

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

Fiscal 2015 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 2016 operating budget within identified available revenues while maintaining service levels. The budget came in at \$65.37MM, a 4.7% increase over FY '15. The School & Municipal leadership team was again able to collectively achieve not committing over \$450K of identified recurring funding to the operating budget for the fourth 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 2016 capital budget was funded at \$2.4MM, 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 \$254K of Town funds, all originating from the local meals tax. The direct result of this funding level is the DPW team continued to make significant improvements this past year on improving the roadway infrastructure in Foxborough. In addition several end-of-life vehicles were replaced, including school buses, an ambulance, highway heavy equipment, police cars, an inspection vehicle, and a "car-go" for the Senior Center. Funding was also appropriated for the lights at the Sam Berns Turf Field.

2015 was a year of welcoming back the administrative stability that had been the hallmark of the "Golden Gala Era". With the new municipal senior leadership team of Bill Keegan and Mary Beth Bernard, relative stability has once again come back into the day-to-day of municipal operations. It's complicated to measure how that translates into the efficiency of this department's and our local government's operations, but suffice-it-to-say, it just does.

FY 2015 saw an entire year of the "administrative dividend" that a full year of bi-weekly pay cycles for municipal employees brought. Municipal employees were finally convinced to move to bi-weekly pay at the

end of FY 2014, instead of the weekly pay schedule they had been on. School employees had been paid bi-weekly for decades. This much needed efficiency cut the administrative tasks associated with preparing payroll in half (*26 cycles per year vs. 52*) for all municipal departments. This change was a needed requirement for the next major payroll project to be successful in 2015.

With the first payroll of fiscal 2015, both the Town and School departments went live with "in-house" payroll on our robust financial application, Munis. This project was nine months in the making in fiscal 2014. Rather than use a third party service for payroll, this function is now managed primarily within the Treasurer's office at a reduced cost to the Town. Although this system has created much administrative efficiency, and improved payroll and human resources related record keeping for all Town & School departments, it has stretched the Treasurer's office capabilities.

We would not have been able to absorb the entirety of this function if we hadn't changed to bi-weekly payroll. Synchronizing those two changes was by design. FY 2015 was a year of learning all the nuances of managing the payroll system for the Treasurer's office. Nevertheless, we have finished our first full payroll year very successfully. There is still much more to learn regarding implementing pay for new bargaining groups, and other material changes that are firsts for us. However we have a fantastic team in Lisa Sinkus' office, including Paula, Kelly, and Veronica. They have proven that they can successfully figure anything out. Many sincere thanks to this team for all of their accomplishments during a very challenging year.

In FY 2015 we planned for another major change in how the Town manages and maintains its most expensive assets, its buildings. As of July 1, 2015, we have officially established a Centralized Building Maintenance department for both School & Town buildings, thanks in very large part to the School Administration, School Committee, Superintendent Spinelli, but most importantly the day-to-day efforts of School Business Administrator Bill Yukna and Facilities Director Tony Moussalli.

FY 2015 was the planning year regarding the facilities department engagement model and how the building's

utility and maintenance budgets would be consolidated. All utilities for the Public Safety building, Library, Council on Aging building, Memorial Hall, Recreation buildings, and Town Hall have been consolidated into department 192 - Municipal Buildings. Most of the maintenance budgets for these buildings have also been consolidated there as well.

We expect the organization of the facilities department to evolve to a structure that best supports all of the Town's buildings after the facilities team has had an opportunity to assess each building's conditions and unique needs. The goal of this new School/Town partnership is to extend the useful life of each building, in the same manner that the School buildings have been cared for. The result being small investments in preventative maintenance which then create larger savings on major repairs or renovations. This partnership builds on the successful centralized School/Town Information Systems model.

The Other Post-Employment Benefits (OPEB) actuarial valuation was completed in the fall of 2015 for the fiscal year ended June 2015. 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 by 64%, or by \$39.5MM, over six years, from \$62.2MM at FYE 2009, to \$52.3MM at FYE 2011, to \$30.9MM at FYE 2013, and now \$22.7MM at FYE 2015. 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 2015 tax values and rates on schedule in November of 2014. The resulting FY 2015 certified values are summarized as follows:

FY 2015 Property Values:		
Residential	\$ 1,982,279,039	75.53 %
Commercial	468,264,761	17.84 %
Industrial	58,923,800	2.25 %
Personal	<u>115,027,120</u>	<u>4.38 %</u>
	<u>\$ 2,624,494,720</u>	<u>100.00 %</u>

New growth capture provided property valuation increases of \$40.23 million and an increase of \$647.7 thousand in new tax revenues. The FY 2015 levy limit calculation is presented below:

FY 2014 Levy Limit	\$ 36,991,388
Allowable 2.5% Increase	924,785
New Growth	<u>647,700</u>
FY 2015 Levy Limit	\$ 38,563,873
Add Debt Exclusions	<u>2,798,651</u>
Maximum Allowable Levy	\$ 41,362,524
Unused FY 2015 Levy	<u>\$ 87</u>
Actual FY 2015 Tax Levy	<u>\$ 41,362,437</u>

The Board of Selectmen held the FY '15 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 fourth 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.

The resulting tax rate per \$1,000 in assessed value for FY 2015 was \$15.19 for Residential and \$17.52 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, or from the Assessor's webpage on our website.

Foxborough's property tax collection performance increased respectably in FY 2015. The collection rate was 99.16%. \$349 thousand of FY 2015 property taxes were outstanding at fiscal year-end. Also, tax liens on prior year's balances have increased again by \$110 thousand in FY '15 and totaled \$1.16 million at FYE '15. 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 property or excise tax, or water/sewer bill is due.

Total general treasury activity for FY 2015, 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 06/30/14	\$ 34,437,816
Gross Receipts	72,692,589
Gross Disbursements	<u>(71,863,567)</u>
Balance as of 06/30/15	<u>\$ 35,266,838</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.

Fiscal Quarter	Meals Tax Received				Total
	FY 2012	FY 2013	FY 2014	FY 2015	
Q1	47,579	173,610	192,777	198,684	
Q2	217,027	267,153	274,281	277,965	
Q3	238,713	234,440	224,057	265,586	
Q4	163,482	143,778	162,682	167,955	
Total	666,801	818,981	853,798	910,190	3,249,769

	Appropriations Enabled by Meals Tax Revenue				Total
	FY 2012	FY 2013	FY 2014	FY 2015	
OPEB	300,000	400,000	500,000	600,000	1,800,000
ROADS	75,000	100,000	295,000	879,782	1,349,782
Total	375,000	500,000	795,000	1,479,782	3,149,782

Remainder	291,801	318,981	58,798	(569,592)	99,987
-----------	---------	---------	--------	-----------	--------

The Town's "Free Cash" reserves were certified at \$5.19MM in FY '15 by the DOR. \$3.27MM in Free Cash from the prior year was carried forward. An additional \$2.45MM was "recharged" to Free Cash, \$450K ahead of plan, from increasing local receipts and unspent budgets. The increases were offset \$530K, primarily due to increasing tax receivable balances and late state reimbursable grant payments, which are deducts in the Free Cash certification process.

In the summer of 2015 Standard & Poor's performed an interim evaluation of the Town's credit rating and they reaffirmed our present rating of "AA Plus" with a stable outlook for the next two years. Typically a credit review is done as a matter of course when the Town is preparing to offer bonds to investors. However we hadn't borrowed in over three years and S&P likes to review those that they rate at least every three years, so they initiated the review.

The strength of a municipality's credit rating has a significant impact on how low an interest rate an entity can issue bonds for. Our rating was increased "2 notches" six years ago from "AA Minus" to "AA Plus". That was a significant change and it has saved the Town hundreds of thousands of dollars in interest costs on all the bonds we have issued since.

In the fall of 2015 we took advantage of favorable market conditions, as \$7.635 million of the Town's bonds became newly eligible to be refinanced. We received eight competitive bids from bond underwriters for an 11-year general obligation refunding bond issue. The winning bid offered an average interest rate of 1.57%. This refinancing will generate direct tax payer savings of \$1,036,415 over the remaining life of the bonds, as these bonds are almost all debt-excluded.

Prior to the sale Standard & Poor's reaffirmed the Town's 'AA+' bond rating and revised its outlook from 'stable' to 'positive.' The rating agency cited the Town's very strong economy, strong management with good financial policies and practices, strong budgetary performance, very strong budgetary flexibility and liquidity, very strong debt and contingent liability position, and strong institutional framework as positive credit factors. S&P also indicated that they may consider increasing the Town to their highest rating of AAA if we formalized several financial policies and were able to maintain our strong financial position.

The next time the Town would be looking to sell bonds would be in late spring of 2016, assuming the Town Hall project is approved by voters at the upcoming February Special Town Meeting. S&P would review our credit strength again at that time and issue an updated rating. The Town's bond rating documents can be found on the Foxborough website on the Revenue Office page within the Finance department.

In FY '16 some of our key goals include: balancing the FY '17 budget within recurring revenues while maintaining services and enhancing some others; financing the new Town Hall building within the

operating budget without the need for a debt exclusion; establishing financial policies regarding debt and reserve levels to be adopted by the Board of Selectmen; holding the Town's first ever auction of municipally owned or controlled properties. Settling several union contracts that are up, within the Town's means; and begin the process for the Town's comprehensive triennial property revaluation.

In the area of technology we look forward to continuing the centralized IT partnership and enhancing several systems. This will include upgrading the Assessor's Vision property appraisal system, its first upgrade since being installed seven years ago. Having completed the implementation of the Human Resources module within the Munis financial software suite this year, we will move on to implementing the Employee Self-Service (ESS) module. We are also in the process of leveraging a streamlined general billing application within Munis to handle the volume intensive Police and Fire third party detail billing. We were pleased this year to have our town-wide email system upgraded to current vintage technology. The planning to upgrade the outdated and productivity inhibiting phone system across all municipal and school buildings is about to give way to the implementation phase. We are very much looking forward to replacing this critical communication tool within the Town government.

Thank you to the entire Finance team, Central IT team, and Central Maintenance team for your continued extraordinary efforts and dedication throughout the year.