepage under News & Announcements to view the live presentation.

In FY 2017 we continue to see the dividends in efficiency and cost savings that the centralized Information Systems department and centralized Facilities Department deliver. These are additional examples of the excellent partnership that exists between the School and Town departments. We are extending the useful life of each building, creating larger savings on major repairs or renovations. In addition we continue to make coordinated technology decisions across the Town that are not just saving money, but driving increased efficiencies for employees and the community.

The Finance team provided leadership and direction in multiple significant technology initiatives impacting all taxpayers, all employees, all public safety detail vendors and public safety operations.

Invoice Cloud, a significantly enhanced and modern online bill payment portal for property tax, excise tax, water and sewer bills, was rolled out on 6/30/17, replacing the MCC portal. This portal is now more easily found as the first tab on the top left of the Town website homepage at [www.Foxboroughma.gov](http://www.Foxboroughma.gov). This bill payment option offers enhanced payment services including: Pay by Text, Text notifications for new bills, email reminders & confirmations, ability to pay current and now past due bills, Auto Pay and scheduled payment functionality, ability to review payment history, print bills or even opt-in to paperless billing. There is no fee to pay bills using Invoice Cloud if you pay by E-check/ACH.

Employee Self-Service (ESS) was implemented across all Town departments, providing employees with 24/7 access to paycheck, W-2, W-4, and benefits information. ESS provides workflow supported time-off request capability as well as paycheck simulation capabilities.

The Finance team partnered with the public safety administration teams to finalize the implementation of the productivity enhancing Detail General Billing application. This module, which bills over \$3MM annually, is now fully integrated with the Town's financial system. In addition Finance supported the Ambulance Billing vendor migration to PRO-EMS, which handles ~\$1.5MM in collections annually.

In FY 2017 the required bi-annual actuarial update to the Other Post-Employment Benefits (OPEB)

unfunded liability (*retiree health insurance*) was completed. The results of the report show that the Town has cut its Unfunded Liability (UL) by 57%, or by \$35.6MM, over eight years, from \$62.2MM at FYE 2009, to \$26.6MM at FYE 2017. This dramatic reduction, which is a taxpayer savings, is a direct result of the funding schedule the Town has been following, the successful renegotiation of health plan design with all employee groups, as well as the Board of Selectmen's decision to require all retirees to pay the same percentage of their health premiums. The UL increased \$2.5MM more than plan due entirely to two assumption changes, required by the State of all such actuarial reports: 1) new Mortality table – we're living longer; and 2) new Teacher Retirement rates – they're retiring earlier. The OPEB Trust Fund is valued at \$6.9MM at FYE 2017.

The Massachusetts DOR certified the FY 2017 tax values and rates on schedule in November of 2016. The resulting FY 2017 certified values are summarized as follows:

FY 2017 Property Values:

Residential	\$ 2,202,413,648	75.84 %
Commercial	520,200,452	17.91 %
Industrial	60,164,700	2.07 %
Personal	<u>121,402,820</u>	<u>4.18 %</u>
	<u>\$ 2,904,181,620</u>	<u>100.00 %</u>

New growth capture provided property valuation increases of \$57.2 million and an increase of \$952 thousand in new tax revenues. The FY 2017 levy limit calculation is presented below:

FY 2016 Levy Limit	\$ 40,615,130
Allowable 2.5% Increase	1,015,378
New Growth	<u>952,214</u>
FY 2017 Levy Limit	\$ 42,582,722
Add Debt Exclusions	<u>2,584,687</u>
Maximum Allowable Levy	\$ 45,167,409
Unused FY 2017 Levy	<u>\$21,822</u>
Actual FY 2017 Tax Levy	<u>\$ 45,145,587</u>

The Board of Selectmen held the FY '17 Classification Hearing, as required annually of all municipalities by the DOR. The purpose is to vote on either a single tax rate for all classes of property or to have a "split" tax rate, i.e., a higher rate for business and a lower rate for residential. The Board of Selectmen accepted the Board of Assessors' recommendation to retain a split

tax rate for the sixth straight year, saving the average residential taxpayer over \$200. Foxborough is the tenth of 16 area towns that have adopted a split rate and for good reason, a consistent split of the overall tax burden amongst the property classes.

The resulting tax rate per \$1,000 in assessed value for FY 2017 was \$15.04 for Residential and \$17.13 for Business.

Anyone can view the Assessor’s Real Estate Database by visiting the Quick Links section on the homepage of the Town of Foxborough official website, at [www.foxboroughma.gov](http://www.foxboroughma.gov), or from the Assessor’s webpage on our website.

Foxborough’s property tax collection performance was consistent in FY 2017. The collection rate was 99.26%, or 6 basis points lower than the previous year. \$335 thousand of FY 2017 property taxes were outstanding at fiscal year-end. Also, tax liens on prior year’s balances remained flat in FY ’17 and totaled \$1.25 million at FYE ’17. Given the relatively high tax lien balances, the Collector has initiated foreclosure proceedings on several properties. The true intent is to stimulate payments on large overdue balances. However, if there is no reasonable effort to pay off past due balances, the Town unfortunately may have to complete the foreclosure process on some properties. If so, those properties would then be sold at auction.

The Finance department along with the Board of Assessors reviewed and recommended three changes to senior property tax break provisions that would expand these provisions to the maximum allowed by law. In addition a new state provision was proposed that expands the Senior Work-Off program to include the ability for a senior unable to perform the work, to designate someone to do the work for them and earn the tax credit for them. All proposals were adopted at the Annual Town Meeting, making good on a Board of Selectmen policy goal to bring tax relief to seniors.

General treasury activity for FY 2017, capturing the flow of all Town funds, including payroll, expenses, grants, federal & state aid, bond proceeds and payments, & trust fund activity is summarized below:

Balance as of 06/30/16 \$ 63,756,756  
 Gross Receipts 84,035,571

Gross Disbursements (87,327,685)  
 Balance as of 06/30/17 \$ 60,464,642

The following is an update to local option meals tax activity. The 0.75% tax was implemented at the beginning of FY ’12 and has become a reliable revenue source enabling significant funding for road reconstruction and the OPEB liability.

Fiscal Quarter	Meals Tax Received						Total
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	
Q1*	47,579	173,610	192,777	198,684	204,705	255,279	
Q2	217,027	267,153	274,281	277,965	312,463	310,841	
Q3	238,713	234,440	224,057	265,586	278,890	284,020	
Q4	163,482	143,778	162,682	167,955	180,138	175,430	
<b>Total</b>	<b>666,801</b>	<b>818,981</b>	<b>853,798</b>	<b>910,190</b>	<b>976,196</b>	<b>1,025,570</b>	<b>5,251,535</b>
	<b>Appropriations Enabled by Meals Tax Revenue</b>						
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Total
<b>OPEB</b>	300,000	400,000	500,000	600,000	700,000	800,000	3,300,000
<b>ROADS</b>	75,000	100,000	295,000	879,782	254,000	217,058	1,820,840
<b>Total</b>	<b>375,000</b>	<b>500,000</b>	<b>795,000</b>	<b>1,479,782</b>	<b>954,000</b>	<b>1,017,058</b>	<b>5,120,840</b>
<b>Remainder</b>	<b>291,801</b>	<b>318,981</b>	<b>58,798</b>	<b>(569,592)</b>	<b>22,196</b>	<b>8,512</b>	<b>130,695</b>

The Town’s “Free Cash” reserves were certified at \$8.32 MM at FYE ’17 by the DOR. This includes \$3.49MM in Free Cash from the prior year that was carried forward. A net of an additional \$4.83MM was “recharged” to Free Cash, \$1.725MM ahead of plan, from increased local receipts and unspent budgets. \$1.036MM of the “recharge” over achieve is attributed to broad based increases in Local Receipts. Most of the large categories in Local Receipts (*Motor Vehicle Excise, Hotel Excise, Meals Tax, Stadium Payments, Interest Earnings & Public Safety Detail fees*) performed well due to the strong regional economy. The balance of the over achieve is from \$691K in Overlay Surplus released to fund balance by the Board of Assessors. This positive result will give the Town the ability to increase commitments to its stabilization accounts and the OPEB liability fund.

Finance Administration was involved in supporting and analyzing several other initiatives over the last year. The Finance Director partnered with the Regional Dispatch committee to develop an understanding of the cost of dispatch in all four towns and what the savings might be in a consolidation of the dept’s, taking into account the need to serve “walk-up” customers in each community. These findings were presented in a joint meeting with all four town’s boards of selectmen, public safety chiefs, and town administrations. The positive financial findings aided in the communities comfort level to sign a dispatch regionalization agreement.

Redesigned Town offered employee health insurance plans were financially analyzed and presented to the PEC & IAC employee committees for their acceptance, including a mitigation plan. The result is an annual cost savings to the Town of \$333 thousand. Although \$1 million less than the last plan redesign savings, it's still a significant cost shift to employees.

Other areas of significant financial review and support included: the financing of the streetlights switching over to more energy efficient LED fixtures; several bargaining unit contract cost outs, in particular the new Steelworkers pay plans; assisting the new Police Chief regarding various financial commitments the Kraft Group made to the Police department related to the Splitsville license agreement; and analyzing the value of the new 20 year \$7.2 million solar farm projects during the switch over from bankrupt SunEdison to NRG. There remains a significant onboarding and reconciliation effort with the solar projects to ensure the solar credits are all being received and credited appropriately.

In September of 2016 the State enacted a comprehensive piece of legislation, referred to as the Municipal Modernization Act, updating laws in hundreds of municipal finance areas. As a result, we proposed, and the Town adopted at the May 2017 Annual Town Meeting, several changes requiring town meeting approval. There were three statute acceptances covering: a corrected and technically compliant OPEB statute; the tightening of collection enforcement; and providing local control over abandoned property. In addition a new required revolving fund bylaw was accepted.

In FY '18 some of our key goals include: balancing the FY '19 budget within recurring revenues while maintaining services and enhancing some others; settling union contracts that are up, within the Town's means; finalize the transfer of several voluminous and permanent financial records to microfilm along with electronic (PDF) file accessibility in order to minimize space requirements; finalize the implementation of a Town credit card program that will not only streamline employee out of pocket reimbursement, but will also allow substantial financial rebates to be earned via centralized credit card procurement.

In the area of technology we look forward to continuing the centralized IT partnership and

enhancing several systems. Next year we will be upgrading the Munis financials system and the Vision mass appraisal system. We will also be implementing a new map & parcel numbering system for all of the real property in Town. This project will impact not only the Vision & Munis applications but also the licensing and permitting applications used by other departments because a property's primary identifier is its map & parcel number. The end result will be a more streamlined and logical numbering system than the one that has been in place for the last sixty years.

We are grateful to all taxpayers, staff, committees and vendors for the beautiful new Town Hall building. We moved in at the end of June 2017, and couldn't be more appreciative of the professional and modern work environment that we now have. With the support of a central maintenance department, we will be excellent stewards of this new Town asset. In the Finance department one of the benefits that taxpayers now appreciate is the privacy allowed when discussing sensitive financial or tax matters. Thank you to the entire Finance team, Central IT team, and Central Maintenance team for your efforts and dedication throughout the year.