

Townsend, Massachusetts

Annual Budget Book

FY19



James M. Kreidler, Jr.
Town Administrator
May 2018

CONTENTS

REVENUE AND EXPENDITURE FORECAST INTRODUCTION 9

REVENUE:

Property Tax Levy 13

State Aid Cherry Sheet 16

Unrestricted General Government Aid (UGGA) 16

State-Owned Land 17

Estimated Local Receipts 18

Enterprise Funds..... 20

EXPENSE:

Municipal Departments 23

Education 25

Employee Benefits..... 26

Retirement..... 27

Health Insurance 27

Medicare 27

Unemployment/Life Insurance..... 27

Debt Service..... 28

Enterprise Funds..... 29

State and County Assessments 30

Miscellaneous Expenses..... 30

Property/Liability Insurance 30

Cherry Sheet Offset..... 30

Reserves/Other, Other, General and Capital Stabilization 30

FY19 Budget Worksheets.....34

Town Administrator Proposed Budget

Fiscal Year 2019



May 1, 2018

Dear Taxpaying and Voting Citizens of the Town of Townsend:

This is my second full budget cycle working for you, the taxpaying citizens of the Town of Townsend. I am proud to say that as a result of another year of the leadership of your Board of Selectmen, the discipline of your Finance Committee and the hard work of your public employees, we are in a strong financial position. We have made tremendous progress over the past two years and our fiscal house is all the better for it.

This is the first full year of employing our new five year revenue-expense forecast budgeting tool. This tool allows us to perform detailed and data sensitive financial modeling all toward the goal of sustainably budgeting for the service needs of our residents today while simultaneously remaining cognizant of the impacts of doing so on our future. In addition to implementing a five year revenue-expense forecasting model, we have also drafted and enacted best practice financial policies and procedures that will serve as a guideline for the future incumbents in leadership positions.

For the past two fiscal years we have continued to avoid the prior practice of using the Town's limited savings to fund ongoing obligations, a method that is counter to best practices in municipal management. Your Selectboard and Finance Committee are to be commended in this and I am both proud and pleased to have played a role in breaking that cycle.

We have been making these strides all while living under the constraints of relatively flat-lined State aid over the past few years. In fact, State aid to cities and towns has yet to recover to pre-recession levels and inflation has even further eroded the value of this revenue source. This very difficult situation is being further impacted by the slowing of local municipal revenues and most significantly the constraints we are up against in living under the limits of Proposition 2 ½.

Balanced Budget-

Under the terms of the Town Bylaws and the Town Charter, I am obligated to prepare and present a balanced budget and I have done so herein.

We are in a strong of a position as a direct result of the manner in which your elected officials, appointed officials and municipal employees---both in management and on the front lines of service delivery---have conducted themselves on your behalf.

In this budget I have taken clear direction from the Board of Selectmen. Above all, the Board's battle cry has been to attempt to retain the current level of services provided to the town's citizens while doing so in a cost effective and efficient manner. Above all, the Board's primary objective has been, where ever possible, to retain the current level of services to the town's citizens in a cost effective and efficient manner. The Board's vision, as shared with me through policy framework, was instrumental in guiding me in this process.

In my tenure I have clearly heard the mantra---“Live within your budget.” I have heard it from the floor of town meeting to the seats in the coffee shops. This sentiment has been repeated so often and so loudly that it is now somewhat of second nature to me in my budget calculus here in the Town of Townsend.

What is in this budget?-

As presented, the FY19 budget shows an increase of \$1.132M, or 5.3% over FY18.

The North Middlesex Regional School District assessment increase of 4.93% equals \$1.021M, or 90% of the total increase for FY19 while the increase for General Government for Town services is a modest \$240k, a 1.1% increase over last year.

Some of the highlights of this **proposed budget** for FY19 are:

- **Municipal Service-**

- A part-time human resource position is funded. It previously existed in the town hall but fell victim to prior year budget cuts.
- Non-union positions that were recommended by the Town's prior HR Consultant to be reclassified in the Town's Compensation Plan are to be adjusted.
- The Town Accountant position is being increased from 37.5 hours per week to 40 hours per week.
- An additional hour per week of staff time is added to the Collector's office in anticipation of meeting our outside auditor's recommendation re: water billing,
- The Conservation Commission Administrative support position is to be increased by 5 hours consistent with the midyear adjustment that was recently made.
- Pay rates for Advanced Life Support Medics are being increased in the second year of a multiyear plan.
- The funding for the Highway Superintendent position is being split to cover the current/new incumbent with the residual used to fund the previously existing part-time administrative support position for the department.

- Adding two additional highway positions- one Truck Driver and one Laborer in place of one Operator.
- The Library Director position is being increased from 37.5 hours per week to 40 hours per week.
- The Children's Librarian position is being increased from 37.5 hours per week to 40 hours per week.
- All municipal employees are slated to receive a 2% cost of living adjustment and a step in the Town's salary matrix if they are not at the maximum step.
- **Education-**
 - The School Committee voted assessment figures have been met in this budget
 - The School Resource Officer position is funded in the FY19 school budget.
- **Employee Benefits-**
 - The Town's Retirement Assessment is fully funded.
 - The Town significantly reduced the health insurance expense by negotiating plan design changes.

I would like to close by offering my sincere thanks to each of the members of the Board of Selectmen, the Finance Committee, the Finance Team (the Town Accountant, the Treasurer Collector and the Assessor) as well as the general government employees that have contributed to the solution that is this FY19 budget. Throughout the budgeting process we have learned a great deal about ourselves and in how we do the public's business. We have learned how to do more with less instead of taking the easy way out and giving in to the notion that we should either try to take more money from you or that we should resign to be satisfied in doing less with less. We do whatever is required of us and if the money is short to fund the existing structure we don't fret, we set to work to rebuild the structure to fit the money.

Sincerely,

James M. Kreidler, Jr.
Town Administrator

Town of Townsend, Massachusetts Community Profile

Brief History

What is today the Town of Townsend was settled in the late decades, several boundaries changed and the Town's existing Townsend, since Townshend honored an English politician Industry developed during the 19th century, including the tanning. The Town also had substantial agricultural land. A 20th century, manufacturing and agriculture were in decline, as Townsend: Sterilite, which produces plastic housewares. the small-town, rural aesthetic.



1600s and incorporated as the Town of Townsend in 1732. Over the ensuing several boundaries were established. During the American Revolution, Townshend became which was in opposition to the patriotic sentiments of the times.

production of textiles, cooperage (production of wooden vessels such as barrels), and railroad allowed industry and agriculture to develop. However, by the middle of the was common across the Commonwealth. Today, there is one major manufacturer in Overall, the Town is considered a residential community and residents highly value

Location and Geography

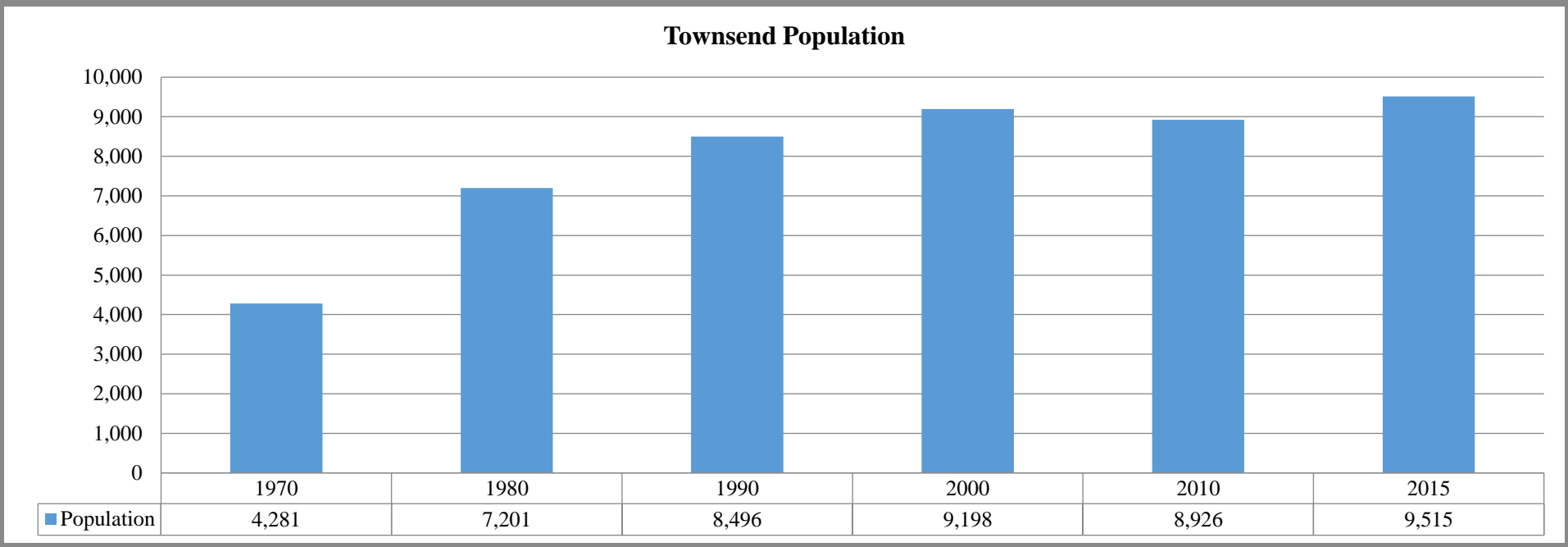
Townsend is located in the extreme north of Central Massachusetts, bordering the State of New Hampshire. It is bordered by Mason and Brookline, NH to the north, Pepperell to the east, Groton and Shirley to the southeast, Lunenburg to the south, and Ashby to the west. The closest major cities are Worcester, Boston, Nashua, NH, and Manchester, NH.

The Town consists of approximately 33 square miles, with significant natural resources, including rivers, ponds, wetlands, swamps, and other wildlife areas. A substantial portion of Town land is protected and residents and visitors can enjoy ample opportunities for passive recreation activities such as hiking, biking, fishing, and swimming. For example, two popular amenities are Townsend State Forest and Willard Brook State Forest.

Demographics and Local Businesses

The Town of Townsend had approximately 9,515 residents living in 3,370 households in 2015, according to census data. The population grew steadily between 1970 and 2000, but has been relatively stable since then.





According to the 2012 Economic Census of the U.S., which provides the most recent available data, there are 108 business establishments in Townsend. They range from small businesses serving local residents and a regional audience, such as attorneys, accountants, plumbers, daycare providers, restaurants, and small retailers, to regional and national businesses, such as banks/credit unions, grocery stores, and Sterilite Corporation.

Government

The Town is governed by the Townsend Home Rule Charter. Under the Charter, the Town’s executive powers are vested in a three-member Board of Selectmen, which appoints a Town Administrator to handle day-to-day management of the Town. The Board is the licensing authority for the Town and has substantial personnel-appointing powers according to the Town Charter. Town Meeting is the legislative body in Townsend. The Town has an open Town Meeting, which means that any registered voter in Town may participate. Residents are served by various elected and appointed boards and commissions, in addition to employees of the Town’s various departments and agencies. The Townsend Home Rule Charter can be found at this link. <https://www.ecode360.com/12119279>

**Elected
Boards/Commissions/Committees/Positions**

- Amanda Dwight Entertainment Committee
- Board of Assessors
- Board of Health
- Board of Selectmen
- Board of Water Commissioners
- Cemetery & Parks Commission
- Democratic Town Committee
- Library Trustees
- Town Moderator
- NMRSD School Committee
- Planning Board
- Republican Town Committee
- Town Clerk
- Townsend Housing Authority
- Trust Fund Commission
- Trustee of Soldier's Memorial

Appointed Boards/Commissions/Committees

- Abram S. French Fund Committee
- Agriculture Committee
- Board of Registrars
- Capital Planning Committee
- Charter Review Committee
- Conservation Commission
- Council on Aging
- Energy Committee
- Finance Committee
- Historic District Commission
- James H. Tucker Fund
- Licensing Authority
- Meeting Hall Gallery Committee
- Townsend Emergency Management Authority
- Townsend Cultural Council
- West Townsend Reading Room
- Zoning Board of Appeals

REVENUE AND EXPENDITURE FORECAST INTRODUCTION

The object of the Town of Townsend's financial forecast¹ is to conservatively project revenues and expenditures five years into the future (FY2019-FY2023).

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 using 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 Townsend 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 forecast is structured as a series of Excel worksheets. The totals from the detailed Revenue Projections and Expenditure Projections worksheets flow into a "Summary" worksheet which reveals projected future operating surpluses or deficits. A series of worksheets calculate the impacts of cost-of-living and step increases (COLA and Wages), employee benefits (Benefits), and labor, benefit, overhead and operating expenses for the water enterprise fund (Enterprise Funds), all of which tie to the projections worksheets.

In addition, static prior year or current data is available for more in-depth analysis of issues like new growth (Growth), debt service (Debt and Debt Detail), and local receipts (Revenue History).

¹ The town thanks and acknowledges the Baker-Polito Administration for the invaluable assistance provided through the Community Compact grant through which this financial forecasting tool was developed. Additional acknowledgement goes to the Edward J. Collins, Jr. Center for Public management at UMass Boston for their efforts in working with the towns elected and appointed personnel to create the document.

DESCRIPTION OF WORKSHEETS

Summary – This worksheet rolls up from the Revenue and Expenditure forecast details to provide a quick overview of the five-year plan.

Revenue Projections – This worksheet is used to list the details of the various revenue categories and the assumptions that are used in the projections. The Final Recap column will require manual data entry each year to input actual revenues collected. Future year projections are calculated utilizing the straight-line percentage change column on the far right. If no growth is expected, a 0 should be input in the “percentage projection” column. If a revenue is not projected to grow linearly, the revenue expectations should be input manually into the forecast. Once the final tax recap is approved, any changes in the revenue detail must be made in this worksheet.

Growth – This worksheet is a summary of the new growth taxes that the Town has raised in the past 10 years and is used, in part, to estimate new growth in future years. After the final growth amount is calculated by the Assessors each year, the Selectmen set the tax rate, and the tax recap is approved by the State. At this point, the final amounts will need to be added to the worksheet. When updating the forecast each year, the Financial Team should discuss any changes in the growth projections.

Expenditure Projections – This worksheet lists the details of the various departments and other expenses categories that are in the Town budget warrant article. In addition, it lists all the financial appropriation warrant articles for Town Meeting. Finally, it lists other expenditure categories that do not require Town Meeting approval but that are expenses that must be included in the tax rate setting process. The wage line for each department is automatically changed when the user enters information into the COLA and Wages worksheet. The user must also enter manually or use the cost increase straight-line factor for the other cost items listed.

COLA and Wages – This worksheet provides the user with multiple “what if” scenarios on COLA and step increases. Factors entered into the COLA and/or step cells automatically update the department wage line in the Expenditure Projections detail.

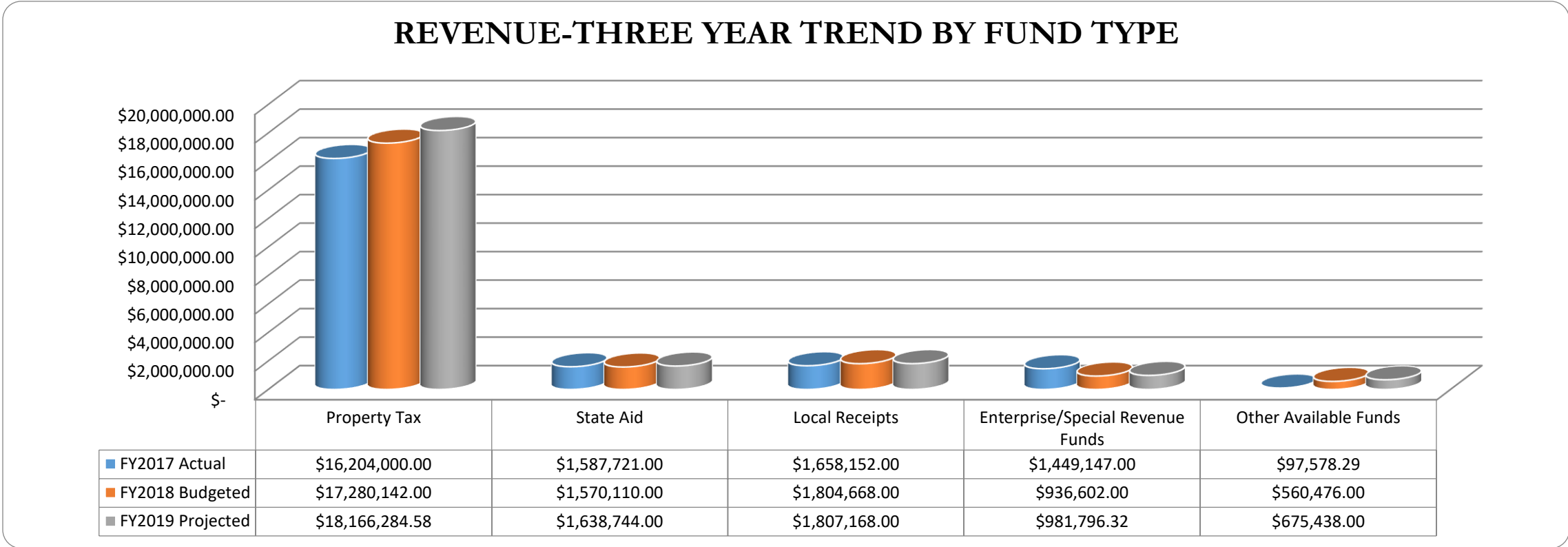
Benefits – This worksheet allows the user to calculate the cost of a variety of employee benefits including county retirement, health insurance, unemployment compensation, etc. Given the volatility of some of these benefits, the forecast allows for different growth factors to be input in different years.

Debt and Debt Detail – These worksheets summarize the Town’s debt service by fiscal year for debt that is funded by the General Fund within the limits of Proposition 2 /12 (Non-exempt) or approved by the voters via a debt exclusion (Exempt). The cost information includes existing and anticipated debt. The Debt Detail worksheet must be updated whenever the Town issues permanent debt and/or adds new debt authorizations approved by Town Meeting.

Enterprise Funds – This worksheet projects the salary, operating, debt, benefit and indirect costs for the Water Enterprise fund.

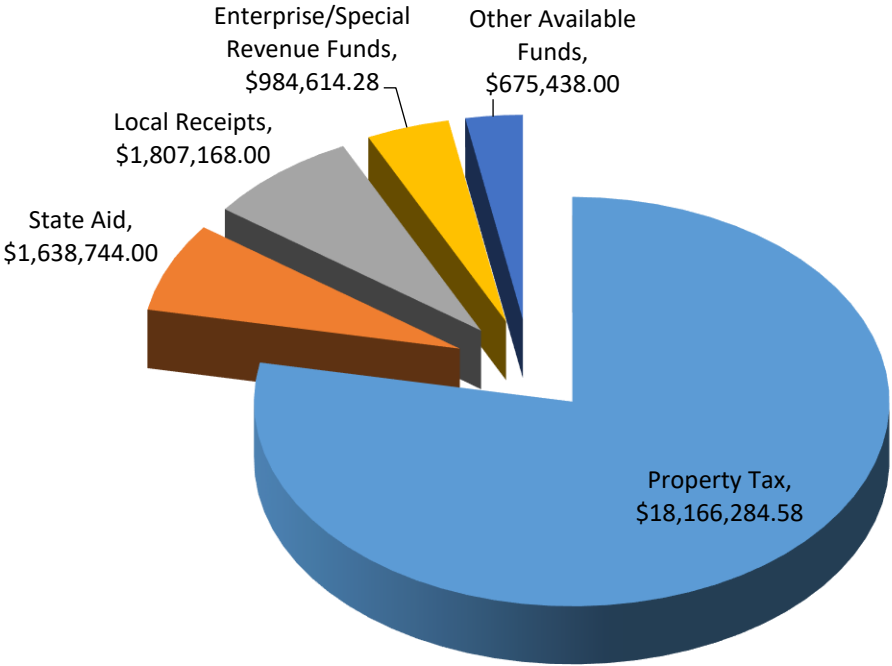
REVENUE PROJECTIONS

The Town of Townsend receives revenue from a variety of sources, including property taxes, state aid, local receipts, enterprise funds and what are classified as other available funds. In FY2017, through a grant from the State, the Town retained a consultant to craft a formal five-year financial forecast. That forecast provides the basis for the revenue projections contained within the FY19 budget.

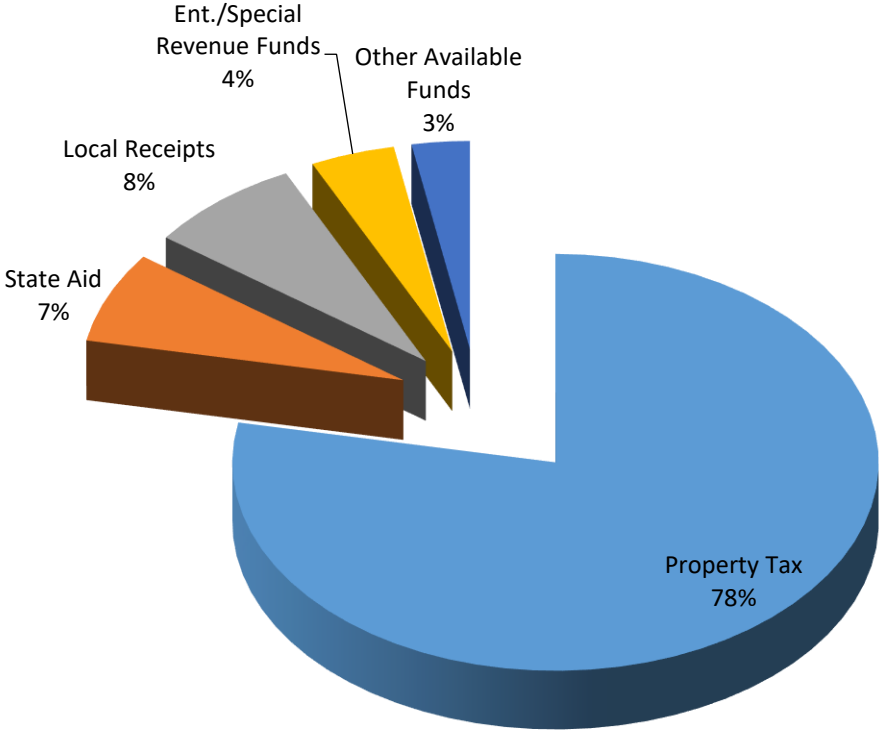


Generally, the financial forecast takes a conservative approach to projecting revenues and is designed using reasonable assumptions about a wide variety of future events. The approach used in the forecast model assumes that current service levels will be maintained. The model also assumes that existing Massachusetts General Laws will remain unchanged.

FY19 REVENUE- \$ BY FUND



FY19 REVENUE- % BY FUND



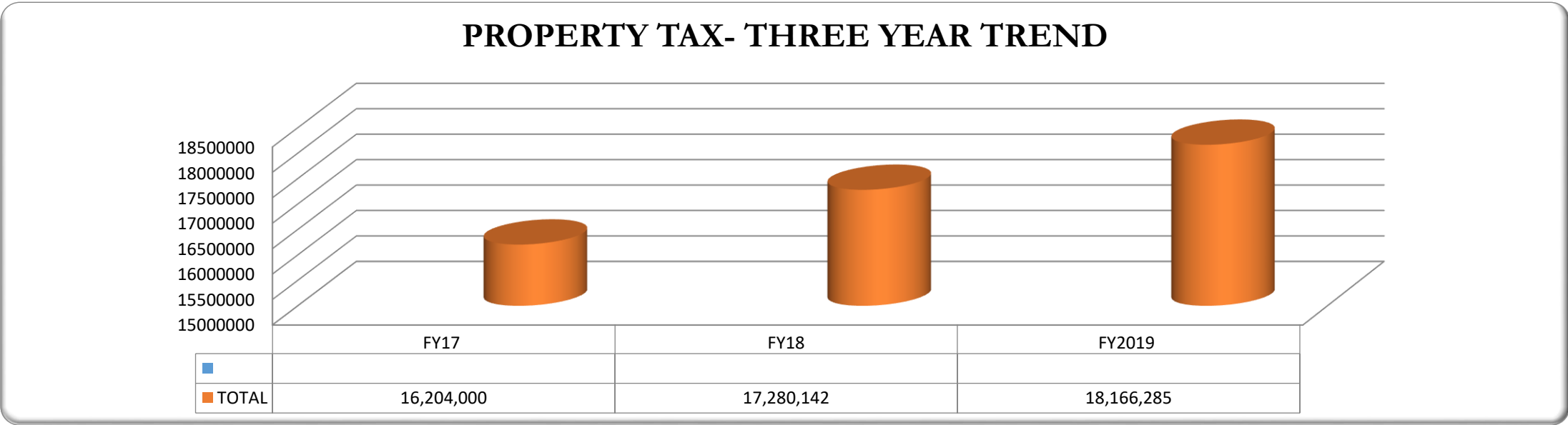
PROPERTY TAX LEVY

Property taxes are the most significant municipal budgeting revenue source by far. This is typical of many cities and towns in Massachusetts. Property taxes are assessed on real property (e.g. land and buildings) as well as personal property (e.g. merchandise and machinery). An individual’s personal effects are exempt from the personal property tax.

The Board of Assessors and assessing staff are responsible for assessing the full and fair cash value of real and personal property in Townsend. Every five years, a full revaluation must be performed in accordance with State law. Townsend’s next revaluation is 2019.

Property tax revenue for FY19 is projected at \$18,166,285.00, or 78% of all local revenue. Annual tax levy growth is constrained by Proposition 2 ½ %, the Massachusetts General Law that limits the annual growth in a municipality’s total tax levy to 2 ½ % 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 FY2019 property tax projection is made using the following calculation:

FY19 PROPERTY TAXES	FY2019 Recommended
Prior Year Tax Levy Limit	16,074,514
2.5% Increase	401,863
Prop 2 1/2 Override	
Certified New Growth	133,924
Levy Limit Total	16,610,301
Non-School Debt Exclusions	192,547
NMRHSD Portion of Debt Exclusion	1,301,766
NVTHSD Debt Exclusion	61,671
Maximum Allowable Levy	18,166,285
Unused Taxing Capacity	0
TOTAL	18,166,285

The financial forecast anticipates that the Town will fully utilize its taxing capacity throughout the forecast period. The property tax levy projection for FY2019 is \$18,166,285, which is also the maximum allowable levy.

Explanation of Above Annual Calculation:

Annual tax levy growth is constrained by Proposition 2 ½, the Massachusetts General Law that limits the annual growth in a municipality’s total tax levy to 2.5%, 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. The Town does not anticipate any Prop 2 ½ overrides. 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. Debt-excluded projects taken into account in the above calculation include building improvements, land acquisition and landfill closure. These current excluded projects will be included in the property tax levy through FY2024.

The Town is also responsible for a portion of debt exclusions for the regional school districts. The North Middlesex Regional School District (NMRSD) borrowed \$12.5 million in FY17 and an additional \$25 million recently. Both over a 25-year period. This year there is also an additional \$160 thousand split across 4 Bond anticipation notes. These are for the Maintenance articles approved at the last Annual Town meeting. Townsend is responsible for 38.80% of the High school debt assessment and 35.3% of overall School debt. As the project was approved as a debt exemption, the annual debt service is also added to the levy. In addition, the Nashoba Valley Technical High School (NVTHS) has debt which has to be exempt from the annual levy limit.

The FY19 property tax new growth revenue projection is made using a conservative five-year historical average. New growth is new development in Town or changes to properties that result in higher assessed value; it does not include increased value due to revaluation. New growth is influenced by economic factors, and the Town does not anticipate any special development other than normal in FY19. New growth is projected to add approximately \$130,658 to the tax levy in FY18. This projection is the 5-year average new growth figures.

NEW PROPERTY TAX GROWTH BY PROPERTY CLASS- 5 YEAR AVERAGE THEN ADJUSTED AT 2.5% PER YEAR BEGINNING IN FY19

FY	Residential	Open Space	Commercial	Industrial	Personal Property	TOTAL
2014	49,987	0	0	0	50,981	100,968
2015	84,936	0	6,323	0	16,783	108,042
2016	120,808	0	5,169	0	13,874	139,851
2017	118,701	0	1,016	0	40,385	160,102
2018	84,821	0	5,348	0	40,489	130,658
5 YEAR AVERAGE	75,880	0	2,825	92	32,055	127,924

The FY2019-FY2023 forecast projects FY19 new growth of \$133,924.00 which is 2.5% increase over the FY18 figure. The same 2.5% escalator is applied over the remaining years of the forecast. The projection is based upon a conservative average of New Growth over the previous five-year period. 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.

Debt costs for projects approved via debt exclusion will be covered by property tax dollars outside the limits of proposition 2 ½ and are therefore reflected in both the Revenue Projections and the Expenditure Projections tabs.

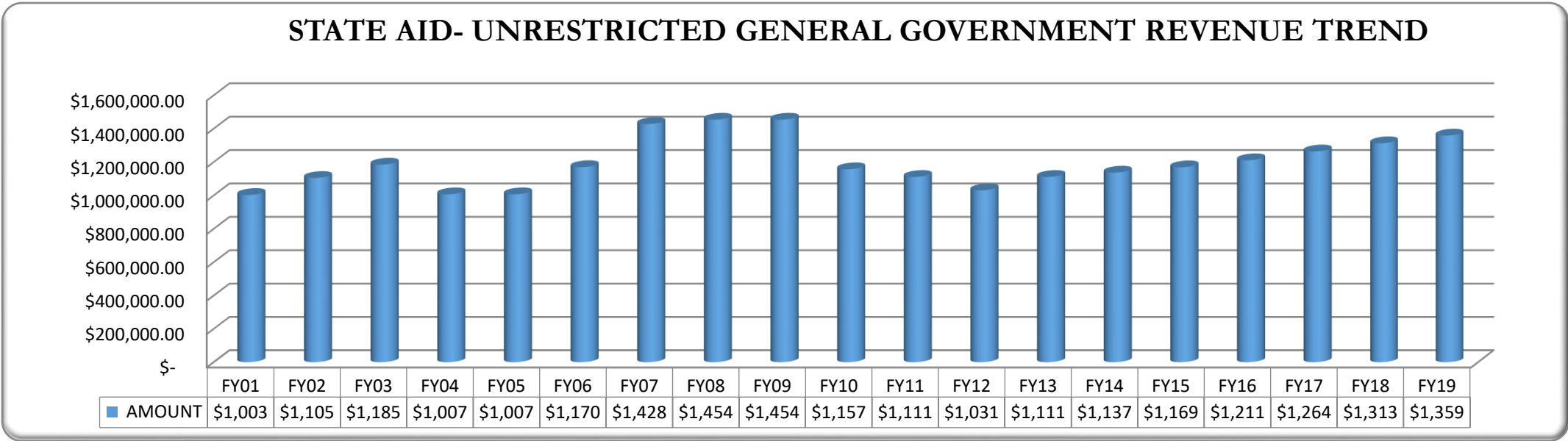
Levy limit information is published each year by the Division of Local Services (<https://dlsgateway.dor.state.ma.us/gateway/Login>) and should be reviewed by Town officials periodically in late summer and early fall as growth is certified.

STATE AID CHERRY SHEET

State aid represents approximately 7% of the Town’s annual revenue in FY2019. State aid is broken down into several categories, the largest of which (for Townsend) is Unrestricted General Government Aid (UGGA). It is approximately 80% of all state aid.

Unfortunately, UGGA has yet to recover to pre-recession levels and inflation has further eroded the value of this revenue source. UGGA has been forecast to grow at a conservative 1% per year. In fact, for FY19 we are slated to receive 7%, or \$100,000+/-, fewer dollars from the Commonwealth than we received 10 years ago and according to the Bureau of Labor Statistics when adjusted for inflation each dollar that we do receive is only worth 86¢.

Unrestricted General Government Aid (UGGA) –UGGA represents the largest portion (80%) of State aid to the Town of Townsend. It is projected to increase by a conservative 1% per year throughout the period of the forecast. In recent years, when new aid has been added to this account by the State, 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.



The other state aid categories: Chapter 70, Veterans Benefits, Exemptions for Veterans and Elderly, Aid to Public Libraries and State-Owned Land are to be level-funded from the previous year.

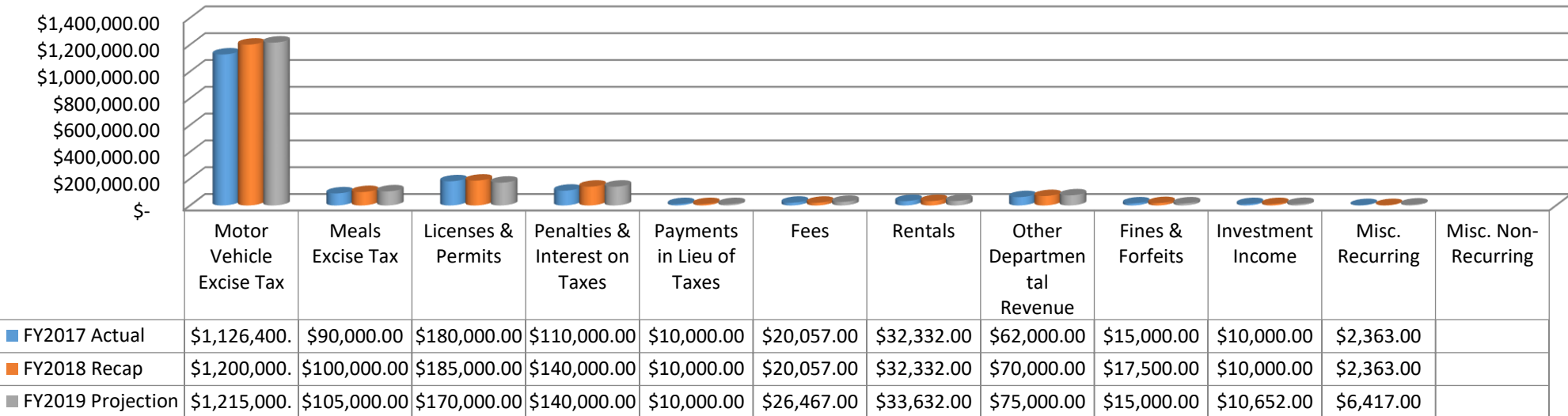
- Chapter 70 – This is state aid for education. The Town of Townsend is a member of the North Middlesex Regional School District and the Nashoba Valley Technical School District. As such, the Town receives no Chapter 70 or other education-related State aid.
- Veterans Benefits: The State reimburses municipalities for 75% of authorized amounts spent for veterans financial, medical, and burial benefits. In FY19, the Town will receive \$30,700.00 in reimbursements. This forecast conservatively anticipates no increase over the five-year period.
- Exemptions for Veterans, Elderly, Etc.: The State reimburses property tax exemptions for qualifying veterans, seniors, surviving spouses, and the blind. In FY19, the Town will receive \$54,984.00.
- Aid to Public Libraries: This item is 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 department without appropriation. State-Owned Land: The State reimburses the Town for foregone tax revenue due to certain types of tax exempt state-owned land. In FY19 the amount is \$15,555.00.
- State-Owned Land: This item is for payment-in-lieu-of-taxes (PILOT) for State-owned land. In FY2019, the Town will receive \$178,617.00 for State-owned land. The forecast assumes level funding.

The report the Town receives that details the level of state aid we are to receive is referred to as the “Cherry Sheet.” This stems back to a time when the notice was printed on cherry pinkish colored paper. To keep cherry sheet accounts 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 FY2019 budget in late January of 2018 (House 1) 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.

Estimated Local Receipts

Estimated local 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. Projected growth in local receipts is shown in the Revenue Projections tab while prior year information can be found in the Revenue History tab.

ESTIMATED LOCAL RECEIPTS- THREE YEAR TREND



The forecast normally uses the prior FY actual local receipts, as reflected in what's known as the Tax Recapitulation Sheet, or the RECAP sheet, as a baseline for the first year of the forecast, excluding any non-recurring revenue. Motor vehicle excise revenue (\$1.265 million in FY2018) is the Town's largest local receipt constituting about 68 percent of the total estimated receipts. We are conservatively projecting that this revenue will drop to \$1.215 million in FY2019 (based upon the FY2017 actuals and FY2018 YTD) and then grow by approximately 1% per year during the remaining years of the forecast.

Revenue from the meals tax increased to \$100,000.00 for FY2018. This revenue source is projected to increase by a modest 5% to \$105,000 in FY2019 and we then are conservatively projecting 1% annual growth thereafter. In the forecast, Licenses and Permits are expected to grow modestly at 1% per year.

Other significant local receipts include penalties and interest on taxes, Investment Income, PILOT's, fees, rentals, fines and forfeits, and departmental revenue. Together these receipts total \$300,000.00 of the Town's FY2019 budget estimates. No growth is conservatively estimated from these revenues sources.

Going forward, Town officials will need to closely monitor actual receipts as compared to budget estimates and update the forecast accordingly.

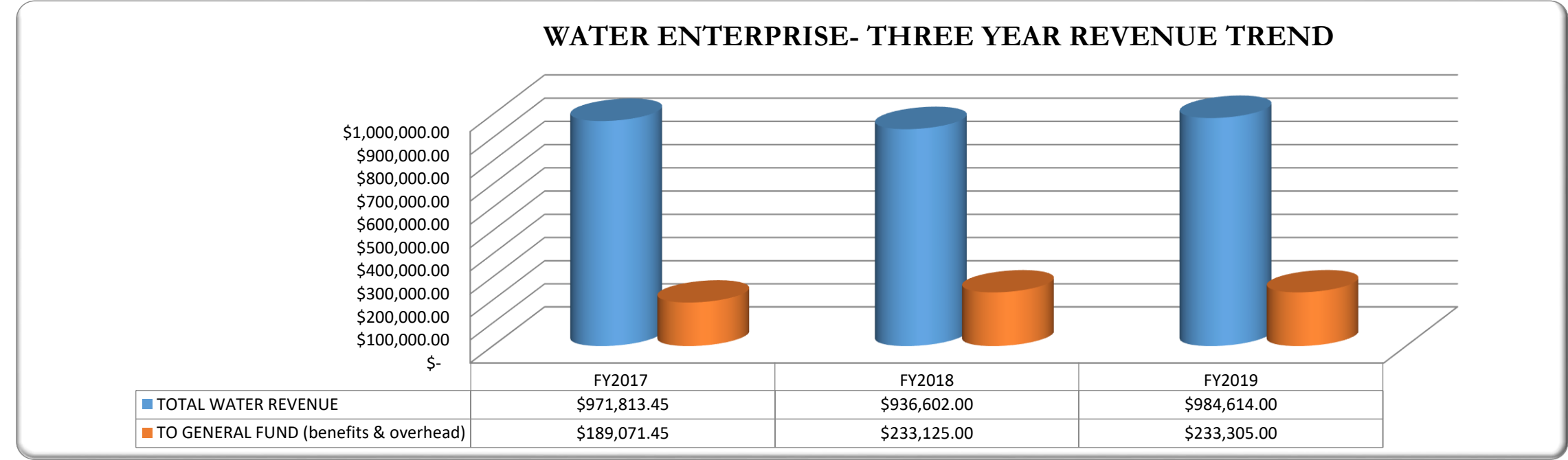
For the major sub-categories of local receipts, the following FY19 projections are made:

- Motor vehicle excise revenue (\$1.215 million in FY2019) is the Town's largest local receipt category, constituting about 64% of the total estimated receipts. This revenue stream is dependent upon the value of vehicles owned by Town residents. The value is set according to the vehicle's make, model, and year of manufacture. When economic times are good, people tend to buy newer cars more often, which results in higher receipts. Conversely, when economic times are challenging, such as during the Recession, receipts may fall if people wait to replace their vehicles. Taking a conservative approach, it is anticipated that this revenue will grow by approximately 1% per year during the remaining years of the forecast.
- Revenue from the meals tax increased by 14% between FY2015 and FY2016, from \$85,300 to \$97,300. This revenue source is projected to reach \$105,000 in FY2019 and then grow by 1% thereafter.
- Revenue from licenses and permits represents 6% of local receipts. Licenses and permits are issued for various reasons, such as electrical permits, liquor licenses, common victualler license (for preparing/selling food), building permits, dog licenses, and firearms permits. This revenue is expected to grow modestly at 1% per year.
- Penalties & Interest on Taxes are expected to raise approximately \$140,000 annually based on historical trends.
- Other significant local receipts include investment income, Payments in Lieu of Taxes or PILOTs, fees, rentals, fines and forfeits, and departmental revenue. Together these receipts total \$300,000 of the Town's FY2019 total revenue. Taking a conservative approach, no growth estimated in these revenues streams.
 - PILOTs: Payments in Lieu of Taxes are collected from Atwood Acres and Townsend Elderly Residences.
 - Rentals: This category of revenue consists of rental fees from the Town's Cell Tower Lease, Townsend residents and businesses use of the West Townsend Reading Room for events, etc.
 - Fees: Recouped Tax Title fees.
 - Fines and Forfeits: This would include fines for parking and moving violations, among others.
 - Other Departmental Revenue: This category includes miscellaneous department revenue such as photocopying fees and recreation fees.

ENTERPRISE FUNDS

Townsend operates an enterprise fund for its potable water system. An enterprise fund is an accounting and financial reporting mechanism whereby all expenditures and revenues for a particular business-type activity (in this case, the provision of potable water) are segregated into a special fund. However, the enterprise fund does not establish a separate, autonomous entity from the municipal government. The principal revenues for the enterprise fund are customer charges for water sales and related services. In Townsend, these revenues are forecasted to cover the cost of operating the water department.

Water revenue is anticipated to be \$984,614.00, in FY2019. Approximately \$233,305.00 of the water revenue is used to fund employee benefits and the water fund’s share of various insurances and a percentage of the town’s financial and MIS offices. The remaining \$751,309.00 supports direct Water Department services, including salaries, operating expenses, and debt service. Personnel costs are projected to increase by 2.5% between FY2018 and FY2019, and by 2.5% thereafter, while 1% growth is projected in operating expenses for each year in the forecast.

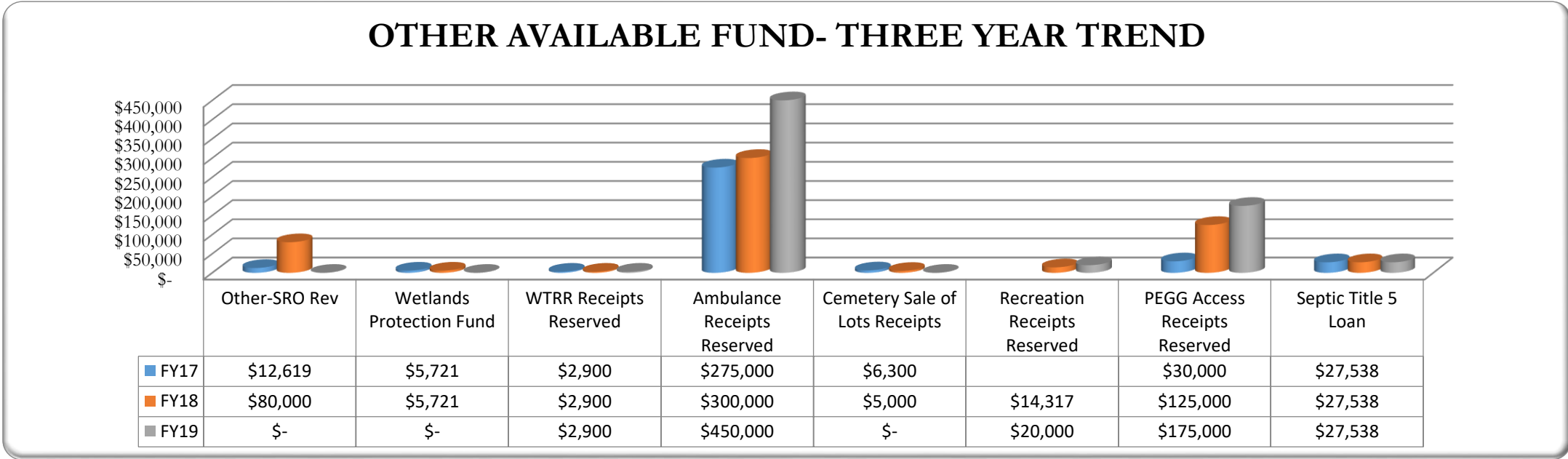


OTHER AVAILABLE FUNDS

The sources of all other available funds projected for FY19 include: West Townsend Reading Room (WTRR) receipts reserved, PEG Access receipts, Recreation receipts, and Ambulance receipts. These combined sources represent a total of \$675,438.00 in FY2019. These sources are recognized as revenues, and are level-funded during the period of the forecast. In recent years, Free Cash has been used by Townsend as a source of funding for special warrant articles, snow deficits and other minor issues. Free cash is the remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax recapitulation sheet, and unspent amounts in budget line-items. As a best practice, since FY16, the Town has not used free cash for ongoing operations.

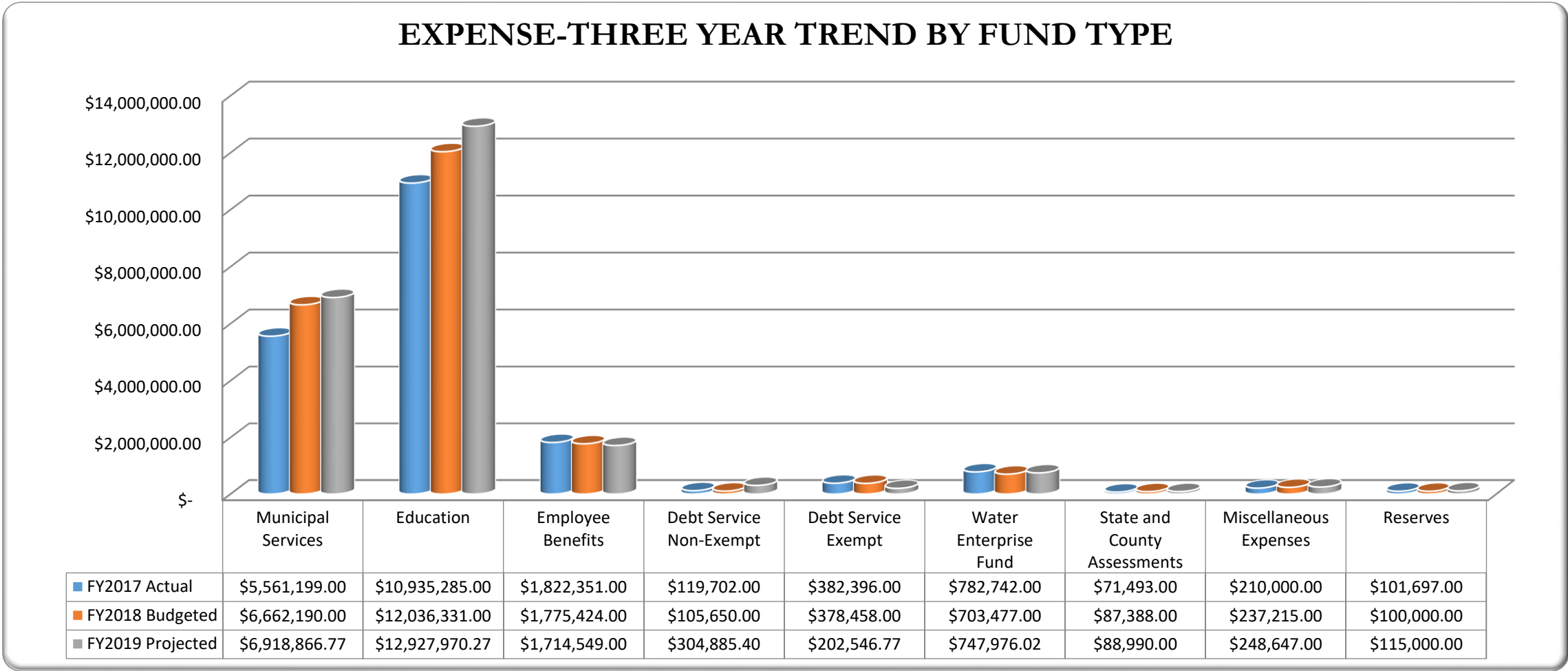
It is projected that the Town will use approximately \$600,000 in free cash each year for general stabilization, capital stabilization, and snow and ice reserves. Other available receipts include various sources totaling \$680,438 in FY2019. These sources are level-funded during the period of the forecast. FY2019 sources include:

- WTRR receipts reserved. These are receipts from the rental of the West Townsend Reading Room.
- Townsend also collects receipts from the operation of its ambulance service in a special revenue fund. These revenues are reserved for offsetting the expense of running the ambulance and for the purchase of ambulance related capital items. Ambulance revenue has been budgeted at \$450,000 in FY2019.
- Cable access license receipts: The Town collects revenue as part of the public access cable license agreement that it grants.
 - Septic Title 5 Loan: The State offers 0% loans to communities, which in turn provide low-interest betterment loans to eligible homeowners with failed septic systems.

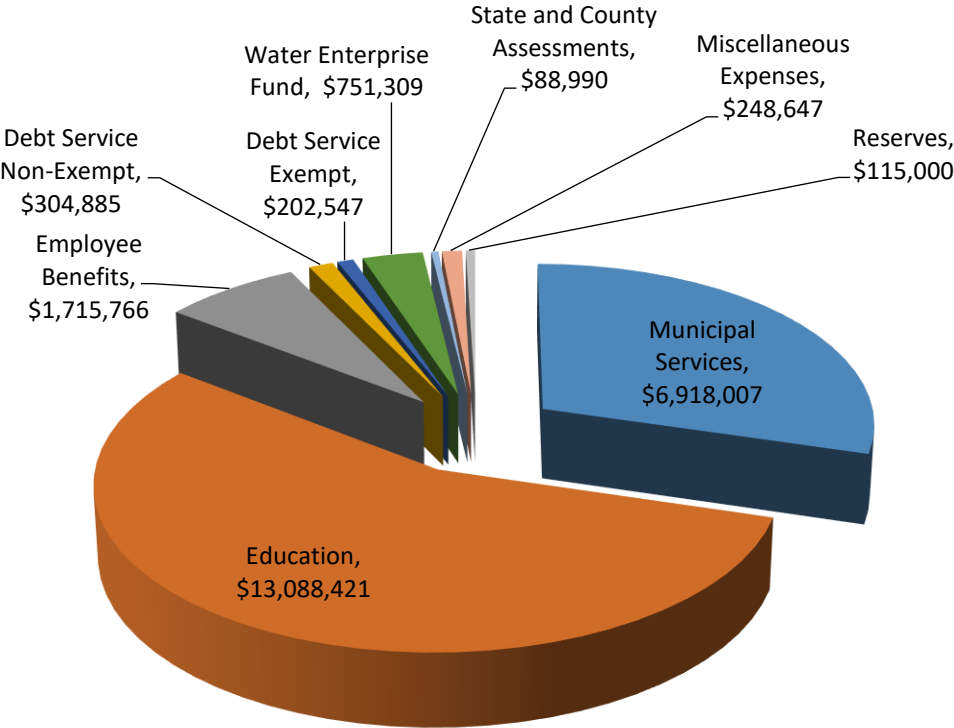


EXPENDITURE PROJECTIONS

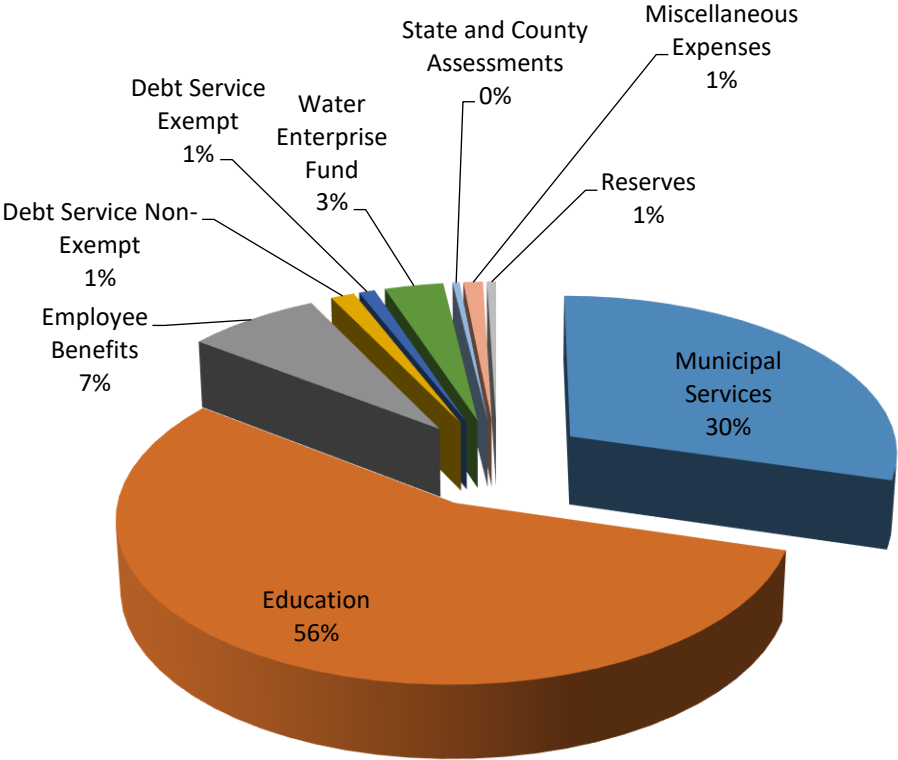
Detailed projections are contained in six “Expenditure” worksheets, including Expenditure Projections, COLA and Wages, Enterprise Funds, Benefits, Debt, and Debt Detail. Each of these pages ties into the FY19 Line Item Operating Budget. The FY19 Line Item Operating Budget is then consolidated into a best practices Omnibus Budget document for review, consideration and vote at the Annual Town Meeting.



FY19 EXPENSE- \$ BY FUND



FY19 EXPENSE- % BY FUND

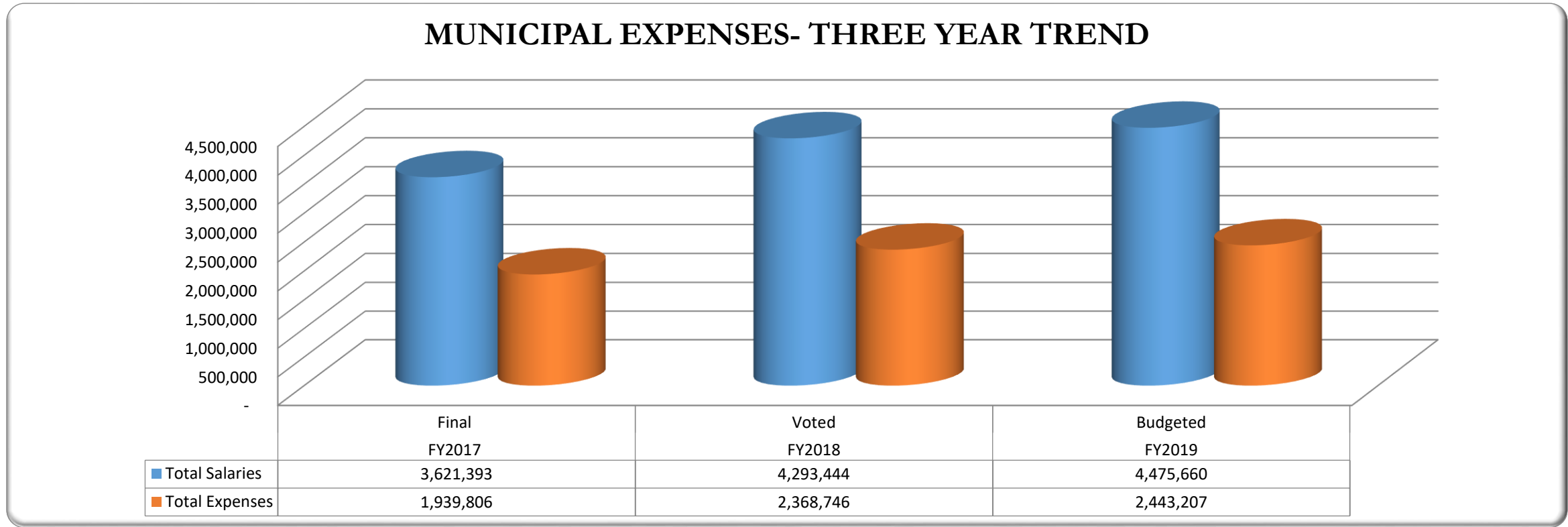


MUNICIPAL DEPARTMENTS

In the forecast, Town departments have been grouped by two major categories, salaries and expense, consistent with best practices and town and state expenditure reporting. Additional detail is provided separating expenditures in the general categories of General Government, Public Safety, Education, Streets and Highways, Solid Waste, Human Services, Culture and Recreation, Debt Service, and Insurances.

For projection purposes, the forecast utilizes a 2 ½ % wage adjustment, but this is intended as an example of cost impact moving forward and not a recommendation for any wage settlements. As the Town’s detailed budget is prepared, this cost factor will be modified based on the actual employees eligible for a step increase. Cost impacts have been included in the Expenditure Projections worksheet within each Salary and Wages line item. The COLA and Wages worksheet allows for simulation of other wage agreements and step amounts.

Expenses have been projected to increase by 1 percent per year, although the forecast does allow for different rates of growth for different departments.

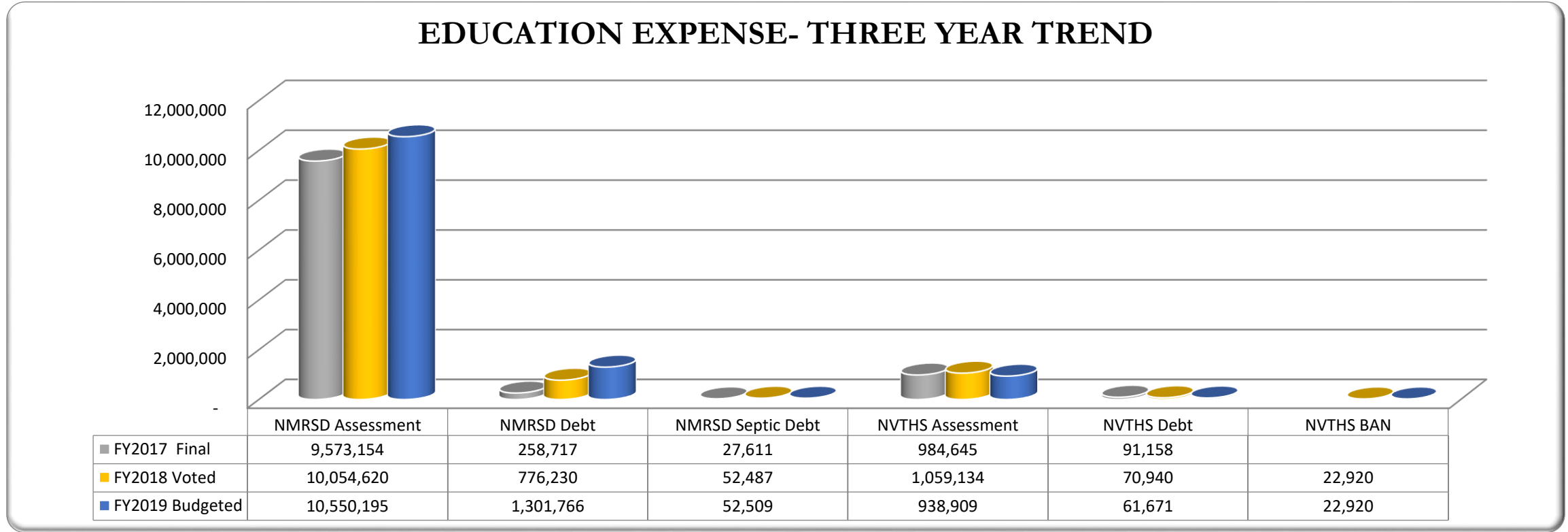


EDUCATION

Townsend participates in two regional school districts. The first and largest of these districts is the North Middlesex Regional School District (NMRSD). The Town’s preliminary operating assessment, which is the general and transportation assessments, for FY2019 is \$10,710,646.00. This amount represents a 6.52% increase over the FY18 assessment. There is a continuing effort being made by all parties to reduce this number as it is not at all sustainable for the Town of Townsend. Additionally, the town has a FY19 NMRSD Debt Assessment of \$1,354,275.00, which is a 63.4% increase over FY18 driven entirely by the previously authorized new high school project.

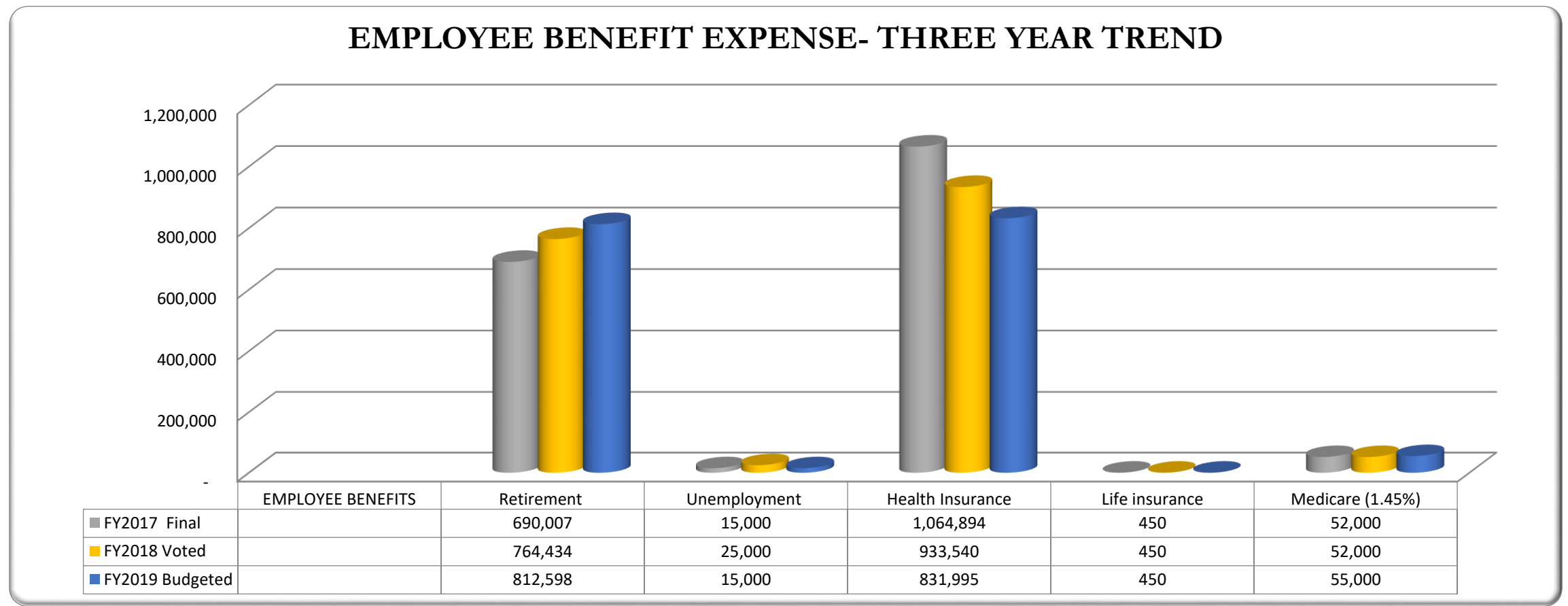
The second regional school district is Nashoba Valley Technical High School (NVTHS). The Town’s operating assessment for FY19 is \$938,909.00, or a decrease of 11.4% from FY18.

The General and Transportation Assessments have been combined and projected to increase by 3.5% during future years of this forecast. The Debt service is based upon twenty-five-year term borrowing. Funding for Bond Anticipation Notes (BANs) are projected in FY2018-FY2020 based upon future capital projects.



Employee Benefits

Employee benefits, including Retirement, Unemployment, Health Insurance, Life Insurance and Medicare are big budget drivers. Health insurances costs particularly have had a stranglehold on municipal budgets across the Commonwealth. The Town has been very successful this year in negotiating cost saving health plan changes. Additionally, just last year the Town and the employee groups agreed to change the percentage split between the Town and the employees for the payment of health care premiums from 85%-15% to 75%-25%.



Retirement - Town pension costs are projected based on the estimated appropriations issued by the Public Employee Retirement Administration Commission (PERAC) for Middlesex 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.

The forecast applies this percentage to the future appropriation amounts identified by PERAC as necessary to maintain the pension funding schedule going forward. The prior year actuary included an inflation factor of 6.5% through FY 2020 and a 4% increase thereafter.

There will likely be changes to these projected pension costs for Townsend and therefore they should be monitored in future years to reflect any revisions in the necessary funding. Pension costs for FY 2019 are \$812,598, or 43% of the overall personnel benefits cost.

Health Insurance- The Town receives its health insurance through the Massachusetts Interlocal Insurance Association (MIIA), a health insurance program representing many Massachusetts communities. The Town regularly puts the health insurance out to public bid in an effort at obtaining better pricing if available.

Actual health insurance expenses are projected to be down for FY19. As a result of negotiated plan design changes with our employee groups, the town is projected to realize a **2.95% decrease** in premium expense for FY19. This is on top of the FY18 expense reduction that was tied to the negotiated change in the percentage split between the employees and the town from 85%-15% to 75%-25%. In an effort to further fine tune the health insurance expense, the Town conducted an annual subscriber audit to make sure we were appropriately budgeting for the correct number of subscribers for FY19.

The projected expense reflects the number of current subscribers as well as a buffer to cover any potential new subscribers that may come on during the fiscal year.

For the purpose of the forecast, health insurance expenses have been projected to grow each year, but by a declining percentage each year (e.g. 8% for FY2020, 7% for FY2021, and 6% for FY2022). Health insurance expense for FY2019 is projected to be \$832,718.00.

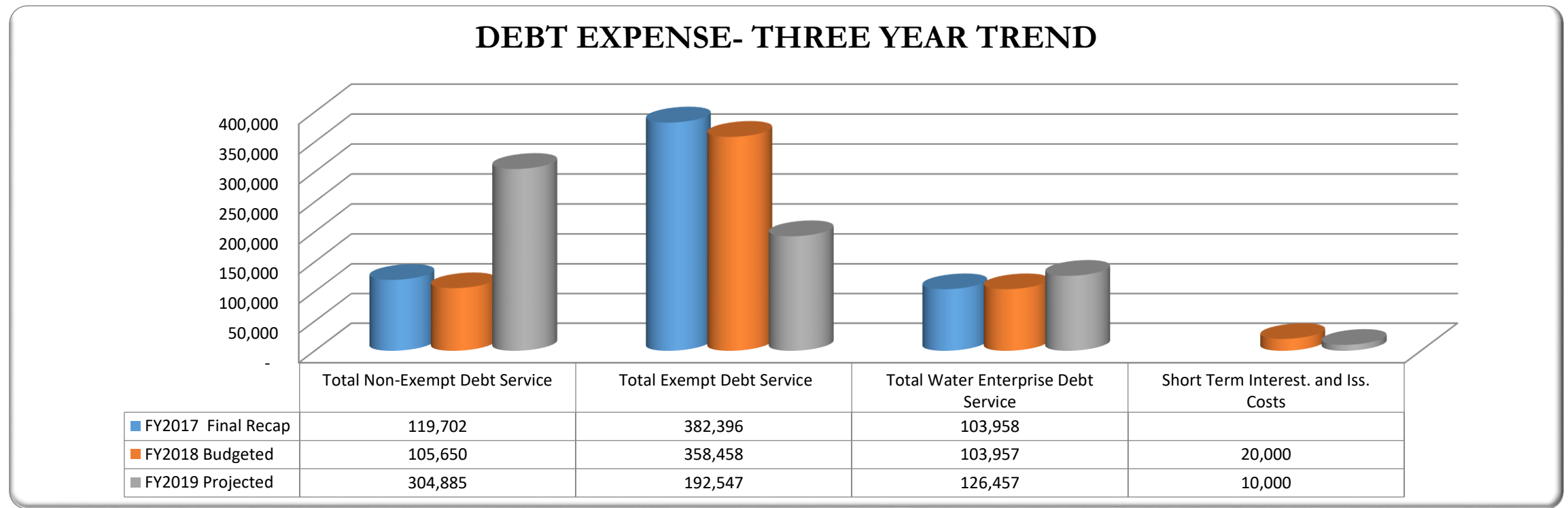
Medicare – Medicare has been forecast to increase to \$55,000 in FY2019, or 3% of the overall personnel benefits cost. This is projected to increase by 2.5% annually.

Unemployment/Life Insurance – Unemployment is funded at \$15,000 for FY19 reflecting the fact that the Town has not incurred significant unemployment costs as a result of layoffs in recent years. Life Insurance is level funded at \$450 each year of the forecast.

DEBT SERVICE

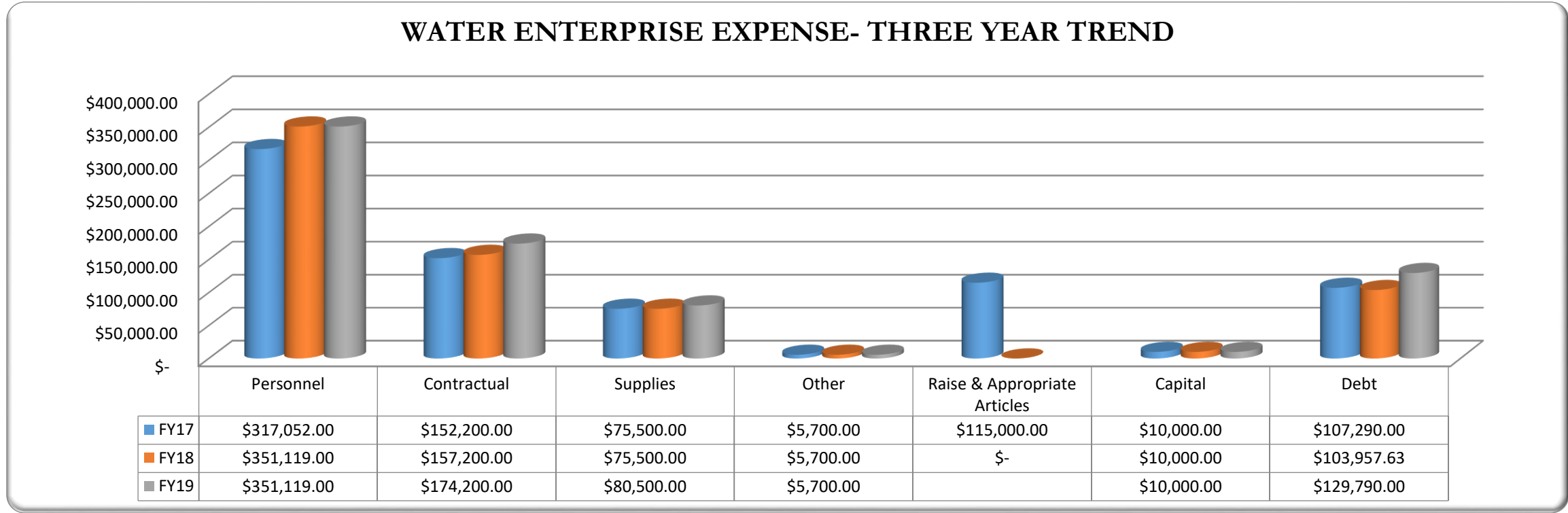
General Fund Non- Excluded - Debt Service costs in this category are funded within the limits of Proposition 2 ½, i.e., they are funded within the Town’s annual operating budget. Projects funded from non-excluded resources include the landfill closure, part of a fire truck, West Townsend Fire Station, and Fire Pumper truck (see Debt Detail tab.) At present, existing non-excluded debt service will increase in FY2019 to \$305,000. After this, debt service for these projects will decline annual until they are fully paid in FY2038.

General Fund Prop 2 ½ Excluded - Debt Service costs in this category are approved by the voters and are funded outside the limits of Proposition 2½ via a debt exclusion. Approved projects include land acquisition, landfill closure, and Public building. Excluded debt is raised via an increase in property tax and is acknowledged on the Revenue Projections and Expenditure Projections tabs. (See also Debt Detail tab.) School debt service, including excluded and non-excluded are grouped with the Education Services appropriation category. Water debt service is grouped within the Water Enterprise appropriation category.



ENTERPRISE FUNDS

The Town has established an enterprise fund for all Water Department activities. This full cost recovery program is estimated to be \$984,614.00 for FY2019. The costs associated with this revenue are broken down into two categories: Water-Only expenses and Transfer to Town for employee benefits and other overhead charges. Direct service costs include personnel, contractual, supplies, other, capital and debt service. These cost centers equal \$751,309.00, or 76% of the overall expenses. The forecast includes a 2.5% increase in personnel to account for steps, COLA, and other related personnel costs. Contractual services, supplies, and other are inflated by 1% annually. Capital is level funded at \$10,000 annually while debt service is matched against a specific debt service schedule. Overhead charges are costs assumed by the Town on behalf of the Enterprise Fund, and then reimbursed to the Town as best practices in municipal finance. These charges include Retirement, Health Insurance, Medicare, and Workers Compensation, general insurance and a percentage of the town’s finance and MIS offices.



STATE AND COUNTY ASSESSMENTS

All State assessments included in the forecast are based on the Cherry Sheet estimates in the Governor's House 1 version of the FY2019 budget. This cost center represents an extremely small 0.4% of the overall budget. The most significant of the State assessments in Townsend are Regional School Transportation, the MBTA, RMV Non-Removal, and Air Pollution.

Similar to the Cherry Sheet state aid accounts on the revenue side, Town officials will need to monitor the State budget process for FY2019 and follow the release of local assessment estimates until the State budget process concludes with the issuance of final FY2019 Cherry Sheets and local assessments. All assessments other than the RMV expense are forecast to increase by 2.5% annually.

MISCELLANEOUS EXPENSES

Property/Liability/Workers Compensation Insurance - This insurance covers municipal buildings and contents, motor vehicles, public official liability and workers compensation insurance. A \$11,432.00, or 4.8%, increase in this category is projected for the FY19. The projection is forecasted to grow modestly at 4.5% in each year of the forecast thereafter.

Cherry Sheet Offset - The cherry sheet offset in Townsend is for Library services is forecast to remain stable. As an offset, however, any change 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 Town's general revenues.

RESERVES/OTHER

Overlay – Reserves/Other includes the annual allowance for abatements and exemptions (Overlay). The overlay has been projected at a goal of 0.75% of the annual tax levy per year. However, in a revaluation year, a community typically has more abatement requests, so a good practice is to increase the overlay to reflect the risk of additional abatements.

General and Capital Stabilization – The forecast anticipates that a goal of \$200,000 will be deposited each year in the Town's General Stabilization Fund and Capital Stabilization Fund, for a total of \$400,000, from free cash generated in the prior fiscal year, subject to available funding. This practice will allow the Town to increase both reserve funds – the first to be used in the event of an emergency and the second to be used to establish an annual allocation of funding to address capital needs.

Snow and Ice Deficit – The forecast anticipates that the Town will deposit \$200,000 from free cash into a snow and ice deficit fund that will provide funding for unanticipated expenses in the Town's response to snow and ice conditions.

GLOSSARY/ACRONYM LIST

CMR: The Code of Massachusetts Regulations; Massachusetts state agencies issue regulations, which are compiled in the Code of Massachusetts Regulations (CMR).

Debt Exclusion: An action taken by a community through a referendum vote to raise the funds necessary to pay debt service costs for a particular project from the property tax levy, but outside the limits under Proposition 2½. By approving a debt exclusion, a community calculates its annual levy limit under Proposition 2½, then adds the excluded debt service cost. The amount is added to the levy limit for the life of the debt only and may increase the levy above the levy ceiling.

Enterprise Fund: An enterprise fund, authorized by MGL Ch. 44 §53F½, is a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. It allows a community to demonstrate to the public the portion of total costs of a service that is recovered through user charges and the portion that is subsidized by the tax levy, if any. With an enterprise fund, all costs of service delivery--direct, indirect, and capital costs--are identified. This allows the community to recover total service costs through user fees if it chooses. Enterprise accounting also enables communities to reserve the "surplus" or net assets unrestricted generated by the operation of the enterprise rather than closing it out to the general fund at year-end. Services that may be treated as enterprises include, but are not limited to, water, sewer, hospital, and airport services. See DOR IGR 08-101

Excess Levy Capacity: The difference between the levy limit and the amount of real and personal property taxes actually levied in a given year. Annually, the board of selectmen or city council must be informed of excess levy capacity and their acknowledgment must be submitted to DOR when setting the tax rate.

Equalized Valuation/EQV: The determination of an estimate of the full and fair cash value (FFCV) of all property in the Commonwealth as of a certain taxable date. EQVs have historically been used as a variable in distributing some state aid accounts and for determining county assessments and other costs. The Commissioner of Revenue, in accordance with MGL Ch. 58 §10C, is charged with the responsibility of biannually determining an equalized valuation for each city and town in the Commonwealth.

Fiscal Year (FY): Since 1974, the Commonwealth and municipalities have operated on a budget cycle that begins July 1 and ends June 30. The designation of the fiscal year is that of the calendar year in which the fiscal year ends. Since 1976, the federal government fiscal year has begun on October 1 and ended September 30.

Free Cash: Remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax recapitulation sheet, and unspent amounts in budget line-items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. The calculation of free cash is based on the balance sheet as of June 30, which is submitted by the community's auditor, accountant, or comptroller. Free cash is not available for appropriation until certified by the Director of Accounts.

General Fund: The fund used to account for most financial resources and activities governed by the normal town meeting/city council appropriation process.

Indirect Costs: Costs of a service not reflected in the operating budget of the entity providing the service. An example of an indirect cost of providing water service would be the value of time spent by non-water department employees on water related business. A determination of these costs is necessary to analyze the total cost of service delivery. The matter of indirect costs arises most often in the context of enterprise funds.

Levy: The amount a community raises through the property tax. The levy can be any amount up to the levy limit, which is re-established every year in accordance with Proposition 2½ provisions.

Levy Limit: A levy limit is one of two types of levy (tax) restrictions imposed by MGL Ch. 59 §21C (Proposition 2½). It states that the real and personal property taxes imposed by a city or town may only grow each year by 2½ percent of the prior year's levy limit, plus new growth and any overrides or exclusions. The levy limit can exceed the levy ceiling only if the community passes a capital expenditure exclusion, debt exclusion, or special exclusion.

Local Aid: Revenue allocated by the Commonwealth to cities, towns, and regional school districts. Estimates of local aid are transmitted to cities, towns, and districts annually by the "Cherry Sheets." Most Cherry Sheet aid programs are considered general fund revenues and may be spent for any purpose, subject to appropriation.

Local Receipts: Locally-generated revenues, other than real and personal property taxes. Examples include motor vehicle excise, investment income, hotel/motel tax, fees, rentals, and charges. Annual estimates of local receipts are shown on the tax rate recapitulation sheet.

Motor Vehicle Excise (MVE): A locally-imposed annual tax assessed to owners of motor vehicles registered to an address within the community, in accordance with MGL Chapter 60A. The excise tax rate is set by statute at \$25.00 per \$1000 of vehicle value. Owner registration and billing information is maintained by the State Registry of Motor Vehicles and is made available to a city or town, or to the Deputy Collector who represents it.

New Growth: The additional tax revenue generated by new construction, renovations and other increases in the property tax base during a calendar year. It does not include value increases caused by normal market forces or by revaluations. New growth is calculated by multiplying the assessed value associated with new construction, renovations and other increases by the prior year tax rate. The additional tax revenue is then incorporated into the calculation of the next year's levy limit.

PILOT/ Payment in Lieu of Taxes: An agreement between a municipality and an entity not subject to taxation, such as charitable or educational organizations, in which the organization agrees to make a voluntary payment to the municipality. By law, a city or town must make such a payment to any other community in which it owns land used for public purposes.

Proposition 2½: A state law enacted in 1980, Proposition 2½ regulates local property tax administration and limits the amount of revenue a city or town may raise from local property taxes each year to fund municipal operations.

Revaluation: The assessors of each community are responsible for developing a reasonable and realistic program to achieve the fair cash valuation of property in accordance with constitutional and statutory requirements. Every three years, assessors must submit property values to the DOR for certification. Assessors must also maintain fair cash values in the years between certifications so that each taxpayer in the community pays his or her share of the cost of local government in proportion to the value of his property.

Recap Sheet/Recap/Tax Rate Recapitulation Sheet: A document submitted by a city or town to the Massachusetts Department of Revenue (DOR) in order to set a property tax rate. The recap sheet shows all estimated revenues and actual appropriations that affect the property tax rate. The recap sheet should be submitted to the DOR by September 1 (in order to issue the first-half semiannual property tax bills before October 1) or by December 1 (in order to issue the third quarterly property tax bills before January 1).

Schedule A: A statement of revenues, expenditures and other financing sources, uses, changes in fund balance and certain balance sheet account information prepared annually by the accountant or auditor at the end of the fiscal year. This report is based on the fund account numbers and classifications contained in the Uniform Massachusetts Accounting System (UMAS) manual.

Special Revenue Fund: Funds, established by statute only, containing revenues that are earmarked for and restricted to expenditures for specific purposes. Special revenue funds include receipts reserved for appropriation, revolving funds, grants from governmental entities, and gifts from private individuals or organizations.

Stabilization Fund: A fund designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose (MGL Ch. 40 §5B). Communities may establish one or more stabilization funds for different purposes and may appropriate into them in any year an amount not to exceed ten percent of the prior year's tax levy. The total of all stabilization fund balances shall not exceed ten percent of the community's equalized value, and any interest shall be added to and become a part of the funds. A two-thirds vote of town meeting or city council is required to establish, amend the purpose of, or appropriate money into or from the stabilization fund. (See DOR IGR 04-201)

Senior Work-Off Program: The board of selectmen, town council or mayor with the approval of the city council in a community that has accepted G.L. Ch. 59 §5K may establish a property tax work-off program for taxpayers over 60 years old. Under the program, participating taxpayers volunteer their services to the municipality in exchange for a reduction in their tax bills.

User Charges / Fees: A municipal funding source where payment is collected from the user of a service to help defray the cost of providing the service. Any increases in the fees must satisfy the three tests set forth in the so called Emerson case. (See Emerson College v. Boston, 391 Mass. 415 (1984))

*Many definitions were adapted from the Massachusetts Department of Revenue's Municipal Finance Glossary (May 2008). For additional definitions, please see:
<http://www.mass.gov/dor/docs/dls/publ/misc/dlsmfg>*

FY19 BUDGET WORKSHEETS

- A. **FY19 OMNIBUS BUDGET**.....34
This is the version of the budget that is presented before the town meeting for review, consideration and vote. It is broken out into functional segments: General Government, Public Safety, Education, Streets and Highways, Solid Waste, Human Services, Culture and Recreation, Debt Service and Insurances. Each functional segment is further broken out to show which departments are included in that segment. Lastly, each department is broken out into salary and expense lines.
- B. **FY19 BUDGET**.....42
This is the version that is expanded to show every line item, salary and expense, in every department.
- C. **FORECAST SUMMARY**.....57
- D. **REVENUE PROJECTIONS**.....58
- E. **EXPENSE PROJECTIONS**.....61
- F. **NEW GROWTH**.....63
- G. **BENEFITS**.....65
- H. **DEBT**.....66
- I. **DEBT DETAIL**.....67
- J. **WATER BUDGET**.....68
- K. **ENTERPRISE REVENUE EXPENSE SHEET**.....69
- L. **HOUSE 1**.....70
This is the Governor’s proposed local aid budget. These numbers will likely change as the state budget process plays out.