



EDWARD J. COLLINS, JR. CENTER FOR PUBLIC MANAGEMENT
JOHN W. McCORMACK GRADUATE SCHOOL OF POLICY AND GLOBAL STUDIES
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November 16, 2016

Mary Walter, Chair
North Brookfield Board of Selectmen
215 North Main Street
North Brookfield, MA 01535

Re: North Brookfield Financial Forecast (FY2018-FY2022)

Dear Ms. Walter:

The Edward J. Collins Center for Public Management at the University of Massachusetts Boston is pleased to submit to the Town of North Brookfield the Five-Year Financial Forecast and associated Users' Guide and Assumptions. The forecast is designed to provide policymakers with the information they need to make informed decisions around the Town's financial strategies and policies, long-term financial and capital planning, and long-term contracts or obligations. The Users' Guide documents the data sources and assumptions used to generate the forecast, and provides direction on how to keep the forecast up-to-date and relevant in future fiscal years.

It is important to note that the Financial Forecast, as submitted, offers a plan to reduce, and gradually eliminate over the next four years, the Town's reliance on newly certified free cash to balance the operating budget. The Town's existing practice has a high level of risk – given the fact that if free cash falls short of expectation, cuts will need to be made during the fiscal year to balance the budget - and could lead to further fiscal stress for the Town or even a downgrade of the Town's bond rating. Although changing this practice, and moving toward a budget that will not use free cash for operations, will be challenging given the Town's financial condition, the forecast offers a multi-year path to do so.

In addition, the forecast provides a multi-year schedule to increase general fund-supported capital spending from the very low level at present (0.29% of prior year budget in FY2017) to a figure that is still modest, but is greater than today. This is in support of the second Community Compact project – the five-year Capital Improvement Plan – that our team is working with the Town on. In order to complete this project, it will be important that the Town adhere to this proposed funding schedule, or identify other comparable funding sources, so that a five year capital plan consistent with the terms of its Community Compact grant can be adopted. We look forward to continuing to work with you on the capital planning effort.

The Center would like to acknowledge the invaluable support provided to the project team by the Town's finance officials and other staff. Center staff is available to answer any questions you or your board may have as you utilize the forecast and users' guide in decision making.

Respectfully,

A handwritten signature in black ink, appearing to read 'Stephen McGoldrick'.

Stephen McGoldrick
Director

Town of North Brookfield

Summary of Projected Revenues and Expenditures

Revenues	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Property Tax Levy	6,306,419	6,469,979	6,638,739	6,812,266	6,990,089	7,174,002
State Aid Cherry Sheet	5,429,472	5,465,644	5,502,362	5,539,641	5,577,491	5,615,927
Estimated Local Receipts	866,400	897,625	911,172	925,048	939,262	953,822
Available Funds/Other Financing	699,477	645,721	591,721	537,721	483,721	428,721
Enterprise Funds	1,747,163	1,757,645	1,768,191	1,778,802	1,789,478	1,800,221
Total Revenues	15,048,931	15,236,613	15,412,185	15,593,478	15,780,042	15,972,693
Expenditures						
General Government	510,849	511,860	512,873	513,889	514,907	515,928
Public Safety	777,305	780,405	783,519	786,648	789,790	792,947
Education	6,330,968	6,413,254	6,496,764	6,581,523	6,667,559	6,754,899
Public Works/Cemetery	668,027	680,418	690,139	700,195	710,602	721,373
Human Services	127,094	127,640	128,189	128,742	129,298	129,859
Culture & Recreation	108,256	108,509	108,763	109,017	109,272	109,528
Debt Service/Capital Plan	989,149	988,891	1,024,899	1,063,267	1,103,582	1,083,165
Intergovernmental	660,038	692,727	727,046	763,077	800,906	840,623
Employee Benefits/Insurance	2,470,437	2,577,832	2,690,630	2,809,139	2,933,690	3,064,633
Other Amounts Raised	452,397	454,269	418,591	420,574	422,615	424,716
Free Cash/Other Fin. Uses	404,978	398,578	405,328	398,578	405,578	398,578
Enterprise Funds	1,559,444	1,559,444	1,559,444	1,559,444	1,559,444	1,559,444
Total Expenditures	15,058,942	15,293,825	15,546,183	15,834,093	16,147,245	16,395,692
Difference	-10,011	-57,212	-133,999	-240,616	-367,203	-422,999
Impact of 2% Salary Increase	0	106,521	218,173	332,058	448,220	566,706
Revenue after COLA	-10,011	-163,734	-352,172	-572,674	-815,423	-989,705

Town of North Brookfield

Revenue Projections

	FY2015 Budget	FY2016 Budget	FY2017 Budget	Projection Percent	FY2018 Projected	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected
PROPERTY TAX LEVY									
Prior Year Tax Levy Limit	4,807,051	5,011,761	5,224,934		5,405,557	5,590,696	5,780,463	5,974,975	6,174,349
2.5% Increase	120,176	125,294	130,623		135,139	139,767	144,512	149,374	154,359
Certified New Growth	84,534	87,879	50,000	See Growth	50,000	50,000	50,000	50,000	50,000
TAX LEVY LIMIT TOTAL	5,011,761	5,224,934	5,405,557		5,590,696	5,780,463	5,974,975	6,174,349	6,378,708
Debt Exclusions	945,325	924,445	904,337	See Debt	882,758	861,751	840,766	819,215	798,769
Maximum Allowable Levy	5,957,086	6,149,379	6,309,894	0.00%	6,473,454	6,642,214	6,815,741	6,993,564	7,177,477
Less Excess Levy Capacity	1,840	3,475	3,475	0.00%	3,475	3,475	3,475	3,475	3,475
TOTAL Tax Levy	5,955,246	6,145,904	6,306,419		6,469,979	6,638,739	6,812,266	6,990,089	7,174,002
STATE AID CHERRY SHEET									
Chapter 70 Education Aid	4,187,213	4,203,088	4,236,418	0.40%	4,253,364	4,270,377	4,287,459	4,304,608	4,321,827
School Choice Receiving Tuition Offset	307,765	367,210	347,580	0.00%	347,580	347,580	347,580	347,580	347,580
School Lunch Offset	3,412	0	0	N/A	0	0	0	0	0
Unrestricted General Government Aid	709,038	734,563	766,149	2.50%	785,303	804,935	825,059	845,685	866,827
Veterans Benefits	1,975	7,055	19,128	0.00%	19,128	19,128	19,128	19,128	19,128
Exemptions VBS and Elderly	27,165	27,151	28,173	0.00%	28,173	28,173	28,173	28,173	28,173
State Owned Land	25,111	25,111	24,812	0.00%	24,812	24,812	24,812	24,812	24,812
Public Libraries Offset	7,219	7,193	7,212	1.00%	7,284	7,357	7,431	7,505	7,580
TOTAL Cherry Sheet	5,268,898	5,371,371	5,429,472		5,465,644	5,502,362	5,539,641	5,577,491	5,615,927
ESTIMATED LOCAL RECEIPTS									
Motor Vehicle Excise	489,000	505,323	505,000	2.50%	517,625	530,566	543,830	557,426	571,361
Other Excise	0	0	0	0.00%	0	0	0	0	0
Penalties/Interest on Taxes and Excises	70,000	89,000	75,000	0.00%	75,000	75,000	75,000	75,000	75,000
Payments in Lieu of Taxes	3,300	3,300	3,000	0.00%	3,000	3,000	3,000	3,000	3,000
Solid Waste Fees	67,500	66,500	65,000	0.00%	65,000	65,000	65,000	65,000	65,000
Other Departmental Revenue	115,876	117,825	120,000	0.00%	120,000	120,000	120,000	120,000	120,000
Licenses/Permits	60,220	59,300	60,000	1.00%	60,600	61,206	61,818	62,436	63,061
Fines and Forfeits	12,892	7,300	6,500	0.00%	6,500	6,500	6,500	6,500	6,500
Investment Income	6,000	2,700	1,900	0.00%	1,900	1,900	1,900	1,900	1,900
Medicaid Reimbursement	37,000	30,000	12,000	0.00%	30,000	30,000	30,000	30,000	30,000
Miscellaneous Recurring	0	0	0	0.00%	0	0	0	0	0
Miscellaneous Non-recurring	5,681	18,000	18,000	0.00%	18,000	18,000	18,000	18,000	18,000
TOTAL Local Receipts	867,469	899,248	866,400		897,625	911,172	925,048	939,262	953,822
AVAILABLE FUNDS/OTHER FINANCING									
Free Cash Appropriated for Prior Year Purposes	24,000	0		0.00%	0	0	0	0	0
Free Cash Appropriated for Current Year Purposes	131,230	263,688	250,000	0.00%	200,000	150,000	100,000	50,000	0
Bond Premiums/Fire Grant Applied	0	55,244	50,899	See Debt	47,143	43,143	39,143	35,143	30,143
Other Available Funds for Prior Year	168,779	224,904	85,439	0.00%	85,439	85,439	85,439	85,439	85,439
Other Available Funds for Current Year	602,645	498,683	313,139	0.00%	313,139	313,139	313,139	313,139	313,139
TOTAL Available Funds	926,654	1,042,519	699,477		645,721	591,721	537,721	483,721	428,721
ENTERPRISE FUNDS									
Water Enterprise fund	910,835	929,185	874,312	0.50%	878,684	883,077	887,492	891,930	896,389
Sewer Enterprise fund	882,007	872,321	872,851	0.70%	878,961	885,114	891,309	897,549	903,831
TOTAL Enterprise Funds	1,792,842	1,801,506	1,747,163		1,757,645	1,768,191	1,778,802	1,789,478	1,800,221
TOTAL REVENUES	14,811,109	15,260,548	15,048,931		15,236,613	15,412,185	15,593,478	15,780,042	15,972,693

Town of North Brookfield

Expenditure Projections

	FY2015 Actual	FY2016 Recap	FY2017 Budget	Projection Percent	FY2018 Projected	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected
GENERAL GOVERNMENT									
Selectmen	44,364	44,341	44,441	0.00%	44,441	44,441	44,441	44,441	44,441
Moderator/Finance Committee	0	15,100	20,100	0.00%	20,100	20,100	20,100	20,100	20,100
Accountant	73,870	56,866	59,586	0.25%	59,735	59,884	60,034	60,184	60,335
Assessors	73,536	74,201	72,101	0.25%	72,281	72,462	72,643	72,825	73,007
Treasurer & Tax Title	50,866	48,724	59,465	0.25%	59,614	59,763	59,912	60,062	60,212
Collector & Tax Title	73,664	81,946	98,505	0.25%	98,751	98,998	99,246	99,494	99,742
Town Counsel & Bonds	30,683	39,000	35,000	0.00%	35,000	35,000	35,000	35,000	35,000
Clerk/Elections	41,835	40,661	44,816	0.25%	44,928	45,040	45,153	45,266	45,379
Conservation, CMRP, Planning & ZBA	5,570	6,978	7,009	0.00%	7,009	7,009	7,009	7,009	7,009
Town House, Telephone, Technology, Town Report	72,819	71,006	69,826	0.25%	70,001	70,176	70,351	70,527	70,703
TOTAL General Government	467,207	478,823	510,849		511,860	512,873	513,889	514,907	515,928
PUBLIC SAFETY									
Police	518,326	532,267	507,628	0.50%	510,166	512,717	515,281	517,857	520,446
Fire	96,606	93,173	96,766	0.25%	97,008	97,250	97,494	97,737	97,982
EMS	90,871	130,000	128,000	0.25%	128,320	128,641	128,962	129,285	129,608
Inspectional Services, Animal, Tree, Other	42,061	43,101	44,911	0.00%	44,911	44,911	44,911	44,911	44,911
TOTAL Public Safety	747,864	798,541	777,305		780,405	783,519	786,648	789,790	792,947
EDUCATION									
North Brookfield School District	5,674,740	5,688,074	5,838,074	1.25%	5,911,050	5,984,938	6,059,750	6,135,497	6,212,190
Bay Path Assessment	412,861	425,779	383,374	1.00%	387,208	391,080	394,991	398,941	402,930
Vocational Education	23,785	48,426	109,520	5.00%	114,996	120,746	126,783	133,122	139,778
TOTAL Education	6,111,386	6,162,279	6,330,968		6,413,254	6,496,764	6,581,523	6,667,559	6,754,899
PUBLIC WORKS									
Highway	297,838	332,740	357,617	0.25%	361,511	362,415	363,321	364,229	365,140
Snow and Ice	292,145	110,344	110,344	1.00%	111,447	112,562	113,688	114,824	115,973
Street Lights	27,968	29,000	32,000	5.00%	33,600	35,280	37,044	38,896	40,841
Landfill	134,420	133,082	143,282	4.00%	149,013	154,974	161,173	167,620	174,324
Cemetery	28,584	19,784	24,784	0.25%	24,846	24,908	24,970	25,033	25,095
TOTAL Public Works	780,955	624,950	668,027		680,418	690,139	700,195	710,602	721,373
HEALTH & HUMAN SERVICES									
Board of Health	35,218	37,334	37,742	0.25%	37,836	37,931	38,026	38,121	38,216
Council on Aging	56,572	58,976	58,976	0.25%	59,123	59,271	59,419	59,568	59,717
Veterans	16,138	38,716	30,376	1.00%	30,680	30,987	31,296	31,609	31,925
TOTAL Human Services	107,928	135,026	127,094		127,640	128,189	128,742	129,298	129,859
CULTURE/RECREATION									
Library	99,781	99,786	101,240	0.25%	101,493	101,747	102,001	102,256	102,512
Recreation, Beach, Memorial	5,112	7,839	7,016	0.00%	7,016	7,016	7,016	7,016	7,016
TOTAL Culture/Recreation	104,893	107,625	108,256		108,509	108,763	109,017	109,272	109,528
DEBT SERVICE/CAPITAL PLAN									
Debt Service	1,040,533	1,013,668	989,149	See Debt	952,945	927,519	902,115	876,145	850,280
New Capital Investment					35,945	97,380	161,152	227,437	232,885
TOTAL Debt Service	1,040,533	1,013,668	989,149		988,891	1,024,899	1,063,267	1,103,582	1,083,165

Expenditure Projections

	FY2015 Actual	FY2016 Recap	FY2017 Budget	Projection Percent	FY2018 Projected	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected
STATE ASSESSMENTS									
Air Pollution	1,175	1,183	1,212	1.50%	1,230	1,249	1,267	1,286	1,306
RMV Non-Renewal Surcharge	5,680	5,680	5,680	1.00%	5,737	5,794	5,852	5,911	5,970
Regional Transit	935	2,125	1,457	2.00%	1,486	1,516	1,546	1,577	1,609
School Choice Sending Tuition	712,039	712,941	651,689	5.00%	684,273	718,487	754,411	792,132	831,739
TOTAL State Assessments	719,829	721,929	660,038		692,727	727,046	763,077	800,906	840,623
EMPLOYEE BENEFITS/INSURANCE									
Unemployment Compensation	52,965	70,000	70,000	0.00%	70,000	70,000	70,000	70,000	70,000
Medicare	83,644	91,200	93,000	2.00%	94,860	96,757	98,692	100,666	102,680
County Pension Assessment	326,504	344,739	373,437	8.00%	403,312	435,577	470,423	508,057	548,701
Group Health Insurance	1,565,911	1,755,180	1,764,000	4.00%	1,834,560	1,907,942	1,984,260	2,063,630	2,146,176
General Insurance	140,708	155,000	170,000	3.00%	175,100	180,353	185,764	191,336	197,077
TOTAL Employee Benefits	2,169,732	2,416,119	2,470,437		2,577,832	2,690,630	2,809,139	2,933,690	3,064,633
OTHER AMOUNTS TO BE RAISED									
Cherry Sheet Offsets	318,396	374,403	354,792	N/A	354,864	354,937	355,011	355,085	355,160
Snow and Ice Deficits	0	37,605	37,605	0.00%	37,605	0	0	0	0
Other Deficits/Judgements	51,307	0	0	0.00%	0	0	0	0	0
Abatements & Exemptions (Overlay)	53,853	65,296	60,000	3.00%	61,800	63,654	65,564	67,531	69,556
TOTAL Other Amounts Raised	423,556	477,304	452,397		454,269	418,591	420,574	422,615	424,716
SPECIAL ARTICLES & OTHER FUNDS									
Prior Year Transfers/Appropriations	168,779	177,973	85,439	0.00%	85,439	85,439	85,439	85,439	85,439
Chapter 90 Appropriations	359,805	468,663	313,139	0.00%	313,139	313,139	313,139	313,139	313,139
Winter Recovery Assistance Program PY	0	46,931	0	0.00%	0	0	0	0	0
Special Articles			6,400	N/A	0	6,750	0	7,000	0
Current Year Transfers	0	30,020	0	0.00%	0	0	0	0	0
TOTAL Free Cash Appropriations	528,584	723,587	404,978		398,578	405,328	398,578	405,578	398,578
Enterprise Funds									
Water	822,152	853,029	797,771	0.00%	797,771	797,771	797,771	797,771	797,771
Sewer	751,639	747,668	761,673	0.00%	761,673	761,673	761,673	761,673	761,673
TOTAL Enterprise Funds	1,573,791	1,600,697	1,559,444		1,559,444	1,559,444	1,559,444	1,559,444	1,559,444
TOTAL EXPENDITURES	14,776,258	15,260,548	15,058,942		15,293,825	15,546,183	15,834,093	16,147,245	16,395,692

North Brookfield Financial Forecast: Users' Guide and Assumptions

November 2016

Edward J. Collins, Jr. Center for Public Management

McCORMACK GRADUATE SCHOOL OF POLICY AND GLOBAL STUDIES



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INTRODUCTION

The object of the Town of North Brookfield financial forecast is to conservatively project revenues and expenditures five years into the future (FY2018-FY2022). The forecast is intended to provide policymakers with the information they need to make informed decisions around the Town's financial strategies and policies, long-term financial and capital planning, and long-term contracts or obligations.

Revenue and expenditure forecasting is a powerful financial planning tool that can be used to isolate the impact of particular future events and determine their effects on the Town's financial picture. The forecasting model is designed using reasonable assumptions about a wide variety of future events and, by these assumptions along with known facts, a comprehensive view of the Town's fiscal outlook emerges. Though potential exists that any one item in the forecast may be less than accurate, when taken as a whole, a well-built model presents a fair representation of the Town's future finances.

The approach used in the forecast model for the Town of North Brookfield assumes that current service levels will be maintained in the future years of the forecast. The model also assumes that existing Massachusetts General Laws and regulations will remain unchanged over the forecast period. However, as new information becomes available here forward, the assumptions and estimates used in the current projections will need to be regularly re-evaluated by Town officials to determine if they are still appropriate and reasonable.

The model is structured as a series of Excel worksheets. Revenues are projected in detail in the "Revenues" worksheet and detailed expenditure projections are contained in an "Expenditures" worksheet. The totals from the detailed revenue and expenditure projections flow into a "Summary" worksheet which reveals projected future operating surpluses or deficits. More detailed sheets are available for more in-depth analysis of issues like new growth (Growth), debt excluded from Proposition 2 ½ limits and all other non-excluded Town debt (Debt) and local receipts (Receipts). A worksheet titled "Capital" contains calculations that are designed to increase capital spending from general fund revenues incrementally over the forecast period. An additional worksheet estimates the impact of cost-of-living increases (COLA) for collective bargaining agreements and salaries subject to action by the wage and personnel committee. Impacts from this worksheet flow directly to the Town's bottom line and are reflected in the Summary worksheet.

REVENUE PROJECTIONS

TAX LEVY

Annual tax levy growth is constrained by Proposition 2 1/2, the Massachusetts General Law that limits the annual growth in a municipality's total tax levy to 2.5 percent, plus an allowance for certain new construction and other additions to the tax rolls. The law also allows a city or town to increase taxes beyond this levy limit with voter approval. An override of this limit by voters becomes a permanent part of the tax levy calculation in future years and is best used for recurring expenses in the regular operating budget. A debt exclusion may also be approved by voters to increase the levy limit temporarily to fund capital projects. Generally, these projects are financed by borrowing and the annual debt service is added to the levy limit each year until the project is paid off.

The FY2018-FY2022 forecast projects new growth to be approximately \$50,000 over the years of the forecast. The projection consists primarily of modest new growth in the residential class ranging from about \$25,000 to \$30,000. This is consistent with the five year average new growth (FY2012– FY2016) from the residential class of \$31,736. Very small amounts of commercial and industrial new growth are forecast, with combined growth amounts likely less than \$1,000 per year. Personal property growth has averaged \$24,630 over the last five years and this is projected to continue into the future. FY2017 new growth will be positively impacted by a solar installation on New Braintree Road that will produce about 1.4 Megawatts of electricity. Under the terms of a payment in lieu of taxes agreement between the developer and the Selectmen, the facility will pay about \$21,000 in FY2017 taxes. Thereafter, the payments will grow by 2 percent per year. A recent special Town Meeting vote (June 17, 2016) authorized the Selectmen to lease five other Town-owned parcels for the installation of solar energy facilities. If the Town is successful in this effort, personal property growth is reasonably projected to reach about \$20,000 to \$25,000 per year. Town officials should monitor this projection in the future as the timing of new projects will impact future new growth projections.

Also taken into account in the tax levy calculations and projections are the Town's debt exclusions for the school, police station, library, fire truck and the Horse Pond Dam. Together these debt exclusions added \$924,445 to the total tax levy. Going forward, the forecast has incorporated the future debt exclusions into the tax levy calculation based on the long-term debt schedules for these excluded issues. Recently, voters approved another debt exclusion (May 2, 2016) for a fire pumper/tanker. The associated debt issuance has not yet occurred and it appears that grant money will offset all but about \$20,000 of the total estimated cost of \$495,222.

The forecast anticipates that the Town's unused levy capacity will remain stable at the FY2016 level (\$3,475) throughout the forecast period. Effectively, it is assumed that the Town will continue to levy taxes up to the maximum limit allowed by Proposition 2 ½.

New growth is reported to the State each year on Form LA-13 which is typically submitted in late summer or early fall prior to setting a tax rate. Levy limit information is published each year by the Division of Local Services (<https://dls.gateway.dor.state.ma.us/gateway/Login>) and should be reviewed by Town officials periodically in late summer and early fall as growth is certified.

STATE AID CHERRY SHEET

Chapter 70 – Chapter 70 education aid is determined each year by the Department of Elementary and Secondary Education (DESE) using a complex formula. The formula entails calculating a foundation budget for each municipality or school district based on the number and characteristics of the pupils (e.g., low income, bilingual or vocational) in the district. The foundation budget represents the minimum level of spending necessary to provide an adequate education in each district. Generally, in communities with sufficient resources, required school spending (aka, “net school spending”) is well above the calculated foundation budget, reflective of historically high education spending. In communities with fewer resources and lower historical spending on education, the formula seeks to maintain required net school spending at a level at least as high as the foundation budget.

To determine the relative contributions from municipal revenues versus state Chapter 70 aid necessary to meet required education spending levels, DESE calculates target levels of local (municipal) contribution and target levels of (state) Chapter 70 aid. These calculations are based on the total income of a municipality’s residents and the total property wealth of the municipality. For example, if a community has sufficient income and property wealth to cover 60 percent of the foundation budget, then the State aid target is 40 percent of foundation. Income is measured using State Department of Revenue total income by community from state tax returns and property wealth is measured using equalized property values for each community. Equalized property values are determined by the state every two years and control for differences in local assessing practices. In cases where a municipality has a low ability to pay, less is required from the municipality and state Chapter 70 aid fills the gap between the foundation budget and the required local contribution.

North Brookfield provides education to local pupils in a Kindergarten through Grade 12 school system. As such, the Town receives Chapter 70 state school aid to offset some of the costs to educate these pupils. In FY2016, state Chapter 70 aid contributed \$4,203,088 to North Brookfield’s elementary district, while the Town contributed about another \$3.29 million, for budgeted net school spending totaling \$7.49 million. This exceeded the Town’s FY2016 net school spending requirement of \$7,105,478 by \$387,196. Review of the prior three previous years (FY2013-FY2015) reveals that actual spending exceeded required spending by an average of \$490,000 in each year. Consequently, North Brookfield’s spending on its local school district is not a function of the state spending requirement, but is driven more by local policy choices to exceed the minimum spending levels.

In FY2016, the school district received a Chapter 70 aid increase of the minimum amount of \$25 per pupil or \$15,875. In the final state budget for FY2017, the district again receives minimum aid, but at the higher \$55 per pupil minimum level set by the legislature (a \$33,330 increase over FY2016). In the forecast from FY2018 to FY2022, Chapter 70 aid is projected to increase at approximately \$25 to \$30 per pupil or about \$17,000 per year, more conservative than the \$55 per pupil amounts agreed to by the legislature for FY2017. This assumption will need to be monitored by Town officials since significant changes to the method of calculating the foundation budget, or a material increase in the rate of inflation applied to the foundation budget may change the Town’s status regarding Chapter 70 aid. With sufficient future growth in its foundation budget, the North Brookfield schools may see a larger increase in Chapter 70 aid. If this occurs, however, the additional revenue will be earmarked for the local school district.

The FY2018-FY2022 forecast does not factor in any of the recent recommendations of the Foundation Budget Review Commission to substantially increase certain foundation budget calculations. If this occurs, the Town may see larger increases in its foundation budget and Chapter 70 aid.

While the forecast has factored in the final action of the legislature on the FY2017 state budget, it is recommended that Town officials revisit the projection of Chapter 70 funding as the year progresses. The Department of Elementary and Secondary Education (DESE) publishes detailed Chapter 70 numbers for the Governor's budget and the final state budget on its school finance page under the Chapter 70 heading: <http://www.doe.mass.edu/finance/chapter70/>. To access this information, in the Chapter 70 State Aid and Spending Requirement section, click on the FY2017 Chapter 70 link and then open the "Complete Formula Spreadsheet." In the index, select "North Brookfield" and then go the "regional allocation" tab. This will provide local officials with the information on the Town's total foundation budget and minimum required contributions allocated between the local district and the town's regional vocational district (Southern Worcester or Baypath). Narrative associated with this spreadsheet will also provide Town officials with information about whether additional funding has been added to the foundation budget based on the recommendations of the Foundation Budget Review Commission.

Unrestricted General Government Aid (UGGA) – UGGA is projected to grow at a rate of 4.3 percent consistent with both the Governor's FY2017 budget proposal and subsequent legislative versions of the budget. Going forward, this account is projected to grow at 2.5 percent per year. In recent years, when new aid has been added to this account, it has been distributed based on the proportion of existing aid received by a community relative to the total amount of aid to all communities. For example, if a community's existing UGGA represents 2 percent of the total amount statewide, any new distribution to this community will be 2 percent of the amount added to the state total.

To keep UGGA and the other cherry sheet accounts below up to date, Town officials will need to monitor the local aid estimates published by the Division of Local Services at each juncture of the state budget process: <http://www.mass.gov/dor/local-officials/municipal-databank-and-local-aid-unit/cherry-sheets/>. The first of these estimates will come after the release of the Governor's FY2018 budget in late January of 2017 followed by the House Ways and Means Committee budget in mid-April, the final House budget in late April, the Senate Ways and Means budget in mid-May, and final Senate budget in late May. The Conference Committee's budget, which resolves differences in the two legislative versions of the budget, is typically issued in late June. Final cherry sheets reflect any vetoes by the Governor and/or any legislative overrides of these vetoes.

School Choice Receiving Tuition – North Brookfield receives tuition payments for school choice pupils attending North Brookfield schools. In FY2017, the Town's projected school choice receiving tuition is \$347,580 for the 64 pupils attending school in North Brookfield from other districts. In the future years, the forecast has level funded the choice receiving tuition, reflective of recent volatility in the number of attending pupils. Over the last five years, enrollment has ranged from 43 to about 64 pupils. This revenue, once received, is deposited in a school choice revolving fund that is available to the School Committee to spend without further appropriation (by Town Meeting). Consequently, this revenue does not impact the forecast since these tuition receipts must be spent by the school committee for school purposes and cannot be spent for general purposes. As a cherry sheet offset, this revenue is also raised on the tax rate to ensure that it is removed from the Town's revenues so it cannot be used for general purposes.

Other Local Aid Accounts – These accounts consist primarily of reimbursements for veterans’ benefits, certain local property exemptions, State-owned land and includes the aid to public libraries. Exemption reimbursements and state-owned land reimbursements have been relatively stable in recent years and have been level funded in the forecast years. Veterans’ benefits have increase quickly in the past two years and have been level funded at the higher FY2017 level. Aid to public libraries is considered a cherry sheet offset and may be spent without an appropriation by the Town’s library. This account has no real impact on the forecast since it is also raised on the expenditure side, essentially pulling these revenues out of the general revenue mix for direct use by the library without appropriation.

LOCAL ESTIMATED RECEIPTS

Local estimated receipts are locally generated revenues, other than real and personal property taxes. Examples include motor vehicle excise, investment income, payments in lieu of taxes, penalties and interest on taxes, departmental revenue, fines, and license and permit fees. Annual estimates of local receipts are shown on the tax rate recapitulation sheet and in a similar format in the forecast. Over the last five years (FY2012-FY2016), actual local receipts have exceeded estimates by an average of \$83,732. However, review of FY2016 actual receipts show that the actuals only exceeded the FY2016 estimates by about \$21,000. Consequently, local receipts in excess of estimates have not been a primary factor in the Town’s recent free cash certifications.

Motor vehicle excise revenue is the Town’s largest local receipt constituting about 56 percent of the total estimated receipts in FY2016. Actual revenue from motor vehicle excise has grown modestly in the last few years, increasing from \$423,357 in FY2012 to \$527,417 in FY2016. Consequently, this revenue has been forecast to increase slowly at 2.5 percent over the forecast years. Certain other local receipts such as penalties and interest on taxes, Medicaid reimbursement and investment income have been reduced in FY2017 to reflect the actuals in FY2016. For tax rate setting purposes, these actual receipts provide an upper limit on the FY2017 estimates, unless the Town can provide documentation for further increases such as a voted rate increase. For Medicaid reimbursements, the Town’s actual Medicaid reimbursements for FY16 (\$12,671) are lower than the budget estimate of \$30,000. Consequently, the estimate for FY2017 was reduced to \$12,000. Since the shortfall in these receipts is attributed to lapsed reimbursement filings due to personnel changes, going forward, it is assumed that this process is resumed on a timely basis and receipts will track more closely to historical levels. For FY2018 and beyond, this receipt has been level funded at \$30,000.

Going forward, Town officials will need to closely monitor actual receipts as compared to budget estimates for all categories based on information from the accountant’s records.

AVAILABLE FUNDS/OTHER FINANCING SOURCES

In recent years, the Town has relied on newly certified free cash to balance the current year budget. For example, the Town’s voted budget for FY2017 is currently at least \$200,000 out of balance. The Town plans to submit its balance sheet for FY2016 so that 7/1/2016 free cash can be certified by the Department of Revenue, and then appropriated by a fall Special Town Meeting, to balance the Town’s FY2017 budget prior to setting a tax rate in the late fall. Going forward, as a best practice, the Town will

attempt to decrease its use of free cash for the operating budget incrementally, so that no free cash is used for the operating budget. This policy has been applied to the forecast over five years by decreasing free cash use to \$50,000 per year beginning with an estimated \$250,000 in FY2017. Future free cash use is projected at \$200,000 in FY2018, \$150,000 in FY2019, \$100,000 in FY2020, \$50,000 in FY2021 and then zero in FY2022.

The Town also receives revenue from a fire grant that is used to offset the existing debt exclusion for a fire truck. Bond premiums related to the school and library debt issues are also applied each year to reduce the amount of the annual debt exclusions. These revenues are reported annually as available funds on the tax recapitulation sheet and have been forecast in future years based on the debt schedules and schedules for applying bond premiums. Generally, the bond premiums applied decline slightly as the excluded debt for the school and library bond issue decline.

The forecast also shows available funds used for the prior year. For example, the FY2017 tax rate will reflect special town meeting action taken on the FY2016 budget prior to the close of the fiscal year. Typically, the available funds used are balances in accounts with surpluses that are transferred to accounts that have shortfalls. Available funds used for prior year expenses have been level funded at the FY2017 amount (reflecting action on the FY2016 budget) of \$85,439. There is a balancing entry on the expenditure side, so this projection has no real impact on the Town's bottom line.

The Town also appropriates its annual Chapter 90 highway money each year. The amount expected for FY2017 is \$313,139 and this amount has been level funded each year of the forecast. A balancing amount on the expenditure side ensures that this revenue is not used for general budget purposes.

Enterprise Funds

The water and sewer enterprise funds have been assumed to continue to be self-supporting. In the event that future costs or capital needs exceed existing revenues and/or retained earnings, it is expected that the water and sewer enterprise will raise rates to cover these costs. In the forecast, enterprise fund revenues have been increased slightly for each enterprise to cover the indirect costs that are likely to increase in the future (primarily health insurance and pension costs). Enterprise revenue in total goes up slightly as these indirect employee benefit costs are a relatively small portion of each enterprise fund. The intent is to increase these indirect benefit costs by about 5 percent per year, consistent with general fund projections for these benefits.

EXPENDITURE PROJECTIONS

Municipal Departments – In the forecast, departments have been grouped by major categories consistent with town and state expenditure reporting. These categories include General Government, Public Safety, Education, Public Works, Human Services and Culture and Recreation.

Salary increases that have already been negotiated with union personnel (DPW) have been reflected in the expenditure projections. After the contract period, salary increases for these union members have been incorporated into the cost-of-living adjustment (see COLA worksheet) calculations. The impact of negotiated employment contracts (Police Chief) that extend beyond FY2017 have also been factored into the expenditures for the duration of the agreement. For others yet to be negotiated, the impact of a 2 percent increase is also reflected in the COLA worksheet rather than in the expenditures. For those employees that work in town hall or are not represented by a union, the forecast has included the potential impact of future salary increases in the COLA worksheet as any increases have yet to be decided.

Expenses have been projected to increase by roughly 1 percent per year in most departments that have material expense budgets, reflective of recent relatively low inflation rates. Since forecasted department spending reflects both salaries and expenses, the percentage related to the expense only 0.25 percent in most cases.

Education – Given that North Brookfield’s spending on its local school district is not influenced directly by state spending requirements, the forecast has projected future spending based on the FY2017 budget and discussions with the school business manager. The FY2017 education spending is broken into three categories: the North Brookfield School District, Bay Path Vocational School Assessment and tuition and transportation to other vocational districts where the Town is not a member. If desired educational programs are not offered by a town’s vocational district, it has the option to send these pupils to other vocational districts that do have the desired program, assuming they have the capacity to accept non-member pupils. The town pays a vocational tuition rate for these pupils, plus the cost to transport them to the vocational district.

The projection for the North Brookfield School District increases by 1.25 percent per year, or slightly more than \$70,000 per year. This increase is intended to cover the impact of step increases for qualifying teachers (about \$50,000 to \$55,000 per year). Currently, about half of the District’s 55 teachers qualify for annual step increases. The other factor in the projection is the cost of transportation. The contract for busing will expire at the end of FY2017. The school business manager estimated that these costs could increase substantially (5-10 percent) when these services are re-bid. The forecast includes about \$21,000 per year for these additional costs.

Not included in the 1.25 percent projected growth rate is the cost of school employee/retiree health insurance and the pension costs for non-teachers. These costs are projected in the employee benefits section of the expenditure forecast and are estimated to grow annually by four percent and eight percent, respectively. These costs, along with administrative support provided by Town finance

departments and sending school choice tuition, are considered part of the Town's total spending on education.

The Town's appropriation for its assessment to the Bay Path Vocational District decreased in FY2017 by more than \$40,000. This was the result of a decrease in the number of pupils from North Brookfield attending the vocational district; enrollment dropped from 46 pupils in FY2016 to 39 pupils attending in FY2017. It is important to note that enrollment is measured in the prior year, so the enrollment used for FY2017 is from October 1st of 2015. Despite the decrease in FY2017, this projection increases this expense by 1 percent per year. This takes into account the historic volatility of this expense, but this projection should be revisited as future enrollment data becomes available

The last category of education spending is for vocational district tuition and transportation costs for pupils that attend a vocational district other than Bay Path. This is a relatively recent expense that has increased to \$109,520 in FY2017. Included in this appropriation is funding for a pupil to attend Norfolk County Agricultural High School. This pupil has not yet been accepted, but will attend if accepted. Going forward, this account has been increased by 5 percent to reflect how sensitive this expense is to one or two additional pupils enrolling in these programs. Similar to the Town's vocational district expenses, enrollment to these other vocational districts should be monitored and the projection adjusted as necessary.

Debt Service/Capital Plan – Debt service has been projected based on the Town's existing debt schedule. Included is the annual debt service associated with debt excluded projects such as the school bond issue, police station, library, fire truck and Horse Pond Dam. Also included is the debt service for the United States Department of Agriculture (USDA) loan for new school windows, which is not excluded under Proposition 2 ½. The Town has authorized, but not issued, additional debt (\$60,000) for a feasibility and design study for a school roof at the elementary school. This expense will likely qualify for about a 62 percent reimbursement from the Massachusetts School Building Authority. Another purchase that has been authorized but not issued is for a fire pumper/tanker (\$495,222). This purchase is funded with a previously approved debt exclusion, however, the Town has received a \$425,000 grant from Federal Emergency Management Agency's (FEMA) "Assistance to Firefighters" program for this purchase and another \$50,000 grant is likely from the USDA's Assistance to Rural Communities program. Therefore, the Town's share of this debt is likely to be minimal.

As part of the process of building this financial forecasting model, analysis was completed regarding the Town's ability to finance a capital plan in the coming years. Currently, all major capital costs are financed with debt excluded from the limits of Proposition 2 ½, funded within the water and sewer enterprise funds or financed with Chapter 90 or other grant money. Consequently, there is very little spent from general fund revenues to finance capital. The school window project is about the only substantial capital project funded with general fund revenue.

In the "Capital" worksheet, the forecast calculates the Town's FY2017 capital investment (net of debt exclusions) as a percent of prior year net revenues. There, it indicates that Town's FY2017 capital investment as a percent of prior year net revenue is 0.29 percent. Going forward, it is assumed that the Town will invest in its capital needs at increasing percentage of prior revenue until general fund capital spend reaches 2 percent of prior year net revenues. This policy recognizes the Town's tight budget situation and, over a four year period, increases capital investment by 0.5 percent each year until the 2 percent target is achieved. This approach ensures that capital investment increases commensurately with the Town's revenue growth over the term of the forecast.

For the purpose of determining capital investment amounts, the following definitions shall apply:

- Prior Year Net Revenue - Gross revenues, less debt exclusions, available funds (e.g., free cash, stabilization, Community Preservation, ambulance fees and overlay surplus) and enterprise funds.
- Net Capital Investment - Gross costs from local debt, less Proposition 2 ½ debt exclusion amounts, and other local amounts approved as part of the capital budget.
- Capital Investment as a Percent of Prior Year Net Revenue – The Net Capital Investment divided by the Prior Year Net Revenue. (For FY2017, Net Capital Investment is about 0.29 percent of the Town’s Prior Year Net Revenues, increasing to .5 percent in FY2018, 1.0 percent in FY2019, 1.5 percent in FY2020, and reaching the 2.0 percent target in FY2021 and FY2022.)

State Assessments – All FY2017 state assessments included in the forecast are based on the final Cherry Sheet estimates published by the Division of Local Services based on the State’s FY2017 budget. By far the most significant of these state assessments in North Brookfield is the school choice sending tuition. In FY2017, this assessment is estimated at \$651,689, or close to 99 percent of the Town’s total assessments of \$660,038. The FY2017 choice assessment is about \$60,000 lower than the actual assessments in FY2014 and FY2015. Given how enrollment changes cause this assessment to be volatile, the forecast assumes that this assessment will increase 5 percent per year from the lower FY2017 base. The air pollution assessment is minimal and totals \$1,212 in FY2017. This assessment has been projected to continue to grow slowly at 1.5 percent per year. Other assessments such as the Registry of Motor Vehicle surcharges and Regional Transit assessment are expected to grow modestly at 1 and 2 percent respectively.

Similar to the cherry sheet state aid accounts on the revenue side, Town officials should continue to monitor the state budget process for FY2017 and follow the release of local aid estimates until the state budget process concludes with the issuance of final FY2017 Cherry Sheets.

Employee Benefits

Pension costs - Town pension costs are projected based on the estimated appropriations issued by the Public Employee Retirement Administration Commission (PERAC) for Worcester County. The appropriation letter from PERAC breaks down the assessments to the member towns, school districts, and housing authorities and shows the percentage of the total borne by each entity. For North Brookfield, the percent is 0.84 percent, or less than 1 percent of the total. The forecast applies this percentage to the future appropriation amounts identified by PERAC as necessary to maintain the pension funding schedule going forward. The part of the Town’s assessment associated with the 2003 early retirement incentive (\$12,813) is deducted from the Town’s appropriation since this amount is the school department’s responsibility and is included in the school budget. The Town also pays its assessment on July 1st to take advantage of interest savings on the assessment compared to if the assessment were paid in two installments. Though this is the best information available at this time, Town officials should be aware that the Worcester County appropriation needs are due to be updated in FY2017. This will likely result in changes to these

projected pension costs for North Brookfield and should be monitored in future years to reflect any revisions in the necessary funding.

Health Insurance – The Town recently put out a “Request for Proposals” for its employee health insurance benefits. The winning bidder promised that rates would not increase for FY2017, given that the Town had implemented increased co-payments and deductibles in the prior year. Going forward, this account has been projected to increase at 4 percent per year.

Medicare – Medicare has been forecast to increase at 2 percent per year. This reflects the impact of negotiated salary and step increases for union employees, as well as the potential impact of future modest salary increases.

Unemployment – Unemployment is level funded at \$70,000 each year of the forecast, reflecting the fact that this amount should be sufficient to cover potential future unemployment costs as a result of any layoffs.

General Insurance – General insurance includes building insurance on Town buildings as well as public official liability insurance. These costs have been increasing in recent years and have been forecast to grow modestly at 3 percent per year in the future.

Other Amounts Raised – By far, the most significant other amounts raised in North Brookfield are the Cherry Sheet offsets, primarily the School Choice Receiving Tuition. The School Choice tuition amounts have been level funded on the Revenue sheet and the Library Aid is forecast to increase slowly at 1 percent per year.

Another significant amount raised is the amortization of the Town’s FY2015 snow and ice deficit over a three year period. In FY2016, the Town raised a third of this 2015 snow and ice deficit, or \$37,605. This amount will also be raised in FY2017 and FY2018, completing the three-year amortization of this deficit from the harsh winter of 2015.

Other amounts raised also include the annual allowance for abatements and exemptions (overlay). The overlay has been projected to increase at a rate of 3 percent per year from \$60,000 base in FY2017. This increase matches the annual increase in the Town’s tax levy.

Special Articles/Other Funds - Available funds from the prior year reflect the use of balances in FY2016 appropriations that were no longer necessary for the original purpose. Consequently, the Town has appropriated these balances as a funding source for snow and ice and other FY2016 costs. These appropriations have been level funded in future years, corresponding to the revenue side of the forecast, and has no impact on the Town’s bottom line.

As discussed on the revenue side of the projection, the Town also appropriates its annual Chapter 90 allocation for allowable highway projects and equipment. To match the revenue projection of Chapter 90, the expense is level funded through the forecast years.

This section also includes special articles. In FY2017, the Town funded a special article in the amount of \$6,400 for Governmental Accounting Standards Board Statement 45 (Other Post-Employment Benefits) expenses. For financial reporting purposes, an actuarial valuation is required at least biennially for OPEB

plans with a total membership (including active employees and retired employees and beneficiaries currently receiving benefits) of 200 or more. The forecast includes amounts for GASB valuations in FY2019 and FY2021 in the amounts of \$6,750 and \$7,000, respectively.

Enterprise Funds – Enterprise fund expenses for direct costs have been level funded. The modest increase in enterprise fund revenues is to cover indirect employee benefit costs in the general fund.

PROCESS FOR UPDATING FORECAST MODEL FOR NEXT YEAR

The process for updating the forecasting spreadsheet to reflect a new base year is fairly straightforward, but it must be done systematically and with care to update formulas as necessary. Consequently, it is strongly recommended that users save a separate back-up file of the spreadsheet before any changes are saved in the spreadsheet they are updating.

Generally, the updating of the spreadsheet should occur after the end of the current fiscal year after the Town's budget for next year has been adopted by Town Meeting and final cherry sheets are issued. When all the data for the first projection year is finalized on the expenditure side by town meeting action and most revenues are close to final (final new growth will not be certified at this point), the data can be copied and pasted into a newly inserted column to the left of the "Projection Percent" column such that it becomes the base year going forward. To forecast the first year revenues or expenditures, a percent change is applied to the base year to yield the projected amount. To project the second year, the percent change is applied to the first forecast year as the base. In other words, the selected percent change is applied to each year of the forecast. In some instances, the user may find that it is easier to simply enter values for certain items. This is fine as long as the user remembers to replace the formulas later if they want to determine the projections based on percent change in other years.

The formula used to project the first future forecast year is rendered as follows: $=F29*(1+G29)$. Column F refers to the FY2017 base revenue or expenditure amount and column G is the "Projection Percent" column. The formula takes the base FY2017 amount (F29 in this example) and applies a percentage increase to this base (1+G29) where G29 is the percent increase. In other words, if the user wants to increase this item by 5 percent, the user simply plugs in "5" into the Projection Percent column (highlighted in yellow). This cell is formatted as a percentage and when added to 1 in the equation totals 1.05 which is then multiplied by the base amount. The second and subsequent forecast years are calculated in the same manner, but the formula is slightly different to reflect a new base year; for example, FY2018 will now be the base year for the FY2019 projection. This formula is as follows: $=H29*(1+G29)$, where the FY2018 value (Column H) is the base year to which the percentage increase (Column G) is applied to yield the FY2019 projection in Column I.

The forecasting spreadsheets consist of the following worksheets: Revenues, Expenditures, Summary, Growth, Debt, Capital, Receipts, Reserves and Cost-of-Living adjustments (COLAs). In general, these sheets should be updated by inserting a new column to the left of the "Projection Percent" column. After this is completed, cell references in the first forecast year should be updated. Specific processes for each sheet are described below.

Revenues – Add a column to the left of the Projection Percent column that is shaded in yellow. This will be the column into which the new revenue budget data will be copied or entered based on the budget approved by Town Meeting. The easiest way to do this is to simply cut and paste the FY2018 projected revenues into the newly created column. Since most of these values are determined by formula, the user should do a "paste special" so that the values are copied rather than the formulas. Next, the formulas in the first projection year will need to be updated to reference the new column that was added to the left of the Projection Percent column. Formulas in subsequent years of the forecast should be updated, but care should be taken to make sure that they are working as expected. Finally, the

fiscal year labels for the projection years will have to be updated (for example, as FY2018 becomes the base year of the forecast, FY2019 will become the first forecast year). A new column is then added at the far right for a fifth forecast year and formulas can be copied as appropriate from the adjacent, prior year column.

Expenditures – Similar to the Revenue worksheet update, a new column must be added to the left of the Projection Percent column. Then, the FY2018 expenditure data as approved by Town Meeting should be cut and pasted into the newly created column. Cell references in the first projection year will then need to be updated so that they refer to the appropriate cells in the new column with the budget data. Labels on the column headings of the projection years will also need to be updated and a column added at the far right so that the model continues to be a five year forecast. Formulas can be copied into this column from the adjacent column to the left.

Summary – In the Summary worksheet, cell references should be updated to reflect the new base year (e.g., FY2017 rather than FY2016) and a new column (with formulas) added to the right for a fifth forecast year.

Capital – The capital worksheet brings together the Town’s existing debt service (net of excluded debt) along with a funding plan for future capital investment that increases gradually over four years until it reaches 2 percent of prior year net revenue. The worksheet calculates the Town’s FY2017 capital investment (net of debt exclusions) as a percent of prior year net revenues. The Town’s FY2017 capital investment as a percent of prior year net revenue is .29 percent. Going forward, it is assumed that the Town will gradually increase its investment in capital by .5 percent of prior year net revenues per year until capital investment equals 2 percent in FY2021. This policy ensures that capital investment increases commensurately with the Town’s revenue growth over the term of the forecast.

Debt - The debt sheet contains projections of the Town’s five existing debt exclusions: schools, police station, library, fire truck and Horse Pond Dam. The projections for these excluded issues are based on the Town’s debt schedules for these issues. The sheet also shows the debt service for the school windows project that is not debt excluded, but funded with general fund revenues. Not factored into the projection, but noted in this sheet are authorized, but unissued debt for a fire tanker/pumper truck. As noted earlier, the costs for this debt excluded projects are expected to be greatly reduced due to grant funding such that the Town’s share will be minimal. The other project is the school roof feasibility/design authorization. This project was authorized for \$60,000 and will likely receive a Massachusetts School Building Authority reimbursement of more than 60 percent.

Receipts – In the local receipts detail sheet, it is likely that two columns need to be added to the left of the columns that measure average percent change. One of the columns is for the FY2016 actual receipts when they are available and the other is for the FY2017 budget estimates. The two percent change columns then need to be updated so that the historical averages include the new data added. It is important to note that these percent change calculations have formulas that vary based on the number of years for which average percent change can be measured. For example, some receipts only have three years of data (zeros for other years) while some have more than three. To avoid “divide by zero” errors, these formulas need to be customized based on the years of data available. Next, cell references should be updated in the first forecast year to reference the new budget data entered for FY2017. Column headings for forecast years should be updated to reflect new fiscal years and a column should

be added to the far right for an additional forecast year. Formulas for subsequent forecast years should be checked to be sure they are working properly as well.

Growth – The new growth sheet provides a ten year history of prior certified new levy growth by property class. Updating this sheet merely requires replacing forecasted growth with actual certified growth as this occurs each year.

Reserves – The reserves worksheet shows historical levels of free cash, Stabilization Fund and retained earnings of the water and sewer enterprise funds. This sheet is not integrated with other worksheets, but new data should be entered to track reserve levels over the forecast.

COLA – The COLA worksheet allows users to estimate the impact of future salary increase. To do this the worksheet estimates total salaries by major category (e.g., Public Safety) based on the most current budget year. If the employees are part of a collective bargaining unit and cost of living increases have been negotiated, these increases should be reflected in the forecast. If the contracts are expired or will in a year, the subsequent impact of a given percent increase can be estimated in this sheet. To update, new salary information will need to be entered based on FY2018 appropriations and formulas adjusted to capture the impact of potential salary increase.

ABOUT THE CENTER

The Edward J. Collins, Jr. Center for Public Management in the McCormack Graduate School of Policy and Global Studies at the University of Massachusetts Boston was established in 2008 to improve the efficiency and effectiveness of all levels of government. The Center is funded by the Commonwealth and through fees charged for its services.



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