

FINANCE DEPARTMENT
William R. Scollins, III (Randy)
Finance Director / Town Accountant

Overview

The Finance Department is comprised of five areas, staffed with 8 ½ full time equivalents, responsible for a variety of financial and technical functions as follows:

Administration Division

The Administration Division, staffed by Finance Director Randy Scollins, is responsible for day-to-day operational oversight and management of the Finance Department.

The Finance Director also provides financial and general support to, and/or served on, multiple committees over the past year including the following: Advisory Committee; Audit Committee; Cable Television Advisory Committee; Capital Improvement Planning Committee; Employee Insurance Advisory Committee; Industrial Development Finance Authority; Information Technology Committee; Patriots Place Negotiating Committee; as well as various municipal union bargaining committees.

Another major focus was the administration of, and fiduciary guidance for, the FY 2008 budget process. (*The Town's fiscal year ends in June.*) After sustaining a five year trend of substantially reduced state aid to the Town, i.e., a cumulative five year reduction of \$5 million, FY '07 net state aid was increased by \$1.6 million over FY '06. Although this was a sorely needed reversal of fortune for Foxborough, it was not the beginning of a renewed and sustained commitment of reliable aid from the state. In FY '08 net state aid increased by only \$131,000 over FY '07 levels. At \$8.5 million, Foxborough's net state aid is still a ~\$1.15 million reduction on an inflation adjusted basis from the Town's peak state aid in FY '01. On an inflation adjusted basis, the Town has endured cumulative state aid cuts of \$9.5 million over the last seven years. Consequently, the Town continues to struggle to sustain or improve service levels to the community.

The FY '08 Town operating budget of \$47.6 million, incorporating Public Safety staffing additions and union contract settlements approved at the June 2007, and December 2007, Special Town Meetings, respectively, reflects a \$1.2 million reliance on Free Cash. This is a \$1.25 million reduction / improvement from FY '06 when \$2.45 million was

required from Free Cash and other non-recurring revenue sources to balance the budget. As a result, in FY '08 the Town was able to fund its general fund capital improvement needs totaling \$1.79 million entirely from free cash and taxation, avoiding the need to borrow. In essence the Town was able to continue to stabilize its financial condition somewhat in FY '08, and continue to fund its significantly backlogged capital needs with current resources. This was the way the Town had operated before the state aid reductions. It is a positive for the Town that we have been able to flex back to the prudent financial management practices that were followed prior to the dramatic state aid reductions.

The Town continued, for the eleventh straight year, to rely on taxing to the levy limit allowed under Proposition 2 ½. Significant increases in the Town's Health Insurance costs and the Charter School Assessment (*per pupil charge*), combined with relatively depressed state aid levels, continue to add to the significant downward pressure on all other operating budgets.

As we enter the FY 2009 budget process we are again hopeful that the state will, at a minimum, renew its commitment to cities and towns with at least modestly increasing (by CPI), and reliable state aid. However, as highlighted in the foregoing, even with flat to slightly increased state aid, the Town still faces significant funding challenges in order to return to prior service levels and financial stability.

In an effort to provide meaningful context for recommendations to be made in the upcoming FY '09 budget process, the Finance Director prepared a five year revenue & expense forecast for the general fund. Although it is considered a draft document as of this writing, the analysis indicates that the significant one-time boost in permit & mitigation fees and expected rise in recurring tax revenue related to the Patriot Place development will not solve the Town's financial challenges. Even with the benefit of this revenue the Town will continue to struggle to maintain current resources and service levels for the simple reason that existing expenses and obligations are growing faster than revenues.

After reviewing a December 2006 Audit report from the State Auditor's office regarding Route 1 parking space permit fees, the Finance Director determined that the parking space permit holders had been overcharged by the State by ~\$44 thousand. After several months of working with the State's Executive Office of Administration & Finance it was agreed that this amount would be rebated to the permit

holders as a credit on the December 2007 permit fee bill, and it was.

Foxborough's Industrial Development Financing Authority was asked by the State to convene in order vote on refinancing the June 2000 \$69.81 million in Foxboro Stadium Infrastructure Bonds. This refinancing was part of a larger refinancing by the State due to a favorable interest rate environment. Although requested by the Finance Director, the State declined to share any of the interest rate savings with the third parties whom are contributing ~50% towards the interest payments. Those parties include the parking space permit holders discussed above and the stadium leaseholder.

Assessing Division

The Assessing Division had several staffing changes in 2007, as a result of two retirements. In the summer of 2007, the Assessing office saw long time Chief Assessor Michael G. Capron permanently retire from his part-time position as the head of the division. We are most grateful for all of Mike's excellent years of service to the Town and its taxpayers. Mike's calm and steady presence will certainly be missed by all of us. We wish Mike and his wife all the best in his retirement.

We were most fortunate to hire Hannelore Simmonds in July of 2007, as our new full-time Chief Assessor. Hanne has over 20 years of very solid municipal assessing experience. We are very pleased to have such a strong addition to our Finance team during a period of significant property valuation growth.

The division's primary responsibility is for real and personal property valuation which is the basis for levying the property tax. Valuations are established following state guidelines and are then certified by the Massachusetts Department of Revenue's (DOR) Bureau of Local Assessment (BLA).

The Massachusetts DOR certified the FY 2007 tax values and rates in March of 2007, six months behind schedule. FY 2007 was a triennial revaluation year. The last revaluation was completed in FY 2004. All Massachusetts towns are required by the DOR to repeat this comprehensive process every three years. However, the work for the current revaluation had to be 100% outsourced as a result of not having, and being unable to fund the reinstatement of, a full time Assessor in FY 2007. This staffing situation was ultimately rectified in the FY '08 budget process when the full time status of the Chief Assessor position was reinstated and funded.

The delay in certification was the direct result of inadequate (20 year old) mass appraisal software in use by the Assessor's office and the Town's contractor being unable to meet the originally established time table. As a result, preliminary tax bills had to be issued in the first half of FY '07. The DOR is requiring that the Town's appraisal software be replaced or risk future certifications. We are now in the process of replacing the appraisal system with a modern one capable of supporting the sophisticated analysis required by the DOR.

Second half tax bills were mailed on time. The FY 2007 certified values are summarized as follows:

FY 2007 Property Values:

Residential	\$ 2,159,820,329	78.87 %
Commercial	436,666,111	15.94 %
Industrial	82,511,300	3.01 %
Personal	<u>59,601,450</u>	<u>2.18 %</u>
	<u>\$ 2,738,599,190</u>	<u>100.00 %</u>

New growth capture provided property valuation increases of \$61.08 million and an increase of \$605,869 in new tax revenues. The FY 2007 levy limit calculation is presented below:

FY 2006 Levy Limit	\$ 24,402,657
Allowable 2.5% Increase	610,066
New Growth	<u>605,869</u>
FY 2007 Levy Limit	\$ 25,618,592
Add Debt Exclusions	<u>1,573,989</u>
Maximum Allowable Levy	\$ 27,192,581
Unused FY 2007 Levy	<u>\$ 25,677</u>
Actual FY 2007 Tax Levy	<u>\$ 27,166,904</u>

The resulting tax rate per \$1,000 in assessed value for FY 2007 was \$9.92.

The unused tax levy is solely the function of tax rates being calculated out to only two decimal places, as required by the Department of Revenue. This will almost always result in some amount less than one tenth of one percent of the maximum allowable levy being unused in a given year. As a result of the continuing funding challenges, the trend of taxing to the levy limit will likely continue.

The Board of Selectmen held the FY '07 Classification Hearing, as required annually of all municipalities by the Department of Revenue. The purpose is to vote on either a single tax rate for all classes of property or to have a "split" tax rate, i.e., a higher rate for business and a lower rate for

residential. The Board of Selectmen accepted the Board of Assessors' recommendation to maintain a single tax rate. Although eight area towns have adopted a split rate, a single rate in Foxborough is deemed an important ingredient to stimulate sorely needed commercial development, which would ultimately take some pressure off of residential tax payers.

The Assessing office is staffed with one full time and one permanent part-time support positions. Assistant Assessing Officer Paulette Wells decided to retire in June of 2007, after 30 years of service to the Town. Deborah Cochran was promoted to Assistant Assessing Officer in July of 2007, after serving successfully as a clerk in the office for 17 years. We were very happy to have Kelly Blair join the Assessing team in September of 2007, to complement the staff.

The support staff was busy during the year updating property records, processing deeds and permits, as well as the various abatement and exemption programs, in addition to managing motor vehicle excise tax administration. The re-listing of all property, required every ten years, is ongoing. This effort will provide more accurate data, resulting in improved taxpayer equity.

Accounting Division

The Accounting Division, staffed by Assistant Accounting Officer Jodi Cuneo, and Accounts Payable Clerk Lorraine Donovan, continues to devote much of their effort to weekly expenditure controls. They are meticulous in ensuring, as per their authority, that every town wide invoice is compliant with the state's strict procurement laws and that payrolls are compliant with Town contracts and by-laws. All town wide expenditure requests are processed weekly in development of the weekly payroll and expenditure warrants.

The Assistant Accounting Officer performs multiple weekly and monthly reconciliations to ensure that the Town's general ledger and all of its funds and subsidiary ledgers are accurate, balanced and compliant with DOR requirements. The division reviews budget to actual variances, manages encumbrances and reports on all ledgers monthly. They provide regular reporting to departments and ably assist all town wide departments with many accounting matters throughout the year.

In addition to the regular and considerable accounting duties, the Assistant Accounting Officer manages town wide administration of fuel and telephone

allocations, sick and vacation time tracking, worker's compensation and related annual audits, unemployment, self-insurance, off duty police and fire detail payroll, grants and betterments.

The Assistant Accounting Officer also provides outstanding budget process support by compiling, organizing, proofing, copying, and updating all budget requests and ultimately entering all approved budgets into the accounting system.

The division is required to submit many and various comprehensive financial reports throughout the year to the Department of Revenue. One critical report, Schedule A, is required in order to continue receiving the Town's state aid and another is required to certify the Town's available funds, i.e. "Free Cash", before they can be appropriated. The division is very diligent in working to meet these time sensitive deadlines. Timely reporting support for education costs incurred in non-education budgets is also provided to the School Department for their important annual report to the Dept. of Education.

The Town has a contract with the firm of R. E. Brown & Co., a firm that audits only municipalities in Massachusetts. The Town received a clean audit opinion for FY 2006. A copy is on file for public inspection. We are currently in the process of finalizing the FY 2007 audit. Unaudited preliminary FY 2007 statements can be found in the back of this publication.

FY 2007 will be the fifth year the Town has issued financial statements that are compliant with Governmental Accounting Standards Board (GASB) statement No. 34 (GASB 34). This is a dramatic financial reporting change for all state and municipal governments nationwide and has contributed to a delay in their annual development in Foxborough due to substantially increased reporting and complexity combined with limited accounting staffing and accounting software.

This new reporting model moves away from a partial accrual model to a full accrual model. A management discussion and analysis section covering GASB specified topics is also now a requirement. Further, capital assets, including infrastructure assets, are now included, as well as associated depreciation. Currently all Water and Sewer infrastructure assets are included in the Town's statements. As per the Town's GASB 34 adoption schedule, by FYE 2007, all road, sidewalk and bridge related infrastructure will be included in the statements.

Another major recent GASB pronouncement impacting all municipalities nationwide is GASB 45. By FY 2009 the Town will be required to hire an actuary to calculate the full liability associated with retiree health benefits. The result will need to be included, on a phased in basis, in the Town's financial statements and actuarially updated every two years. Although the calculations haven't been performed yet, it is anticipated that the full liability will be significant. Currently there is no requirement to forward fund this liability (today this is a pay as you go expense), but it is expected that those municipalities that do will begin to positively differentiate themselves from the perspective of bond rating agencies and the investment community. This development is similar to the unfunded pension liability condition and response that has already occurred across the country in both the private and public sectors.

We have recently completed the 100% audit requirements for the Igo school building renovation. We now await formal notification from the Massachusetts School Building Authority's (MSBA) Board of Directors that the Town will be receiving its full share of reimbursement. The Igo project was completed in 1995, but has only recently come up on the MSBA's priority list for audit due to the state's funding and organizational issues. The Town currently receives annually an estimated 75% reimbursement funding of MSBA's share towards the Igo debt service. Upon the MSBA's acceptance of the audit results, that percentage will increase to 100% of MSBA's share. This incremental annual payment from the MSBA will result in a direct reduction to the excluded debt tax that needs to be raised from taxpayers. With only three years left on the Igo bonds, the incremental amount owed by MSBA is expected to be received equally over the next three fiscal years (FY '09 - '11). That annual amount is estimated to be ~\$500 thousand and will be a direct savings for taxpayers.

Revenue Division

The Revenue Division is led by Treasurer / Collector Vivian Pitts and is staffed by Assistant Revenue Officer Lisa Sinkus, full-time clerk Jessica Minton and part-time clerk Judy Hertel. The division is responsible for management and oversight of the Town's cash, debt, billing and collections, as well as town wide benefits administration and payroll.

The Revenue Division continues to rely on increased utilization of automation in order to manage an increasing workload within its reduced staffing. The division worked hard at leveraging all low to no cost

automation options across its operations over the last year.

Specifically, the on-line payment option for motor vehicle excise tax, real estate and personal property tax continues to be offered through the Town's website www.townfoxborough.us and utilized by a growing number of tax payers. If a tax payer pays via the safe and convenient bank debit option, then there is no cost to use this service. As requested by many tax payers, a credit card payment option has been added. However credit card fees will be paid directly by the tax payer to the credit card company, as the Town can not afford to cover this cost which ranges from 2% - 3%. On-line payments are expected to be expanded over time to other types of town bills.

Last year the Collector's office finally joined the vast majority of other towns by establishing a "lock box" service for tax, water and sewer remittances that are mailed by tax and rate payers. This service has a very minimal cost to the Town, yet allows for payments to be processed more rapidly by a third party and deposited in the Town's bank more quickly. Due to water bills now having to be issued quarterly versus twice per year, this was a necessary measure in order to manage a doubling of collections. The other option would have been to hire more staff, but lock-box costs are a small fraction of hiring a staff person and therefore the most economical choice.

The Collector, for the third year, continues to utilize deputy collector (for delinquent taxes) Kelley & Ryan. Kelley & Ryan is the dominant deputy collector for Massachusetts municipalities. They have direct links with the Registry of Motor Vehicles database and have offices in many of the Registry's branches. Their significant investment in internet technology, accessible by the Town, has streamlined the process of resolving and ultimately collecting delinquent Motor Vehicle Excise taxes.

As reported last year, the Treasurer had a very successful and competitive (10 bids) bond offering on August 22nd of 2006, by receiving a low bid of 4.00% on \$4,515,000 of 20 year general purpose bonds. This very favorable rate will result in direct savings to Foxborough's taxpayers, as 100% of these bonds are excluded debt. The offering provided supplemental permanent funding for the Joint Public Safety Building project as authorized by the Town. There were no other borrowings in FY 2007.

Prior to the bond offering the Town's credit rating of Aa3 was reaffirmed as the result of a detailed credit review by Moody's Investors Service. "Aa" ratings are termed "Excellent". "Aaa" ratings are termed "Superior", "A" ratings are termed "Upper Medium", and "Baa" ratings are termed "Medium". Ratings below this are not investment grade. Numbers from 1 to 3 attached to the rating are sub-levels within the rating, with "1" being the highest.

Total general treasury activity for FY 2007, capturing the flow of all Town funds, including payroll tax payments, bond proceeds and payments, and trust fund activity is summarized as follows:

Balance as of 07/01/06	\$ 25,633,726
Gross Receipts	77,440,706
Gross Disbursements	<u>(80,069,578)</u>
Balance as of 06/30/07	<u>\$ 23,004,854</u>

FY 2007 investment earnings on cash balances remained considerable, primarily due to the relatively high short-term interest rate environment. In addition the Treasurer continued to work diligently with multiple banks to maximize the Town's yield, skillfully balancing yield with the higher priorities of all treasurers - safety and liquidity.

Unfortunately Foxborough's tax collection performance mirrored the mortgage industry collapse in the national economy in FY 2007, with a noticeable decline for the first time in many years. Outstanding property tax receivables for the year increased by \$196 thousand, to 2.01%. Although this performance reflects financial difficulties experienced by Foxborough property owners, this decline also results in a dollar for dollar reduction in the Town's free cash certification. Equally disappointing was Tax Lien receivable performance. These accounts spiked up by \$68 thousand following a \$193 thousand improvement in the prior year.

Over the last two and half years the Collector has taken a more aggressive stance with regard to commercial properties in tax title. Historically the Collector has done everything it could to encourage payments and to protect the Town's interest, short of pursuing foreclosure. Nevertheless, foreclosure is being actively pursued, as is practical, in an effort to collect all taxes due the Town.

Once critical mass is achieved in land takings, the Treasurer will likely recommend a public auction or sale process for these parcels along with other Town owned land. The intent of this will be to put these

parcels back onto the tax roles as well as provide needed one-time funding for one-time Town needs.

Information Services Division

The Information Services Division, staffed by I.S. Director Mike Maki, is responsible for all hardware and application software in use at the Town Hall and other municipal buildings.

Despite the recommendation of the Information Technology sub-Committee of the Board of Selectmen, to which we belong and supported, the Town was only able to fund upgrading the Town website for the Inspection department. This upgrade was recently completed.

We look forward to the day when the Town is able to fully fund this initiative so that we can deliver a much higher level of service to the community through a redesigned, integrated and more robust website, as is now enjoyed by the Inspection department and those they serve.

The largest systems project currently underway is the replacement of the woefully inadequate 20 year old financial and municipal applications system. This project was approved in the FY 2008 capital budget. We are now in the implementation phase of the project. This rather large and complex project will be implemented in several phases over the course of calendar 2008 and 2009.

In addition to upgrading the functionality of the current system, another key aspect of this project is to provide these automation tools to the School, Public Safety, Library, Council on Aging, Recreation, Water & Sewer, and Highway department administrative offices via distributed technology over a reliable town owned fiber network. The fiber network is being installed now and should be completed by spring of 2008. We expect to be able to leverage this fiber network for the Town's benefit in many ways, over the coming years, well beyond the scope of the financials project.

However, distributed automation tools to all departments and buildings will ultimately result in many efficiencies, tighten controls, as well as enhance decision making and management processes town wide.

In Summary

The Foxborough Finance Department is proud to be able to deliver the level of services it does with the resources provided. The department is committed to driving the type of initiatives and results detailed in

the foregoing, in addition to providing quality service to our customers and tax payers every day. We welcome public comments, questions and constructive feedback.

Sincere thanks are extended to the entire Finance staff for all of your extra efforts and dedication throughout the year. In particular, the tremendous above and beyond time and energy spent by the Finance team on bringing the new financials project to life is most impressive and laudable. Thank you!