

Town of Franklin

Town Administrator
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THE FISCAL 2007 ANNUAL BUDGET April 20, 2006

This is the third fiscal year that the Council will be asked to use reserves to balance the operating budget. In FY 05 in order to open the Horace Mann School the Council voted to transfer \$2,500,000 from the stabilization account (non-recurring revenue) to balance the FY 05 budget. In FY 06, \$2,000,000 was used from various reserve accounts to balance the budget and I am recommending \$2,500,000 from the stabilization account to balance the FY 07 budget.

If adopted, the proposed budget will afford the citizens of Franklin one final year of 'Status quo' services. I do not believe we will have the luxury of using reserves in FY 08. I would caution the Council from using more reserves than recommended to balance the FY 07 budget. The more reserves we use the tougher it will be to balance future budgets.

In reviewing the proposed FY 07 budget I offer the following:

The "Goal" of the FY 07 budget is to provide quality public services at a competitive price. We provide the taxpayers of Franklin with excellent public education and public services at a "below market" cost. Franklin's property taxes are among the lowest in the Metro-west area while the services we provide equal or exceed what most other communities offer. The following is a brief review of the proposed budget.

"Pros"

- Maintains the current Town/School services*.
- Provides \$2,700,000 in additional funds for public education.
- Continues a multi-year plan to properly fund the snow and ice budget.
- Maintains the same water and sewer rates for the fourth year in a row.
- The trash fee will still be \$40 below the \$300 annual fee from two years ago.
- Requires no layoffs of employees.
- Increases the Director of Community Planning and the Downtown Manager a total of eight hours per week, adds one support staff 15 hour per week, increases custodian staff time by 11 hours per week and adds one water department employee paid from water revenues.
- Maintains the long-term debt ratio below the benchmark of 3.5% of general fund revenues.

"The Cons"

- Uses \$2,500,000 in non-recurring revenues to balance the budget.
- Constrains the FY 08 budget to very little growth.



- Does not provide funds for Road reconstruction.
- Does not add much needed staff in facilities maintenance, a DPW mechanic, or any other requested municipal staff increases.
- Fixed costs continue to rise. Energy is projected to increase 30%, Health Insurance 11% and Pensions 16%.

*The School Committee has not provided an impact of the proposed budget on the schools as of April 20, 2006.

Other

- The FY 07 budget proposes to eliminate the Recreation revolving account and transfer it to a general revenue account. This is required because of the restrictions placed on revolving accounts that limit the amount of expended funds to exceed 1% of the tax levy.

Despite a gloomy financial future in FY 08 and beyond, we still need to address aging buildings. The High School and other schools are in need of repairs and improvements. The Library is over 100 years old and needs repairs. The roads are a continuing problem and we still need to cap the landfill and make improvements to downtown for future economic development.

Balancing the present and future needs of Franklin continues to be a real challenge. The recent past and present councils have done an excellent job in trying to resolve both annual and long-term interests.

The citizens of Franklin should not be misled by what appears to be a stable fiscal positions. The fact is that Franklin has been fortunate to have settled a large law suit for over \$6,000,000 and that has afforded us the opportunity to avoid drastic reductions in services. Franklin is in the same position of as our neighboring communities, but we have been able to buy some time by using our non-recurring reserves to make ends meets. Those reserves are being depleted and we will be faced the same dilemma as other communities; raise taxes or live with reduced services.

The future fiscal years beyond FY07 will be difficult to deal with without additional revenues. Please carefully review pages 4-6 titled FY 08 Budget Projections. You will note that with a very modest 2.5% increase in general costs along with increases for energy, health insurance, Etc., the town will face a multi-million dollar shortfall. The 2.5% increase is not adequate to provide the same level of services that are currently provided and will lead to reductions in school/municipal services. Realistically, the increase would need to be closer to 5% to maintain services. There is no way to avoid the eventual reality that our reserves are dwindling while our costs continue to rise faster than our revenues. I believe that FY 08 will be the year that difficult choices will have to be made in order to balance the budget.

TOWN OF FRANKLIN
FY 2007 Budget

21-Apr-06

Department

| | FY 06 Salary | FY 06 Expense | FY 06 Total | Request FY 07 Salary | Request FY 07 Expense | Request FY 07 Total | Difference |
|-------------------------------------|-------------------------|--------------------------|------------------------|-------------------------------------|--------------------------------------|------------------------------------|-------------------|
| 111 Town Council | - | 4,850 | 4,850 | | | 4,000 | (850) |
| 123 Town Administration | 218,300 | 54,050 | 272,350 | 235,200 | 68,775 | 303,975 | 31,625 |
| 131 Finance Committee | - | 1,500 | 1,500 | | 1,500 | 1,500 | 0 |
| 132 Reserve Fund | | | | | | | |
| 135 Comptroller | 279,802 | 57,498 | 337,300 | 307,931 | 52,000 | 359,931 | 22,631 |
| 141 Assessors | 230,685 | 50,965 | 281,650 | 239,354 | 62,750 | 302,104 | 20,454 |
| 147 Treasurer-Collector | 262,578 | 58,715 | 321,293 | 279,597 | 58,065 | 337,662 | 16,369 |
| 151 Legal | 95,153 | 60,450 | 155,603 | 102,550 | 56,100 | 158,650 | 3,047 |
| 152 Human Resources | 72,000 | 25,100 | 97,100 | 92,200 | 18,850 | 111,050 | 13,950 |
| 155 Data Processing | 13,000 | 67,715 | 80,715 | 15,000 | 76,200 | 91,200 | 10,485 |
| 161 Town Clerk | 115,315 | 13,350 | 128,665 | 119,565 | 13,000 | 132,565 | 3,900 |
| 164 Elections & Registration | 23,235 | 10,800 | 34,035 | 29,110 | 14,975 | 44,085 | 10,050 |
| 176 Appeals Board | - | 3,800 | 3,800 | | 5,000 | 5,000 | 1,200 |
| 177 Planning & Growth Manage | 217,713 | 26,200 | 243,913 | 243,307 | 26,600 | 269,907 | 25,994 |
| 192 Public Property & Buildings | 339,146 | 584,000 | 923,146 | 357,729 | 740,000 | 1,097,729 | 174,583 |
| 193 Insurance Premiums | - | 405,000 | 405,000 | 450,000 | | 450,000 | 45,000 |
| 194 Municipal Insurance | - | - | - | | | - | 0 |
| 196 Central Service | - | 126,788 | 126,788 | | 128,600 | 128,600 | 1,812 |
| Subtotal, General Government | 1,866,927 | 1,550,781 | 3,417,708 | 2,471,543 | 1,326,415 | 3,797,958 | 380,250 |
| 210 Police | 3,664,308 | 311,888 | 3,976,196 | 4,018,477 | 294,382 | 4,312,859 | 336,663 |
| 220 Fire | 3,573,500 | 371,580 | 3,945,080 | 3,994,254 | 366,905 | 4,361,159 | 416,079 |
| 240 Inspection | 305,360 | 24,100 | 329,460 | 326,586 | 23,900 | 350,486 | 21,026 |
| 292 Animal Control | | 56,484 | 56,484 | | 57,134 | 57,134 | 650 |
| 293 Parking Meters | | 1,000 | 1,000 | | 1,000 | 1,000 | 0 |
| Subtotal, Public Safety | 7,543,168 | 765,052 | 8,308,220 | 8,339,317 | 743,321 | 9,082,638 | 774,418 |
| 300 Town Schools | | | 47,723,000 | - | 50,430,000 | 50,430,000 | 2,707,000 |
| 390 Regional School | | | 1,497,820 | - | 1,299,432 | 1,299,432 | (198,388) |
| Subtotal, Education | | | 49,220,820 | - | 51,729,432 | 51,729,432 | 2,508,612 |

21-Apr-06

Department

| | FY 06 Salary | FY 06 Expense | FY 06 Total | Request FY 07 Salary | Request FY 07 Expense | Request FY 07 Total | Difference |
|-------------------------------------------|------------------|------------------|-------------------|----------------------------|-----------------------------|---------------------------|------------------|
| 400 DPW - Hwy -Admin-Engineer | 1,290,608 | 1,237,555 | 2,528,163 | 1,385,247 | 1,572,712 | 2,957,959 | 429,796 |
| 424 Street Lighting | | 200,000 | 200,000 | | 175,000 | 175,000 | (25,000) |
| Subtotal, Public Works | 1,290,608 | 1,437,555 | 2,728,163 | 1,385,247 | 1,747,712 | 3,132,959 | 404,796 |
| 510 Health | | | | | | | |
| 525 Public Health Services | 101,031 | 5,800 | 106,831 | 106,304 | 4,850 | 111,154 | 4,323 |
| 541 Council on Aging | - | 20,000 | 20,000 | | 20,000 | 20,000 | 0 |
| 543 Veterans Services | 120,311 | 8,600 | 128,911 | 131,130 | 8,613 | 139,743 | 10,832 |
| 544 Veterans Assistance | 32,500 | 1,300 | 33,800 | 34,300 | 1,300 | 35,600 | 1,800 |
| Subtotal, Human Services | 253,842 | 130,700 | 384,542 | 271,734 | 119,763 | 391,497 | (10,000) |
| 610 Library | | | | | | | |
| 650 Recreation/Human Services | 652,543 | 202,078 | 854,621 | 697,554 | 202,000 | 899,554 | 44,933 |
| 657 Cultural Council | | 2,000 | 2,000 | 193,730 | 208,018 | 401,748 | 401,748 |
| 691 Historical Commission | | 1,000 | 1,000 | | 2,000 | 2,000 | 0 |
| 692 Memorial Day | | 1,000 | 1,000 | | 1,000 | 1,000 | 0 |
| 694 C.A.T.V. Committee | | 4,000 | 4,000 | | 1,000 | 1,000 | 0 |
| Subtotal, Culture & Recreation | 652,543 | 210,078 | 862,621 | 891,284 | 418,018 | 1,309,302 | 446,681 |
| 710 Retirement of Debt | | 3,202,811 | 3,202,811 | | 3,530,056 | 3,530,056 | |
| 750 Interest | | 2,833,555 | 2,833,555 | | 1,644,022 | 1,644,022 | |
| Subtotal, Debt Service | | 6,036,366 | 6,036,366 | | 5,174,078 | 5,174,078 | (862,288) |
| 911 Retirement & Pension | | | 2,309,700 | | 2,603,776 | 2,603,776 | 294,076 |
| 912 Workers' Compensation | | | 194,000 | | 215,000 | 215,000 | 21,000 |
| 913 Unemployment Comp | | | 35,000 | | 100,000 | 100,000 | 65,000 |
| 916 Employee Health Insurance | | | 1,715,000 | | 1,940,000 | 1,940,000 | 225,000 |
| 917 Medicare Insurance | | | 160,000 | | 175,000 | 175,000 | 15,000 |
| Stabilization | | | | | | 0 | 0 |
| 920 Wage settle/ Salary adjust | | | 325,000 | 35,000 | | 30,000 | (295,000) |
| Subtotal, Insurance & Other | | | 4,738,700 | 35,000 | 5,033,776 | 5,063,776 | 325,076 |
| TOTAL ALL BUDGETS | | | 75,697,140 | | | 79,681,640 | |
| Revenues | | | 75,722,794 | | | 79,682,994 | |
| Balance | | | 25,654 | | | 1,354 | |

4/21/2006

Enterprise Accounts

| | FY 06 Salary | FY 06 Expense | FY 06 Total | FY 07 Salary | FY 07 Expense | FY 07 Total |
|---------------------------|-----------------|------------------|----------------|-----------------|------------------|----------------|
| 434 Solid waste Indirects | | | | | | |
| 434 Solid Waste Disposal | 28,371 | 2,080,500 | 2,108,871 | 16,500 | 2,082,413 | 2,098,913 |
| | | | | | | 2,158,413 |
| 440 Sewer Indirects | | | | | | |
| 440 Sewer | | | 345,000 | | 345,000 | 345,000 |
| Charles River Pollution | 467,226 | 912,339 | 1,379,565 | 495,410 | 809,300 | 1,304,710 |
| Debt | | 1,719,300 | 1,719,300 | | 1,719,300 | 1,719,300 |
| Total | | 291,289 | 291,289 | | 644,954 | 644,954 |
| | | | 3,735,154 | 495,410 | 3,518,554 | 4,013,964 |
| 450 Water indirects | | | | | | |
| 450 Water | | 453,000 | 453,000 | | 453,000 | 453,000 |
| Debt | 1,017,817 | 1,856,361 | 2,874,178 | 1,164,060 | 1,995,000 | 3,159,060 |
| Total | 1,513,414 | 8,743,106 | 4,757,495 | 1,164,060 | 3,832,084 | 4,996,144 |

FY 08 Budget Projections

21-Apr-06

Department

| | Request FY 07 Total | FY 08 Projected Total | Difference |
|-------------------------------------|---------------------------|-----------------------------|--------------------------------------------------------------|
| 111 Town Council | 4,000 | | |
| 123 Town Administration | 303,975 | | |
| 131 Finance Committee | 1,500 | | |
| 132 Reserve Fund | | | |
| 135 Comptroller | 359,931 | | |
| 141 Assessors | 302,104 | | |
| 147 Treasurer-Collector | 337,662 | | |
| 151 Legal | 158,650 | | |
| 152 Human Resources | 111,050 | | |
| 155 Data Processing | 91,200 | | |
| 161 Town Clerk | 132,565 | | |
| 164 Elections & Registration | 44,085 | | |
| 176 Appeals Board | 5,000 | | |
| 177 Planning & Growth Manage | 269,907 | | |
| 192 Public Property & Buildings | 1,097,729 | | |
| 193 Insurance Premiums | 450,000 | | |
| 194 Municipal Insurance | - | | |
| 196 Central Service | 128,600 | | |
| Subtotal, General Government | 3,797,958 | 4,067,907 | 269,949 |
| | | | 2.5% increase, plus \$175,000 for energy, maint., etc |
| 210 Police | 4,312,859 | | |
| 220 Fire | 4,361,159 | | |
| 240 Inspection | 350,486 | | |
| 292 Animal Control | 57,134 | | |
| 293 Parking Meters | 1,000 | | |
| Subtotal, Public Safety | 9,082,638 | 9,309,704 | 227,066 |
| | | | 2.5% increase |
| 300 Town Schools | 50,430,000 | | |
| 390 Regional School | 1,299,432 | | |
| Subtotal, Education | 51,729,432 | 53,022,668 | 1,293,236 |
| | | | 2.5% increase |

| 21-Apr-06 Department | Request FY 07 Total | FY 08 Projected Total | Difference |
|-------------------------------------------|---------------------------|-----------------------------|------------------------------------------------------------|
| 400 DPW - Hwy -Admin-Engineer | 2,957,959 | | |
| 424 Street Lighting | 175,000 | | |
| Subtotal, Public Works | 3,132,959 | 3,261,283 | 128,324 |
| | | | 2.5% increase plus \$50,000 for snow and ice |
| 510 Health | 111,154 | | |
| 525 Public Health Services | 20,000 | | |
| 541 Council on Aging | 139,743 | | |
| 543 Veterans Services | 35,600 | | |
| 544 Veterans Assistance | 85,000 | | |
| Subtotal, Human Services | 391,497 | 461,284 | 69,787 |
| | | | 2.5% increase plus \$60,000 for senior center staff |
| 610 Library | 899,554 | | |
| 650 Recreation/Human Services | 401,748 | | |
| 657 Cultural Council | 2,000 | | |
| 691 Historical Commission | 1,000 | | |
| 692 Memorial Day | 1,000 | | |
| 694 C.A.T.V. Committee | 4,000 | | |
| Subtotal, Culture & Recreation | 1,309,302 | 1,342,035 | 32,733 |
| | | | 2.5% increase |
| 710 Retirement of Debt | 3,530,056 | | |
| 750 Interest | 1,644,022 | | |
| Subtotal, Debt Service | 5,174,078 | 5,425,000 | 250,922 |
| | | | proposed debt schedule (rounded) |
| 911 Retirement & Pension | 2,603,776 | 2,864,154 | 10% increase |
| 912 Workers' Compensation | 215,000 | 225,000 | normal increase |
| 913 Unemployment Comp | 100,000 | 100,000 | insufficient |
| 916 Employee Health Insurance | 1,940,000 | 2,134,000 | 10% increase |
| 917 Medicare Insurance | 175,000 | 190,000 | normal increase |
| Stabilization | 0 | | |
| 920 Wage settle/ Salary adjust | 30,000 | 30,000 | |
| Subtotal, Insurance & Other | 5,063,776 | 5,543,154 | 479,378 |
| | | | increases vary by category |
| TOTAL ALL BUDGETS | 79,681,640 | 82,433,034 | 2,751,394 |
| Revenues | 79,682,994 | 79,683,968 | |
| Balance | 1,354 | (2,749,066) | |

The Future Budgets

| | Final FY 07 | Estimated FY 08 | Estimated FY 09 | Estimated FY 10 | Estimated FY 11 |
|------------------------------------|----------------|--------------------|--------------------|--------------------|--------------------|
| A 2.5% increase in FY 08 and 5% th | 79,682,944 | 82,433,034 | 86,554,686 | 90,882,420 | 95,426,541 |
| Revenues | 79,683,968 | 82,071,819 | 84,917,640 | 87,740,203 | |
| Difference | | (2,749,066) | (4,482,867) | (5,964,781) | (7,686,338) |

The projected FY 08 budget reflects a general increase of 2 1/2% plus the estimated additional costs for maintenance and insurance of the new Senior Center, DPW garage and Fire Station, and for staffing of the new senior center and additional snow and ice funds.

The future budget estimates do not take into account growth in the general population or student population or standing requests for additional staffing not recommended in the FY 07 budget.

The budget projections do not include future debt that falls within the fiscal guidelines or potential GASB 45 funding obligations (unfunded retiree benefits)

The actual costs of energy, health insurance, pensions, property insurance, postage and other costs are a best guess.

Town of Franklin

**Fiscal Year 2007
Budget Statement**

Town Council

Christopher Feeley, Chair
Deborah A. Bartlett, Vice Chair
Judith Pond Pfeffer, Clerk
Thomas S. Doak
Philip B. Evans
Carlo Geromini
Michael Leblanc
Joseph McGann
Scott Mason

Town Administrator

Jeffrey Nutting

Assistant to Town Administrator

Maxine Kinhart

Comptroller

Susan Gagner

Treasurer-Collector

Jim Dacey

April 2006

Executive Summary

In accordance with current fiscal policies the FY 07 budget is out of balance by \$2,500,000. We continue to see steep increases in Health Insurance (11%), pensions (16%) and energy (30% estimated) along with increases in both general and school population that place greater demands for services. These factors mean that we cannot afford the government we have based on recurring revenues. Accordingly, this should be the last year we use reserves to balance the budget. The use of \$2,500,000 from the stabilization funds to balance the budget will reduce the fund to slightly below our target of \$5,000,000. We have recently been "warned" that a further reduction in reserves may hurt our bond rating. In light of the need to make major improvements to the High School in the next couple of years that will require long-term borrowing, we should strive to maintain the financial goals.

Overview

In compliance with Article six, sections 6-3-1 through 6-5-2 of the Franklin Town Charter, I am submitting the proposed FY 07 budget to the Town Council and Finance Committee.

Process

The Joint Budget Sub-Committee, comprising representatives of the Town Council, School Committee, Finance Committee, Superintendent of Schools, the Comptroller and the Town Administrator discuss the annual and long term budget challenges and make recommendations on the overall fiscal plan for the Town.

Each department is required to submit a proposed budget to the Town Administrator. The Town Administrator, the Comptroller, and the individual Department Head review their budget request.

The Town Administrator also reviews the highlights of the Town's fiscal plan with the budget subcommittee of the Town Council. Based on input from the joint budget subcommittee, the Council subcommittee, and the meetings with the Department Head, the Town Administrator makes a budget recommendation to the Town Council and the Finance Committee. The Finance Committee reviews the Town Administrator's proposed budget and forwards their recommendation to the Town Council. The Town Council holds two public hearings prior to adopting a budget.

Financial Policy Summary

While the budget process identifies issues and concerns that the Town will address on an annual basis, it also must do so based in a framework of sound financial management. The Town Council has adopted fiscal policies in the past and should continue to update and review them on a regular basis. Below is a summary of current policies:

Balanced Budget

- Annual costs funded from current revenues.
- Do not defer current costs to future years.

Current status – The proposed budget requests the council's consideration for the use of \$2,500,000 on non-recurring revenues to balance the budget. Generally, this request is to maintain the general level of services.

Compensation and benefits

- Budget with current revenues
- Compensate at market rates

Current status – Five of the seven municipal collective bargaining agreements expire on June 30, 2007. Currently, two bargaining units' agreements expired on June 30, 2005 and we have not concluded the bargaining process.

You will note what appears to be a large increase in the municipal salary accounts. This is due to three factors. The largest portion of the increase is a result of the FY 06 budget not reflecting FY 06 salaries. Since we did not have contracts in place, the funds were in the wage settlement account. The FY 07 budget reflects general increases of 2.5% and 3% along with step and/or grade increases and with a few salary adjustments. Second, the Police and Fire budgets show a full years' funding of the additional eight firefighters and three police officers. Finally, I have ended the practice of providing deferred compensation to some nonunion employees and moved the deferred compensation into the respective salary accounts.

Revenues

- Estimate annual revenues in detail and project for the following two years.
- Maintain full and fair market value of property assessments.
- Assure fees charged cover costs incurred.

Current status – Future revenue projections are included in the budget. We have adjusted new growth and local receipts to reflect the trends in actual collections and have added water, sewer and trash direct and indirect charges to the general fund revenue estimates.

Financial Reserves –

- Adequately fund and maintain reserves (Stabilization, Free Cash, Overlay Surplus)
- Maintain Stabilization account at \$5,000,000 or 6%-8% of recurring general fund revenue (less debt exclusions and SBA reimbursement).
- Short-term revenue surpluses shall fund non-recurring projects.
- Free Cash will be used to fund the capital budget and for unforeseen expenses.
- Overlay surplus will be used for capital budgets or non-recurring expenses

Current status - the Stabilization fund balance is \$6,850,000. The FY 07 budget requests the use of \$2,500,000. If voted, the Stabilization account will be reduced to \$4,350,000. If no further draw on the account occurs over the next year, it should have approximately \$4,500,000 by this time next year. This is below the target by about 10%. This is as low as it should go without a plan to replace any further funds taken from the account.

Long Term Debt - Proposed

- Reserved for large capital projects.
- Net general fund debt service (non debt excluded or funded from enterprise accounts) shall be between 3.5% - 4.0% of recurring general fund revenue.

Current Status - The FY 07 budget calls for a general fund debt service of 3.10% of the recurring general fund revenues. According to the independent bond rating agencies of Moody's and Standard and Poor's, our debt level is moderate and manageable. **However, "the narrowing of reserves in fiscal year 2005 and 2006 has weakened the town's historically strong financial position".**

This means that we should stop using reserves to balance the budget in FY 08 in order to help maintain our bond rating.

Our long debt schedule will help to obtain our goal of improving the infrastructure of the Town while maintaining a reasonable debt level. A full debt schedule is attached

The following chart reflects a summarization of the change in debt service

TOWN OF FRANKLIN

Change in Debt Service FY 2006 - FY 2007

| | | Principal | Interest | Total |
|----------------------|---------|-----------|------------|------------|
| School | FY 2006 | 2,136,811 | 970,939 | 3,107,750 |
| | FY 2007 | 2,424,056 | 1,120,455 | 3,544,511 |
| | Change | 287,245 | 149,516 | 436,761 |
| Municipal | FY 2006 | 1,066,000 | 500,477 | 1,451,269 |
| | FY 2007 | 1,106,000 | 489,567 | 1,304,959 |
| | Change | 40,000 | -10,910 | 29,090 |
| Total General Fund | | 3,530,056 | 1,160,022 | 5,140,078 |
| Sewer | FY 2006 | 196,715 | 94,574 | 291,289 |
| | FY 2007 | 391,715 | 253,239 | 644,954 |
| | Change | 195,000 | 158,665 | 353,665 |
| Water | FY 2006 | 905,077 | 525,239 | 1,430,316 |
| | FY 2007 | 896,170 | 487,914 | 1,384,084 |
| | Change | -8,907 | -37,325 | -46,232 |
| SUBTOTAL P & I | | | | |
| | FY 2006 | 4,304,603 | 2,091,229 | 6,395,832 |
| | FY 2007 | 4,817,941 | 2,351,175 | 7,169,116 |
| | Change | 513,338 | 259,946 | 773,284 |
| Short Term Interest: | | | | |
| School | FY 2006 | - | 1,362,139 | 1,362,139 |
| | FY 2007 | - | 34,000 | 34,000 |
| | Change | - | -1,328,139 | -1,328,139 |

| | | | | |
|------------------------------|------------------|-----------|------------|------------|
| Sewer | | | | |
| | FY 2004 | - | - | - |
| | FY 2005 | - | - | - |
| | Change | - | - | - |
| Water | | | | |
| | FY 2004 | - | - | - |
| | FY 2005 | - | - | - |
| | Change | - | - | - |
| SUBTOTAL SHORT TERM INTEREST | | | | |
| | FY 2006 | - | 1,362,139 | 1,362,139 |
| | FY 2007 | - | 34,000 | 34,000 |
| | Change | - | -1,328,139 | -1,328,139 |
| TOTAL DEBT | | | | |
| | FY 2006 | 4,304,603 | 3,453,368 | 7,757,971 |
| | FY 2007 | 4,817,941 | 2,385,175 | 7,203,116 |
| | TOTAL NET CHANGE | | ALL DEBT | 554,854 |

Capital Improvement Program.

- A six-year plan updated annually shall be maintained.
- Budget operating costs associated with CIP projects.
- Delaying maintenance on existing assets results in higher costs in future years.
- Postponing improvements to buildings/infrastructure results in higher costs.
- Free Cash, Overlay Surplus, and short-term revenues shall be used for the recurring capital items and smaller one-time purchases or projects.
- Bonds will be used for large capital projects.

Current Status: The CIP subcommittee of the Council meets each fall/winter to review the requests of each department. The Town Administrator presents the CIP to the Finance Committee and Town Council for review and adoption. The Town Council will act on the proposed FY 06 plan this spring.

Financial Resources

Proposition 2 ½, passed by the voters in 1980, caps revenue growth to the largest portion of our revenues (property tax) to 2 ½ % of the previous year's tax levy plus new tax revenues from construction/ improvements of buildings.

The vast majority of revenues collected by the Town are controlled by state law or by the annual appropriation of State Aid. During difficult financial times State Aid growth may be curtailed or reduced.

Further, fixed costs (health insurance, general insurance, energy, pensions, etc.) continue to increase and must be paid with limited growth in revenues. These forces all combine to place additional financial pressure on the overall municipal budget.

Estimated Revenues

Property Taxes - The primary source of revenue for Franklin is the property tax. Property taxes account for approximately 52% of overall revenues (excludes use of reserves and

enterprise funds). State aid accounts for approximately 37% and local receipts 11% of the overall revenues.

The Town's Board of Assessors determines the value of all taxable real and personal property under guidelines established by the Massachusetts Department of Revenue. For the purpose of taxation, real property includes: land, buildings, and improvements erected on/or affixed to land. Personal property includes: stock, inventory, furniture, fixtures, and machinery. The Assessors determine the full and fair market value every three years and update the values annually.

There are three major factors affecting the real and personal property.

1. **Automatic 2.5% increase** - Each year, a community's levy limit automatically increases by 2.5% over the previous year's tax levy limit. This accounts for approximately \$1,000,000 each year in new tax revenues.
2. **New Growth** - A community is able to increase its tax levy limit each year to reflect new growth in the tax base. Assessors are required to submit information on growth in the tax base for approval by the Department of Revenue as part of the Tax rate setting process. The estimated new growth for FY 06 is \$750,000.

Following is a five year history of New Growth

New Growth History

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Parcel count | 11,062 | 11,210 | 11,319 | 11,258 | 11,378 |
| Class 1 Residential value | 2,410,948,400 | 2,639,992,672 | 2,707,210,637 | 3,451,647,265 | 3,756,711,515 |
| Class 2 Open Space | - | - | - | - | - |
| Class 3 Commercial | 202,819,500 | 220,713,931 | 226,208,241 | 326,981,202 | 339,775,976 |
| Class 4 Industrial | 376,029,600 | 428,964,600 | 446,278,100 | 522,325,600 | 528,461,000 |
| Class 5 Personal Property | 65,093,800 | 70,053,840 | 91,641,040 | 83,887,350 | 90,055,530 |
| Total Value | 3,054,891,300 | 3,359,725,043 | 3,471,338,018 | 4,384,841,417 | 4,715,004,021 |
| New Growth: | | | | | |
| Residential | 395,041 | 365,029 | 448,476 | 606,812 | 509,659 |
| Commercial | 148,548 | 53,865 | 78,588 | 62,898 | 38,852 |
| Industrial | 473,040 | 58,295 | 295,686 | 137,738 | 92,176 |
| Personal Property | 126,200 | 215,994 | 292,304 | 85,761 | 124,219 |
| Total New Growth | 1,142,829 | 693,183 | 1,115,054 | 893,209 | 764,906 |
| Tax Rate | 11.57 | 11.07 | 11.04 | 9.17 | 9.02 |

3. **Overrides/Debt Exclusions –**

A community can permanently increase its tax levy limit by approving an override of a certain dollar amount by approval of the voters at the ballot. Franklin voters have not approved an override since Proposition 2 ½ began in 1980.

Debt Exclusions are a temporary increase in a community's levy limit for the life of the debt to pay for the project. The voters have approved three debt exclusions to construct new schools over the past decade. The cost of these debt exclusions is reflected in the current tax bill and cost the average taxpayer approximately \$150 per year.

State Aid

Massachusetts General Laws provides that the Commissioner of Revenue estimate the state's funding of local assistance programs authorized by law and appropriated annually by the legislature. State aid line items are based on pre-established formulas, but the amount of funding is subject to annual review by the Governor and the Legislature.

There are 20 different categories of state aid. A few of the categories (Library Aid, School Lunch, School Choice) restrict funds for a specific purpose. All other state aid is considered a general receipt that can be used to fund the Town's overall general fund budget as long as we meet the minimum spending requirements of the Education Reform Act. Franklin currently exceeds the minimum spending requirement for FY 06 by over \$5.8 million dollars.

Franklin has reaped the benefit of the funding formula for Chapter 70 state aid as the result of the tremendous growth in the student population over the years. This has resulted in a shift of support for public education from the property tax to state aid.

In 1993 state aid paid for about 30% of the school budget. In 2007 it will be approximately 50% of the school budget. As the increase in student population slows, the increases in aid will diminish.

The proposed FY 07 Chapter 70 state aid for education is \$25,088,000 and non-school aid is \$3,411,000, and the assessment for the Charter School is \$29,089,000. This represents an increase of approximately \$2,177,000 over FY 06. **A special thanks should go to State Representative James Vallee for his continued efforts in supporting additional local aid for Franklin.**

A five-year history of local aid follows on the next page:

Five Year Local Aid History

| | | | | | estimated |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
| Chapter 70 | 20,413,071 | 21,308,583 | 22,117,905 | 23,359,339 | 25,088,793 |
| School Transportation | 224,360 | 0 | 0 | 0 | 0 |
| School Construction | 1,444,633 | 1,430,187 | 1,444,633 | 1,444,633 | 1,444,633 |
| Charter Tuition/Capital Facility | 0 | 82,020 | 670,351 | 682,026 | 589,070 |
| Education | 22,082,064 | 22,820,790 | 24,232,889 | 25,485,998 | 27,122,496 |
| Lottery | 2,519,718 | 2,141,760 | 2,141,760 | 2,480,524 | 3,021,144 |
| Police Career Incentive | 142,876 | 132,709 | 138,909 | 147,261 | 154,656 |
| Veterans' Benefits | 41,104 | 49,900 | 58,708 | 81,977 | 54,024 |
| Exemptions: Vets, Blind, SS | 21,952 | 20,642 | 21,122 | 21,635 | 23,378 |
| Exemptions: Elderly | 13,563 | 14,419 | 14,626 | 14,634 | 14,636 |
| State Owned Land | 78,188 | 62,596 | 97,946 | 124,731 | 143,672 |
| General Gov't | 2,817,401 | 2,422,026 | 2,473,071 | 2,870,762 | 3,411,510 |
| School Lunch | 24,465 | 25,260 | 22,797 | 23,261 | 21,503 |
| School Choice Receiving | | 25,338 | 55,276 | 116,005 | 138,119 |
| Public Libraries | 29,383 | 28,579 | 33,112 | 34,610 | 34,773 |
| Offsets | 53,848 | 79,177 | 111,185 | 173,876 | 194,395 |
| | 24,953,313 | 25,321,993 | 26,817,145 | 28,530,636 | 30,728,401 |
| % increase over previous year | 4% | 1% | 6% | 6% | 8% |

Hotel /Motel Tax

The Town receives a 4% room tax from each hotel room rented. The amount of funds collected each year is directly related to the number of rooms rented. Generally the Town receives approximately \$250,000 per year in hotel tax revenue.

The Town filed special legislation that was approved, to earmark all of the revenue from this source to be used for the purchase of open space and recreation land or the construction of recreation facilities. The Town Council may choose to borrow funds and use the receipts to pay for the debt or pay cash for smaller purchases or construction projects. The current balance is \$ 1,100,000.

Local Receipts –

This is a broad category of revenues including motor vehicle excise tax, ambulance fees, permit fees, fines, and interest income, etc. The estimated FY 07 local receipts are \$8,379,483, motor vehicle excise tax accounts for \$3,950,000.

On the next page is a four-year breakdown of local receipts.

TOWN OF FRANKLIN
Revenue Budget
Fiscal Year 2006 as of: 12/31/2005

| REVENUE ACCOUNT | ACTUAL FY 2004 | ACTUAL FY 2005 | FY 2006 Actual 12/31/2005 | FY 2006 Tax Recap Estimate | FY 2007 Original Estimate |
|--------------------------------------|-------------------|-------------------|---------------------------------|----------------------------------|---------------------------------|
| PROPERTY TAXES : | 38,269,084 | 39,765,983 | 19,932,782 | 42,529,336 | 43,831,695 |
| Category Over/(Under) Budget: | | | | | |
| Percentage Over/(Under) Budget: | | | | | |
| LOCAL RECEIPTS | | | | | |
| MOTOR VEHICLE EXCISE: | 4,188,912 | 4,073,300 | 1,007,199 | 3,930,050 | 3,950,000 |
| PENALTIES & INTEREST ON TAXES: | 319,722 | 271,696 | 142,520 | 259,000 | 258,000 |
| PAYMENTS IN LIEU OF TAXES: | 637 | 652 | - | - | - |
| FEES/AMBULANCE: | 390,769 | 468,633 | 277,402 | 527,720 | 525,000 |
| FEES/OTHER: | 428,765 | 377,378 | 184,603 | 367,280 | 792,983 |
| DEPARTMENTAL REVENUE - SCHOOLS: | 1,210 | 53 | - | - | - |
| DEPARTMENTAL REVENUE - LIBRARY: | 5,576 | 5,946 | 3,100 | - | 5,050 |
| DEPARTMENTAL REVENUE - RECREATION: | - | - | - | - | - |
| TOTAL OTHER DEPARTMENTAL REVENUE: | 1,515 | 1,840 | 745 | - | 1,500 |
| LICENSES & PERMITS: | 946,268 | 1,249,284 | 587,115 | 1,200,000 | 1,233,350 |
| SPECIAL ASSESSMENTS: | 11,229 | 58,716 | (35,483) | 40,000 | 40,100 |
| FINES & FORFEITS: | 134,194 | 109,131 | 61,833 | 100,000 | 116,000 |
| INVESTMENT INCOME: | 468,979 | 662,995 | 466,731 | 550,000 | 600,000 |
| MISCELLANEOUS RECURRING: | 19,175 | - | - | 700,000 | 857,500 |
| MISCELLANEOUS NONRECURRING: | 169,854 | 776,202 | 373,079 | - | - |
| TOTAL LOCAL RECEIPTS: | 7,086,805 | 8,055,824 | 3,068,842 | 7,674,050 | 8,379,483 |
| STATE REVENUE | | | | | |
| CHERRY SHEET: | 25,082,771 | 40,156,445 | 14,747,280 | 28,356,760 | 30,534,006 |
| OTHER STATE REVENUE: | 2,321 | 685,627 | - | - | - |
| TOTAL STATE REVENUE: | 25,085,092 | 40,842,071 | 14,747,280 | 28,356,760 | 30,534,006 |
| CHARGES FOR SERVICES - SEWER: | 4,166,047 | 4,057,109 | 2,359,116 | 3,734,884 | 4,013,964 |
| CHARGES FOR SERVICES - WATER: | 5,033,426 | 4,969,283 | 2,914,998 | 4,757,495 | 4,996,144 |
| CHARGES FOR SERVICES - TRASH: | 2,607,023 | 2,206,581 | 1,032,011 | 2,108,871 | 2,158,413 |
| | 11,806,496 | 11,232,973 | 6,306,125 | 10,601,250 | 11,168,521 |
| Other Available Funds: | 422,500 | 3,178,000 | 2,053,000 | 2,053,000 | 2,530,000 |
| Free Cash: | - | - | - | - | - |
| TOTAL OTHER FUNDING SOURCES: | 422,500 | 3,178,000 | 2,053,000 | 2,053,000 | 2,530,000 |
| TOTAL REVENUE/OTHER FUNDING SOURCES: | 82,669,978 | 103,074,852 | 46,108,028 | 91,214,396 | 96,443,705 |
| less SBA reimbursement: | | 13,640,000 | | | |
| | | 89,434,852 | 46,108,028 | 91,214,396 | 96,443,705 |

Special Revenue Accounts

In 2005 our special revenue accounts (water, sewer, and trash) were converted to enterprise accounts effective 7/1/05. Similar to special revenue accounts changes to these budgets do not affect the general fund budget. If there are any excess funds at the end of the fiscal year, they are automatically closed to their respective account's fund balance. The Towns charges these accounts indirect costs that are transferred to the general fund.

Operating Budgets

The Town Council sets annual and long-term goals for the Town and the Administrator. In turn the Town Administrator meets with Department heads and they jointly establish goals for their department. The proposed budget attempts to meet the goals established by the Council and the Town Administrator. The fiscal constraints limit the ability of some departments to accomplish their established goals.

Recommended programmatic changes in the FY 07 budget

Change the Recreation funding from a revolving account to a general revenue account.

Town/Schools Cooperation– the Town and Schools have developed a wonderful partnership in dealing with a wide variety of issues. I want to thank Superintendent Dr. Crisafulli for helping make it possible. Over the past few years we have worked together on many issues realizing that we all work for the citizens of Franklin. Together, we have combined departments in the municipal building, created the facilities department, worked on the recreational improvements, and solved other problems as they arose. The Council has been very supportive of the School's capital and infrastructure requests. I look forward to a continuation of open communication and cooperation as we face a difficult financial problem starting in FY 08.

While it is critical to support public education it should be noted that over and above the regular school budget, the town provides a great deal of support via services (police, fire, DPW, Board of Health, purchasing and other administrative support) as well as financial support in other areas of the budget.

The following is an example of how the town pays for supporting the schools beyond the school budget appropriation. In FY 06 the estimated costs of providing services to the School is as follows:(rounded)

| | |
|-------------------|-------------|
| Pensions: | \$ 898,000 |
| General insurance | \$ 155,000 |
| Workers comp | \$ 145,000 |
| Unemployment | \$ 89,000 |
| General debt | \$1,052,000 |
| Total | \$2,339,000 |

Further, in FY 06 we paid an assessment of \$1,120,000 to the state for retired teachers' health insurance. When recommending the school appropriations required to maintain an excellent education for the youth of Franklin I must also consider the increased expense of paying for these other school related costs from the same "pot" of money that is used for the entire budget. As we look to the FY 08 budget we will continue to work together in serving the best interest of all our citizens.

Future Outlook

Despite a long list of restrictions the Town Councils have placed on single-family development, the population and school enrollment are projected to continue to rise to approximately 40,000 citizens and 7,100 students over the next couple of decades.

The rapid growth in fixed costs, (health insurance, pensions, energy) and the limited revenues allowed by state law have required us to reduce staffing levels of many municipal departments. Some examples include:

| | 2001 | 2007 |
|--------------------|-------------|-------------|
| General Government | 40 | 35 |
| Police | 54 | 46 |
| Library | 18 | 14 |
| Human services | 3 | 0 |

As demand for services rise, there are two unpleasant solutions to the problem: reduce services or increase taxes. The FY 08 budget will require very difficult decisions by the council as our revenues will not come close to meeting a level service budget.

We are undertaking a study of our financial obligation for unfunded retiree benefits (GASB 45). This is required under a new accounting procedure. This may have an impact on the overall stability of local governments throughout the nation.

Acknowledgements

The preparation of this budget would not be possible without the hard work of our Comptroller Susan Gagner, the Treasurer-Collector James Dacey, my assistant Maxine Kinhart and the cooperation of all the department heads and employees.

I am proud of all of our employees. They are dedicated in their working lives and in many cases they donate their free time to make Franklin a great community to live and work. We can't solve all the problems, but each employee gives their all in an effort to provide the highest quality of life for the least amount of money.

Final Comment -What do you get for your property tax?

Franklin's property taxes are among the lowest in the area. All of your property tax dollars remain in Franklin. They are used to provide high quality education, save property and lives, plow your streets, provide library and recreational opportunities, and assist senior citizens and veterans. When you need a paramedic, police officer, or other public service, they are a phone call away. Your tax dollars are used to improve your quality of life, and in the case of property owners, maintain and increase the value of your investment. In good times or bad we strive to be prudent with your taxes and be responsive to your needs. Please feel free to call me or visit if you have any questions or suggestions.

Jeff Nutting
Town Administrator