



## TOWN OF PLYMPTON

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Selectmen's Office

September 12, 2016

Sean Cronin, Senior Deputy Commissioner  
Division of Local Services  
Commonwealth of Massachusetts  
PO Box 9569  
Boston, MA 02114

Commissioner Cronin:


This letter is to inform you that the Collins Group has completed their work on Plympton's financial forecast model with spreadsheets. Copies attached.

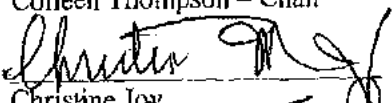
The forecast model is a very comprehensive document. All areas of revenue and expenditures are covered in detail. It conservatively project revenues and expenditures five years into the future (FY2017-FY2021). The methodology of the Collins Group is of the highest quality.

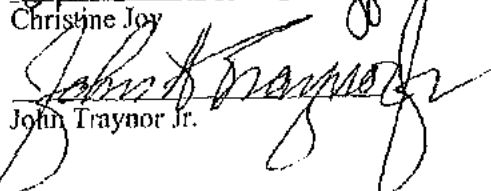
The Town will use this work to focus and streamline municipal finances going forward. This excellent blue print was very well received by the financial team here in Plympton. It has been fully adopted and will be implemented during the upcoming budget season for FY2018.

The Selectmen wish to thank you, your division and the Collins Group for this valuable planning tool in the critical area for municipal finance.

Sincerely,  
Plympton Board of Selectmen

  
Colleen Thompson - Chair

  
Christine Joy

  
John Traynor Jr.

## Town of Plympton

### Summary of Projected Revenues and Expenditures

<b>Revenues</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
Property Tax Levy	8,490,494	8,818,627	9,089,206	9,362,620	9,644,580	9,933,806
State Aid Cherry Sheet	1,024,839	1,021,776	1,034,722	1,047,883	1,061,263	1,074,866
Estimated Local Receipts	850,000	845,000	852,419	859,980	867,685	875,539
Available Funds/Other Financing	1,037,378	1,415,007	1,271,510	1,191,870	1,112,969	1,134,833
<b>Total Revenues</b>	<b>11,402,711</b>	<b>12,100,410</b>	<b>12,247,856</b>	<b>12,462,352</b>	<b>12,686,497</b>	<b>13,019,044</b>
<b>Expenditures</b>						
General Government	542,429	576,836	582,118	587,452	592,840	598,282
Public Safety	1,538,040	1,578,757	1,613,420	1,628,987	1,644,710	1,660,591
Education	5,698,710	5,617,533	5,815,577	6,016,049	6,224,831	6,441,830
Public Works/Cemetery	522,376	554,399	561,943	569,662	577,564	585,655
Human Services	118,640	104,337	106,761	109,251	111,809	114,436
Culture & Recreation	131,820	138,976	140,366	141,769	143,187	144,619
Debt Service/Capital Plan	439,814	685,011	662,403	674,106	686,259	698,873
Intergovernmental	81,839	69,096	70,372	71,678	73,014	74,382
Fixed Costs/Benefits	982,884	1,102,145	1,183,136	1,273,715	1,371,076	1,483,007
Other Amounts Raised	1,038,188	913,275	849,877	813,165	815,667	817,116
Free Cash/Other Fin. Uses	307,971	584,093	493,293	499,068	505,132	511,499
<b>Total Expenditures</b>	<b>11,402,711</b>	<b>11,924,458</b>	<b>12,079,266</b>	<b>12,384,904</b>	<b>12,746,090</b>	<b>13,130,290</b>
<b>Difference</b>	<b>0</b>	<b>175,952</b>	<b>168,590</b>	<b>77,448</b>	<b>-59,593</b>	<b>-111,246</b>
<b>Impact of 2% Salary Increase</b>		<b>21,659</b>	<b>80,096</b>	<b>154,367</b>	<b>230,123</b>	<b>307,395</b>
<b>Revenue after COLA</b>	<b>0</b>	<b>154,293</b>	<b>88,494</b>	<b>-76,919</b>	<b>-289,716</b>	<b>-418,641</b>

**Town of Plympton**

**Revenue Projections**

	FY2013 Budget	FY2014 Budget	FY2015 Budget	FY2016 Pro- Forma Recap	Projection Percent	FY2017 Projected	FY2018 Projected	FY2019 Projected	FY2020 Projected	FY2021 Projected
<b>PROPERTY TAX LEVY</b>										
Prior Year Tax Levy Limit	5,835,325	6,540,660	7,895,844	8,271,331		8,569,479	8,837,716	9,103,659	9,378,250	9,661,706
2.5% Increase	145,883	163,517	197,666	206,838		214,237	220,943	227,591	234,456	241,543
Certified New Growth	559,452	1,191,667	177,821	91,310	See Growth	54,000	45,000	47,000	49,000	50,000
<b>TAX LEVY LIMIT TOTAL</b>	<b>6,540,660</b>	<b>7,895,844</b>	<b>8,271,331</b>	<b>8,569,479</b>		<b>8,837,716</b>	<b>9,103,659</b>	<b>9,378,250</b>	<b>9,661,706</b>	<b>9,953,249</b>
Debt Exclusions	259,077	254,782	261,037	176,576	See Debt	236,473	241,108	239,931	238,435	236,118
Maximum Allowable Levy	6,799,737	8,150,626	8,532,368	8,746,055	0.00%	9,074,189	9,344,767	9,618,181	9,900,141	10,189,367
Less Excess Levy Capacity	199,541	7,369	430,638	255,561	0.00%	255,561	255,561	255,561	255,561	255,561
<b>TOTAL Tax Levy</b>	<b>6,600,195</b>	<b>8,143,257</b>	<b>8,101,730</b>	<b>8,490,494</b>		<b>8,818,627</b>	<b>9,089,206</b>	<b>9,362,620</b>	<b>9,644,560</b>	<b>9,933,806</b>
<b>STATE AID CHERRY SHEET</b>										
Chapter 70 Education Aid	591,348	652,019	702,595	708,270	1.00%	721,030	728,240	735,523	742,678	750,307
Charter Tuition Reimbursement	1,151	217	7,109	11,483	0.00%	1,342	1,342	1,342	1,342	1,342
School Choice Receiving Tuition Offset	0	0	0	20,000	0.00%	25,000	25,000	25,000	25,000	25,000
Unrestricted General Government Aid	200,664	205,407	211,103	218,703	2.50%	228,107	233,810	239,655	245,646	251,787
Veterans Benefits	30,623	48,985	48,098	54,247	0.00%	43,018	43,018	43,018	43,018	43,018
Exemptions VBS and Elderly	7,966	9,541	8,139	8,866	0.00%	0	0	0	0	0
Public Libraries Offset	2,497	2,576	3,476	3,270	1.00%	3,279	3,312	3,345	3,378	3,412
<b>TOTAL Cherry Sheet</b>	<b>834,249</b>	<b>918,745</b>	<b>980,520</b>	<b>1,024,839</b>		<b>1,021,776</b>	<b>1,034,722</b>	<b>1,047,883</b>	<b>1,061,263</b>	<b>1,074,866</b>
<b>ESTIMATED LOCAL RECEIPTS</b>										
Motor Vehicle Excise	412,500	497,000	500,100	485,000	1.00%	477,445	482,219	487,042	491,912	496,831
Other Excise	0	1,300	1,200	1,500	5.00%	1,575	1,854	1,736	1,823	1,914
Penalties/Interest on Taxes and Excises	30,000	80,000	51,058	70,000	3.50%	72,450	74,986	77,610	80,327	83,138
Payments in Lieu of Taxes	0	65,000	65,000	65,000	0.00%	65,000	65,000	65,000	65,000	65,000
Other Departmental Revenue	125,000	167,500	155,000	165,000	0.00%	165,000	165,000	165,000	165,000	165,000
Licenses/Permits	140,000	87,500	52,200	61,500	0.00%	61,500	61,500	61,500	61,500	61,500
Fines and Forfeits	0	1,500	500	1,000	2.00%	1,020	1,040	1,061	1,082	1,104
Investment Income	2,500	1,000	1,000	1,000	1.00%	1,010	1,020	1,030	1,041	1,051
<b>TOTAL Local Receipts</b>	<b>710,000</b>	<b>900,800</b>	<b>826,058</b>	<b>850,000</b>		<b>845,000</b>	<b>852,419</b>	<b>859,980</b>	<b>867,685</b>	<b>875,539</b>
<b>AVAILABLE FUNDS/OTHER FINANCING</b>										
Community Preservation Approp./Reservations	184,450	138,000	153,264	100,000	5.00%	110,000	115,500	121,275	127,339	133,706
Free Cash Appropriated for Prior Year Purposes	90,978	77,858	0	0	5.00%	0	0	0	0	0
Free Cash Appropriated for Current Year Purposes	302,091	568,226	210,278	303,085	-100.00%	312,522	200,000	100,000	0	0
Other Available Funds for Prior Year	48,040	37,000	210,000	57,000	0.00%	272,793	272,793	272,793	272,793	272,793
Other Available Funds for Current Year	145,000	208,468	390,174	522,313	5.00%	684,692	628,217	642,802	657,838	673,335
<b>TOTAL Available Funds</b>	<b>770,559</b>	<b>1,029,552</b>	<b>963,716</b>	<b>982,378</b>		<b>1,380,007</b>	<b>1,216,510</b>	<b>1,136,870</b>	<b>1,057,969</b>	<b>1,079,833</b>
<b>CABLE ACCESS TV</b>										
CATV	0	0	0	55,000	0.00%	55,000	55,000	55,000	55,000	55,000
<b>TOTAL CATV</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>55,000</b>		<b>55,000</b>	<b>55,000</b>	<b>55,000</b>	<b>55,000</b>	<b>55,000</b>
<b>TOTAL REVENUES</b>	<b>8,915,004</b>	<b>10,992,354</b>	<b>10,872,024</b>	<b>11,402,711</b>		<b>12,100,410</b>	<b>12,247,856</b>	<b>12,462,352</b>	<b>12,686,497</b>	<b>13,019,044</b>

# Town of Plympton

## Expenditure Projections

	FY2013 Budget	FY2014 Budget	FY2015 Budget	FY2016 Recap	Projection Percent	FY2017 Projected	FY2018 Projected	FY2019 Projected	FY2020 Projected	FY2021 Projected
<b>GENERAL GOVERNMENT</b>										
Boards, Commissions and Moderator	15,214	39,070	43,990	43,090	0.00%	48,856	48,656	48,656	48,656	48,656
Assessors	60,607	62,036	65,865	69,825	1.00%	78,114	78,895	79,684	80,481	81,286
Town Clerk	61,492	56,789	65,626	70,924	1.00%	73,806	74,544	75,290	76,042	76,803
Accountant, Treasurer/Collector	129,751	135,838	137,933	140,464	1.00%	156,717	158,284	159,867	161,466	163,080
Selectmen	235,964	214,416	218,098	218,126	1.00%	219,543	221,738	223,956	226,195	228,457
<b>TOTAL General Government</b>	<b>503,028</b>	<b>508,149</b>	<b>531,512</b>	<b>542,429</b>		<b>576,836</b>	<b>582,118</b>	<b>587,452</b>	<b>592,840</b>	<b>598,282</b>
<b>PUBLIC SAFETY</b>										
Police	811,627	930,015	934,883	943,466	3.00%	972,089	1,001,252	1,011,264	1,021,377	1,031,591
Fire/EMS	320,352	496,669	501,669	510,240	1.00%	519,907	525,106	530,357	535,661	541,017
Building/Inspections	52,802	53,989	54,213	54,442	0.00%	58,675	58,675	58,675	58,675	58,675
Animal/Tree	27,743	29,515	29,702	29,892	1.00%	30,086	30,387	30,691	30,998	31,308
<b>TOTAL Public Safety</b>	<b>1,212,524</b>	<b>1,510,188</b>	<b>1,520,467</b>	<b>1,538,040</b>		<b>1,578,757</b>	<b>1,613,420</b>	<b>1,628,987</b>	<b>1,644,710</b>	<b>1,660,591</b>
<b>EDUCATION</b>										
Plympton Elementary	2,035,168	2,100,831	2,160,094	2,184,282	1.50%	2,221,326	2,254,646	2,288,466	2,322,793	2,357,634
Special Education	775,125	1,121,872	908,895	1,160,088	5.00%	1,033,046	1,084,898	1,138,933	1,195,880	1,255,674
Vocational Education	124,000	190,000	182,000	281,000	3.00%	225,000	231,750	238,703	245,864	253,239
Silver Lake Operating Assessment	1,696,936	1,542,259	1,705,509	1,896,784	5.00%	1,981,506	2,080,581	2,184,610	2,293,841	2,408,533
Silver Lake Capital Assessment	189,770	167,813	176,406	176,576	See Debt	166,655	163,902	165,337	166,454	166,750
<b>TOTAL Education</b>	<b>4,800,999</b>	<b>5,122,775</b>	<b>5,132,904</b>	<b>5,698,710</b>		<b>5,617,533</b>	<b>5,815,577</b>	<b>6,016,049</b>	<b>6,224,831</b>	<b>6,441,830</b>
<b>PUBLIC WORKS</b>										
Highway and Equipment/Maintenance	225,153	276,339	297,647	301,532	1.00%	307,436	310,510	313,615	316,752	319,919
Cemetery	6,359	8,677	8,850	9,027	1.00%	9,207	9,299	9,392	9,486	9,581
Parks Dept.	7,610	7,991	8,151	8,314	1.00%	8,480	8,565	8,650	8,737	8,824
Snow and Ice	40,000	40,000	40,000	40,000	5.00%	50,000	52,500	55,125	57,881	60,775
Transfer Station	151,950	162,000	162,744	163,503	1.00%	179,276	181,069	182,879	184,708	186,555
<b>TOTAL Public Works</b>	<b>431,072</b>	<b>495,007</b>	<b>517,392</b>	<b>522,376</b>		<b>554,399</b>	<b>561,943</b>	<b>569,662</b>	<b>577,564</b>	<b>585,655</b>
<b>HEALTH &amp; HUMAN SERVICES</b>										
Board of Health	28,304	29,826	33,672	34,252	1.00%	35,288	35,641	35,997	36,357	36,721
Veterans	48,000	89,230	89,230	84,388	3.00%	69,049	71,120	73,254	75,452	77,715
<b>TOTAL Human Services</b>	<b>76,304</b>	<b>99,056</b>	<b>122,902</b>	<b>118,640</b>		<b>104,337</b>	<b>106,761</b>	<b>109,251</b>	<b>111,809</b>	<b>114,436</b>
<b>CULTURE/RECREATION</b>										
Library	119,057	126,010	130,224	131,820	1.00%	138,976	140,366	141,769	143,187	144,619
<b>TOTAL Culture/Recreation</b>	<b>119,057</b>	<b>126,010</b>	<b>130,224</b>	<b>131,820</b>		<b>138,976</b>	<b>140,366</b>	<b>141,769</b>	<b>143,187</b>	<b>144,619</b>
<b>DEBT SERVICE/CAPITAL PLAN</b>										
Existing Debt Service	186,213	183,435	205,037	158,794	See Debt	125,319	109,186	106,304	103,421	100,539
Capital Stabilization Articles (Inc. Fire lease)		63,468	164,691	221,020	0.00%	509,692	104,692	48,903	48,903	48,903
Future Capital Investment: Pay-go or debt						0	388,525	458,899	473,935	489,432
Reserve Fund	40,000	60,000	60,000	60,000	0.00%	60,000	60,000	60,000	60,000	60,000
<b>TOTAL Debt Service</b>	<b>226,213</b>	<b>306,903</b>	<b>429,728</b>	<b>439,814</b>		<b>685,011</b>	<b>662,403</b>	<b>674,106</b>	<b>686,259</b>	<b>698,873</b>
<b>STATE ASSESSMENTS</b>										
County Tax	7,850	7,945	8,144	10,959	1.50%	11,233	11,401	11,573	11,746	11,922
Mosquito Control	22,097	22,720	23,476	25,546	1.50%	26,079	26,470	26,867	27,270	27,678
Air Pollution	867	876	872	1,011	1.50%	1,036	1,052	1,067	1,083	1,100

## Expenditure Projections

	FY2013 Budget	FY2014 Budget	FY2015 Budget	FY2016 Recap	Projection Percent	FY2017 Projected	FY2018 Projected	FY2019 Projected	FY2020 Projected	FY2021 Projected
Old Colony Planning	932	953	974	1,002	1.50%	988	1,001	1,016	1,031	1,047
RMV Non-Renewal Surcharge	4,720	2,820	5,900	5,900	1.00%	5,900	5,959	6,019	6,079	6,140
MBTA	18,405	18,549	18,524	18,745	2.00%	18,862	19,239	19,624	20,017	20,417
Special Education	0	0	0	0	0.00%	0	0	0	0	0
School Choice Sending Tuition	0	0	0	5,000	5.00%	5,000	5,250	5,513	5,788	6,078
Charter School Sending Tuition	11,994	0	14,185	13,676	-100.00%	0	0	0	0	0
<b>TOTAL State Assessments</b>	<b>66,865</b>	<b>53,863</b>	<b>72,075</b>	<b>81,839</b>		<b>69,096</b>	<b>70,372</b>	<b>71,678</b>	<b>73,014</b>	<b>74,382</b>
<b>EMPLOYEE BENEFITS</b>										
Unemployment Compensation	1,000	1,000	1,000	1,000	0.00%	1,000	1,000	1,000	1,000	1,000
Medicare	57,340	72,000	90,000	95,000	3.00%	100,000	103,000	106,090	109,273	112,551
County Pension Assessment	300,248	311,820	392,090	419,959	PERAC	481,229	498,488	516,376	530,758	547,894
Group Health Insurance	280,000	310,000	310,000	341,775	15.00%	393,041	451,997	519,797	597,767	687,432
Blanket Insurance	111,981	117,000	123,000	125,150	1.40%	126,875	128,651	130,452	132,279	134,131
<b>TOTAL Employee Benefits</b>	<b>750,569</b>	<b>811,820</b>	<b>916,090</b>	<b>982,884</b>		<b>1,102,145</b>	<b>1,183,136</b>	<b>1,273,715</b>	<b>1,371,076</b>	<b>1,483,007</b>
<b>OTHER AMOUNTS TO BE RAISED</b>										
Tax title	15,000	0	15,000	15,000	0.00%	15,000	15,000	15,000	15,000	15,000
Cherry Sheet Offsets	2,497	2,576	3,476	23,270	N/A	28,279	28,312	28,345	28,378	28,412
Snow and Ice Deficits	18,745	134,965	150,000	200,572	0.00%	120,000	120,000	120,000	120,000	120,000
Other Deficits	0	4,203	37,014	0	0.00%	0	0	0	0	0
Special Act - Stabilization Funds	0	697,768	692,004	727,308	Industrial	649,996	601,565	561,420	560,353	558,091
Abatements & Exemptions (Overlay)	75,073	75,494	100,000	72,038	4.00%	100,000	85,000	88,400	91,936	95,613
<b>TOTAL Other Amounts Raised</b>	<b>111,315</b>	<b>915,006</b>	<b>997,494</b>	<b>1,038,188</b>		<b>913,275</b>	<b>849,877</b>	<b>813,165</b>	<b>815,667</b>	<b>817,116</b>
<b>SPECIAL ARTICLES &amp; OTHER FUNDS</b>										
Special Articles: Raise + Appropriate	293,590	790,719	137,972	95,971	0.00%	146,300	50,000	50,000	50,000	50,000
Free Cash: Prior Year Costs	90,978	77,858		0	0.00%					
Free Cash: Current Year Costs			0	0	0.00%					
Free Cash Appropriated to Stabilization				0	0.00%					
Other Available Funds Prior Year	48,040	37,000	210,000	57,000	0.00%	272,793	272,793	272,793	272,793	272,793
<b>TOTAL Free Cash Appropriations</b>	<b>432,608</b>	<b>905,577</b>	<b>347,972</b>	<b>152,971</b>		<b>419,093</b>	<b>322,793</b>	<b>322,793</b>	<b>322,793</b>	<b>322,793</b>
<b>MISC./ OTHER FINANCING USES</b>										
Community Preservation Approp. & Reservations	184,450	138,000	153,264	100,000	5.00%	110,000	115,500	121,275	127,339	133,706
CATV				55,000	0.00%	55,000	55,000	55,000	55,000	55,000
<b>TOTAL Misc./Other Financing Uses</b>	<b>184,450</b>	<b>138,000</b>	<b>153,264</b>	<b>155,000</b>		<b>165,000</b>	<b>170,500</b>	<b>176,275</b>	<b>182,339</b>	<b>188,706</b>
<b>TOTAL EXPENDITURES</b>	<b>8,915,004</b>	<b>10,992,354</b>	<b>10,872,024</b>	<b>11,402,711</b>		<b>11,924,458</b>	<b>12,079,266</b>	<b>12,384,904</b>	<b>12,746,090</b>	<b>13,130,290</b>

# **Plympton Financial Forecast:** *Users' Guide and Assumptions*

June 2016

**Edward J. Collins, Jr. Center for Public Management**

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**MCCORMACK GRADUATE SCHOOL OF POLICY AND GLOBAL STUDIES**

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## INTRODUCTION

The object of the Town of Plympton's financial forecast is to conservatively project revenues and expenditures five years into the future (FY2017-FY2021). 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 Plympton 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), industrial parcel revenues related to the town's special act (Industrial), debt excluded from Proposition 2 ½ limits and all other non-excluded town debt (Debt) and local receipts (Receipts). 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.

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## 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 FY2017-FY2021 forecast projects new growth to range between \$45,000 and \$54,000 over the years of the forecast, with a FY2017 estimate of \$54,000. The projection consists primarily of modest new growth in the residential class with very small amounts of commercial, industrial and personal property growth. After FY2017, this forecast incorporates lower newer growth projection, \$45,000 in FY2018, with a slight increasing trend incorporated into the forecast as a result of the impact of rising tax rates over the projection years. Generally, tax rates will rise slightly each year as the levy limit grows and property valuations are stable.

Also taken into account in these calculations are the Town's debt exclusions for the Dennett School and the middle and high school at the Silver Lake Regional School District. For FY2016, the Town used the capital stabilization fund as the funding source for the Dennett School debt rather than levy the additional dollars allowed by the debt exclusion vote. Going forward, the forecast has built the Dennett School debt exclusion into the calculation of the Town's maximum allowable tax levy.

The forecast anticipates that the Town's unused levy capacity will remain stable at the FY2016 level (\$255,561) throughout the forecast period. However, based on the Town's approved budget for FY2017, the Town's unused levy capacity will be greater than this amount in FY2017, once new growth is certified in the fall and the levy limit is finalized. These policy choices stem from concern among Town officials about recent growth in the residential tax burden and reflect a desire to mitigate these impacts on residents in the future.

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.

Plympton provides elementary education locally at the Dennett School and receives Chapter 70 state school aid to offset some of the costs to educate these pupils. Plympton’s middle and high school pupils attend the Silver Lake Regional School District and the regional school receives Chapter 70 school aid directly for the member towns’ pupils, including Plympton’s. In FY2016, state Chapter 70 aid contributed \$708,270 to Plympton’s elementary district, while the Town contributed nearly another \$3.2 million, for budgeted net school spending totaling \$3.88 million. This exceeded the Town’s FY2016 net school spending requirement of \$2,266,250 by \$1.6 million. Review of the prior three previous years (FY2013-FY2015) reveals that actual spending exceeded required spending by more than a million dollars in each year. Consequently, Plympton’s spending on its elementary 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 elementary district received a Chapter 70 aid increase of the minimum amount of \$25 per pupil or \$5,675. In both the House and the Senate versions of the state’s FY2017 budget proposal, the district again receives minimum aid, but at the higher \$55 per pupil minimum level set by the legislature (a \$12,760 increase over FY2016). In the forecast from FY2018 to FY2021, Chapter 70 aid is projected to increase at approximately \$30 per pupil or about \$7,000 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 future enrollment increases, 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 Plympton’s 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.

As mentioned earlier, Chapter 70 aid on behalf of Plympton’s middle and high school students is sent directly to the Silver Lake Regional School District. As such, this revenue is not factored into the revenue projections.

The FY2017-FY2021 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 should see larger increases in its foundation budget and Chapter 70 aid for the elementary district.

While the forecast has factored in the action of each branch of the legislature to date, it is recommended that Town officials revisit the projection of Chapter 70 funding as the state budget process progresses. However, the Department of Elementary and Secondary Education (DESE) only 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 "Plympton" and then go to the "regional allocation" tab. This will provide local officials with the information on the Town's total foundation budget, Chapter 70 aid and minimum contributions. 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 FY2017 budget in late January of 2016 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.

**Charter Tuition Reimbursement** – Plympton receives a small reimbursement for charter school tuition. In FY2017, the Town's projected assessment for charter tuition drops to zero, indicating the Town no longer has any pupils attending charter schools. The reimbursements are therefore from prior fiscal years and have been set in the forecast at \$1,342 consistent with the Senate budget. This amount could change materially if additional Plympton pupils attend charter schools in the future or if changes proposed to the charter reimbursement formula are enacted.

**Other Local Aid Accounts** – These accounts consist primarily of reimbursements for veterans' benefits, certain local property exemptions, and includes offsets for earmarked aid to libraries and the schools (school choice tuition). The forecast has factored both the House and Senate versions of the FY2017 budget and then level-funded these minor accounts over the next five years. Aid to Public

Libraries is considered a cherry sheet offset and may be spent without an appropriation by the Town's library. This is also true of the school choice tuition revenue that may be spent by the school department without further appropriation. These accounts have no real impact on the forecast since they are also raised on the expenditure side, essentially pulling these revenues out of the general revenue mix for direct use by the library and school department 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 permit fees. Annual estimates of local receipts are shown on the tax rate recapitulation sheet in the forecast. In FY2012, the Town's actual receipts exceeded the estimates by more than \$1 million, due primarily to the permit fees related to certain industrial parcels. After FY2012, on average, the actuals exceeded the estimates by slightly more than \$52,000 each year. 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 57 percent of the total estimated receipts. The FY2015 actual for motor vehicle excise was less than the actual revenue from this source in both of the prior years (FY2013 and FY2014). Consequently, this revenue has been forecast conservatively to drop close to \$8,000 and then increase slowly thereafter at 1 percent over the forecast years. Other significant local receipts include penalties and interest on taxes and departmental revenue. Together these receipts total \$235,000 of the Town's FY2016 budget estimates. In the forecast, penalties and interest on taxes revenue is expected to grow modestly at 3.5 percent per year reflective of the treasurer/collector's recent efforts to improve collections. Departmental revenue is also expected to remain stable over the forecast and is level funded each year.

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 appropriated free cash in the fiscal year after the year it was certified. For example, the Town used its July 1, 2014 free cash balance of \$303,065 at the 2015 Annual Town Meeting to fund the health insurance line-item in the FY2016 budget. Consistent with this practice, the Town has appropriated its July 1, 2015 free cash balance of \$312,522 toward its FY2017 health insurance appropriation. 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 three years by decreasing free cash use to \$200,000 in FY2018, \$100,000 in FY2019 and then zero in FY2020.

Ambulance revenue has been projected forward at \$135,000 beginning in FY2017, a slight increase over the \$125,000 the Town has appropriated annually from this revenue to offset the fire/EMS expenses.

The Town also has a special act that directs tax revenues into both general and capital stabilization funds each year ([Chapter 321 of the Acts of 2012](#)). When tax revenues from certain industrial parcels exceed

\$1 million, the special act directs automatic deposits to each of these stabilization funds. The maximum annual deposit to the general stabilization account is two percent of the prior year tax levy, until such time that the balance reaches ten percent of the prior year levy. Consequently, these deposits have ranged from about \$150,000 to \$160,000 in FY2015, FY2016 and FY2017. After FY2017, the amounts decrease as the town nears and then hits the ten percent maximum total balance in the general stabilization fund. The "Industrial" worksheet in the forecast provides the detail regarding the estimated deposits, as well as a running total balance of this account going forward to FY2021. Historically, the Town has not used this general stabilization fund as a funding source, but has maintained this balance as a reserve.

The amount directed to the capital stabilization fund is based on the amount of industrial parcel revenue remaining after the general stabilization allocation. The special act states that 35 percent of this remaining revenue balance should be credited to the capital stabilization fund. For FY2016, the amount deposited into the capital stabilization fund was \$569,391. This amount is expected to decrease to just below \$500,000 in FY2017, due primarily to the depreciation of personal property values for the industrial parcels subject to the special act. After FY2017, these amounts are projected to grow slightly from the FY2017 amount, reflective of the expected increase to the tax rates to be applied to the industrial valuations.

In recent years, the capital stabilization fund has been used as the funding source for the fire truck lease (\$104,692 in FY2017). The forecast assumes that the Town will continue this practice through FY2021. The capital stabilization fund also serves as the funding source for three FY2017 articles, including road improvements (\$250,000), an engineering consultant for the public safety project (\$125,000), and a video system for the Dennett School (\$30,000).

Going forward, capital stabilization is projected as a funding source at just over \$400,000 per year and is used first as a funding source for the fire lease, and then as available funding for the Town's new capital investment (both pay-as-you go capital and new debt). This projection is intended to be somewhat conservative and reflects amounts that the Town can reasonably expend for recurring capital costs such as debt service. As the fire lease decreases in FY2019, the decrease in capital stabilization necessary to fund this item is reflected as an increase in the amount available for capital investment. Additional amounts will likely be available in the capital stabilization account that the Town can appropriate for pay-as-you-go capital purchases, as needed, in the next couple of years.

Going forward, it is vitally important that the Town keep this worksheet current. Future changes to the valuation of personal property may change these calculations as generally personal property depreciates rapidly. In spring 2016, one of the industrial property owners recently appealed the real estate value of one of the parcels at the Appellate Tax Board. The outcome of this challenge should be monitored closely going forward.

Other available funds for the prior year refer to transfers from FY2016 line-items used to fund an appropriation to the Town's OPEB trust (\$160,000), plus various one-time bills and expenses. This has been level funded at the FY2017 amount and has no real impact on the forecast since there is a corresponding appropriation on the expenditure side.

Community preservation fund revenues and expenditures/reservations have been projected to grow modestly to \$110,000 by FY2017 reflective of the normal growth in the tax levy and have been forecast to increase by five percent thereafter. Generally, these community preservation revenues and



expenditures/reservations should balance each other and not impact the forecast.

**Cable Access Television (CATV)** – The Town plans to appropriate \$55,000 for its cable access television in FY2017 and has estimated revenue (\$55,000) to offset this appropriation. The annual revenues and expenses have been level funded at \$55,000 for each year of the forecast.

## 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 (police and school) 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 that extend beyond FY2016 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 the expenditures. For those employees with wage increases subject to the Wage and Personnel Committee review and recommendation, we have included these impacts in the COLA worksheet as any increases have yet to be decided.

Expenses have been projected to increase by 1 percent per year, reflective of recent relatively low inflation rates.

**Education** – Given that Plympton’s spending on its elementary district is not influenced directly by state spending requirements, the forecast has projected future spending based on the FY2016 budget and discussions with the school business manager at the Town’s school union. The school union provides superintendency services and administers the elementary district’s business functions and budget, while also handling these responsibilities for the other member towns’ elementary districts, as well as the Silver Lake Regional School District. Projected FY2017 local education spending is broken into three categories. These include the Dennett School operating expenses, the Dennett School special education expenses, and the costs to tuition pupils into a vocational district. Projected FY2017 spending at the Dennett School is \$2,221,327, reflecting the Plympton School Committee’s approved budget. Going forward, this forecast projects this appropriation to rise 1.5 percent per year. This accounts for normal inflation on operating expenses and step and lane changes for staff. Collective bargaining agreements at the district expire at the end of FY2017, so beginning in FY2018 the impact of a 2 percent cost of living adjustment (COLA) for elementary district employees is reflected in the COLA worksheet.

Other appropriations in the education category include special education and vocational education. Both of the expenses have been volatile over the last few years, though special education expenses are expected to decline in FY2017 to \$1,033,046, a decrease of \$127,000 from the amount appropriated in FY2016. Going forward, we have forecast a 5 percent increase in special education costs, reflective of the historic volatility of this account. The overall trend in vocational expenses is increasing, though the appropriation for FY2017 has decreased slightly to \$225,000. In future years, vocational tuition is projected to increase at 3 percent per year.

The education category also includes the operating and capital assessments to the Silver Lake Regional School District. Based on the October 1<sup>st</sup> enrollment of the prior year, Plympton’s enrollment represents 11 percent of the district’s total enrollment. Based on the regional agreement, the Town is contractually obligated to pay 11 percent of the debt service associated with the Silver Lake middle and high schools. The capital assessment for Silver Lake has been forecast based on this 11 percent enrollment share remaining consistent and based on the actual total debt service for these school projects. The operating

assessment is based on Plympton's share of the current operating budget approved by the Silver Lake School Committee for FY2017. For FY2017, this assessment increases by about \$85,000 to \$1,981,506. Going forward, the operating assessment is projected to increase by 5 percent per year.

**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 the Dennett School bond issue as well as the interest and principal associated with State House serial issues that funded improvements to the town hall and transfer station. Issuing State House serial debt is a relatively low cost alternative to the regular bond market that is appropriate for small debt issues. The annual lease payments for the fire trucks are included as a special article rather than as debt service, consistent with the Town's practice of appropriating this expense in an annual special article.

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. The most promising revenue stream identified relates to revenue directed into the Town's capital stabilization fund by a special act of the legislature (See discussion of this funding source in Revenue section entitled "Available Funds/Other Financing Sources."). As stated in this earlier section, there is expected to be approximately \$400,000 available annually as a recurring funding source for capital investment. Additional amounts will likely be available from the accumulated balance in the capital stabilization fund for some modest pay-as-you-go capital investment in FY2018 and FY2019. After that, as the town eliminates the practice of using free cash for the operating budget, additional amounts of free cash will be available for modest one-time capital investment as well.

**State Assessments** – All state assessments included in the forecast are based on the Cherry Sheet estimates published by the Division of Local Services based on the legislature versions of the FY2017 budget. The most significant of the state assessments in Plympton are the mosquito control assessment and the Massachusetts Bay Transit Authority (MBTA). The mosquito control assessment has been projected to increase by 1.5 percent per year while the MBTA assessment is forecast to grow 2 percent per year, consistent with the limitations on the overall annual growth of these assessments. The charter assessment the Town had in FY2016 is expected to drop to zero in FY2017. Other assessments such as the Plymouth County tax is projected to grow at 1.5 percent per year, the air pollution, Old Colony Planning assessment and the Registry of Motor Vehicle surcharges are expected to grow modestly at 1 to 1.5 percent per year. School choice tuition is expected to remain at FY2016 levels in FY2017, but is forecast to grow at 5 percent per year thereafter.

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 Plymouth 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 Plympton, the percent is 0.71 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. Though this is the best information available at this time, Town officials should be aware that the Plymouth County appropriation needs are due to be updated in FY2018. This will likely result in changes to these projected pension costs for Plympton and should be monitored in future years to reflect any revisions in the necessary funding.

**Health Insurance** – The Town receives its health insurance through a health insurance collaborative administered by Plymouth County. Based on a recent communication from the County health insurance administrators, the Town’s forecasted health insurance expenses have been projected to grow by 15 percent in FY2017. In subsequent years, health costs are assumed to continue to grow at the 15 percent rate per year.

**Medicare** – Medicare has been forecast to increase to \$100,000 in FY2017 and to increase at 3 percent per year thereafter. This reflects the impact of negotiated salary and step increases for union employees, the impact of growing salaries covered by personal service or employment contracts, and the impact of anticipated increases that are subject to Wage and Personnel Committee recommendation.

**Unemployment** – Unemployment is level funded at \$1,000 each year of the forecast, reflecting the fact that the Town has not incurred significant unemployment costs as a result of layoffs in recent years.

**Blanket Insurance** – Blanket insurance includes building insurance on Town buildings as well as public official liability insurance. These costs have been relatively stable in recent years and have been forecast to grow modestly at 1.4 percent in FY2017 and one percent per year thereafter.

**Other Amounts Raised** – By far, the most significant other amounts raised in Plympton are the annual amounts set aside for deposit to the regular and capital stabilization accounts as per the Town’s special act. The act essentially takes regular tax and motor vehicle excise revenues associated with several specific industrial parcels and directs that the revenue be deposited without appropriation into these accounts. As a result, these general revenues are “raised” on the tax rate to pull them out of the general revenue mix that supports annual appropriation. The earmarked revenue deposited in these stabilization accounts is available for appropriation once deposited, but is raised to ensure that the revenue is not double counted.

Another significant amount raised is the Town’s snow and ice deficit of the prior year. In FY2016, the Town raised a snow and ice deficit of about \$200,000 after the difficult winter of FY2015. In FY2017, the Town again will raise a snow and ice deficit of \$120,000, reflective of the relatively mild winter in FY2016. The forecast has projected this amount forward to account for the annual underfunding of snow and ice in the annual budget as well as various other deficits (revenue and overlay) the Town has raised in recent years.

Other amounts raised also include the annual allowance for abatements and exemptions (overlay) and cherry sheet offsets. The overlay has been projected to increase to \$100,000 in FY2017 to accommodate the potential impacts of the Town’s FY2017 revaluation. In a revaluation year, a community typically has more abatement requests, so good practice is to increase the overlay to reflect the risk of additional abatements.

Cherry sheet offsets in Plympton consist of School Choice Tuition and Public Library aid and total \$23,270 in FY2016. For FY2017, legislative budget estimates were used including an increase in school choice revenue to \$25,000, while Library aid is estimated to grow very slightly to \$3,279. Going forward, school choice revenue is projected to remain level at \$25,000 while Library aid is forecast to increase slightly each year at 1 percent. As an offset, however, this increase has no impact on the budget as these receipts are earmarked for library spending without appropriation. As such, any growth in this revenue is offset on the expenditure side of the forecast to essentially remove this aid from the city's general revenues.

Amounts raised for tax title purposes have been forecast forward at the \$15,000 level to provide continued support to the treasurer/collector's efforts to improve collections.

**Special Articles/Miscellaneous/Other Financing Uses** - As discussed on the revenue side of the projection, the Town will use \$312,522 of free cash, as well as \$20,000 from overlay surplus, as funding sources for the health insurance appropriation. Consequently, this free cash and overlay surplus usage appears in the regular operating budget rather than as a special article or other financing use.

This section also includes special articles where the funding source is raise and appropriate. In FY2017, articles funded by raise and appropriate total \$146,300. In the subsequent years, the forecast has projected this expense at \$50,000, reflective of the Town's recurring costs such as the annual audit (\$31,500), police vehicle lease (\$12,000), and interim adjustments to property values (\$3,000). This projection will need to be revisited periodically.

FY2017 capital articles funded by the capital stabilization fund include the fire lease (\$104,692), various road improvements (\$250,000), the engineering consultant for the public safety project (\$125,000), and a video surveillance system for the Dennett School (\$30,000). Together, these appropriations from capital stabilization total \$509,692. Going forward, the forecast has projected the fire lease to continue to be funded from capital stabilization, consistent with Town practice. Additional capital stabilization amounts (\$300,000 per year) are identified as available funding for the Town's capital plan. As payments for the fire lease decrease in FY2019, the \$55,789 of capital stabilization freed up is also applied as available capital investment on the expenditure side of the forecast.

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 its OPEB trust (\$160,000) and various one-time expenses such as the repayment to Kingston related to prior school assessments. Together, these appropriations total \$272,793. 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.

## 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: **=E29\*(1+F29)**. Column E refers to the FY2016 base revenue or expenditure amount and column F is the "Projection Percent" column. The formula takes the base FY2016 amount (E29 in this example) and applies a percentage increase to this base (1+F29) where F29 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, FY2017 will now be the base year for the FY2018 projection. This formula is as follows: **=G29\*(1+\$F\$29)**, where the FY2017 value (Column G) is the base year to which the percentage increase (Column F) is applied to yield the FY2018 projection in Column H.

The forecasting spreadsheets consist of the following worksheets: Revenues, Expenditures, Summary, Growth, Industrial, Capital, Receipts, Debt, 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 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 FY2017 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 FY2017 becomes the base year of the forecast, FY2018 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 FY2017 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.

**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.

**Industrial** – The industrial sheet is used to project the tax revenues that will be deposited into the town’s general and capital stabilization Funds as per the town’s special act (Chapter 321 of the Acts of 2012: <https://malegislature.gov/Laws/SessionLaws/Acts/2012/Chapter321>). This sheet operates based on the projections of real and personal property valuation of the parcels identified in the special act as well as a projection of future tax rates. The projection of future tax rates has been done in a somewhat conservative manner, reflecting the fact that it is not prudent to overestimate these revenues.

Once the overall tax revenue (real estate, personal property and excise taxes) is calculated, the Industrial sheet calculates the balance to be directed to the general stabilization. The special act states that this amount should be up to two percent of the prior year levy, until the balance reaches ten percent of the prior year levy. The worksheet calculates the two percent and then checks to see how much is needed as the town progresses toward the ten percent maximum.

The amounts directed to the capital stabilization fund are based on the amount of industrial parcel revenue remaining after the general stabilization allocation. The special act states that 35 percent of this remaining balance should be credited to the capital stabilization fund.

Going forward, it is vitally important that the Town keep this worksheet current. Future changes to the valuation of personal property may change these calculations as generally personal property depreciates rapidly. In spring 2016, one of the industrial property owners recently appealed the real estate value of one of the parcels at the Appellate Tax Board. The outcome of this challenge should be monitored closely going forward.

**Capital** – The capital worksheet brings together the Town’s existing debt service with the funding anticipated to be available for the town’s developing capital plan. The underlying assumption in this worksheet is that about \$405,000 will be available on a recurring annual basis to finance the fire leases as well as fund the Town’s new capital investment. The worksheet also 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 5.29 percent. Going forward, it is assumed that the Town will invest in its capital at annual amounts equal to 5 percent of prior year net revenues. This policy ensures that capital investment increases commensurately with the Town’s revenue growth over the term of the forecast. To reach this 5 percent investment level, the Town will likely have to supplement the appropriation of the recurring \$405,000 with additional amounts each year. These supplemental appropriations range from \$88,000 to \$133,000 each year of the forecast. Funding for these appropriations comes from the capital stabilization in the forecast, but free cash could be used if the capital stabilization balance is low and free cash becomes available as the Town phases out its use for operating purposes.

**Debt** - The debt sheet contains projections of the Town’s two debt exclusions: one for the Town’s share of Silver Lake Regional School debt and the second for the Town’s debt at the local elementary, the Dennett School. These forecast exclusion amounts are then brought forward for use in the tax levy calculations in the Revenues worksheet.

The Debt worksheet has a second piece where all of the Town’s debt is projected forward. The fire truck lease-to-own is shown in this section as it is essentially debt.

**Growth** – The new growth sheet provides a ten year history of prior certified new levy growth for the town. Updating this sheet merely requires replacing forecasted growth with actual certified growth as this occurs each year.

**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 FY2017 appropriations and formulas adjusted to capture the impact of potential salary increase.



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## ***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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