

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

Overview

The Finance Department is comprised of five areas, staffed with 8 full time and 2 part-time personnel, responsible for a variety of financial and technical functions as follows:

Administration Division

The Administration Division, staffed by Finance Director Randy Scollins, is responsible for day-to-day operational oversight and management of the Finance Department.

The Finance Director also provides financial and general support to, and/or served on, multiple committees over the past year including the following: Advisory Committee; Audit Committee; Cable Television Advisory Committee; Capital Improvement Planning Committee; Employee Insurance Advisory Committee; Industrial Development Finance Authority; Sewer Sub-Committee; as well as various municipal union bargaining committees.

Another major focus was the administration of, and fiduciary guidance for, the FY 2009 budget process. (*The Town's fiscal year ends in June.*) The Town was able to balance it's \$50.95 million operating budget (*a 6.6% increase over FY 2008*) primarily due to a combination of a \$924 thousand increase in State Aid, over \$1 million in new growth taxes (*a high water mark for the Town*), a \$1.3 million increase in local receipts (*mostly related to a spike in building permit fees*), and no new spending or program initiatives. The increase in the budget only reflects the cost of covering FY '08 expenses and contracts in FY '09, and nothing more.

The unpredictability of State Aid revenue continues to be a concern. Net State Aid (gross State Aid revenues less State assessments) funds over 20% of all General Fund budgets for the Town of Foxborough. Net State Aid in FY '09 was over \$9.7 million. Fluctuations in this revenue stream have significant impacts on the Town's ability to sustain and fund services.

The Town's net State Aid peaked in FY '01 and then endured three consecutive years of substantial declines. Although net State Aid started to increase in FY '05, the cumulative year-to-year changes from FY '01 to FY '09 is a net loss of over \$1.5 million. On an inflation adjusted basis the Town has endured

a net loss of over \$10.8 million in State revenue since FY '01. In FY '09 the Town is still \$434 thousand below the FY '01 net State Aid level on an inflation adjusted bases. These are real, substantial and sustained revenue declines with real and negative impacts on the Town's finances. Consequently, the Town continues to struggle to sustain or improve service levels to the community.

The FY '09 General Fund operating budget of \$46.7 million reflects a \$1.35 million reliance on Free Cash. This is a \$100 thousand increase over FY '08. Also in FY '09 the Town was able to fund its General Fund capital improvement needs totaling \$1.725 million primarily from \$1.205 million in free cash and \$520 thousand from other available sources, avoiding the need to borrow. In essence the Town was able to continue to stabilize its financial condition somewhat in FY '09, and continue to fund its significantly backlogged capital needs with current resources. This was the way the Town had operated before the State Aid reductions. It continues to be a positive for the Town that we have been able to flex back to the prudent financial management practices that were followed prior to the dramatic state aid reductions.

The Town continued, for the twelfth straight year, to rely on taxing to the levy limit allowed under Proposition 2 ½. 85%, or \$2.68 million, of the \$3.13 million increase to the General Fund budgets was due to increases in four departments: School = \$1.465 million; Health Insurances = \$668 thousand; Pensions = \$265 thousand; and Police = \$280 thousand. These increases, combined with relatively depressed State Aid levels, continue to add to the significant downward pressure on all other operating budgets.

As we enter the FY 2010 budget process we are facing the prospect of State Aid being reduced yet again as the State finds itself in the same financial bind as the rest of country. In fact, the Governor imposed midyear State Aid cuts in FY '09 of \$181 thousand for Foxborough. So yet again, the Town will have to continue to "hunker down" by limiting, if not completely eliminating, new operating spending initiatives as well as prudently using the resources the Town has to sustain services for the expected lengthy duration of this economic down turn. As a result the Town can expect to face significant funding challenges as it strives to return to prior service levels.

Last year the Finance Director prepared a comprehensive five year revenue & expense forecast

for the general fund. This tool has been useful to assess the long term impacts of the many and various financial changes impacting the Town. This tool has been instrumental in being able to provide sound financial guidance to policy making boards and the Town's people. It is planned that this document will be updated, refined and vetted by a cross section of the Town's leadership so that it can become a permanent tool that is utilized by the Town leadership as they formulate their financial recommendations for the Town.

Assessing Division

The Assessing Division is staffed by Chief Assessor Hannelore Simonds, Assistant Assessing Officer Deborah Cochrane and Assessing Clerk Kelly Blair.

The division's primary responsibility is for real and personal property valuation which is the basis for levying the property tax. Valuations are established following state guidelines and are then certified by the Massachusetts Department of Revenue's (DOR) Bureau of Local Assessment (BLA).

The Massachusetts DOR certified the FY 2008 tax values and rates in September of 2008.

The FY 2008 certified values are summarized as follows:

FY 2008 Property Values:		
Residential	\$ 2,100,175,015	78.33 %
Commercial	432,516,525	16.13 %
Industrial	82,073,500	3.06 %
Personal	<u>66,368,340</u>	<u>2.48 %</u>
	<u>\$ 2,681,133,380</u>	<u>100.00 %</u>

New growth capture provided property valuation increases of \$42.16 million and an increase of \$449 thousand in new tax revenues. The FY 2008 levy limit calculation is presented below:

FY 2007 Levy Limit	\$ 25,618,592
Allowable 2.5% Increase	640,465
New Growth	<u>449,023</u>
FY 2008 Levy Limit	\$ 26,708,080
Add Debt Exclusions	<u>1,853,043</u>
Maximum Allowable Levy	\$ 28,561,123
Unused FY 2008 Levy	<u>\$ 7,053</u>
Actual FY 2008 Tax Levy	<u>\$ 28,554,071</u>

The resulting tax rate per \$1,000 in assessed value for FY 2008 was \$10.65.

The unused tax levy is solely the function of tax rates being calculated out to only two decimal places, as required by the Department of Revenue. This will almost always result in some amount less than one tenth of one percent of the maximum allowable levy being unused in a given year. As a result of the continuing funding challenges, the trend of taxing to the levy limit will likely continue.

The Board of Selectmen held the FY '08 Classification Hearing, as required annually of all municipalities by the Department of Revenue. 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 maintain a single tax rate. Although eight area towns have adopted a split rate, a single rate in Foxborough is deemed an important ingredient to continue to stimulate commercial development, which does take some pressure off of residential tax payers.

A significant upgrade in the Assessing office in 2008 was the replacement of the inadequate, 20 year old, mass appraisal software system. The DOR required that the Town's appraisal software be replaced or risk future certifications. We have installed the state of the art Vision Appraisal system. Over 2009 we will complete the fine tuning of the system and its data tables, add digital images and electronic sketches of all properties. The system will then be able to fully support all of the sophisticated analysis the DOR would like to see.

In addition to learning the new mass appraisal system, the support staff was busy during the year updating property records, processing deeds and permits, as well as managing the various abatement and exemption programs. The staff also manages motor vehicle excise tax administration. The re-listing of all property, required every ten years, is ongoing. This effort will provide more accurate data, resulting in improved taxpayer equity. The Assessing office has also begun to plan for the upcoming FY 2010 triennial revaluation, as required by the DOR.

Accounting Division

The Accounting Division, staffed by Assistant Accounting Officer Jodi Cuneo, and Accounts Payable Clerk Lorraine Donovan, continues to devote much of their effort to weekly expenditure controls. They are extremely thorough in ensuring, as per their authority, that every town wide invoice is compliant with the state's strict procurement laws and that

payrolls are compliant with Town contracts and by-laws. All town wide expenditure requests are processed weekly in development of the weekly payroll and expenditure warrants.

The Assistant Accounting Officer performs multiple weekly and monthly reconciliations to ensure that the Town's general ledger and all of its funds and subsidiary ledgers are accurate, balanced and compliant with DOR requirements. The division reviews budget to actual variances, manages encumbrances and reports on all ledgers monthly. They provide regular reporting to departments and ably assist all town wide departments with many accounting matters throughout the year.

In addition to the regular and considerable accounting duties, the Assistant Accounting Officer manages town wide administration of fuel and telephone allocations, sick and vacation time tracking, worker's compensation and related annual audits, unemployment, self-insurance, off duty police and fire detail payroll, grants and betterments.

The Assistant Accounting Officer also provides exceptional budget process support by compiling, organizing, proofing, copying, and updating all budget requests and ultimately entering all approved budgets into the accounting system.

The division is required to submit many and various comprehensive financial reports throughout the year to the Department of Revenue. One critical report, Schedule A, is required in order to continue receiving the Town's State Aid and another is required to certify the Town's available funds, i.e. "Free Cash", before they can be appropriated. The division is very diligent in working to meet these time sensitive deadlines. Timely reporting support for education costs incurred in non-education budgets is also provided to the School Department for their important annual report to the Dept. of Education.

The Town has a contract with the firm of R. E. Brown & Co., a firm that audits only municipalities in Massachusetts. The Town received a clean audit opinion for FY 2007. A copy is on file for public inspection. We are currently in the process of finalizing the FY 2008 audit. Unaudited preliminary FY 2008 statements can be found in the back of this publication.

FY 2008 will be the sixth year the Town has issued financial statements that are compliant with Governmental Accounting Standards Board (GASB) statement No. 34 (GASB 34). This is a dramatic

financial reporting change for all state and municipal governments nationwide and has contributed to a delay in their annual development in Foxborough due to substantially increased reporting and complexity combined with limited accounting staffing and accounting software.

This new reporting model moves away from a partial accrual model to a full accrual model. A management discussion and analysis section covering GASB specified topics is also now a requirement. Further, capital assets, including infrastructure assets, are now included, as well as associated depreciation.

Another major recent GASB pronouncement impacting all municipalities nationwide is GASB 45. By FYE 2009 the Town will be required to hire an actuary to calculate the full liability associated with retiree health benefits. The result will need to be included, on a phased in basis, in the Town's financial statements and actuarially updated every two years, at the Town's cost. Although the calculations haven't been performed yet, it is anticipated that the full liability will be significant. Currently there is no requirement to forward fund this liability (today this is a pay as you go expense), but it is expected that those municipalities that do will begin to positively differentiate themselves from the perspective of bond rating agencies and the investment community. This development is similar to the unfunded pension liability condition and response that has already occurred across the country in both the private and public sectors.

Having completed the 100% audit requirements for the Igo school building renovation, we received formal notification from the Massachusetts School Building Authority's (MSBA) Board of Directors that the Town will be receiving its full share of the remaining reimbursement over fiscal years 2009, 2010 & 2011. The Igo project was completed in 1995, but has only recently come up on the MSBA's priority list for audit due to the state's funding and organizational issues. The Town had been receiving annually an estimated 75% reimbursement funding of MSBA's share towards the Igo debt service. Now that the MSBA has accepted the audit results, that percentage has been increased to 100% of MSBA's share. This incremental annual payment from the MSBA will result in a direct reduction to the excluded debt tax that needs to be raised from taxpayers. With only three years left on the Igo bonds, the incremental annual amount owed by MSBA is \$499,295 and will be a direct savings for taxpayers.

The MSBA has also completed the last remaining school project audit outstanding for Foxborough – the Taylor roof. That audit was completed in FY '08 and the reimbursement of \$241,009 has been received. As this project was not bonded, the MSBA reimbursement goes directly to the General Fund and was subsequently certified as free cash.

Revenue Division

The Revenue Division is led by Treasurer / Collector Vivian Pitts and is staffed by Assistant Revenue Officer Lisa Sinkus, full-time clerk Jessica Minton and part-time clerk Judy Hertel.

However, Vivian will be retiring from the Town in 2009, after 31 excellent years of service to her office, Town departments, taxpayers and residents of Foxborough. We will truly miss her and wish her and her husband many well deserved happy golden years. She has positioned the Revenue Division well for the future, as Assistant Revenue Officer Lisa Sinkus, with over 10 years of service in the office, was the successful candidate for the Revenue Officer position. We wish Lisa much success with her promotion!

The division is responsible for management and oversight of the Town's cash, debt, billing and collections, vendor payments, as well as Town wide benefits administration and payroll.

The Revenue Division continues to rely on increased utilization of automation in order to manage an increasing workload within its reduced staffing. The division worked hard at leveraging all low to no cost automation options across its operations over the last year.

Specifically, the on-line payment option for motor vehicle excise tax, real estate and personal property tax continues to be offered through the Town's website www.foxboroughma.gov (*this is our new web address*) and utilized by a growing number of tax payers. Semi-annual trash fees have now been added to this list of bills which can be paid through our secure site. If a tax payer pays via the safe and convenient bank debit option, then there is no cost to use this service. As requested by many tax payers, a credit card payment option has been added. However credit card fees will be paid directly by the tax payer to the credit card company, as the Town can not afford to cover this cost which ranges from 2% - 3%. On-line payments are expected to be expanded over time to other types of Town bills.

The Collector's office is in its second year of using a "lock box" service for tax, water, sewer and trash remittances that are mailed by tax and rate payers. This service has a very minimal cost to the Town, yet allows for payments to be processed more rapidly by a third party and deposited in the Town's bank more quickly. Due to water bills now having to be issued quarterly versus twice per year, this was a necessary measure in order to manage a doubling of collections. The other option would have been to hire more staff, but lock-box costs are a small fraction of hiring a staff person and therefore the most economical choice.

The Collector continues to utilize deputy collector (for delinquent taxes) Kelley & Ryan. Kelley & Ryan is the dominant deputy collector for Massachusetts municipalities. They have direct links with the Registry of Motor Vehicles database and have offices in many of the Registry's branches. Their significant investment in internet technology, accessible by the Town, has streamlined the process of resolving and ultimately collecting delinquent Motor Vehicle Excise taxes.

The Town did not require any new permanent bonding in FY '08. However construction financing from the Massachusetts Water Pollution Abatement Trust (MWPAT) was obtained in FY '09 for the Witch Pond Well project at a rate of 0.79%. We will convert the temporary financing to a permanent bond of \$4.3 million in the Spring of 2009, again with the MWPAT and at a low State subsidized rate.

The Town's credit rating stands at Aa3. "Aa" ratings are termed "Excellent". "Aaa" ratings are termed "Superior", "A" ratings are termed "Upper Medium", and "Baa" ratings are termed "Medium". Ratings below this are not investment grade. Numbers from 1 to 3 attached to the rating are sub-levels within the rating, with "1" being the highest.

We, along with all municipalities across the country, had been expecting a credit rating upgrade due to the recent acknowledgement by the credit rating agencies that municipal issues have been historically and globally underrated. The original timing announced for the unveiling of the upgrade migration was to be for January of 2009. However, apparently due to the tremendous turmoil in the financial markets, the rating agencies have delayed this correction to a time uncertain. This unnecessary delay is a decision that this Finance office couldn't disagree more with, as it continues the acknowledged inequities harming municipalities' credits – including Foxborough's.

Total general treasury activity for FY 2008, capturing the flow of all Town funds, including payroll withholdings and payments, bond proceeds and payments, and trust fund activity is summarized as follows:

Balance as of 07/01/07	\$ 23,004,854
Gross Receipts	79,069,043
Gross Disbursements	<u>(79,647,188)</u>
Balance as of 06/30/08	<u>\$ 22,426,709</u>

FY 2008 investment earnings on cash balances declined considerably as borrowing proceeds for the Joint Public Safety Building project were spent on the project. Also, interest rates began their step decline, dropping over 2.3% on average over the fiscal year on Town deposits. Rates continue to plummet in FY '09 to very low levels. With all the turmoil in the banking industry, the Treasurer was extremely diligent in ensuring that all deposits were in the strongest and highest rated banks, consistent with the higher priorities of all treasurers - safety and liquidity. Given the extra risk in the banking industry today, the Town has gravitated towards collateralized deposit agreements.

Foxborough's property tax collection performance improved by 40 basis points in FY 2008. 1.61%, or \$460.7 thousand, of property taxes were outstanding at fiscal year end. This performance was on the heels of the mortgage industry collapse in FY '07, which resulted in a severe decline in collections for that year. Unfortunately, tax liens and foreclosure balances have increased again by \$94 thousand in FY '08, reflecting the continued difficulties experienced by Foxborough property owners. This increase follows a \$68 thousand increase in these accounts in FY '07. Increases in the Town's tax receivables balances results in a dollar for dollar reduction in the Town's free cash certification.

Over the last few years the Collector has taken a more aggressive stance with regard to commercial properties in tax title. Historically the Collector has done everything it could to encourage payments and to protect the Town's interest, short of pursuing foreclosure. Nevertheless, foreclosure of commercial properties is being actively pursued, as is practical, in an effort to collect all taxes due the Town.

Once critical mass is achieved in land takings, and the real estate market rebounds, the Treasurer will likely recommend a public auction or sale process for these parcels. The intent of this will be to put these parcels back onto the tax roles, where they were, as

well as provide needed one-time funding for one-time Town needs.

Information Services Division

The Information Services Division, responsible for all hardware and application software in use at the Town Hall and other municipal buildings, was staffed by I.S. Director Mike Maki in 2008. Mike has resigned his position and we are currently exploring a more efficient support structure for all Town systems with the School Administration and the School I.S. Director. We plan to have detailed the support requirements and a recommendation early in 2009 and migrate to a centralized support model.

In FY 2008 we have made quantum improvements to the administrative system tools and the networking capabilities of the Town.

As mentioned under the Assessing Division summary, we have replaced the 20 year old mass appraisal system with the very sophisticated Vision Appraisal system, used by dozens of Massachusetts communities. This system was part of the project approved in the FY 2008 capital budget and came in on schedule and on budget. Vision will allow the Assessor's office to comply with the ever increasing standards established by the Department of Revenue. More importantly, this system will result in greater tax payer equity, as the analysis and comparisons of properties will be able to be developed at a much greater level of detail. We expect this system to be fully deployed and utilized for the FY 2010 tax year. The Assessor's office, under Chief Assessor Hanne Simonds' leadership, has done a fantastic job embracing this modern technology and implementing it so successfully and seamlessly with the brand new Munis financial system.

After a year and half of planning, we were finally able to replace the woefully inadequate 20 year old financial and municipal applications system with the Munis Financial System, the dominant and most sophisticated municipal financial package in use in Massachusetts. This project was approved in the FY 2008 capital budget. This is a large and complex project with several different, yet integrated applications to be implemented in phases. The following applications have been implemented and are in service:

- Accounting, General Ledger, Acts. Payable, & Project and Grant Actng. – live on 2/1/08
- Accounts Receivable – live on 2/1/08
- Content Manager / Invoice Scanning – live on 2/1/08
- General Billing – live on 2/1/08

- Munis Office & Business Objects Reporting Tools – live on 2/1/08
- Massachusetts Property Tax – live on 3/1/08
- CAMA Bridge to Vision – live on 3/1/08
- Massachusetts Excise Tax – live on 3/1/08
- Massachusetts Tax Title – live on 4/1/08
- Utility Billing for Water, Sewer and Trash – live on 7/1/08
- Utility Billing Interface with Meter Reading System – live on 7/1/08
- HR Management – live on 9/1/08
- Purchase Orders & Requisitions – live on 10/15/08

As one example of real savings that will come from the implementation of all this software, the Trash billing implementation alone, which was brought in house as a result of this implementation, will save a net of at least \$13,000 annually (the cost from the trash company to provide this service). Over 20 years, this savings covers the entire acquisition cost of all of the Munis software purchased.

Although many employees deserve recognition for their efforts in bringing these applications to life, including the entire Finance staff, the Water & Sewer staff, the School Administration staff, and others, if it were not for the tremendous individual efforts of Assistant Accounting Officer Jodi Cuneo and Assistant Revenue Officer Lisa Sinkus, we would not be live on these applications today. Their efforts were well above and beyond the call of duty and we are all the better for it. Thank you both!

The following Munis applications will be implemented over the course of calendar 2009:

- Fixed Assets
- GASB 34 Report Writer
- Payroll

Other Munis applications that will be given strong consideration after the basic applications have been fully implemented will be:

- Taxpayer Self Service – providing taxpayers the ability to view their property tax information and payments over the internet
- Employee Self Service – providing employees the ability to view their pay and benefit information over the internet
- GIS Interface
- Applicant Tracking

As part of the Financials project, we have also completed the implementation of a Town wide and Town owned fiber optic network in January of 2008.

This dual ring high capacity fiber network now connects all major Town buildings including: Town Hall; Library; Public Safety; Council on Aging/Human Services; Recreation (Booth); Highway; Memorial Hall; Water field office at Pumping Station Road; High School; Ahern Middle School; Taylor Elementary School; Igo Elementary School; and the Burrell Elementary School.

As a result of deploying this reliable Town fiber network we have been able to extend the use of the Munis Financial System to the School offices. Using this distributed technology we plan to provide appropriate Munis financial applications to departments in all of these connected buildings over the course of calendar 2009. Bringing these distributed automation tools to all departments will ultimately result in many efficiencies, tighten controls, as well as enhance decision making and management processes town wide.

In addition, we expect to be able to leverage the fiber network for the Town's benefit in many other ways, over the coming years, well beyond the scope of the financials project. Cost savings ideas that are already under strong consideration are, centralizing internet access and voice over internet protocol phone service (VOIP). Other uses being considered include an integrated security camera system across the Town, and allowing Foxborough Cable Access to transfer their video transmissions from their Town building and mobile origins back to their studios over the fiber network, rather than on the unreliable and sorely outdated I-net.

At the end of calendar 2008 we switched to a new outsourced payroll service provider. The incumbent had the business for over 19 years, but after a competitive sealed bid process, Harpers Payroll Service offered the low bid and a 40% pricing discount from current pricing for all three years of the new contract. Proposed FY '10 budget requests reflect these savings. Harpers met all of the non-financial criteria and was implemented on 1/1/09. Hats off to the Revenue office for yet another effort intensive and successful systems implementation!

The following are additional systems projects in process for calendar 2009:

After finally obtaining the necessary, yet nominal, funding, we are very close to launching the newly redesigned Town of Foxborough website. Hopefully by the time this is published we will be live at our new government web address of www.foxboroughma.gov.

This site is designed to deliver a much higher level of service to the entire community and we encourage all to visit early and often to take advantage of the exciting features that will be offered, such as meeting calendars, opt-in email updates when new content is published, meeting minutes, departmental forms and information, and a non-profit community groups portal.

We are planning to substantially upgrade the Geographic Information Systems capabilities over the next several months by leveraging the tools available from the State's Massachusetts Area Planning Council office at a nominal start up and training cost. In conjunction with this we will be updating the 10 year old data layer that will accompany the current five angle images, of every part of Foxborough, supplied by the State. These tools will be extended to nine Town departments for use in their daily operations.

Lastly, we will be deploying several new low cost computers, purchased via state contract, to various departments, as they are using very old hardware and software that cannot support their work requirements.

In Summary

The Foxborough Finance Department is proud to be able to deliver the level of services it does with the resources provided. The department is committed to driving the type of initiatives and results detailed in the foregoing, in addition to providing quality service to our customers and tax payers every day. We welcome public comments, questions and constructive feedback.

Sincere thanks are extended to the entire Finance team for all of your extra efforts and dedication throughout the year. Your continued above and beyond time and energy bringing the new systems tools online is a laudable accomplishment. We are well on our way to becoming as efficient as we can be in our service to the Town. Thank you!