

HEARING – 7:10 PM

- FY 2018 BUDGET HEARING – 7:10 PM
1ST READING

	OPERATING BUDGET	FY 2017	FY 2018	FY 2018	FY 2018	approved
	TOWN OF FRANKLIN	Town Council	TA	Fin Comm	Town Council	
	FY 2018	Final	Recommend	Recommend	to Vote	v
111	Town Council					
	expenses	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	
		<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	
123	Town Administration					
	salaries	<u>419,236</u>	<u>451,299</u>	<u>451,299</u>	<u>451,299</u>	
	expenses	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	
		<u>444,236</u>	<u>476,299</u>	<u>476,299</u>	<u>476,299</u>	
131	Finance Committee					
	expenses	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	
135	Comptroller					
	salaries	<u>406,960</u>	<u>424,777</u>	<u>424,777</u>	<u>424,777</u>	
	expenses	<u>65,200</u>	<u>70,050</u>	<u>70,050</u>	<u>70,050</u>	
		<u>472,160</u>	<u>494,827</u>	<u>494,827</u>	<u>494,827</u>	
141	Assessors					
	salaries	<u>264,610</u>	<u>276,694</u>	<u>276,694</u>	<u>276,694</u>	
	expenses	<u>88,500</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	
		<u>353,110</u>	<u>351,694</u>	<u>351,694</u>	<u>351,694</u>	
147	Treasurer-Collector					
	salaries	<u>381,209</u>	<u>391,532</u>	<u>391,532</u>	<u>391,532</u>	
	expenses	<u>57,395</u>	<u>57,305</u>	<u>57,305</u>	<u>57,305</u>	
	tax title expenses	<u>32,000</u>	<u>32,000</u>	<u>32,000</u>	<u>32,000</u>	
		<u>470,604</u>	<u>480,837</u>	<u>480,837</u>	<u>480,837</u>	
151	Legal					
	salaries	<u>98,468</u>	<u>101,000</u>	<u>101,000</u>	<u>101,000</u>	
	expenses	<u>45,000</u>	<u>46,500</u>	<u>46,500</u>	<u>46,500</u>	
		<u>143,468</u>	<u>147,500</u>	<u>147,500</u>	<u>147,500</u>	
152	Human Resources					
	salaries	<u>159,876</u>	<u>143,000</u>	<u>143,000</u>	<u>143,000</u>	
	expenses	<u>16,950</u>	<u>16,950</u>	<u>16,950</u>	<u>16,950</u>	
		<u>176,826</u>	<u>159,950</u>	<u>159,950</u>	<u>159,950</u>	
155	Information Technology					
	expenses	<u>163,268</u>	<u>205,000</u>	<u>205,000</u>	<u>205,000</u>	
		<u>163,268</u>	<u>205,000</u>	<u>205,000</u>	<u>205,000</u>	
161	Town Clerk					
	elected official salary	<u>77,000</u>	<u>81,000</u>	<u>81,000</u>	<u>81,000</u>	
	salaries	<u>61,600</u>	<u>67,816</u>	<u>67,816</u>	<u>67,816</u>	
	expenses	<u>19,650</u>	<u>24,550</u>	<u>24,550</u>	<u>24,550</u>	
		<u>158,250</u>	<u>173,366</u>	<u>173,366</u>	<u>173,366</u>	
164	Elections & Registration					
	salaries	<u>32,783</u>	<u>28,514</u>	<u>28,514</u>	<u>28,514</u>	
	expenses	<u>22,400</u>	<u>23,000</u>	<u>23,000</u>	<u>23,000</u>	
		<u>55,183</u>	<u>51,514</u>	<u>51,514</u>	<u>51,514</u>	
176	Appeals Board					
	expenses	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	
		<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	
177	Planning & Growth Manage					
	salaries	<u>273,735</u>	<u>280,090</u>	<u>280,090</u>	<u>280,090</u>	
	expenses	<u>36,650</u>	<u>39,650</u>	<u>39,650</u>	<u>39,650</u>	
		<u>310,385</u>	<u>319,740</u>	<u>319,740</u>	<u>319,740</u>	

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192	Public Property & Buildings					
	salaries	2,537,300	2,640,604	2,640,604	2,640,604	
	expenses	4,123,450	4,272,300	4,272,300	4,272,300	
		6,660,750	6,912,904	6,912,904	6,912,904	
196	Central Service					
	expenses	115,600	115,100	115,100	115,100	
		115,600	115,100	115,100	115,100	
	Subtotal, General Government	9,534,340	9,899,231	9,899,231	9,899,231	
210	Police					
	salaries	4,852,160	5,023,506	5,023,506	5,023,506	
	expenses	242,625	258,514	258,514	258,514	
		5,094,785	5,282,020	5,282,020	5,282,020	
220	Fire					
	salaries	4,772,760	4,946,066	4,946,066	4,946,066	
	expenses	408,900	413,800	413,800	413,800	
		5,181,660	5,359,866	5,359,866	5,359,866	
225	Regional Dispatch					
	expenses	47,000	94,000	94,000	94,000	
		47,000	94,000	94,000	94,000	
240	Inspection					
	salaries	358,888	373,120	373,120	373,120	
	expenses	24,600	23,000	23,000	23,000	
		383,488	396,120	396,120	396,120	
292	Animal Control					
	expenses	67,226	69,428	69,428	69,428	
		67,226	69,428	69,428	69,428	
293	Parking Meters					
	expenses	2,000	0	0	0	
		2,000	0	0	0	
	Subtotal, Public Safety	10,776,159	11,201,434	11,201,434	11,201,434	
300	Town Schools	58,412,350	60,175,000	60,175,000	60,175,000	
390	Regional School	2,261,376	2,373,202	2,373,202	2,373,202	
395	Norfolk Aggie	36,000	38,000	38,000	38,000	
	Subtotal, Education	60,709,726	62,586,202	62,586,202	62,586,202	
440	DPW-Highway Dept					
	salaries	1,564,458	1,679,657	1,679,657	1,679,657	
	expenses	2,602,520	2,824,840	2,824,840	2,824,840	
		4,166,978	4,504,497	4,504,497	4,504,497	
424	Street Lighting					
	expenses	155,000	165,000	165,000	165,000	
		155,000	165,000	165,000	165,000	
	TOTAL DPW - Hwy	4,321,978	4,669,497	4,669,497	4,669,497	
510	Health					
	salaries	184,056	203,179	203,179	203,179	
	expenses	4,250	4,250	4,250	4,250	
		188,306	207,429	207,429	207,429	


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525	Public Health Services					
	expenses	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	
		20,000	20,000	20,000	20,000	
541	Council on Aging					
	salaries	182,163	190,469	190,469	190,469	
	expenses	<u>4,000</u>	<u>5,800</u>	<u>5,800</u>	<u>5,800</u>	
		186,163	196,269	196,269	196,269	
543	Veterans Services					
	expenses	39,600	43,250	43,250	43,250	
	veterans assistance	<u>213,000</u>	<u>225,000</u>	<u>225,000</u>	<u>225,000</u>	
		252,600	268,250	268,250	268,250	
	Subtotal, Human Services	647,069	691,948	691,948	691,948	
610	Library					
	salaries	494,463	574,477	574,477	574,477	
	expenses	<u>237,000</u>	<u>262,000</u>	<u>262,000</u>	<u>262,000</u>	
		731,463	836,477	836,477	836,477	
630	Recreation					
	salaries	292,960	303,340	303,340	303,340	
	expenses	<u>228,380</u>	<u>248,380</u>	<u>248,380</u>	<u>248,380</u>	
		521,340	551,720	551,720	551,720	
691	Historical Commission					
	salaries	3,500	4,000	4,000	4,000	
	expenses	<u>2,500</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	
		6,000	7,000	7,000	7,000	
692	Memorial Day					
	expenses	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	
		1,200	1,200	1,200	1,200	
695	Cultural Council					
	expenses	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	
		3,000	3,000	3,000	3,000	
	Subtotal, Culture & Recreation	1,263,003	1,399,397	1,399,397	1,399,397	
710	Retirement of Debt					
	general fund	2,008,000	2,006,000	2,006,000	2,006,000	
	general fund excluded	1,832,000	1,870,000	1,870,000	1,870,000	
750	Interest					
	general fund	639,441	538,080	538,080	538,080	
	general fund excluded	2,009,093	1,937,628	1,937,628	1,937,628	
	new ban's	206,250	250,000	250,000	250,000	
	new ban's excluded	120,000	0	0	0	
	short term interest general fund	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>	
	Subtotal, Debt Service	6,822,784	6,609,708	6,609,708	6,609,708	

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FY 2018		Final	Recommend	Recommend	to Vote	
Benefits:						
910	Retirement & Pension	4,351,658	4,771,398	4,771,398	4,771,398	
	Health/Life Insurance Benefits	2,610,000	2,750,000	2,750,000	2,750,000	
	Retired Teacher Health Insurance	890,000	910,000	910,000	910,000	
	Non-GIC School Retirees	855,000	950,000	950,000	950,000	
	Workers Compensation	620,000	550,000	550,000	550,000	
	Unemployment Compensation	125,000	110,000	110,000	110,000	
	Medicare	280,000	315,000	315,000	315,000	
	OPEB	450,000	500,000	500,000	500,000	
	Compensation Reserve	40,000	100,000	100,000	100,000	
Subtotal Benefits		10,221,658	10,956,398	10,956,398	10,956,398	
945	Liability Insurance	510,000	525,000	525,000	525,000	
TOTAL ALL BUDGETS		104,806,717	108,538,815	108,538,815	108,538,815	
Surplus/(Deficit)		41,771	3,110	3,110	3,110	
ENTERPRISE FUNDS:						
434	Solid Waste Disposal					
	salaries	68,173	70,129	70,129	70,129	
	expenses	1,881,500	1,871,813	1,871,813	1,871,813	
		1,949,673	1,941,942	1,941,942	1,941,942	
440	Sewer					
	salaries	652,477	674,009	674,009	674,009	
	expenses	408,725	409,750	409,750	409,750	
	charles river assesment	3,618,260	3,651,680	3,651,680	3,651,680	
	OPEB	6,000	6,000	6,000	6,000	
	prinicipal & interest	388,906	373,711	373,711	373,711	
		5,074,368	5,115,150	5,115,150	5,115,150	
450	Water					
	salaries	1,177,709	1,208,202	1,208,202	1,208,202	
	expenses	1,965,150	2,051,000	2,051,000	2,051,000	
	OPEB	16,000	16,000	16,000	16,000	
	prinicipal & interest	1,590,038	1,594,701	1,594,701	1,594,701	
		4,748,897	4,869,903	4,869,903	4,869,903	
TOTAL ENTERPRISE FUNDS		11,772,938	11,926,995	11,926,995	11,926,995	
TOTAL OPERATING BUDGET		116,579,655	120,465,810	120,465,810	120,465,810	

OFFICE OF THE TOWN ADMINISTRATOR



MEMORANDUM

DATE: April, 2017
TO: Town Council, School Committee, Finance Committee, Employees, Citizens of Franklin
FROM: Jeffrey D. Nutting, Town Administrator 
RE: Five Year Fiscal Forecast FY 18 - FY 22

Each year we look into the crystal ball and try to project the long term fiscal health of the community. We look at trends over the last five years, adjust for one time issues or “bumps” in the road and then try to predict the fiscal future. Looking ahead a couple of years is not that difficult while projecting five years ahead is a “best guess” of what may affect local government beyond the “normal revenue and expenses” We do not know today how the economy, Federal and State budgets, changing demographics, growing population, unknown mandates, health care, etc. will affect our fiscal health in the future.

We do know that:

- Our population has increased from 29,738 in 2001 to over 34,000 in 2017 and it will continue to increase. Currently there are over 800 potential housing units under construction, in the “pipeline or proposed by developers with more to come.
- Health care costs continue to be a concern.
- Our unfunded retiree health insurance obligation is \$93,000,000 (2015).
- Our unfunded pension liability is \$41,346,000 (2016).
- The FY 18 School budgets will use one time revenues to balance the budget and beyond that they will have few reserves left.

Franklin is in generally good financial shape today but we will continue to struggle to maintain high quality school and municipal services given the fiscal constraints that we operate under.

I believe we can continue a “level service” budget in fiscal year FY 18. The trend suggests that in FY 19 we will need to use school and town reserves to maintain services.

Starting in FY 20 the forecast strongly suggests we will face service cuts and/or a tax increase.

While many departments would like to add employees to better serve the citizens the available revenues leave very few options for expanding the work force with reoccurring revenues.

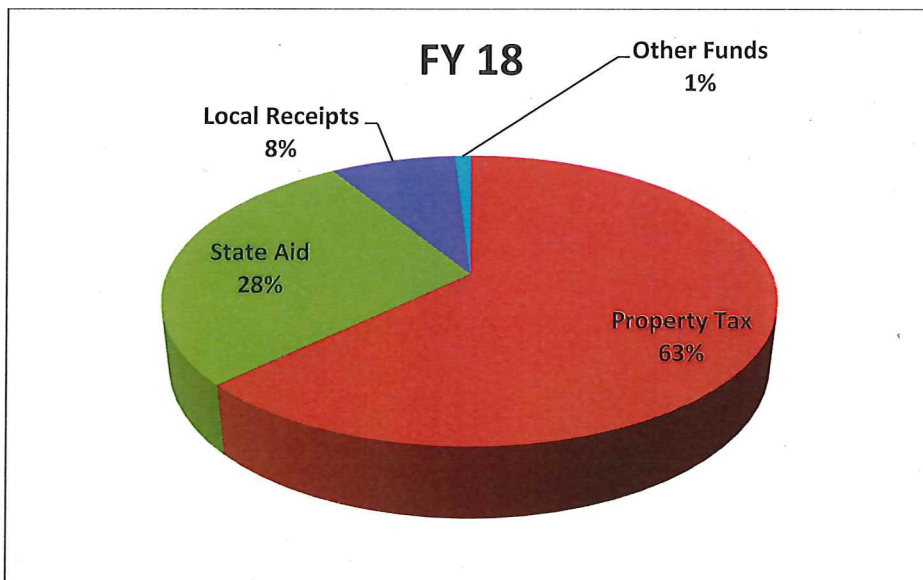
In order to have true fiscal stability there would need to be a great deal of change in Federal and Sate laws and regulations that drive up the cost of doing business. I do not see any political will to make major changes for the foreseeable future.

We will continue to do are very best on behalf of all the citizens of Franklin to maintain a high quality of life while trying to control costs to the taxpayers.

The Budget

The town budget has many moving parts but when you get to the bottom line it is pretty simple. We collect a certain amount of revenue and we can only spend what we collect. This includes borrowing money to pay for long term debt (unless it is voted by the citizens to exclude certain debt).

We have three major sources of revenue, Property Taxes, State Aid and Local Receipts (fees for services). The projected FY 18 Revenues as follows is subject to some adjustment based on the final state budget and changes to new growth.



Property Taxes - FY 18 - \$ 69,438,434

Property taxes are allowed to grow by 2.5% per year plus tax revenue from new construction or renovation of existing buildings (New Growth). Over time this has been a consistent revenue source. The only variable has been during a weak economy folks do not build or renovate buildings at the same rate as a “normal economy”. The fiscal forecast shows that property tax revenue will increase and that new growth from construction/renovation will be relatively consistent over the next five years.

State Aid - FY 18 - \$ 31,292,635

All the funds provided by state aid are formula driven. These funds are provided by the State and are subject to the annual state budget process and vote of the legislature and Governor. The four major categories of revenue are Chapter 70, Charter School, Unrestricted Aid and All Other. Total state aid revenues from FY 11 to FY16 increased by \$650,842. State Aid is still below FY 09 levels of 33,069,057.

Education Aid as part of State Aid shown above (Chapter 70) – FY 18 - \$28,020,271

The Town of Franklin was the recipient of large increases in Education Aid, Chapter 70 from the mid 1990’s until 2009 when as a result of the economy it was reduced by \$3.2 million dollars. The increases in Chapter 70 were the result of large increases in student population growth, from a little over 3,300 students to over 6,000 students, and the formula that favored both student population growth and Franklin’s fiscal status when the law was passed. The legislature has since changed the formula. Further, our school enrollment is on a decline at the elementary level. The combination of those two factors suggests that our Chapter 70 funds will grow but at a very low level compared to the past. Further, it is generally acknowledged that state aid increases more in an election year, than in a non-election year. The forecast “smooth’s” that tread to an average increase every year.

Charter School Aid – FY 18 - \$ 424,351

Since Franklin hosts a charter school, the state provides some funding to the town, which has declined from \$837,016 (actual received) in FY 11 to \$424,351 in FY 18. At the same time, the charges against the town for the Charter School have risen from \$3,732,262 to \$4,158,184. The total net change is \$ 838,587 since FY 11.

Unrestricted Aid - FY 18 - \$ 2,468,462

These funds are from the lottery and can be used for any public purpose. In FY 11 we received \$2,089,973 and it has been slowly increasing over the past few years.

All Other State Aid – FY 18 -\$379,551

This is the total of several small accounts.

State Aid Assessments FY 18 – (\$5,029,771)

It should be noted that along with revenue from the State, we receive an assessment for several services including School Choice, State Assessment, County Assessment and Charter School. With the exception of the Charter School these charges have not changed very much over the past five years.

Local Receipts - FY 18 - \$ 8,650,000

This revenue is a result of fees, excise tax, licenses etc. collected by the town. They are generally consistent, but subject to the overall economy. When new car sales are down, we collect less excise tax, if building construction slows, there are fewer permits. Over the long run the local receipts tend to rise, but given it is less than 8% of revenue, it does not have a dramatic effect on our overall revenues. Estimated receipts are slowly rising due to motor vehicle sales.

In summary:

Overall Revenues and State/County Assessments:

	<u>FY 13</u>	<u>FY 18</u>	<u>Difference</u>
Property Tax	\$ 57,171,540	\$ 69,438,434	\$ 12,266,894
State Aid	\$ 30,129,463	\$ 31,292,635	\$ 1,163,172
State/County charges	(\$ 580,608)	(\$ 648,607)	(\$67,999)
Charter School	(\$ 4,112,316)	(\$ 4,158,184)	(\$45,868)
Overlay	(\$725,141)	(\$715,000)	(\$10,141)
Local receipts	<u>\$ 7,050,000</u>	<u>\$ 8,650,000</u>	<u>\$ 1,600,000</u>
Total	\$ 88,932,938	\$ 103,859,278	\$ 14,926,340

Overall revenues have increased mostly as a result increased property taxes.

Property taxes are “insolated” from the economy. They can rise every year by 2.5% plus new growth no matter if the economy is doing great or poorly. State Aid and local receipts are more reflective of economic conditions. You will note the ‘average increase in revenue per year over the last five years was slightly less than \$2.985 million and most of that was from property taxes. Looking forward I believe the annual revenue increase will continue to be about \$2.9 million per year and property taxes will provide about 82% of that total.

The town does not have any taxing authority above what is allowed by state law. This means generally the only way to increase revenues by any substantial amount beyond what we “normally” collect is a decision by the voters to see if they support paying higher taxes. This option comes in a several forms but the two most common are a debt exclusion override to pay for a capital project, for example the new high school, or an override to support ongoing cost of providing education and municipal services. Franklin voters have supported several Debt

Exclusions for the construction of school buildings and one override in Fiscal Year 2007 for support of the operating budget. The reason a debt exclusion or override may be considered from time to time is that our revenues are constrained by law while expenses are subject to the “market”, (the cost of goods and services, inflation, etc.), legal and statutory requirements or the desire to maintain a certain level of services to our citizens and history and tradition.

We continue to look at ways to push back against the “market”, fight unfunded mandates and other laws that drive up the cost of government while maintaining service levels we believe the citizens of Franklin desire. Sometimes, despite our efforts, the citizens are left with two choices, reduce services or pay higher taxes. The good news is that it is the citizen’s choice.

Personal Costs (wages and staffing)

We have trimmed the staff over time to balance the budget. While we would like to provide better service to our citizens it is beyond our ability to fund many added positions without compromising other services.

Personnel costs (wages and benefits) account for 77% of the budget. We continue to look at the appropriate staffing size in each department, part time employees when appropriate, sharing health insurance costs and providing a competitive wages to our employees.

Almost all municipal collective bargaining contracts are settled until June 30, 2019, and the School Teachers contracts in FY 2019.

Pension System

The Town belongs to the Norfolk County Retirement System. Municipal employees that work 20 hours per week are required to belong to the system and teachers belong to the state teacher’s retirement system. If you are a member of the retirement system you do not pay into social security. Employees pay between 7% and 11% of their pay into to county system and can retire at different ages depending on which position you hold. The retirement system and almost all of the over 100 public retirement systems in the Commonwealth are underfunded due to many factors, but the biggest reason is that communities didn’t pay sufficient funds from the 1930’s until about 1988 when each system was required to be fully funded by 2028 (now changed to 2040). Norfolk County’s system is scheduled to be fully funded by 2032. However that is subject to change. Once the pension is fully funded the town will have a dramatic reduction in pension costs and overall pensions will be less than 4% of payroll.

The Norfolk County Retirement Board announced that all communities should expect a 10% increase in pension costs each year for the next four years. Unfortunately in the short run

pensions costs will rise and put additional pressure on the annual operating budget for the foreseeable future. Changes to the pension system are solely under the control of the state, accordingly I see no relief in sight on rising cost of pensions.

Health Insurance

The town, working in cooperation with our employees, has done an excellent job constraining the relentless upward pressure on health insurance costs. Our health insurance costs are equal to the Commonwealth of Massachusetts' most popular plan and we continue to look at ways to fairly share the cost. Unfortunately health care continues to rise, our employee average age continues to rise, and as baby boomers retire our retiree health insurance is now a huge issue that needs to be addressed.

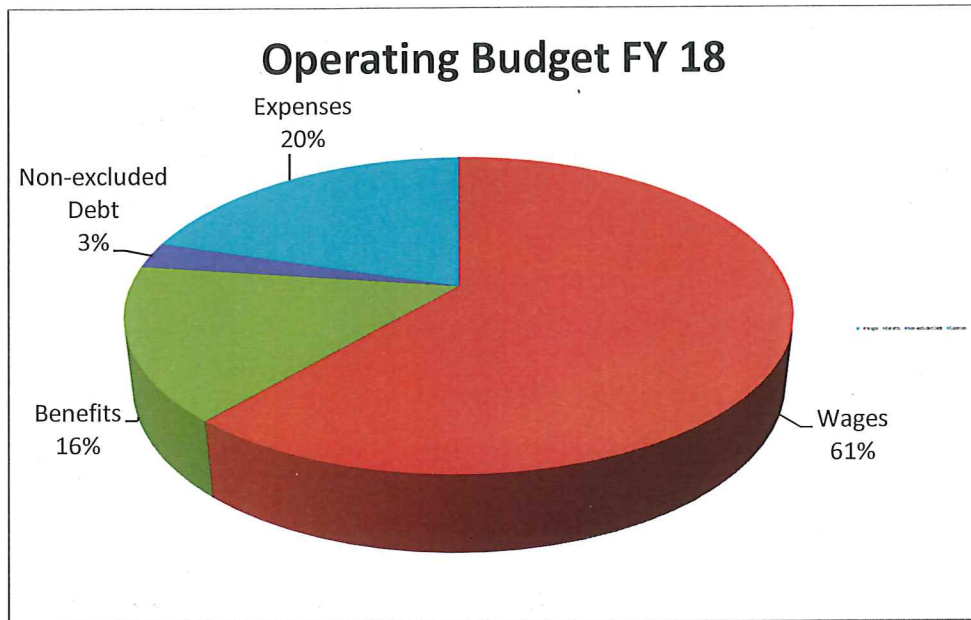
OPEB (Other Post Retirement Benefits) The Town's Other Post Retirement Benefits (OPEB) is the cost for retiree health insurance. Currently our obligation is nearly \$93 million. If we were able to properly fund our OPEB obligation it would be reduced to \$52 million but we would need to pay over \$2.6 million per year toward this obligation. Since our new revenues are about \$2.9 million per year it is impossible to properly fund OPEB without major reductions in current services. I believe we need to consider changing retiree health benefits in order to maintain the levels of service that the citizens desire. I expect the unfunded obligation to increase when the study is complete in 2017.

School Enrollment

The good news is that the overall school enrollment has generally declined at the elementary and middle school levels while increasing at the High School. Since 2008 the K-8 enrollment has dropped from 4,478 to 3,654, a reduction of 824 students while the high school has increased from 1,574 to 1,734, an increase of 160 students. This reduction in elementary/middle school enrollment has helped the schools balance their budget and reduce class size with minimal increases to their annual operating budget. We will continue to review enrollment projections as they will play a major role in fiscal decisions.

Expenses and non-excluded debt

We will continue to look at all available options to streamline operations. Please note that 77% of the budget is personnel costs with expenses making up about 20% and non-excluded debt at 3%. There is very little savings to be had on the expense side of the ledger.



We constantly look to save funds in all areas of the expense budgets, as we have for a years. We review energy efficiency, cost of materials, solicit bids for almost everything we purchase, use state wide bid list as well as group purchasing collaboratives.

Where Are We Headed

The forecast shows that we should be able to maintain service levels for FY 18 (July 1, 2017). Beyond the next year the budget will be challenging as our “normal” revenue increase does not keep pace with “normal” expense increases. It is difficult to look beyond FY 19 given the uncertainty of so many factors. Further we have the potential of over 800 housing units (Houses, Condo’s and Apartments) being built in the next few years, adding additional pressure on school and municipal services.

It is projected that revenues will increase about \$2.9 million dollars annually. However wages, health insurance, pensions, OPEB, general insurance, SPED, School transportation will exceed that amount. Further maintaining appropriate class size, providing sufficient police, fire, and other services will be a challenge.

Summary

The only short term way to reduce costs is to further reduce staffing levels. This will directly affect the quality of education and public services currently provided by the Town. I would argue that we should be adding positions in selective municipal departments and the school system to adequately maintain services. Finally, the budget will be balanced and we will do the best we can with the revenues that are available.

Executive Summary - Five Year Fiscal Forecast FY 18 - FY 22

Revenues – Assumptions

1. The FY 18 budgets will be balanced but the schools will use reserves once again to balance the their budget.
2. New growth will continue at a steady pace.
3. The economy will remain stable and local receipts will grow modestly.
4. Future State Aid will is an unknown at this time.
5. The change in the Charter School funding unknown at this time.
6. Actions by the Federal government are unknown at this time.

Expenses – Assumptions

1. The forecast is based on current Fiscal Policies.
2. There will only be minor changes in municipal staffing levels.
3. School enrollment remains a big question.
4. Wages, Health Insurance, Pension and Retiree health Insurance (OPEB) are the biggest costs drivers and will continue to put pressure on the annual budgets.
5. We are not funding OPEB at a sufficient level at this time
6. **By FY 19 the forecast strongly suggests we could be in a position to use some reserves, reduce the current level of services, and consider a tax increase or some combination of the above to balance the budget.**
7. **Unless something changes FY 20 will be very tough to balance without the changes listed above.**

Potential Long-Term Solutions

1. Consider changing retiree health insurance from 68/32 to 50/50% over some period of time
2. Continue to hire part time employees when appropriate
3. Continue to lobby against unfunded mandates
4. Continue to look to shared services when available
5. Continue to consider technology as a way to maximize efficient operations.
6. Continued with commercial/industrial development where appropriate to increase property tax revenues.
7. Encourage hotels (room tax) and restaurants (meals tax) to do business in Franklin
8. Continue to lobby to change outmode and expensive laws.
9. Lobby for an increase in the local marijuana tax.

Attached is the forecast for the next five years.

<u>FY 18 Proposed Budget and Forecast</u> Department	Projected FY18 Salary	Projected FY18 Expense	Projected FY18 Total	Projected FY19 Total	Projected FY20 Total	Projected FY21 Total	Projected FY22 Total
Town Council		4,000	4,000	4,000	4,500	4,500	4,590
Town Administration	451,299	25,000	476,299	500,500	512,885	525,577	538,584
Finance Committee		1,500	1,500	1,500	1,530	1,561	1,592
Comptroller	424,777	70,050	494,827	508,971	521,338	534,007	546,986
Assessors	276,694	75,000	351,694	361,495	370,150	379,013	388,091
Treasurer	391,532	89,305	480,837	494,369	506,273	518,465	530,953
Legal	101,000	46,500	147,500	151,460	155,009	158,643	162,362
Human Resources	143,000	16,950	159,950	164,579	168,607	172,734	176,962
Data Processing		205,000	205,000	235,000	239,700	244,494	249,384
Town Clerk	148,816	24,550	173,366	178,321	182,654	187,093	191,640
Elections & Registration	28,514	23,000	51,514	52,829	54,033	55,264	56,524
Appeals Board		5,000	5,000	5,000	5,100	5,202	5,306
Planning & Growth Manage	280,090	39,650	319,740	328,493	336,505	344,714	353,123
Public Property & Buildings	2,640,604	4,272,300	6,912,904	7,077,568	7,232,719	7,391,312	7,553,426
Central Service		115,100	115,100	120,000	122,400	124,848	127,345
Subtotal, Gen Govern	4,886,326	5,012,905	9,899,231	10,184,086	10,413,403	10,647,427	10,886,867
Police	5,023,506	258,514	5,282,020	5,512,895	5,649,399	5,864,290	6,009,525
Fire	4,946,066	413,800	5,359,866	5,625,985	5,764,524	5,981,484	6,128,826
Regional Dispatch		94,000	94,000	100,000	100,000	100,000	100,000
Inspection	373,120	23,000	396,120	407,774	417,851	428,177	438,760
Animal Control		69,428	69,428	70,817	72,233	73,678	75,151
Parking							
Subtotal, Public Safety	10,342,692	858,742	11,201,434	11,717,470	12,004,007	12,447,629	12,752,262
Town Schools		60,175,000	60,175,000	62,281,125	64,460,964	66,717,098	69,052,197
Regional School		2,373,202	2,373,202	2,432,532	2,493,345	5,098,891	10,478,222
Norfolk Aggie		38,000	38,000	38,000	38,000	38,000	38,000
Subtotal, Education		62,586,202	62,586,202	64,751,657	66,992,310	69,298,310	74,342,055
DPW - Hwy -Admin-Engineer	1,679,657	2,824,840	4,504,497	4,711,384	1,773,298	5,121,413	5,282,930
Roads							
Street Lighting		165,000	165,000	168,300	171,666	175,099	178,601
Subtotal, Public Works	1,679,657	2,989,840	4,669,497	4,879,684	5,085,927	5,296,512	5,461,531
Health	203,179	4,250	207,429	213,609	218,928	224,379	229,966
Public Health Services		20,000	20,000	20,000	25,000	25,000	25,000
Council on Aging	190,469	5,800	196,269	212,099	217,372	222,776	228,315
Veterans Services		43,250	43,250	45,000	47,000	47,940	48,899

<u>FY 18 Proposed Budget and Forecast Department</u>	<u>Projected FY18 Salary</u>	<u>Projected FY18 Expense</u>	<u>Projected FY18 Total</u>	<u>Projected FY19 Total</u>	<u>Projected FY20 Total</u>	<u>Projected FY21 Total</u>	<u>Projected FY22 Total</u>
Veterans Assistance		225,000	225,000	225,000	225,000	225,000	225,000
Subtotal, Human Services	393,648	298,300	691,948	715,708	508,300	520,095	532,179
Library	574,477	262,000	836,477	886,711	907,129	928,432	950,241
Recreation/Human Services	303,340	248,380	551,720	565,788	578,666	591,840	605,318
Cultural Council		3,000	3,000	3,000	3,000	3,060	3,121
Historical Commission	4,000	3,000	7,000	7,000	5,000	5,100	5,202
Memorial Day		1,200	1,200	1,600	1,600	1,632	1,665
Subtotal, Cult & Rec	881,817	517,580	1,399,397	1,464,099	1,495,395	1,530,065	1,565,547
Non Excluded Debt		2,009,093	2,009,093				
Non Excluded Interest		796,080	796,080				
Subtotal debt		2,805,173	2,805,173	3,450,000	3,000,000	2,975,000	2,800,000
Excluded Debt		1,870,000	1,870,000	1,915,000	1,955,000	2,006,000	2,073,500
Excluded Interest		1,937,628	1,937,628	1,867,377	1,795,302	1,715,937	1,622,992
Subtotal, Debt Service		3,807,628	3,807,628	3,782,377	3,750,302	3,721,937	3,696,492
total, Debt Service		6,609,708	6,609,708	7,282,377	6,750,302	6,696,937	5,649,615
Retirement & Pension		4,771,398	4,771,398	5,248,538	5,773,392	6,350,731	6,985,804
Workers' Compensation		550,000	550,000	575,000	600,000	615,000	630,375
Unemployment Comp		110,000	110,000	110,000	125,000	125,000	125,000
Retired Teachers HI Trust		910,000	910,000	950,000	1,000,000	750,000	750,000
Retired School employees		950,000	950,000	1,100,000	1,250,000	1,400,000	1,400,000
Employee Health Insurance		2,750,000	2,750,000	2,970,000	3,148,200	3,337,092	3,537,318
OPEB		500,000	500,000	550,000	600,000	650,000	650,000
Medicare		315,000	315,000	330,000	345,000	355,350	366,011
Wage/Salary		100,000	100,000	100,000	100,000	100,000	100,000
Subtotal, Ins & Other		10,956,398	10,956,398	11,933,538	12,926,592	13,683,173	14,544,507
Insurance		525,000	525,000	570,000	585,000	599,625	614,616
TOTAL ALL BUDGETS	18,184,140	90,354,675	108,538,815	113,498,619	116,761,235	120,719,773	126,349,178
Revenues			108,541,926	111,723,028	113,992,832	116,831,682	120,275,373
Surplus/(Shortfall)			3,111	(1,775,591)	(2,768,403)	(3,888,091)	(6,073,806)

Town of Franklin

Town Administrator
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355 East Central Street
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December 9, 2016

Karen E. Spilka
State Senator
Room 212
State House
Boston, MA 02133

Richard J. Ross
State Senator
Room 419
State House
Boston, MA 02133

Jeffrey N. Roy
State Representative
Room 527A
State House
Boston, MA 02133

Re: 2017-2018 Legislative Priorities

Dear Legislative Delegation:

Congratulations on your recent re-election to your respective branches. We look forward to working with you throughout your next term and thank you for your continued strong leadership on behalf of the residents of Franklin.

At your request, we are writing to share some of our priorities for the 2017-2018 legislative session. The following issues are of substantial financial concern to the Town of Franklin and reflect the most challenging aspect of our jobs: managing the Town's operating budget cost drivers. As we peak into the short-term future of the community's budget forecasts, the challenges to maintain the levels of service since the Great Recession within the constraints of the law are going to become increasingly difficult in the years ahead, especially when factoring in the relatively robust economic climate currently enjoyed in Massachusetts.

We understand these are not new issues to the legislative docket. However, we firmly believe more proactive steps must be taken to help address some of the structural issues that affect municipal finance.

1. Reallocate Funds to Established State Aid Programs

Each year the Legislature votes hundreds of millions for specific projects in communities across the state. We recommend reallocating those funds into established state aid programs.

3. Other Post-Employment Benefits (OPEB) Reform

We recommend spearheading a legislative effort to make structural changes to the laws regarding retiree health insurance. Our priority has less to do with any direct financial relief, which given the liability for all cities, towns, counties and the state agencies, is not realistically feasible for the state to unilaterally shoulder. However, as you know, a report was released by a Special Commission in January of 2013 with a series of modest recommendations to help all public agencies reform retiree health insurance and benefits to a more sustainable and manageable level for future public employees.

Now is the time for reform. As the baby boomers begin to retire in large numbers, it's our obligation to make the necessary changes in law to ensure that the next generation is protected against this enormous liability. Furthermore, health insurance costs are one of largest cost drivers that takes away from day-to-day municipal services, like public education, roads, staff, facilities, affordable programs and much more.

With uncertainty at the federal level on health insurance, we see no end in sight for annual 7 to 10-plus percent hikes on health insurance premiums (if we're lucky). Franklin's current OPEB liability is \$93 million as of 2015. The Town appropriates almost \$700,000 +/- annually to its OPEB Trust Fund, which is barely enough to keep up with the projected liability on the new employees we hire. To illustrate this point, each new employee we hire equals \$4 million in OPEB liability over their career and retirement of them and their spouses. The current law is unsustainable.

We urge you to review the January 2013 report and propose legislation to help all of us – in both state and local governments – manage this exponentially growing problem.

4. Chapter 32B Reform

As part of any legislative package at reforming retiree health insurance, we also recommend reforming Chapter 32B as part of that effort. For many of the reasons stated above, Chapter 32B significantly affects the ability of cities and towns to budget effectively to maintain day-to-day services, including employee health insurance. In today's marketplace and political environment, cities and towns need as much flexibility as possible to work with our employees to provide health insurance within our means.

Many of the provisions of Chapter 32B are outdated and need fresh perspective given the world we live in now. Chapter 32B was enacted in 1955 and has 34 sections that mandate local options, rules and regulations relating to employee health insurance, which are inconsistent in the modern market. For example, Section 9E of Chapter 32B requires every retiree to have the same contribution rate. The ability of cities and towns to grandfather current retiree's and modify the contribution rate for future retirees (and/or spouses) ensures communities will be creating another generation of employees with an unsustainable benefit, despite the facts that health insurance costs are (at this time) uncontrollable and employee salaries have risen to keep the Town competitive. Furthermore, many employees do not stay in one job for 35 years any longer and people are living longer. We project in the long term, the Town of Franklin will be liable for far more health insurance obligations for employees and their spouses for many

As the Commonwealth of Massachusetts state assessment system is undergoing restructuring the administration of MCAS 2.0 will impact all communities. The requirement to use digital assessments presents an ongoing funding challenge for municipalities. In Franklin we have been on the forefront of this change. As Franklin was a PARCC pilot district, the Town and school district partnered to make sure the infrastructure and student devices were in place to assure that our students would be successful on state assessments. However, the ongoing costs of repair/replacement of these devices will challenge municipalities over the next five years. Our fiscal forecast indicates that the school department will need approximately \$500,000.00 to \$1,000,000.00 over the next five years to replace student and faculty digital devices. To date the Town of Franklin has provided funding to cover these costs, however the replacement costs are unsustainable at the local level. A focus on technology infrastructure across the state is necessitated to make sure all of our schools can provide students with the 21st Century skills needed to be successful academically and to remain competitive in the work force.

We appreciate your attention to these requests. Do not hesitate to contact us. We are happy to work with you and do whatever we can to help achieve our goals.

Sincerely,



Jeffrey D. Nutting
Town Administrator



Maureen Sabolinski, Ed.D.
Superintendent of Schools

Cc:

Charlie Baker, Governor

Karyn Polito, Lt. Governor

Stanley Rosenberg, President of the Massachusetts State Senate

Robert DeLeo, Speaker of the Massachusetts House of Representatives

Franklin Town Council