

FINANCE DEPARTMENT
William R. Scollins, III (Randy)
Finance Director / Town Accountant

Fiscal 2014 was another very active, challenging and productive year for the Finance department. Some of the key accomplishments included the balancing and approval of the FY 2015 operating budget within identified available revenues while maintaining service levels. The budget came in at \$62.45MM, a 3.7% increase over FY '14. The School & Municipal leadership team was again able to collectively achieve not committing over \$400K of identified funding to the operating budget for the third year in row. The intent of this accomplishment is to ultimately fund the debt service for the needed Town Hall building when that project ultimately goes forward and therefore avoid the need for a debt exclusion / increased taxes.

The FY 2015 capital budget was funded at \$5.34MM, 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 \$619K was able to be supplemented with \$880K of Town funds, all originating from the local meals tax. As a direct result, the DPW team made very large strides this past year on improving the roadway infrastructure in Foxborough. Working with the DPW Director, we also developed a creative internal funding approach for the \$600K cost of the planned DPW administrative offices on Elm St. The approach was the reverse of the funding mechanism used to acquire Recreation's Mill St. property 10 years ago. This time the Water & Sewer Enterprise funds fronted the initial funding and the General Fund will reimburse its share over five years.

Working with the Police Chief and Kraft group representatives we were able to negotiate full permanent funding of a needed additional police officer for the Town. This was related to the licensing of the Splitsville venue at Patriot Place.

2014 was a year of unprecedented senior management transition for Foxborough municipal operations. The Finance team stepped up to take on many additional temporary duties to aid the changeovers of three Town Manager administrations, in addition to the Human Resources Director

departure and addition of the Assistant Town Manager. First was determining how to fund the extra cost of these transitions and then how to support the many responsibilities that fell to the Finance team. We have emerged much stronger with the addition of Bill Keegan and Mary Beth Bernard as the Town's new administrative leadership team. We welcome the stability that is starting to take hold once again in the day-to-day of municipal operations.

Municipal employees were finally convinced to move to bi-weekly pay this year instead of the weekly pay schedule they had been on. School employees had been paid bi-weekly for decades. This idea was initially proposed to municipal employees 10 years prior as a result of the State passing legislation allowing the move as part of a municipal relief bill. However, the concept was met with much employee resistance at the time. With a new education campaign and incorporating the change into the collective bargaining process we were finally able to achieve this much needed efficiency, cutting the administrative tasks associated with preparing payroll in half (*26 cycles per year vs. 52*) for all municipal departments.

In another payroll related project, the Finance team led the very successful initiative to move Town and School employee payroll administration onto our robust financial application, Munis. This project was nine months in the making in fiscal 2014. We went live with the first payroll of fiscal 2015. Rather than use a third party service for payroll, this function is now managed within the Treasurer's office, or "in house", at a reduced cost. Entry of pay data into the system has been decentralized for all of the large departments, creating much administrative efficiency. Employee paystubs now have a more detailed breakdown of their earnings, deductions, and for the first time, accrued time balances. Also, for the first time ever, all salary budgets for the next year's budget process were generated centrally, further streamlining the annual budget process. Again, the result is more administrative efficiencies across every department. Going forward the Town will have all payroll related data in our financial system. This will result in easier access to payroll and related data for analysis and decision making.

Prior to rolling out the new town-wide payroll solution, the Accounting office completed the

decentralizing of invoice entry to all of the larger Town departments. This process also leverages the Munis financial system and fully automates a very manual process. The accounts payable system utilizes scanning technology allowing electronic scanning of all invoice and contract documents, while reducing the Town's "paper footprint", and providing much easier access to these documents.

The Other Post-Employment Benefits (OPEB) actuarial valuation was completed in FY 2014 for the fiscal year ended June 2013. This is a required bi-annual update to the estimate of the Town's unfunded retiree health benefits liability. The result was incredibly good news. I am pleased to report that the Town has cut its unfunded liability in half, or by \$31.3MM, over four years, from \$62.2MM at FYE 2009 to \$52.3MM at FYE 2011 and to \$30.9MM at FYE 2013. This dramatic reduction did not happen by accident. It 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 Massachusetts DOR certified the FY 2014 tax values and rates on schedule in November of 2013. The resulting FY 2014 certified values are summarized as follows:

FY 2014 Property Values:

Residential	\$ 1,943,218,045	73.46 %
Commercial	465,686,755	20.07 %
Industrial	58,190,200	2.51 %
Personal	<u>91,903,750</u>	<u>3.96 %</u>
	<u>\$ 2,558,998,750</u>	<u>100.00 %</u>

New growth capture provided property valuation increases of \$38.89 million and an increase of \$576.2 thousand in new tax revenues. The FY 2014 levy limit calculation is presented below:

FY 2013 Levy Limit	\$ 35,340,735
Allowable 2.5% Increase	883,518
New Growth	<u>576,222</u>
FY 2014 Levy Limit	\$ 36,800,475
Add Debt Exclusions	<u>2,862,058</u>
Maximum Allowable Levy	\$ 39,662,533
Unused FY 2014 Levy	<u>\$ 10,002</u>
Actual FY 2014 Tax Levy	<u>\$ 39,652,531</u>

The resulting tax rate per \$1,000 in assessed value for FY 2014 was \$14.99 for Residential and \$17.09 for Business.

The Board of Selectmen held the FY '14 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 third straight year. 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.

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, or from the Assessor's webpage on our website.

Foxborough's property tax collection performance increased slightly in FY 2014. The collection rate increased by 12 basis points, or \$49 thousand. 0.88%, or \$355 thousand, of property taxes were outstanding at fiscal year-end. Also, tax liens on prior year's balances have increased again by \$152 thousand in FY '14 and totaled \$1.05 million at FYE '14. Unfortunately, increases in the Town's tax receivables balances results in a dollar for dollar reduction in the Town's free cash certification.

A no cost on-line payment option for motor vehicle excise tax, real estate and personal property tax, and water and sewer bills continues to be offered through the Town's website www.foxboroughma.gov. It is a safe and convenient way to pay these bills via a bank debit. There is no cost to use this service. One can even set a future date they want the payment to be deducted from their bank account and avoid any risk of having a late payment.

Conveniently, if a taxpayer makes just one payment via our online payment option (see link on the homepage of the Town's website) the taxpayer will receive email reminders every time a tax bill is due.

Total general treasury activity for FY 2014, capturing the flow of all Town funds, including payroll,

expenses, grants, federal and state aid, bond proceeds and payments, and trust fund activity is summarized as follows:

Balance as of 06/30/13	\$ 35,767,101
Gross Receipts	72,664,771
Gross Disbursements	<u>(73,994,056)</u>
Balance as of 06/30/14	<u>\$ 34,437,816</u>

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.

FY	REVENUE		AMOUNT RECEIVED		
	QUARTER	COLLECTION MONTHS DISTRIBUTION DATE	FY 2012	FY 2013	FY 2014
Q1	May, June, July	September 30	47,579	173,610	192,777
Q2	August, September, October	December 31st	217,027	267,153	274,281
Q3	November, December, January	March 31st	238,713	234,440	224,057
Q4	February, March, April	June 30th	163,482	143,778	162,682
Total			666,801	818,981	853,798

Spending commitments enabled by Meals Tax revenue:			FY 2012	FY 2013	FY 2014
	OPEB Trust funding		300,000	400,000	500,000
	Road Reconstruction		75,000	100,000	905,782
	Total		375,000	500,000	1,405,782

The Town's "Free Cash" reserves were certified at \$6.1MM in FY '14. Free Cash reserves hadn't reached over \$6 million since FY '09. The FY '14 result was driven primarily by strong local receipt revenue performance. Local receipt categories with the most significant increases were Motor Vehicle Excise, Hotel Excise, Meals Excise, Building Permits, and a record Payment in Lieu of Taxes (PILOT) from Gillette Stadium. Tight spending controls, channeling unspent budgets back to Free Cash, was also a significant contributor to the result.

In FY '15 some of our key goals include, balancing the FY '16 budget within recurring revenues while maintaining services. There are several union contracts that are up and will need to be settled, as well as bargaining first contracts with two new employee unions. The new Town Manager has established a sizeable working group to dissect the challenge of coming to agreement on the best approach to addressing the inadequate Town Hall building at a cost the Town can afford.

On the technology front we look forward to working with the new Town-wide IT Director to address several systems. This will include the upgrading of the Munis financial system and planning our implementation of the Human Resources and Employee Self-Service (ESS) Munis software

modules. Planning to upgrade the outdated and productivity inhibiting phone and email communication systems across all municipal and school buildings will begin. This project was appropriately delayed this past year so that the Town-wide network infrastructure and Data Center could be completed. The IT Director evaluated the existing network and recommended several critical improvements that will establish a much stronger, resilient, and efficient platform on which to build upon.

We will also be improving the accuracy of the Town's property parcel maps. The aim is to ensure the paper maps are in synch with our digital maps. This is the final step in a multi-year improvement project regarding assessing data.

Thank you to the entire Finance team, veteran and new member alike, for your continued extraordinary efforts and dedication throughout the year.