



FRAMINGHAM
MASSACHUSETTS

Long Range Financial Forecast FY2017-FY2021



Special Town Meeting

October 20, 2015

Article 1: Report 6a & 8

Office of the Chief Financial Officer

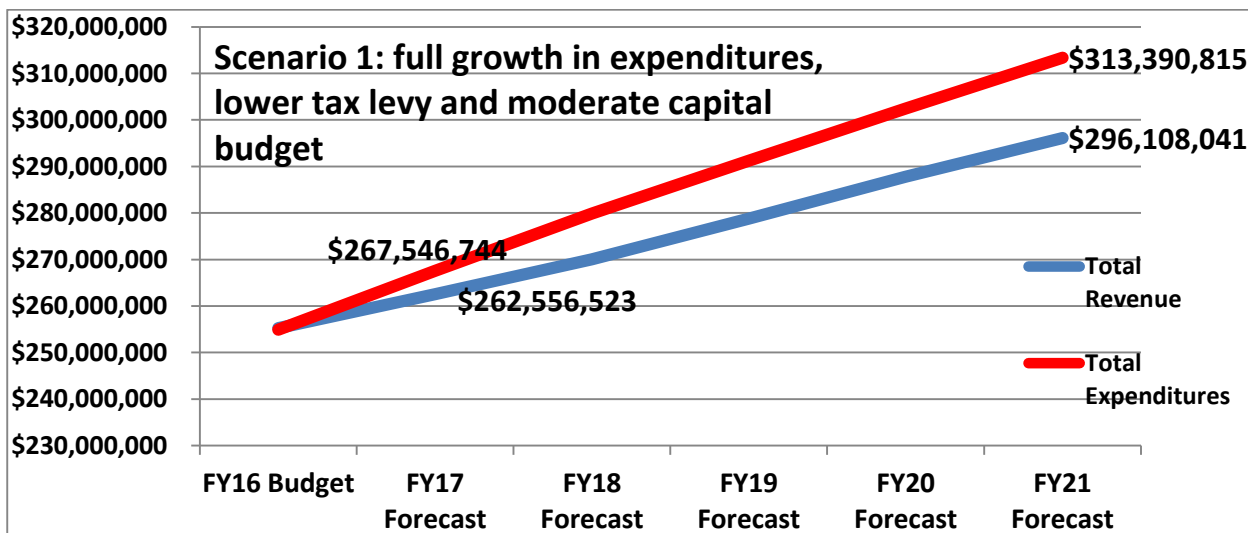
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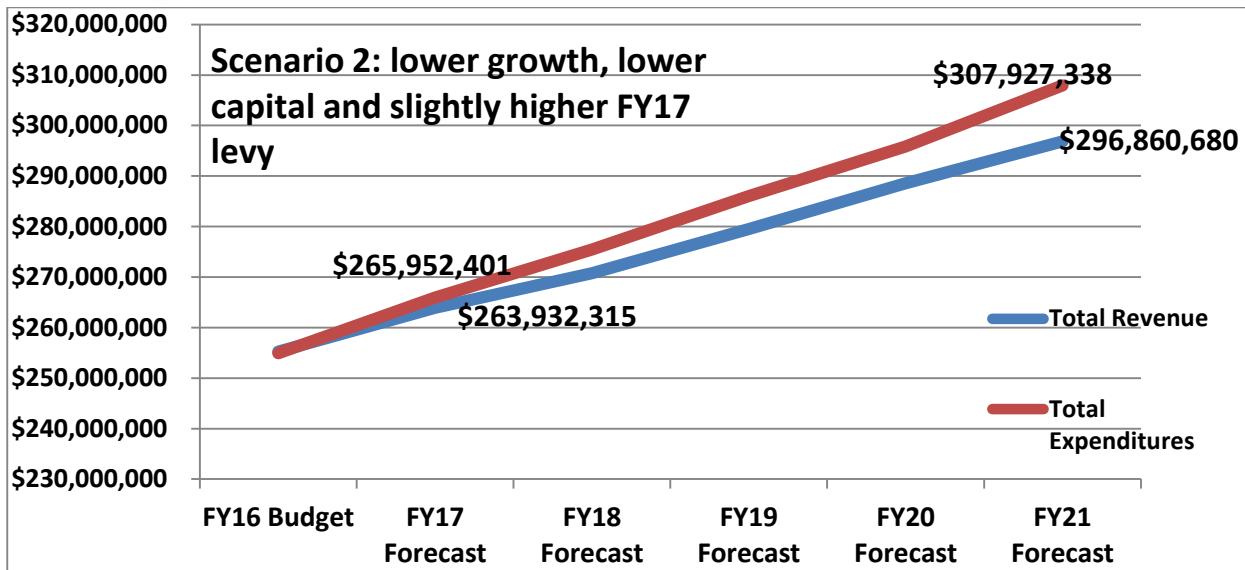
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Executive Summary

While the negative budget balances projected in this forecast mean Town spending needs exceed revenues, it is not all dire. The financial position of the Town has improved in the last ten years: we created and fully funded a Stabilization Fund; we continue to make progress on unfunded liabilities in our pension and health benefits costs; and we have started a Capital Stabilization Fund to begin funding the major school building project. We made it through the 2008-2009 (an on) “Great Recession” without having to eliminate services to citizens-unlike than many communities. The last several years the Town has had operating budget surpluses due both to conservative spending in many areas and growing revenue from economic development. The FY15 and FY16 budgets have returned some of that surplus back to taxpayers by limiting the increase in the tax levy. Some of the annual operating surplus is deposited into reserves.

This year we take a different approach to the long range forecast. Normally there is one projection of revenues and expenditures. To provide an idea of what needs to be done to get closer to a long term balanced budget, we ran two forecast scenarios. The first used standard rates of growth for salaries and operating costs. The second reduces the increases for municipal department cost growth, restricts the capital budget to keep debt service under 5% of the budget for all five years of the forecast, and increase the base tax levy by 1.75% versus 1.25%. Both long range views present us with a number of challenges. The most difficult is to find a way to fund needed capital investment in the Town, including municipal and school buildings, roads, bridges, storm water infrastructure, parks, sports fields, fire apparatus and equipment to support Town-wide operations. While the gap in spending versus revenue is more achievable in forecast scenario two, it defers tens of millions in much needed capital work. This may work for a couple of fiscal years, so we can catch up with a backlog of projects, but it only creates costly problems in future budgets. We need to take a hard look at capital assets we have and how best to repair them or eliminate them. We cannot do what we have done in the past, which is simply to do nothing; this only puts a higher burden on us in the future.





A capital project NOT included in either forecast is the major school project. This forecast assumes funding via debt exclusion, the debt cost specifically related to the school will be excluded from the tax levy limit. It would be an added cost on top of the levy for the 20 years of the School bonds and then be eliminated.

It is the goal of this forecast to provide relevant budget data to public officials and citizens of Framingham in order to make informed decisions about the future of the Town. It should provide an appropriate level of detail to understand the future financial outlook of the Town. However, if more is needed, simply ask the CFO's Office.

Forecasting Overview

Financial forecasting is a tool to project revenues and expenditures, using future spending estimates, assumptions about economic conditions and other salient variables. In Framingham we use this tool to (1) give us a framework for long range municipal and strategic planning and (2) help us determine the Town's financial capacity to accomplish certain near and long term goals.

This document is NOT an approved budget; nor is it the final plan to move forward. The Town Administration and Selectmen prepare an annual budget and recommend it to Town Meeting for them to approve. The forecast takes existing revenues and expenditures, using FY16 as a base year, and applies rates of growth over a five year period. In instances where we know there will be cost decreases, such as in elections, we include those decreases. For revenues the rates differ by category, for example the FY17 tax levy is 1.25% in one scenario and 1.75% in another. Chapter 70 aid is 7% per year. Local revenue (fees, permits and local taxes) change ranges from growth of 3.2% in FY17 to a decrease of 1.9% in FY18. More detail is in the revenue section. Expenditures grow at differing rates both by spending category (salaries, operating, energy and small capital) and by department. In

forecast scenario one, salaries grow by 3-4% per year and operating costs grow by 1-6% per year. In the second spending scenario municipal department salaries are restricted to 2-3% growth and 0-4% growth in operating costs. More detail is in the expenditure section.

This report touches upon unfunded liabilities and health insurance since progress has been made in both areas. There is also a section on Free Cash, specifically as a revenue source for tax levy moderation, reserves and unfunded liabilities.

Two Forecasts

We ran the forecasting model twice to get a better sense of what is needed to get closer to a balanced budget, at least for the next couple of years. The analysis led us to the conclusion that a 1.75% base tax levy increase in FY17 is needed in order to avoid hamstringing future budgets. Tax levy growth is based on the prior year total levy. Therefore if you reduce the prior year total levy the next year's levy is also lower. In FY13, FY15 and FY16, we had good growth in local receipts (fees, permits, meals tax etc.) and savings in spending that meant we could raise less in taxes to fund the budget. Our original budget plan was to keep the base levy increase at 1.25%, or half the maximum increase, for FY15 through FY17. Running the forecast model showed us the restricted levy has an impact on the revenue we generate in FY20 and FY21, etc. The model also indicated that a jump to 2.5% growth in FY18 from FY17's 1.25%, would mean a larger increase in the tax bill than if we stepped up from somewhere in between.

In addition to looking at changes to revenue and the levy increase, we looked at reducing spending growth. On the expenditure side we reduced salary growth from 3-4% down to 2-3% and operating costs from 1-7% down to 0-5%. This puts pressure on the collective bargaining process, and will create wage differentials with comparable communities that will harm recruiting. It also creates risk that certain operating supply costs will exceed this estimated rate of growth, but we need to get a sense of what the lower growth does to the future spending. The growth rates for the School Department were not changed in either forecast.

Finally, the out years of the capital budget, FY17-FY21, were reviewed and projects deferred each year to reduce the debt service budget to 5% of the total budget. This is not an exact list of what would be approved and what would be deferred, but an example to get the numbers to align. This is a risk because we have certainly learned the negative consequences of deferring capital work in Town. Additional discussion on this dilemma is included in a future section.

This project doubled the work versus previous forecasts, but we need the data to plan a future that has some very hard decisions to make regarding spending, revenue, capital investment and economic development.

Revenue Forecast

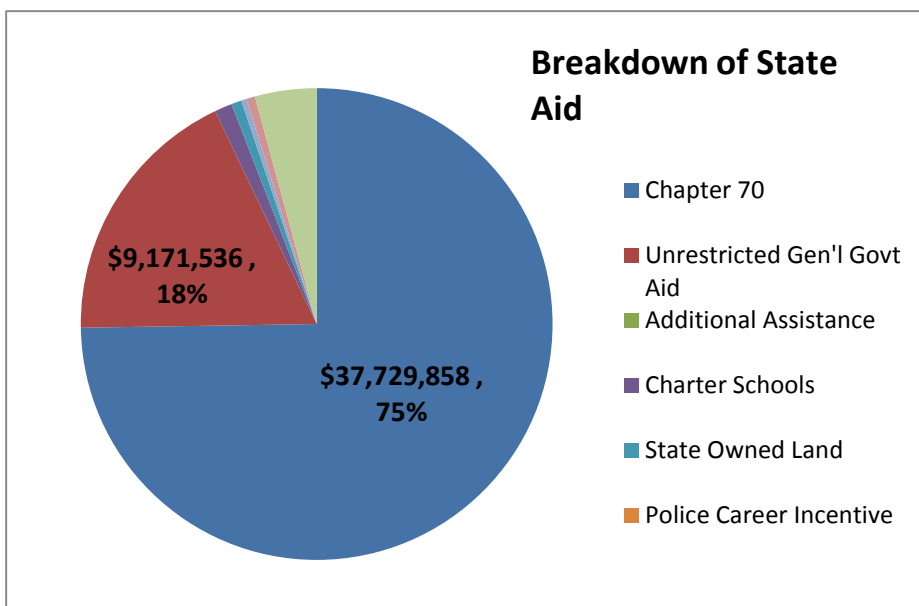
The two tables below list the future revenue estimates by revenue type. The only real difference is the amount of the tax levy. Scenario 1 remains at 1.25% for FY17 and Scenario 2 increases the base levy by 1.75% in FY17. A comparison of the two tables tells you that tax revenue is increased by \$880,837 in FY17; which grows in value to \$912,504 in FY21. Essentially there is an average of \$900,000 in revenue each year to narrow the budget gap.

Forecast Scenario 1	FY16 Budget	FY17 Forecast	FY18 Forecast	FY19 Forecast	FY20 Forecast	FY21 Forecast
Revenue						
Property Taxes	\$176,167,341	\$179,717,241	\$185,692,762	\$191,891,801	\$198,308,084	\$204,949,533
State Aid	\$50,474,288	\$53,430,322	\$56,675,297	\$59,702,628	\$61,933,785	\$63,269,476
Local Receipts	\$20,584,268	\$21,252,127	\$21,650,816	\$21,212,151	\$21,630,083	\$21,890,179
Enterprise Indirect Trnsfr	\$2,982,422	\$3,071,894	\$3,194,770	\$3,322,561	\$3,455,463	\$3,593,682
Free Cash	\$4,949,738	\$5,019,939	\$2,736,614	\$2,584,201	\$2,417,139	\$2,340,170
Miscellaneous	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000
Total Revenue	\$255,223,056	\$262,556,523	\$270,015,259	\$278,778,341	\$287,809,554	\$296,108,041
<i>Revenue Growth Rate</i>	3.6%	2.9%	2.8%	3.2%	3.2%	2.9%

Forecast Scenario 2	FY16 Budget	FY17 Forecast	FY18 Forecast	FY19 Forecast	FY20 Forecast	FY21 Forecast
Revenue						
Property Taxes	\$176,167,341	\$180,598,078	\$186,582,142	\$192,789,263	\$199,213,264	\$205,862,037
State Aid	\$50,474,288	\$53,430,322	\$56,675,297	\$59,702,628	\$61,933,785	\$63,269,476
Local Receipts	\$20,584,268	\$21,252,127	\$21,650,816	\$21,212,151	\$21,630,083	\$21,890,179
Enterprise Indirect Trnsfr	\$2,982,422	\$3,071,894	\$3,194,770	\$3,322,561	\$3,455,463	\$3,593,682
Free Cash	\$4,949,738	\$5,514,893	\$2,572,744	\$2,418,611	\$2,290,136	\$2,180,307
Miscellaneous	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000
Total Revenue	\$255,223,056	\$263,932,315	\$270,740,769	\$279,510,213	\$288,587,732	\$296,860,680
<i>Revenue Growth Rate</i>	3.6%	3.4%	2.6%	3.2%	3.2%	2.9%

As displayed in the charts above, total revenue is expected to increase between 2.6% and 3.2%. The major revenue sources are property taxes, state aid and local receipts (a number of locally generated revenues). Additional revenue comes from overhead charges assessed to the Water and Sewer Enterprise Funds (called Enterprise Indirect); free cash; and parking and consumer protection fees. Historically, property taxes have provided more than 75% of revenue with state aid providing 15% and local revenues at 9%. That began to change in FY07 with an effort to re-align the Chapter 70 formula to take local wealth into consideration. This provided a substantial increase for Framingham, which was the most aggrieved by the original formula. Although that realignment is far from finished seven years later, it has made a favorable impact on the share of property taxes that pay for the School budget.

The base levy increase in the forecast is 2.5% the maximum allowed by law, with the exception of FY17. We have run two forecasts with a 1.25% levy and a 1.75% levy. The differences in these amounts were discussed earlier. New tax revenue from new property development is estimated at \$1.34 million in FY17 and grows to \$1.67 million in FY20. This was recently adjusted upward from the presentation to the Selectmen, Finance committee and Ways and Means Committee after the certification of our new growth number for FY16 was higher than estimated. Since most of the growth in FY16 is related to the personal property value category, we still anticipate new growth from the commercial development happening in Town. This amount gets included in the base of the tax levy each year and becomes part of the growth rate (up to 2.5% per year). Total tax revenue is expected to grow by 2.5% in FY17, due to the lower levy increase. Total tax revenue increases by 3.3% each year after that; the effect of the 2.5% base levy increase plus new growth revenue.



State aid increases between 2.2% and 6% per year. The primary components of state aid are Chapter 70 Aid and Unrestricted General Government Aid. Chapter 70 aid is the predominant state aid source, representing 75% of state aid. Yet at \$37.7 million it funds just 32.6% of the school General Fund appropriation. By FY20, it is expected to fund 34% of the school GF appropriation, assuming it grows at 7% per year.

Local revenue, also called local receipts, changes at a pace between a decline of 2% to growth of 3.2%. The decline, in FY19, is the loss of the Farley school rental income. The major components of local receipts are excise and meals taxes, permits and licenses, and penalties and interest. Excise and meals taxes combined are expected to grow between 1% and 1.8%. Excise needs a very active auto market to maintain level taxes. The tax base value declines automatically and the tax rate does not change, therefore a lot of new cars need to be purchased to keep the base value the same. Building permits is the second most active local revenue; growth is projected between 2% and 5.3%. There are a number of major building projects in Town- the timing of when they pull permits may adjust this revenue stream.

Smaller revenue sources include Enterprise Indirect charges which is the overhead assessed to the Enterprise funds for General Fund expenses. The total revenue ranges from \$3 million to \$3.6 million- growing at 3-4% per year. Free cash is used to fund reserves such as the Stabilization Fund, Capital Stabilization fund and OPEB Trust. In FY17 is it used specifically to keep the levy growth down. The

amount used in the budget ranges from \$2.1 million to \$5.5 million. Please see a more detailed discussion on free cash in the Free Cash Section further along in this report.

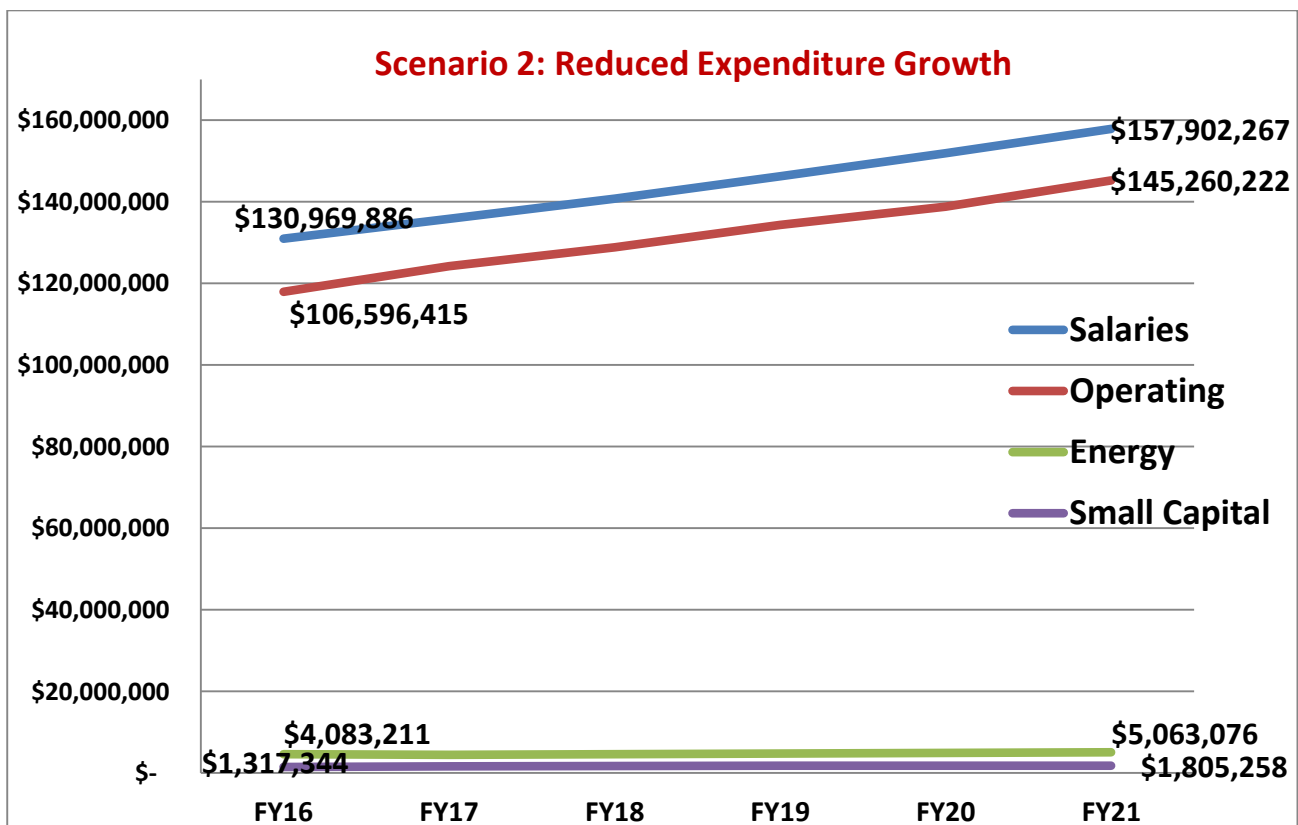
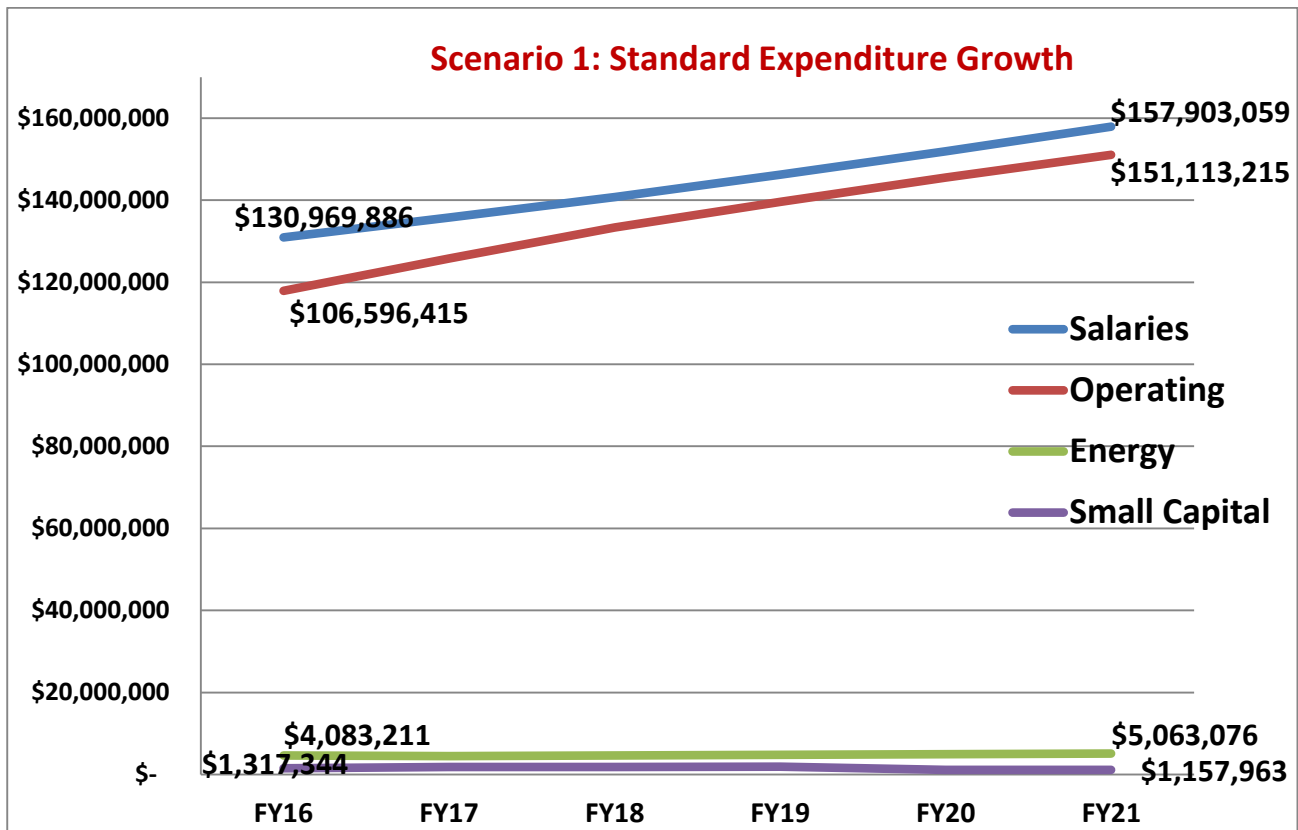
Long Range Expenditure Forecast

Forecast Scenario 1						
Expenditures	FY16 Budget	FY17 Forecast	FY18 Forecast	FY19 Forecast	FY20 Forecast	FY21 Forecast
Municipal Departments	\$59,133,033	\$61,143,357	\$62,935,827	\$65,306,490	\$67,516,000	\$68,548,476
Framingham School District	\$115,731,953	\$120,361,231	\$125,175,680	\$130,182,708	\$135,390,016	\$140,805,617
Keefe Technical Assessmnt	\$8,941,210	\$9,209,446	\$9,531,777	\$9,865,389	\$10,210,678	\$10,568,051
Group Health Insurance	\$29,751,864	\$30,495,661	\$31,563,009	\$32,793,966	\$34,105,725	\$35,469,954
Other Insurances	\$4,694,549	\$4,997,377	\$5,256,804	\$5,527,513	\$5,822,953	\$6,136,693
Retirement	\$12,438,968	\$13,063,410	\$13,715,443	\$14,332,016	\$14,402,095	\$15,121,320
OPEB Trust	\$699,777	\$757,735	\$751,362	\$761,400	\$752,511	\$756,055
Debt Service	\$11,922,904	\$15,809,781	\$19,400,678	\$20,416,047	\$21,723,062	\$22,993,077
Stabilization/Reserves	\$1,779,453	\$1,688,452	\$1,911,500	\$1,950,136	\$1,991,964	\$2,012,593
Miscellaneous (articles)	\$120,000	\$0	\$0	\$0	\$0	\$0
Non Appropriations	\$9,696,561	\$10,020,292	\$9,656,148	\$10,076,982	\$10,517,703	\$10,978,978
Total Expenditures	\$254,910,273	\$267,546,744	\$279,898,228	\$291,212,649	\$302,432,706	\$313,390,815
<i>Expenditure Growth Rate</i>	3.7%	5.0%	4.6%	4.0%	3.9%	3.6%

Forecast Scenario 2						
Expenditures	FY16 Budget	FY17 Forecast	FY18 Forecast	FY19 Forecast	FY20 Forecast	FY21 Forecast
Municipal Departments	\$59,133,033	\$60,981,058	\$62,825,189	\$65,132,786	\$67,398,394	\$69,980,294
Framingham School District	\$115,731,953	\$120,361,231	\$125,175,680	\$130,182,708	\$135,390,016	\$140,805,617
Keefe Technical Assessmnt	\$8,941,210	\$9,209,446	\$9,531,777	\$9,865,389	\$10,210,678	\$10,568,051
Group Health Insurance	\$29,751,864	\$30,644,420	\$31,716,975	\$32,953,937	\$34,272,094	\$35,642,978
Other Insurances	\$4,694,549	\$4,992,377	\$5,271,379	\$5,561,814	\$5,875,577	\$6,224,745
Retirement	\$12,438,968	\$13,063,410	\$13,715,443	\$14,332,016	\$14,402,095	\$15,121,320
OPEB Trust	\$699,777	\$751,710	\$751,473	\$752,956	\$750,331	\$751,198
Debt Service	\$11,922,904	\$14,939,024	\$15,027,902	\$15,350,791	\$15,142,973	\$16,077,367
Stabilization/Reserves	\$1,779,453	\$1,689,432	\$1,747,520	\$1,792,991	\$1,867,141	\$1,856,901
Miscellaneous (EDIC Article)	\$120,000	\$0	\$0	\$0	\$0	\$0
Non Appropriations	\$9,696,561	\$9,320,292	\$9,656,148	\$10,076,982	\$10,517,703	\$10,898,865
Total Expenditures	\$254,910,273	\$265,952,401	\$275,419,486	\$286,002,370	\$295,827,003	\$307,927,338
<i>Expenditure Growth Rate</i>	3.7%	4.3%	3.6%	3.8%	3.4%	4.1%

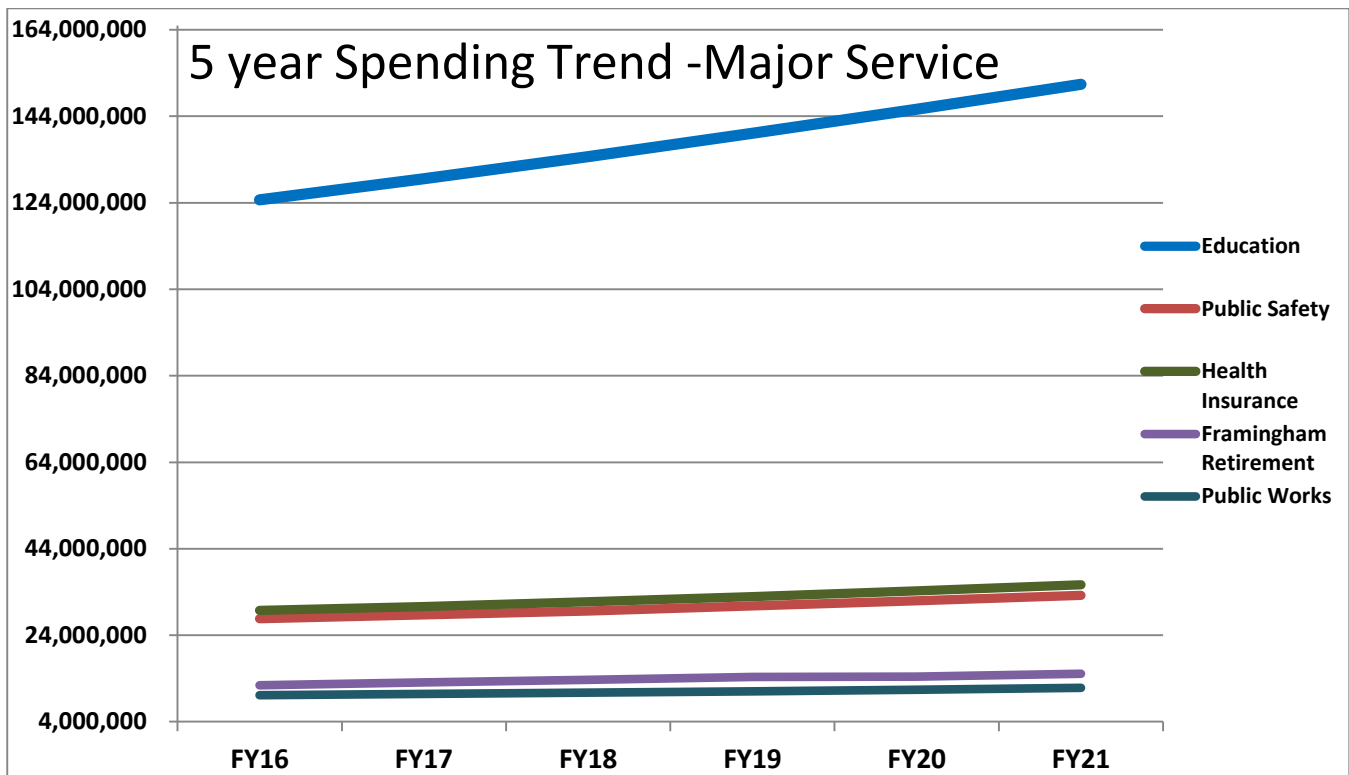
As mentioned in the previous section on two forecasts, we have run the forecast model twice for expenditures to. Salaries are projected generally between 3% and 4% depending upon the department, existing salary schedules and seniority of employees in the first scenario; and reduced to 2-3% in the second scenario. Operating costs increase by 1-7% per year in Scenario one and 0-5% in scenario two, although School SPED costs, a subset of School operating costs, are factored up by 8%. Energy costs increase by 3% per year and small capital costs are zero based, or built from the ground up. School growth rates were not reduced as part of scenario 2, only municipal departments. School spending still increases at an average of 4% per year. Certain components of the School budget, like SPED, increase at

higher rates, but the average is 4%. The charts below show how spending increases by cost type, and a comparison of the effect on reduced municipal department growth rates.



Total salaries represent 51% of the budget, while operating costs are 47%. Energy costs make up 2% and small capital the remaining fraction of a percent. These ratios stay consistent throughout the forecast.

The graph below illustrates the forecasted growth rate for the top five spending types from FY17 to FY21. These costs are just the General Fund appropriation for salaries, operating, energy and small capital. Education is both FPS and Keefe Tech. Public Safety includes Fire, Police Emergency management and Animal Control. Public Works is the entire division, but not Water and Sewer. Health Insurance and Framingham Retirement stand alone.



Our Capital Investment Dilemma

The history of the Town has not been one of stewardship of buildings, infrastructure and other assets of the Town. For the past 9 years we have been trying to catch up with and stave off the effect of limited and in some cases no maintenance of buildings, replacement of equipments, and repair of roads. In the case of our water and sewer systems, funded outside the General Fund, nothing was done for 30 years. We are at a crossroads now in which we need to decide whether to invest significant dollars to repair buildings, and roads and storm water infrastructure, maintain school buildings, and maintain parks and trails and conservation land. But the overwhelming need is with the buildings. There have been several presentations to multiple committees describing the need for School building repair and replacement, the need for a new School on the south side of town and the need to repair the Memorial Building, fire stations and cultural buildings. All of this cannot be done within the tax levy – a debt exclusion is

needed. Even just sticking with the 5% cap every year we would have to defer a significant amount of needed work across Town. The table below shows the dollar value of what we could authorize and what would need to be deferred. This information is taken directly from the capital budget requests for FY17 and beyond.

Fund	FY16				FY17				FY18				FY19			
	Approved	Deferred	% App	%Def	Recommend	Defer	% App	%Def	Recommend	Defer	% App	%Def	Recommend	Defer	% App	%Def
General Fund	\$19,722,710	\$14,700,529	57%	43%	\$19,498,483	\$32,915,859	37%	63%	\$12,918,072	\$41,929,202	24%	76%	\$12,894,428	\$8,989,050	59%	41%
Sewer	\$16,595,891	\$1,671,373	91%	9%	\$12,036,478	\$2,926,821	80%	20%	\$13,201,868	\$1,500,000	90%	10%	\$2,897,160	\$2,596,842	53%	47%
Water	\$10,290,923	\$2,233,965	82%	18%	\$11,628,447	\$3,807,746	75%	25%	\$13,414,954	\$2,131,868	86%	14%	\$4,447,406	\$5,352,040	45%	55%

The major types of capital investment included and deferred in the chart above are Town and School building repairs, roadway maintenance and repair, bridge repair and storm water improvements. This is followed by Park maintenance and Town and School Technology projects. This chart also assumes the major school project in FY17/8 will be a debt exclusion. The debt service and project cost for the fuller/Farley project is NOT included in this table or in the forecast. The debt service for that project would be about \$2 million per year for our share (net of MSBA funding).

We need to continue the conversation to find an alternative to simply repairing old buildings and keeping assets which are no longer functional.

Building Reserves

In the last several years the Town of Framingham has focused on adequately funding its Stabilization Fund. The Town policy is to have a balance equal to 5% of the total annual budget in this fund. Through a disciplined use of locally approved meals taxes and the allocation of a significant amount of free cash, that goal was achieved in FY14. This forecast assumes contributing free cash to the Stabilization Fund at a rate that maintains the 5% policy goal. This ranges from \$200,000 to \$445,000 per year as opposed to the \$1.2 million we have added in the previous budgets.

With the impending need for a new school, it makes sense to reserve funds to help offset that new, significant investment. This was done by creating a Capital Stabilization Fund in FY15. The initial allocation was \$2,284,194. In FY16 we added \$999,866. In this forecast we continue to allocate free cash at just under \$1 million per year. These amounts are allocations of free cash, so they are dependent on limiting free cash use for other spending or simply as general fund revenue (see below). By the time we need to appropriate funds for a new school project there should be more than \$4.5 million in the Capital Stabilization Fund. This can be used to reduce the amount needed to borrow and reduce the amount of a debt exclusion request to voters.

Another, less noticeable reserve is the excess tax levy capacity that is built up over our three year budget plan. The tax levy is allowed to increase 2.5% each year. If we tax to 1.25%, it doesn't mean the remaining 1.25% is eliminated. In the next year we could access that extra 1.25% and raise the levy

3.75% and still be within the levy limit. However, neither the three year budget plan, nor this forecast builds the unused levy into the tax base. At the end of the three year budget plan we expect to have unused levy capacity of more than 5.25%, or over \$6 million. Again, this is not built in to the FY17-FY20 tax base either. The forecast does not factor in the use of the excess levy in any year.

Using Free Cash

Free cash is the ending balance of the General Fund after all the revenues and expenses are finalized and any pending obligations or account shortfalls are deducted. Our free cash policy allows the prior year certified free cash to be used for certain purposes in the subsequent budget. For example the FY15 certified free cash may be used in the FY17 budget. Current policy still allows a small portion of free cash as general revenue, with a percentage of the net amount going to the Stabilization Fund, use in the capital budget and 40% remaining in general fund balance. However the priorities have changed in that we do not need large amounts to keep the Stabilization Fund at the 5% target. The use of the current percentage allocations when we have a large free cash amount overfunds some items and doesn't fund others. So we have rewritten the free cash policy to allocate a declining amount for general revenue, using \$100,000 in FY20 and none in FY21 forward. We have reduced the Stabilization Fund amount to "an amount that will maintain the 5% policy amount". We should continue to be prudent in our use of free cash, which is an unpredictable revenue source over the long term. Certified free cash has ranged from a low of \$1.2 million at the end of FY10 to a high of \$11.7 million at the end of FY14. The FY16 and FY17 budget plans call for the use of a large amount of free cash to keep the levy limit at the 1.25% goal; and to fund the OPEB and Capital Stabilization Funds. Free cash also funds the tax burden stabilization reserve that manages the levy and balances the share of the tax levy borne by residential and commercial tax bases. And it is the prudent use of free cash in FY15 and FY16 that helped fund the rebuilding program for the Framingham School district. Since free cash is a non-recurring revenue, in that the amount is not predictable over time, it is not good financial policy to use it for recurring costs.

Unfunded Liabilities

Framingham has two recorded unfunded liabilities: the pension fund and other post-employment benefits. The Framingham Retirement Trust Fund provides retirement monies to pay for the pensions and an annual portion of the unfunded liability. The current funded ratio is 67.4% we have a funding schedule that will bring us to full funding by 2030. Since 1986, the Framingham Retirement Fund has been invested with the State Pension fund, known as PRIT. The funding schedule we use assumes a rate of return of 8%. As of 2014, the 30 year rate of return is 9.51%. The average pension is \$23,900.

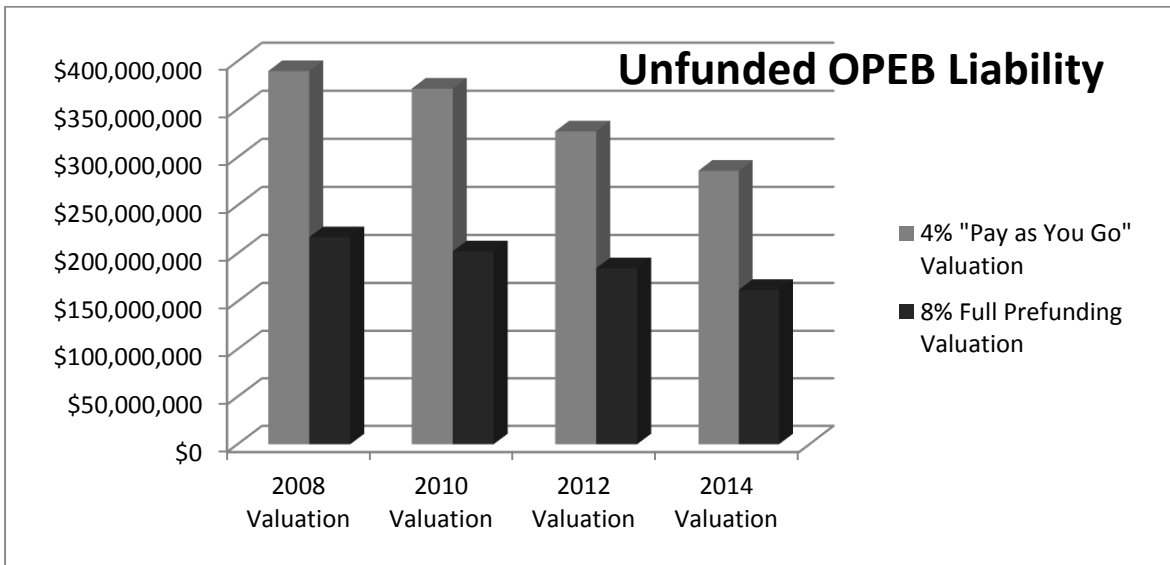
The pension appropriations used for this forecast are based on the approved funding schedule and range from \$12.3 million to \$14.3 million.

OPEB (Other Post Employment Benefits) is the value of future non-pension benefit costs for retirees. In the case of Framingham, this means health and dental insurance. This includes all retired Framingham

employees, regardless of which system they retire from. However, the Town is responsible for funding the non-pension, or health insurance coverage benefit, for all Framingham School teacher retirees.

Health insurance coverage is bargained with a combined committee of union representatives called the Public Employee Committee (PEC). The health insurance agreements that result from bargaining with this committee directly affect the OPEB valuation. As we reduce the employer cost of health insurance cost for employees we also reduce the cost of the total OPEB liability, and by default the unfunded liability. Over the last seven years of negotiations with the PEC, plan designs have been changed, the Town has adopted moving eligible retirees to Medicare, and employees' contribution rates have increased. In July 2014, the health insurance coverage was moved to the state run Group Insurance Commission (GIC). All of these changes do two things (1) reduce the overall cost of health insurance and (2) reduce the employer share by shifting an increasing portion of the cost to users (employees). The changes in health insurance do not affect the OPEB valuation dollar for dollar, in some cases it's actually a geometric effect. Reducing the overall OPEB liability and contributing to the OPEB Trust is a two prong approach that will ultimately reduce the amount we need to fund on an annual basis once municipalities are mandated to fully fund the liability.

The value of the account as of June 30, 2015 is \$3.45 million. Allocations from free cash continue each year at a level amount around \$750,000. The original program for the investment of free cash included a larger share for OPEB. However, it is not yet mandated, and frankly, we do not get any more credit from bond rating agencies if we deposit larger amounts. For now we should sit tight at the lower amount and once the pension fund liability is eliminated, allocate that funding to OPEB. The charts below illustrate the progress made to reduce the OPEB liability.



	2008 Valuation	2010 Valuation	2012 Valuation	2014 Valuation
4% "Pay as You Go" Valuation	\$389,842,640	\$371,529,899	\$327,066,655	\$286,128,910
8% Full Prefunding Valuation	\$216,902,994	\$202,192,506	\$184,614,666	\$162,163,855

Estimated Impact on Taxes

Proposition 2 ½ limits the amount a municipality can increase the overall, annual property tax charges (the levy) to 2.5%. For example, the total levy for FY17 is \$179,499,140 – a 2.5% increase would bring the FY18 base levy to \$183,986,431. This raises \$4,487,479 in additional base taxes. New taxes from new development would be added to that base. That is the maximum amount you can raise. So if property values increase the tax rate decreases to raise the \$4,487,479. If property values decrease the tax rate increases to raise \$4,487,479. We cannot increase the total tax dollar amount any more than the 2.5% increase. We can certainly raise less. We are not required to increase the levy by 2.5%, and in FY15-FY17 we propose to raise the levy by half of the maximum amount each year.

The three year budget plan has a specific focus to moderate the levy **and** the single family tax bill. The goal is to keep the annual tax increase for the average home to less than \$100. In FY15 the average increase was \$30. In FY16 single home values grow more than other property types which cause tax burden toward single family homes. So we anticipate that the average home tax bill will increase by \$114. Over a two year period that averages \$72 per year. In FY17, using a 1.75% levy increase in forecast scenario 2, the average single family home increase would be estimated at \$119. Using the forecast scenario 1, which is a 1.25% levy increase, the average increase would be estimated at \$100. These tax estimates assume limited change in the ratio between residential and commercial value in FY16 and FY17. There is no specific estimate on the average residential impact beyond FY17, as trying to forecast property values that far in advance would not be accurate.