

Town of Bourne

Finance Committee Report

for the

Annual Town Meeting

May 2, 2016

7:00 P.M. at the Bourne High School

Finance Committee Members

Mary Jane Mastrangelo, Chair

Michele W. Ford, Co-Vice Chair

John Redman, Co-Vice Chair

Judy Conron
Rich Lavoie
Kathleen Legacy
Brian Lemée

Karen Meehan
C. Jeffrey Perry
Andrew Roth
George Slade
Dr. William Towne

April 11, 2016

Introduction

It is the Finance Committee's primary responsibility to advise Town Meeting on warrant articles and to give a report stating an opinion of agreement or concern regarding the proposed budgets, which include operating budgets and capital outlay. In addition, the Finance Committee often comments on general issues surrounding the budget, and this year is no exception.

This was the first time in seven years that the Finance Committee did not meet jointly with the Board of Selectmen to review and discuss the merits and impact of the proposed operating and capital budgets. Instead, the Board of Selectmen and Finance Committee appointed liaisons to meet with department heads and reviewed the budgets independently. The Town Administrator, Finance Director and department heads appeared before the Finance Committee to discuss their budgets. The Finance Committee independently determined its support or opposition to any or all parts of the budget and will communicate the Committee's recommendations at the Town Meeting. The Finance Committee met with groups, individuals, and committees that are either sponsors of articles or whose activities have a financial impact on the Town.

The Finance Project Working Group that met last year was disbanded by the Town Administrator and did not meet this year.

This report is intended to give voters a summary of the overall financial condition of the Town with comments on what we see as the fiscal issues facing us today as well as in the future. It includes a discussion of following financial data: Sources and Uses, Free Cash Analysis, FY17 Capital Plan, and a Long Term Financial Plan. It is not a final report as the budget and other articles are not final as of the writing of the report.

Overview of FY17 Budget

This fiscal year budget has been developed in the aftermath of the failed override. The budget reductions made at the Special Town Meeting in the fall of 2015 combined with the better than expected revenues and budget turn-backs at the end of the fiscal year that ended June 30, 2015 have put the Town in a better financial position.

To keep the Town on a solid financial footing the Finance Committee has compared the increase in revenue to the increase in expenses with the goal of keeping the increases in revenues and expenditures in line.

On the positive side:

- A mild winter kept the Snow and Ice deficit for the current year under \$300,000. The Snow and Ice has been under-budgeted for many years and needs to be increased if it is going to cover the actual expense each year. The proposed

budget brings the budget for Snow and Ice up from \$92,900 to \$338,000. This is close to the five year average for Snow and Ice expense.

- Group health insurance costs been stable with a 3.5% increase in FY17 and the Board of Selectmen are researching alternatives to lower costs in this area.
- The Upper Cape Tech Assessment to the Town of Bourne has increased less than 1% this year – which is much lower than prior years.
- A warrant article will propose setting aside funding for future “Other (than Pension) Post-Employment Benefits” (OPEB) expenses. This is especially important for ISWM so that that liability will be covered when ISWM closes in the future.

Concerns:

- Most of the personnel reductions that were implemented after the failed override have been continued in this budget. These personnel reductions have put a strain on operations and have resulted in staff in higher paid supervisory positions doing administrative work more suited to a lower paid employee.
- Debt Service funded by the General fund increased over \$500,000. Borrowing and Debt Service increases in the future should be carefully monitored.

Revenues: FY17 Projected General Fund Revenue is \$63,990,550 which is an increase of \$2,158,583 or 3.49% over FY16.

Expenditures: The Proposed Total General Fund Expenditures including Warrant Articles for FY17 are \$65,233,706 which is an increase of \$2,530,343 or 4.04% over the current FY16 budget. The FY17 proposed budget includes most of the reductions made last fall and the Town is not able to fund the same level of service provided in prior years.

Free Cash: The proposed FY17 General Fund Expenses exceed Revenues by \$1,243,156 and the Town will use \$1,243,156 of Free Cash to balance the budget. This is a \$371,760 increase over the Free Cash used last year.

Fiscal 2017 Budget

Sources and Uses of Funds

Included in the Voter Handbook is a report titled Fiscal 2017 Sources and Uses of Funds. This report summarizes the monies that go into and out of our government and is developed by our Finance Director and Town Administrator. More detail regarding the individual departmental budgets can be found in the FY17 Operating Budget in the Voter Handbook.

Revenues

The FY17 Sources and Uses of Funds shows that the total general fund revenues are \$63,990,550 which is a 3.49% increase over FY16. Revenue sources include the Tax

Levy, State Aid, Local Receipts, Other Sources (ISWM and Sewer), and Special Revenues (Ambulance Fees, other revenues).

Except for the Property Tax Levy and Debt Exclusion Levy all Revenues in Sources and Uses are estimates. The Town uses conservative estimates for revenue to prevent a situation where actual revenues are less than anticipated and there is not enough money to pay the Town’s obligations.

Tax Levy

The Town has raised the levy limit by 2 ½% as allowed by Massachusetts state law. In addition to property taxes, the tax levy revenue includes new growth, debt exclusions and revenue from the Cape Cod commission tax. The following table provides a history of our tax levy history:

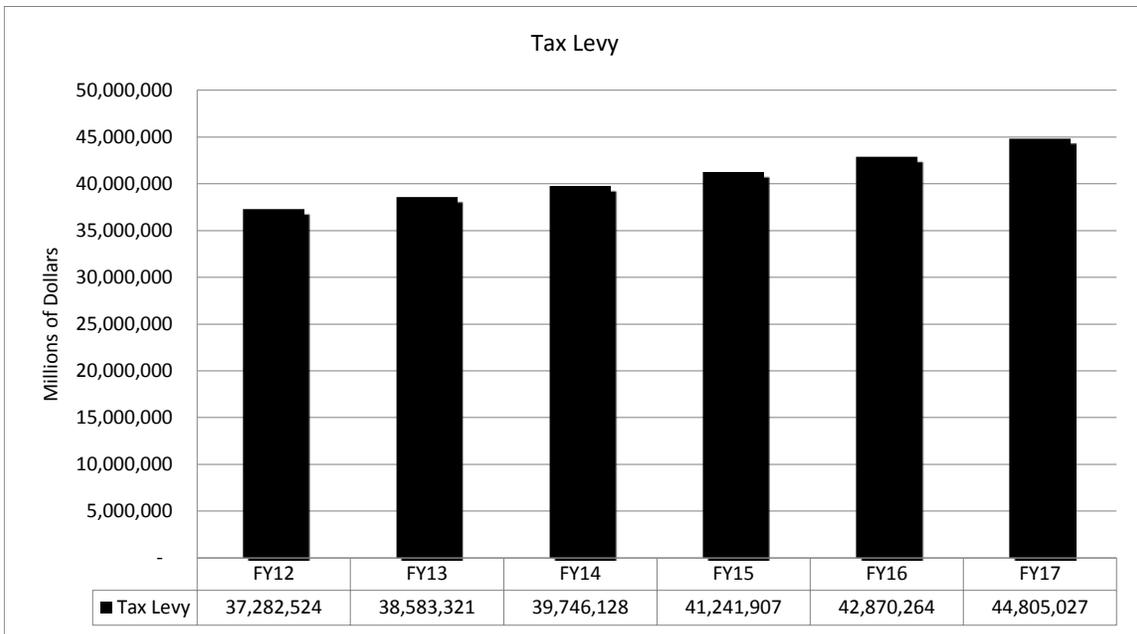


Figure 1 - History of Tax Levy in Bourne

Actual New Growth in FY16 was \$351,000 higher than estimated which will provide additional ongoing revenue to the Town. This increase does not impact most taxpayers’ individual tax bills. One impact on the Taxpayer in FY17 was the debt exclusion borrowing for the DPW Facility which increased the Tax Levy by \$504,954.

State Aid

The State Aid Revenue estimate in Sources and Uses is based on the Governor’s Proposed FY17 State Budget. State aid has declined steadily since the high point in 2008. In the last year or two the Baker Administration has worked with the State Legislature to increase state aid to municipalities. However, assessments which reduce the amount of state aid that is actually received by the Town have increased.

Chapter 70 Aid is the State Aid received for Education. While Chapter 70 aid is budgeted to be level, the Governor's budget shows that net Chapter 70 aid received by the Town for FY17 will be up \$86,919 and overall the Education related assessments for Retired Teachers' Retirement, School Choice and Charter School sending tuitions will be down \$47,919.

This is the first year that the Town will be assessed for the MBTA. The Total assessment for Transportation Authorities is \$130,136 with \$88,429 going to the Regional Transit Authority (RTA) and \$41,707 going to the MBTA.

Local Receipts

This year Local receipts are estimated to be up \$143,408 compared to the prior year with slight decreases in Marinas due to lower gas prices and investment income due to lower interest rates.

It should be noted that Marinas bring in \$1,160,000 of revenue to the general fund which is used to help fund all departments.

There is an estimated increase of \$150,000 in Motor Vehicle Excise and some slight increases Other Department Revenues.

For budgeting purposes all other local receipts are expected to remain level including the Local Option Meals tax and Energy Credits that provided additional revenue last year.

Other Revenue Sources

The budgeted ISWM Host Community Fee is maintained at \$600,000, reflecting an expectation that business will continue to be profitable. Excess Host Community Fees received over the \$600,000 will be put in the Capital Stabilization Fund. ISWM continues to pay General Fund support to the Town totaling \$1,922,744 to cover administrative fees, personnel costs, and the full cost of curbside trash and recycling.

Special Revenue Sources

PL874 is the impact aid we receive from the Federal government to reimburse us for educating children whose families live on the Massachusetts Military Reservation and do not pay local property taxes. There is no way to accurately project the amount of these funds, as the program is subject to Congressional appropriation. Last year this aid was increased by \$90,000, but this year the Town is estimating a decrease of \$70,621 to \$150,000 based on current year-to-date actual receipts.

Waterways Fund Revenue comes from the Mooring Fees paid to the Town and one half of the Boat Excise taxes paid in Bourne. There was \$496,301 in the Waterways Fund at the end of FY15. Waterways Fund Revenue for FY16 is estimated at \$415,000 which will bring the Waterways Fund Balance up to \$695,857 after transfers out for the FY16 Budget. \$197,452 from the Waterways Fund will be used to offset some of expense of

running the Department of Natural Resources in FY17. This year the amount used from the Waterways fund for the operating budget has been reduced by \$17,993 because one of the positions funded from Waterways was eliminated last year. \$260,000 from the Waterways Fund will also be used to pay for FY17 Capital Expenditures related to the Waterways.

Ambulance Fund Revenue comes from Ambulance Fees charged by the Fire Department. In FY15 Ambulance Revenue was \$1,084,259. The Ambulance Fund balance at the end of FY15 was \$1,612,085. In FY17 \$1,225,000 from the Ambulance Fund will be used to offset the operating budget. This is a \$155,000 increase in use of the Ambulance Fund for the operating budget which has been implemented instead of a \$155,000 reduction in the Fire Department budget. Based on Ambulance revenues and the current balance in the Ambulance Fund this increased use of Ambulance Fund can be made, but future use should to be monitored and adjusted based on actual Ambulance Revenue.

Funds from Community Preservation Act (CPA) Fund will be used to offset CPA Debt service.

Free Cash

Free Cash is not a revenue source. It is the unrestricted funds of the Town that have been used in recent years to balance the budget. At the Town Meeting last year \$1,865,845 of Free Cash was used to cover the deficit between operating revenues and operating expenses in FY16. After the override failed and budget reductions were made the use of Free Cash for FY16 was reduced by \$1,026,000 to \$866,663 and \$1,026,000 was returned to Free Cash. The proposed FY17 budget uses \$892,405 of Free Cash to balance the operating budget which is a \$23,742 increase from the amount of Free Cash used for the final FY16 operating budget. There is an additional \$350,751 proposed to be spent from Free Cash for Articles at Town Meeting.

Operating Expenses

Overall, the FY17 General Fund Operating Budget (GFOB) totals \$59,343,453 which is a \$2,417,793 increase or 4.25% over FY16. The GFOB does not include General Articles or Off Budget expenditures such as state assessments, offsets, deficits, capital expenditures or ISWM and Sewer Enterprise operations.

The FY17 budget maintains the reduced operations of the FY16 budget:

- Town department salaries increased approximately 2%
- Town department expenses increased about 7% - primarily due to the increase in Snow and Ice.
- Snow and Ice has been increased \$245,100 or 263.8% to bring it more in line with actual expenses.
- The Bourne School budget increased 2.66%

- Debt Service increased \$1,036,707 or 31.54%. \$524,834 of the increase is paid for by the general fund revenues, \$512,954 is funded with the debt exclusion tax increase and there was a \$6,221 reduction from funded debt sources which include CPA Funds and Title 5 Sewer Loans. .
- Shared costs including group insurance are up \$325,886 or 2.51% with group insurance up 3.5% and Social Security/FICA up 4.2% but Unemployment down 28%.
- The Reserve Fund increased \$90,000 or 45% to bring it up to the new policy which calls for the Reserve Fund to be 0.5% of the General Fund Operating Budget.

Education

The Bourne School Department budget for FY17 is \$21,085,664 which is a \$546,517 increase or 2.66% over last year. Since FY11 the Bourne School Budget has increased only 1.6% which is significantly lower than surrounding Towns. The Bourne School budget meets the minimum requirements for Foundation Budget and Net School Spending set by the State. While the student enrollment in Bourne is declining, it is important to fund education to be competitive with other public education alternatives available to students including Charter Schools and School Choice. Bourne currently maintains a positive balance on School Choice receiving more students into the district than sending out. However, there are a number of students choosing to attend Charter or School Choice Schools. In FY17 the Town of Bourne will pay an assessment of \$1,568,240 for Charter School sending tuitions and an additional \$584,253 for School Choice sending tuitions. On a positive note the Bourne School Department will receive \$696,677 in School Choice Receiving tuitions.

The Upper Cape Cod Regional Technical School's budget of \$13,404,293 is \$441,557 higher than last year which is a 3.29% budget increase. The assessment to Bourne is \$3,306,806 which is \$12,424 higher than the FY16 assessment and represents a 0.38% increase over last year. Of the 741 students attending UCT there are 204 students from Bourne which is a decrease of 7 students over last year. The assessment formula includes several factors including the number of Bourne students at Upper Cape Tech, the total number of students in the Town of Bourne, property values, per capita income and state aid.

Our educational system is by many standards underfunded. We are challenged by our moral responsibility to provide a standard of education that provides our students the opportunity to compete in an ever more complex world market. Overall our school-age population is declining, while the unfunded state and federal mandates continue. The challenges posed by the demands to provide a high-quality education, meet performance expectations as measured by mandated test scores, keep pace with the changing demographics of our school age population, and do it all cost-effectively, are complex.

Shared Costs

Public Utilities - Electricity

The Sources and Uses Public Utilities Shared Costs category is for the solar energy contract that was implemented last year. The estimated total cost of electricity has stayed the same at \$1,140,000. These costs are offset by \$600,000 Energy Credit Revenue for an estimated net savings to the Town of about \$254,000 compared to prior energy costs in prior years. Because we have not had a full year of experience with this budget, this budget has not changed from last year's estimate.

Group Health Insurance

The cost of Group Health Insurance is up \$ 262,675 or 3.5% over FY16. The Town Administrator and Treasurer monitor the monthly expenditures, trust fund balances, and compare costs of our insurance plan with other available plans. Monthly costs have increased significantly over the last year and the Board of Selectmen is looking at cost saving alternatives for Group Insurance.

The Group Health insurance line item includes the cost of group health insurance for active teachers and town employees as well as retired town employees. The cost of health insurance for retired teachers is an assessment on the Cherry Sheet that reduces state aid received by the Town. The cost of insurance for retired teachers is estimated to go down \$167,827 in FY17.

Other than Pension Post-Employment Benefits (OPEB) is a liability that the Town needs to fund on an annual basis in order to provide for the future health insurance costs for retired employees. The Town has set aside \$578,631 in a Trust Fund for this purpose. Currently the Town funds this liability on a "pay as you go" basis as part of group health insurance. This year a warrant article will be proposed for an OPEB set aside. This is especially important for the ISWM OPEB liability to make sure it is fully funded when the landfill closes. This is an area that the Town needs to continue to address in the future.

Reserves and Fiscal Policy

Our fiscal policy is well documented and has guided the Town for several years. Because we have budgeted expenses closely, we can no longer depend on large turn-backs from departmental budgets to augment our reserves. While we have reserves at the Town's policy level, and the numbers seem quite large, it bears reminding that we could spend down all our reserves in 2-3 years time if we used them to cover the cost of a full complement of services. The use of \$3.5 Million of Free Cash reserves last year to cover budgets and deficits is a good example of the need for adequate reserves. The Town's reserves help sustain us, as they have in this budget, but they cannot be an ongoing substitute revenue source.

A summary of the Town's reserve accounts and their associated policy guidelines follows:

Free Cash Financial Policy: Free Cash is the unrestricted general fund balance of the Town. Free Cash is certified at the beginning of each fiscal year by the Department of Revenue. The Town implemented a new Free Cash Policy in 2015.

The new policy has two parts:

1. Under the new policy the Town is to have a Certified Free Cash Balance at the beginning of each year at 5% the General Fund Operating Budget. The General Fund Operating Budget (GFOB) is defined as the operating budgets of the Town, Schools, Shared Costs and Debt Service. It does not include General Articles, Off – Budget Expenditures, Capital or Enterprise Funds. The proposed General Fund Operating Budget for FY17 is \$59,343,453. This year, in order to be within financial policy guidelines the Free Cash Balance should be certified at \$2,967,673 as of July 1, 2016. The proposed FY17 budget maintains Free Cash at this policy.
2. To appropriate no more than 50% of the Free Cash balance that is in excess of the 5% policy as operating revenue to balance the budget. Based on the miscellaneous revenue received during the current year and the actual and proposed expenditures for the Town Meeting the maximum amount of Free Cash available for the FY17 budget under the policy is \$1,001,377 and the proposed \$892,405 is within policy.

Free Cash Analysis

At the end of the last fiscal year on June 30, 2015 actual revenues for the fiscal year were about \$725,000 higher than estimated and actual expenditures for the fiscal year were about \$1.1 Million lower than estimated resulting in of unspent budgets being turn-backed to Free Cash. These actual revenues and expenditures added \$1.8 million to Free Cash.

In September the Mass. Dept. of Revenue Certified Free Cash which is the unrestricted cash available to the Town as of July 1st at \$3,538,826. Certified Free Cash was within policy and had an excess over policy of \$650,000.

Since then, there have been four additions to Free Cash totally almost \$1.5 Million that can be certified at the end of this year.

- 1) After the Override failed the Special Town Meeting last fall reduced the current FY16 budget and about \$1 Million was returned to Free Cash.
- 2) The Town received \$130,000 of revenue from FEMA for snow storm reimbursement for last winter.
- 3) The Town received \$50,000 as mitigation for allowing windmills to be transported on Town roads

- 4) The Town received \$273,000 of revenue from the sale of tax title property in August.
- 5) The Town received \$305,000 of revenue of from Premiums from recent bonding activity

There have also been the following expenditures or proposed expenditures from Free Cash:

- 1) \$2,733 for Unpaid Bills at the Special Town Meeting in October, 2015.
- 2) \$105,002 for budgets at the Special Town Meeting in February, 2016.
- 3) Proposed \$246,608 for the FY16 Snow and Ice Deficit at the Special Town Meeting in May, 2016.
- 4) Proposed \$892,405 for FY17 Operating Budgets at the Annual Town Meeting in May, 2016.
- 5) Proposed \$249,758 for FY17 Capital Budget at the Annual Town Meeting in May, 2016.
- 6) Proposed \$150,000 Article for Accrued Contractual Compensated Absences.
- 7) Proposed \$200,000 Article for Other than Pension Post-Employment Benefits (OPEB).

In addition, there are other anticipated revenues that are expected to be received before the end of the year:

- 1) Anticipated Revenue of \$400,000 from the Sale of Coady School.
- 2) Anticipated Revenue of \$100,000 from Energy Credit.

The good news is that the Town is headed in the right direction. With the additions and subtractions from Free Cash during this year the Town is maintaining Free Cash throughout the year at the Free Cash policy. This is a very different trend than the \$3.4 Million of Free Cash the Town spent out of Free Cash last year which left Free Cash \$1.5 Million below policy after the 2015 Annual Town Meeting.

**FREE CASH ANALYSIS FY2017		Free Cash	Free Cash	FY17	Excess over 5%	50% Excess Policy
ESTIMATE OF CASH FLOW		Expensed & Proposed	Balance	GFOB	of GFOB	Allowance
		FY2016 & 17				FC for Budget
	GFOB = Sources and Uses FPWG Operating Budgets plus Debt Service			\$59,353,453		
	5% of GFOB			\$2,967,673		
CERTIFIED FREE CASH BALANCE 7/1/2015			\$3,538,836			
10/19/2015	Amended Budget turnback of free cash used #	\$1,028,684	\$4,567,520	7.7%	\$1,599,847	\$799,924
6/30/2016	Miscellaneous Revenues FEMA #	\$130,000	\$4,697,520	7.9%	\$1,729,847	\$864,924
6/30/2016	Miscellaneous Revenues Wind Power #	\$50,000	\$4,747,520	8.0%	\$1,779,847	\$889,924
6/30/2016	Miscellaneous Revenues Auction #	\$273,000	\$5,020,520	8.5%	\$2,052,847	\$1,026,424
6/30/2016	Premium From Debt Offsets Incr in Debt #	\$305,000	\$5,325,520	9.0%	\$2,357,847	\$1,178,924
10/19/2015	Unpaid Bills	(\$2,733)	\$5,322,787	9.0%	\$2,355,114	\$1,177,557
2/8/2016	Budget Amendment Town & School	(\$105,002)	\$5,217,785	8.8%	\$2,250,112	\$1,125,056
5/7/2016	Proposed Unpaid Bills	(\$751)	\$5,217,034	8.8%	\$2,249,362	\$1,124,681
5/7/2016	Proposed Snow and Ice Deficit (as of 3/28/16)	(\$246,608)	\$4,970,426	8.4%	\$2,002,754	\$1,001,377
5/7/2016	Proposed Budget Article 3	(\$892,405)	\$4,078,021	6.9%	\$1,110,349	\$555,174
5/7/2016	Proposed Capital Article	(\$249,758)	\$3,828,263	6.4%	\$860,590	\$430,295
5/7/2016	Proposed Accrued Compensation Article	(\$150,000)	\$3,678,263	6.2%	\$710,590	\$355,295
5/7/2016	Proposed OPEB Article	(\$200,000)	\$3,478,263	5.9%	\$510,590	\$255,295
6/30/2016	Anticipated Sale of Coady Anticipated &	\$400,000	\$3,878,263	6.5%	\$910,590	\$455,295
6/30/2016	Anticipated Energy Credits Anticipated &	\$100,000	\$3,978,263	6.7%	\$1,010,590	\$505,295
Total Increase/Decrease		\$439,427				
** This is a simple calculation of the possible increases and decreases to free cash but does not include any year end adjustments done to certify free cash.						
# Miscellaneous Revenue Received not yet certified						
& Estimated Anticipated Revenue Not Budgeted						

Figure 2 – Free Cash Analysis

Based on the proposed expenditures of Free Cash at this Town Meeting to cover FY16 budget deficits and the proposed FY17 budget, the remaining Free Cash balance will be within Policy. At the end of the year if all anticipated revenue is received the net increase in Free Cash at the end of the year would be about \$429,427.

In addition, at the end of each Fiscal year any appropriated funds that have not been spent are turned back to the general fund and certified as free cash and projected revenues are reconciled with actual revenues. This year those revenues and unspent expenditures will strengthen the Town’s financial position rather than just bringing it back up to policy.

Stabilization Fund – policy calls for 6% of the General Fund operating budget (GFOB). This is a “rainy-day” fund which requires a vote of 2/3 of Town Meeting to spend money from this fund. The current balance in Stabilization is \$3,535,566 which is 5.96% of proposed FY17 GFOB which is slightly (\$21,000) below policy for Stabilization.

Capital Stabilization Fund – a fund established to reserve cash for future capital expenditures. Its primary funding source has been ISWM Host Community Fees. The current balance in the Capital Stabilization account is \$209,717. There was \$174,020 of ISWM excess host community fees deposited in this fund at the end of the last fiscal year. It is anticipated that about the same amount will be deposited at the end of FY16.

Employer Health Insurance Trust Fund – policy is to have either four (4) months of average costs or no less than \$1.6 million. The average employer share of claims per month is \$630,483 which is up from \$538,728 last year. Four months of average costs is \$2,521,932. The current balance in the Employer Health fund is \$2,102,987 which meets the policy of no less than \$1.6 million but does not meet the policy of a 4 month reserve.

Overlay Reserve – a reserve fund for tax abatements and exemptions which is established annually and controlled by the Assessors for each fiscal year. It is based on an analysis of historic data and specific circumstances such as a recent property revaluation and pending refunds/abatements. We currently have a total balance of \$1,577,262 in overlay accounts from FY07 – FY16. This reserve will be reduced by \$123,851 if Overlay Surplus is used as a General Fund revenue as shown on Sources and Uses.

Reserve Fund – an annual Reserve Fund to be spent under the authority of the Finance Committee for unexpected and unforeseen budget needs. For FY17 this is \$290,000, which increases the Reserve Fund by \$90,000 and meets the new Financial Policy to budget the Reserve Fund at 0.05% of the General Fund Operating Budget.

Capital Expenditures

According to our Fiscal Policy, the Town is required to establish and maintain a five year capital improvements plan and to develop capital financing strategies consistent with our fiscal policies. The Capital Outlay Committee has continued its hard work over the last year, working to deliver on the Municipal Facilities Plan for the Town. The plan is the basis for the capital recommendations in the FY17 budget is a model for this type of planning in the town, resulting in well-thought out recommendations. The current year's plan and the long-term capital plan can be found in the Town Meeting handbook.

This year's recommendations for capital spending come after exhaustive study by the Capital Outlay Committee. A full report by the Capital Outlay Committee will be made at Town Meeting. The committee has worked to identify funding sources other than new borrowing in order to make the best use of all available dollars.

One impact that should be noted this year is the increase in General Fund Debt Service of \$500,000. The Town is generally on a cycle of borrowing that uses interest only bond anticipation notes for several years which are then combined into a long term bonding. This year the long term bonding had a significant impact on the overall budget.

ISWM

The Integrated Solid Waste Management (ISWM) operation is a regional landfill and transfer center. It benefits the Town by paying for the pickup and disposal of our household trash, curbside recycling collection, the cost of the recycling center at the landfill, and disposal of hazardous materials and waste generated by our DPW. Additionally, ISWM pays the Town a Host Community Fee based on the tonnage flowing through the gate.

With the Covanta contract the ISWM business continues to be stable. The Host Community Fee revenue to the Town remains the same at \$600,000. Excess Host Community Fees are deposited into the Capital Stabilization Fund to be used for future capital projects. The ISWM budget for Host Community Fee has been adjusted to allow Excess Host Community Fees to be paid.

Community Preservation Act

The Town adopted the CPA at its April, 2005 election, replacing the Cape Cod Land Bank Program. The CPA creates a Community Preservation Fund that only can be used for open space, historic preservation/restoration, affordable and community housing and outdoor recreation purposes. Community Preservation Fund monies are raised by the placement of a 3% surcharge of the tax levy against all Town real estate tax bills. The CPA also creates a statewide Community Preservation Trust Fund, administered by the state Department of Revenue that provides funds to municipalities who are part of the CPA program. These funds are generated by activities at the Registry of Deeds and from a state CPA Trust Fund.

Under the CPA a Community Preservation Committee has been formed and has made the recommendations found in the chart in the Voter's Handbook.

The Finance Committee met with the Community Preservation Committee and reviewed projects for Community Housing, Historic Preservation Open Space, and Outdoor Recreation.

Long Term Plans

The Finance Director and Town Administrator have been working with the Finance Committee since FY06 to establish and refine a long term financial plan. The Long Term Projection in the Voter's Handbook is one piece of the long term planning puzzle. The Capital Outlay Committee's work to establish our needs, priorities, and funding sources is another piece of the puzzle. However, financial planning cannot be done in a vacuum and must include additional needs in the community, including personnel. A comprehensive plan will allow voters to see the effect of our debt service, structural deficits, changes in reserves, adjustments to the tax rate and state aid impacts.

The table below demonstrates what will happen to the Town's finances if we attempt to maintain the status quo. It assumes we maintain the same level of revenue increases as we have historically shown, assumes no overrides, and assumes our contracted personnel costs maintain their increases. It does not allow for expansion of any services, nor does it provide for capital spending. This is but one projection of the future – the Finance Committee, in conjunction with the Finance Director, Town Administrator, and Board of Selectmen, have reviewed other long range projections with differing assumptions.

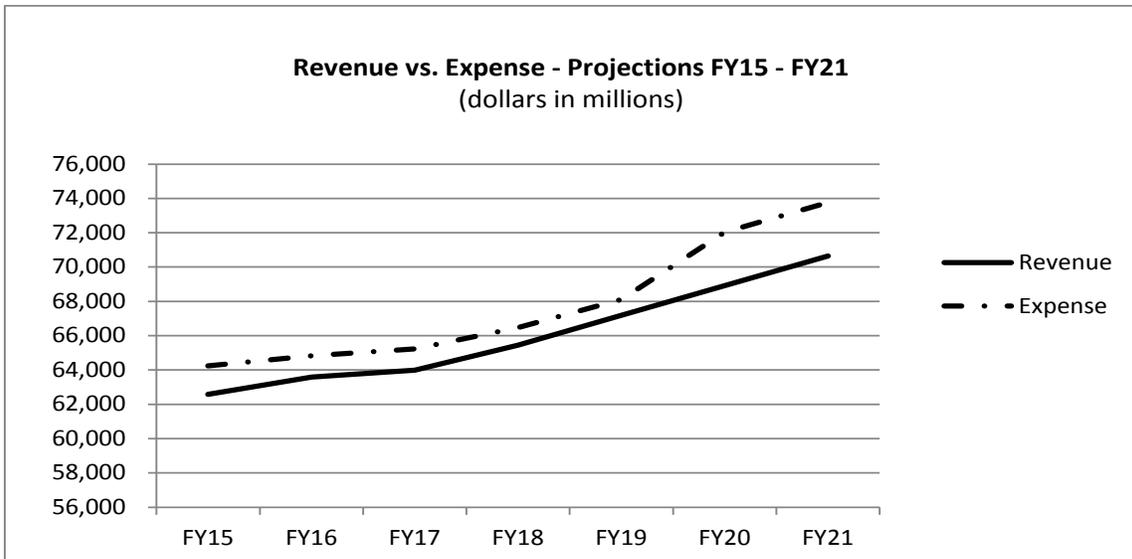


Figure 3 – Budget Projections Based on FY2017 Budget

As can be seen on the chart with the adjustments that have made to the budget the current level of spending (the dotted line) stays close to the current revenue levels (solid line) this year. It will be important in the future to monitor expenditures to avoid the growing gap that is shown especially starting in FY19 and going forward. The Finance Committee looks forward to continuing the work with the Board of Selectmen and Town Administrator in the development of a long term plan and override proposal to address the future funding needs of the Town.

Summary

The Town of Bourne has benefited from the prior years of fiscal prudence and financial management. The budget has been reduced but there are strains on the organization that may mean it is not sustainable at this level. In the coming years many long-term personnel will retire and the Town must plan for an orderly transition before they leave, taking their institutional knowledge with them. There is also a pressing need in multiple departments to provide additional staff in order to provide the level of service needed for mandated government operations and to serve the residents of the Town.

This budget is the result of a thoughtful examination of our town’s priorities, as evidenced by where we spend our money. It is our town’s values translated into dollars and cents. The Town has undertaken Priority Based budgeting and we will see in the next few years the results of this endeavor as we try to manage the Town’s Revenue and prioritize the expenditures in order to provide the services the Town needs most.

The Finance Committee recommendation on the final budget will be made at Town Meeting.

Respectfully submitted,
The Finance Committee, Town of Bourne