

TOWN OF SHREWSBURY

Revenue Manual

November 13, 2018

Table of Contents

INTRODUCTION	2
Purpose	2
Overview of Budgeted Revenues – Fiscal Year 2019	3
REVENUE SUMMARY FISCAL YEAR 2020	4
Changes Proposed in FY 20	6
TAX LEVY.....	7
STATE AID	9
School Aid	12
School Construction.....	13
Tax Exemptions	14
Cherry Sheet Offsets	15
UTILITY REVENUE.....	17
LOCAL RECEIPTS	20
Motor Vehicle Excise Tax (MVE)	22
Landfill – Ash Disposal & Metals Recovery	24
Licenses & Permits.....	27
Remaining Receipts	29
FREE CASH.....	31
OTHER AVAILABLE FUNDS.....	33
CLOSING COMMENTS	34

INTRODUCTION

This Revenue Manual has been prepared by the Town of Shrewsbury's Town Manager's Office under the guidance of the Board of Selectmen. It is intended to be a resource for Town residents and officials by illustrating the following: progressive levels of detail, where the Town gets its revenue from, and how much revenue is anticipated in the years to come.

If you have any questions, please contact Town Manager Kevin J. Mizikar at 508-841-8508 or kmizikar@shrewsburyma.gov.

Purpose

The Town of Shrewsbury's fiscal capacity is derived from its ability to levy taxes on property and charge certain fees for services. This Revenue Manual has been developed to provide a comprehensive reference of the Town's various revenue sources and inform the budgeting process. All of the Town's major revenue sources are identified and explained in this manual. Further, given that the Town's financial resources are limited and often constrain service levels, historic data is presented and analyzed in order to predict future revenue. This forecast is provided to ensure resources are maximized without taking unnecessary risk.

As per the Government Finance Officers Association (GFOA), a forecast of projected revenues and expenditures is a useful management and policymaking tool that enables a municipality to evaluate the impact of various government decisions over time. Since policy decisions often affect financial conditions for years to come, it is beneficial to analyze their associated fiscal impacts over a multiyear period.

In line with the GFOA recommendations for financial planning and forecasting, the Town of Shrewsbury has used the following procedure:

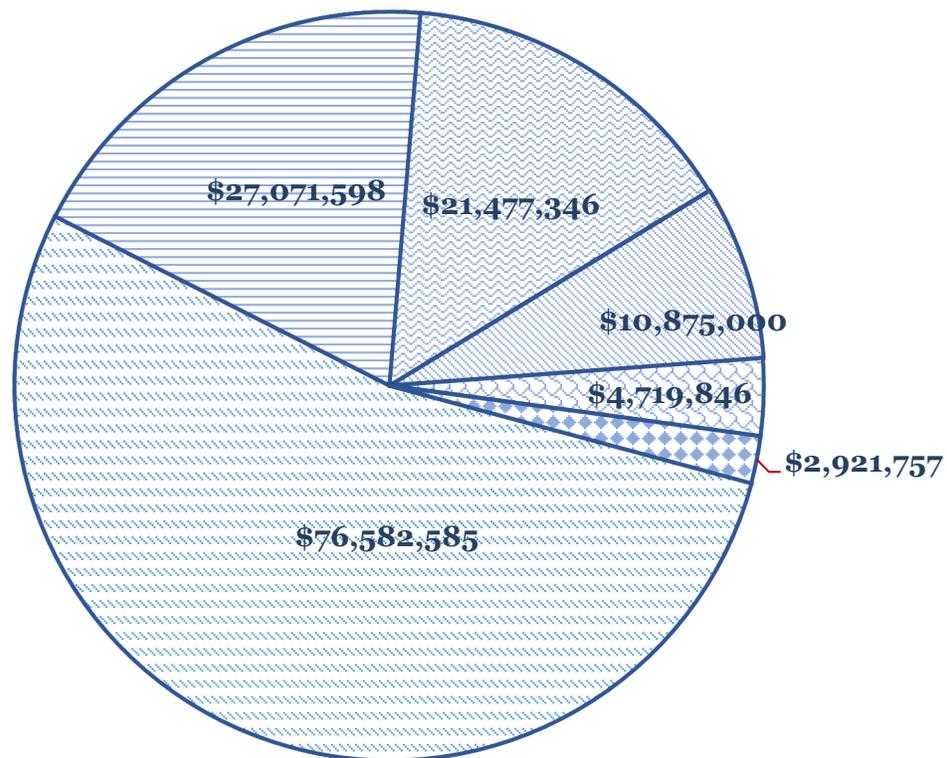
1. Data Collection: Obtain statistical data, along with accumulated judgment and expertise, to support forecasting.
2. Conduct a Preliminary/Exploratory Analysis: Examine data to identify major drivers and important trends. This establishes basic familiarity with the revenue being forecast and provides a deeper understanding of a funds nuances
3. Method Selection: Determine the most appropriate quantitative and qualitative methods.

In situations where information other than the identified forecasting method can best inform future outcomes, figures have been adjusted and noted.

Overview of Budgeted Revenues – Fiscal Year 2019

The Town of Shrewsbury single largest source of revenue is derived through the taxation of real and personal property in accordance with Massachusetts General Laws Chapter 59. For Fiscal Year 2019 (FY19), property taxes comprise 53.31%. The second largest revenue category is aid from the Commonwealth of Massachusetts which totaled 18.85%. The third largest revenue category of revenue comes charges for utility services, 14.95%. The fourth largest category, known as local receipts, comes from variety of fees for service, permit and license fees, and excise taxes which totaled 7.57% of all FY19 budgeted income. Free cash represented 3.29% of the Town's revenue in FY19. Finally the remaining 2.03% of the revenue is comprised of other internal funds such as the Sale of Cemetery Lots, Title V Repayments, and SELCO funds.

FY 19 REVENUE BREAKOUT



FY19 - Budgeted Revenues	Amount	% of Total
Tax Levy*	\$76,582,585	53.31%
State Aid	\$27,071,598	18.85%
Utility Revenue	\$21,477,346	14.95%
Local Receipts	\$10,875,000	7.57%
Free Cash	\$4,719,846	3.29%
Other Available Funds	\$2,921,757	2.03%
Stabilization	\$0	0.00%
TOTAL	\$143,648,132	100.00%

*Includes Exempted Tax Levy

REVENUE SUMMARY FISCAL YEAR 2020

Total revenue for FY20 is projected at \$138,634,521, a decrease of \$5,013,611 or 3.49%. This decrease is attributed to a reduction in the use of one-time revenues for infrastructure improvement projects in comparison to FY19. The FY19 Budget included a major \$6.5 million investment in new sewer mains in the Route 20 Corridor to promote economic development.

The property tax levy in accordance with the provisions of Proposition 2½ will increase to \$74,552,254, which is \$2,598,835 or 3.61% greater than FY19. This includes a 2.5% increase over the FY19 levy plus \$800,000 in estimated new growth. Property tax revenues dedicated to debt service, which has been excluded from the provisions of Proposition 2½, will provide \$4,218,840 which is \$410,326 less than FY19. Total property tax revenues, including the debt exclusions, will exceed FY19 by \$2,188,509 or 2.86%. The total projected FY20 Tax Levy is \$78,771,094.

State Aid estimates are made up two components, (1) Cherry Sheet Aid, the annually recurring aid for education, general government, and other categories and (2) School Construction Aid, State reimbursements to the Town for borrowing costs the Town incurred for state-eligible school building projects under the for state system for such projects. The Cherry Sheet Aid is projected to increase by 0.077% to \$27,092,490 which closely mirrors the compound annual average growth rate realized over the previous five year period.

The Town's utility operations, solid waste, water and sewer, are projected to raise \$15,583,110 in revenue during FY20. Additional funds may be appropriated from available funds in the Treasury to fund other on-going capital and maintenance projects for these operations.

Local Receipts revenues are forecasted to yield \$11,923,839 which is an increase of \$1,048,389 over the FY19 budgeted revenue estimate due to projected increases from a variety of sources.

A total of \$7,649,490 in Free Cash was certified by the Department of Revenue as of June 30, 2018. \$231,224 was appropriated at the October 22, 2018 Special Town Meeting leaving a revised balance of \$7,418,266. The appropriation of these funds must be done so in accordance with the Town's Reserve Policy.

The remaining Other Available Funds including revenues related to the sale of Cemetery Lots, Cemetery Trust, Debt Service revenue from SELCO and Title V Loans, internal Account Transfers, Bond Interest Reserve, and SELCO revenue to further reduce the tax rate are projected at \$1,514,438 in FY20.

REVENUE SOURCE	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Budget	FY20 Rec.
Tax Levy*	\$67,548,981	\$69,745,014	\$73,720,021	\$76,582,585	\$78,771,094
State Aid**	\$26,943,629	\$26,969,382	\$26,764,047	\$27,061,598	\$27,092,490
Utility Revenue	\$13,243,033	\$12,976,334	\$14,685,315	\$21,477,346	\$15,583,110
Local Receipts	\$10,864,542	\$11,113,677	\$12,402,864	\$10,875,000	\$11,923,389
Free Cash	\$3,709,000	\$3,847,697	\$3,770,000	\$4,719,846	\$3,750,000
Other Available Funds	\$2,313,452	\$1,901,018	\$2,509,630	\$2,921,757	\$1,514,438
Stabilization	\$0	\$0	\$0	\$0	\$0
TOTAL	\$124,622,637	\$126,553,122	\$133,851,877	\$143,638,132	\$138,634,521

* Includes Exempted Tax Levy

**Includes SBA payments and Chapter 90 payments

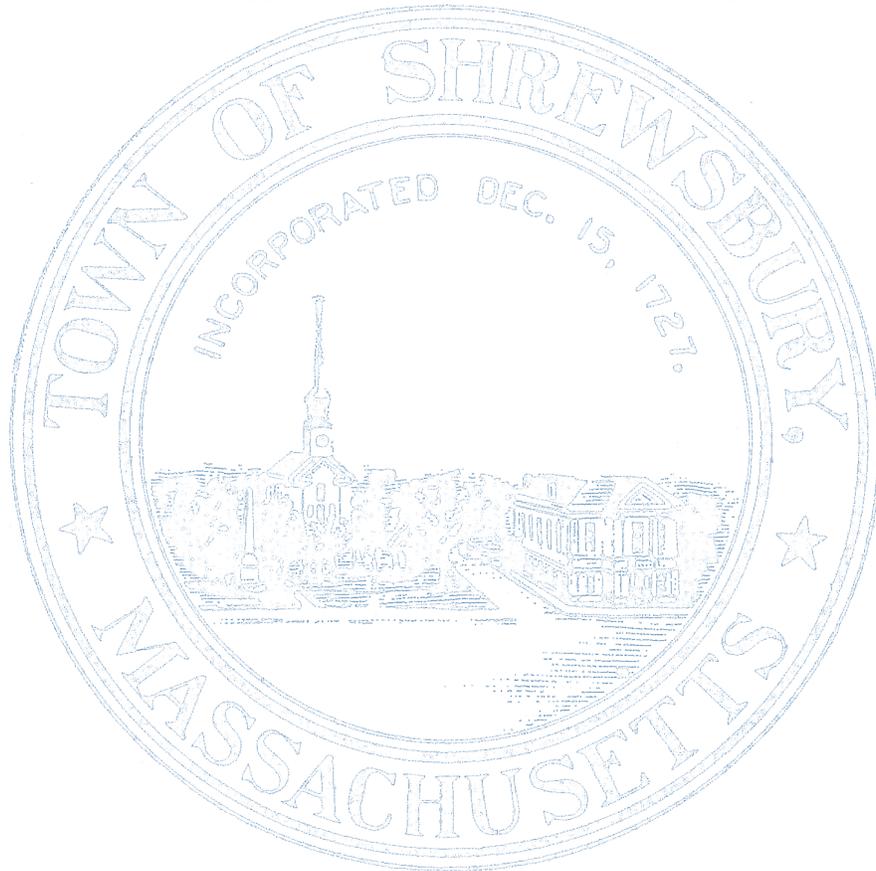
Total General Fund Rev.	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Budget	FY20 Rec.
Tax Levy*	\$50,108,533	\$53,018,884	\$55,850,333	\$58,039,617	\$65,297,926	\$67,548,981	\$69,745,014	\$73,720,021	\$76,582,585	\$78,771,094
State Aid**	\$25,163,474	\$26,627,996	\$26,130,010	\$26,273,312	\$26,366,279	\$26,943,629	\$26,969,382	\$26,764,047	\$27,071,598	\$27,092,490
Utility Revenue	\$9,632,230	\$10,445,807	\$11,472,403	\$13,115,678	\$12,939,290	\$13,243,033	\$12,976,334	\$14,685,315	\$21,477,346	\$15,583,110
Local Receipts	\$8,226,423	\$9,504,583	\$9,589,398	\$8,451,538	\$11,012,809	\$10,864,542	\$11,113,677	\$12,402,864	\$10,875,000	\$11,923,389
Free Cash	\$1,931,069	\$3,896,791	\$3,591,495	\$4,439,580	\$3,860,003	\$3,709,000	\$3,847,697	\$3,770,000	\$4,719,846	\$3,750,000
Other Available Funds	\$2,890,247	\$1,950,810	\$2,501,675	\$2,010,554	\$2,273,669	\$2,313,452	\$1,901,018	\$2,509,630	\$2,921,757	\$1,514,438
Stabilization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL	\$97,951,976	\$105,444,871	\$109,135,314	\$112,330,279	\$121,749,976	\$124,622,637	\$126,553,122	\$133,851,877	\$143,648,132	\$138,634,521
Annual Rev. Increase	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Budget	FY20 Rec.
Tax Levy*	\$1,005,806	\$2,910,351	\$2,831,449	\$2,189,284	\$7,258,309	\$2,251,055	\$2,196,033	\$3,975,007	\$2,862,564	\$2,188,438
State Aid**	(\$1,729,382)	\$1,464,522	(\$497,986)	\$143,302	\$92,967	\$577,350	\$25,753	(\$205,335)	\$307,551	\$20,892
Utility Revenue	(\$3,710,700)	\$813,577	\$1,026,596	\$1,643,275	(\$176,388)	\$303,743	(\$266,699)	\$1,708,981	\$6,792,031	(\$5,894,236)
Local Receipts	(\$199,376)	\$1,278,160	\$84,815	(\$1,137,860)	\$2,561,271	(\$148,267)	\$249,135	\$1,289,187	(\$885,146)	\$1,048,389
Free Cash	\$121,069	\$1,965,722	(\$305,296)	\$848,085	(\$579,577)	(\$151,003)	\$138,697	(\$77,697)	\$949,846	(\$969,846)
Other Available Funds	(\$435,463)	(\$939,437)	\$550,865	(\$491,121)	\$263,115	\$39,783	(\$412,434)	\$608,612	\$412,127	(\$1,407,319)
Stabilization	(\$496,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL	(\$2,849,284)	\$7,492,895	\$3,690,443	\$3,194,965	\$9,419,697	\$2,872,661	\$1,930,485	\$7,298,755	\$10,438,973	(\$5,013,611)
% of Total Rev.	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Budget	FY20 Rec.
Tax Levy*	51.16%	50.58%	51.18%	51.67%	53.63%	54.20%	55.11%	55.08%	53.31%	56.82%
State Aid**	25.69%	25.25%	23.94%	23.39%	21.66%	21.62%	21.31%	20.00%	18.85%	19.54%
Utility Revenue	9.83%	9.91%	10.51%	11.68%	10.63%	10.63%	10.25%	10.97%	14.95%	11.24%
Local Receipts	8.40%	9.01%	8.79%	7.52%	9.05%	8.72%	8.78%	9.27%	7.57%	8.60%
Free Cash	1.97%	3.70%	3.29%	3.95%	3.17%	2.98%	3.04%	2.82%	3.29%	2.71%
Other Available Funds	2.95%	1.85%	2.29%	1.79%	1.87%	1.86%	1.50%	1.87%	2.03%	1.09%
Stabilization	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

* Includes Exempted Tax Levy

**Includes SBA payments and Chapter 90 payments

Changes Proposed in FY 20

In order to more clearly document certain revenues, starting in FY20 the Town Manager proposes to establish two new enterprise funds and change how the Sewer Special Revenue Account is managed. Enterprise Funds established through MGL Chapter 44 Section 53F1/2 are proposed for the Town's drinking water utility and for the management of the new storm water utility. Historically, the Town has annually funded the Sewer Special Revenue Account established by the Acts of 1954 through the consolidated operating budget article at the Annual Town Meeting. The Town Manager will propose funding Sewer Operations through a separate article except for those indirect costs handled by other Town department which will continue to be funded through the operating budget using sewer funds. The Sewer Department will be segmented to feel much more like an enterprise fund providing greater clarity in the financial management thereof.



TAX LEVY

Description:

Property tax is the primary source of revenue for virtually every Massachusetts municipality. In Shrewsbury, property taxes represent approximately 53% of annual revenues. Property taxes are levied on real property (land and buildings) and personal property (equipment) used by Shrewsbury's non-manufacturing businesses. State law mandates that community's update their property values at least every five years and obtain State certification that such values represent full and fair cash value. A revaluation was conducted in FY16.

Legal Authority:

M.G.L. c.59, s.21c

Fiscal Capacity:

Under the Provisions of Proposition 2 1/2, property taxes, in the aggregate, may not exceed 2 1/2 % of their "full and fair cash value." This limit is known as the "levy ceiling." Annual levy increases may not exceed 2 1/2 % of the previous year's levy plus the taxes from any new or renovated property added to the tax rolls (known as new growth). Any Proposition 2 1/2 override or debt exclusion amounts approved by voters are added to the levy limit, while all related school construction reimbursements from the State are subtracted.

Forecast Assumption(s):

Property values and new growth for FY20 are preliminary estimates used to project the levy limit. The FY19 levy limit was \$71,953,419. The 2 1/2 % increase allowed for FY20 is \$1,798,835. New growth from construction not previously on the tax rolls is expected to add \$800,000 to the levy. An additional \$4,218,840 is added to the tax levy to cover the cost of debt service for projects approved by the voters as Proposition 2 1/2 debt exclusion overrides/exclusions. This added debt exclusion amount is net of state reimbursements estimated at \$2,858,775.

Initial Budget Recommendation:

Utilizing the historic data on hand and the forecasting approaches detailed above the initial projection for FY20 Tax Levy is \$78,771,094 broken out as specified on the following page.

TAX LEVY	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Budget	FY20 Rec.
Base Tax Levy	\$63110,824	\$65,970,001	\$68,788,408	\$71,953,419	\$74,552,254
Debt Exclusion Overrides					
<i>Land Acquisitions*</i>	\$888,900	\$858,875	\$828,475	\$696,275	\$530,050
<i>High School</i>	\$3,894,700	\$3,742,000	\$3,585,250	\$3,433,875	\$3,277,875
<i>Oak Middle School</i>	\$484,055	\$464,780	\$450,630	\$436,580	\$422,143
<i>Fire Facilities</i>	\$527,083	\$514,733	\$502,383	\$489,083	\$476,353
<i>Sherwood Middle School</i>	\$1,680,000	\$1,650,000	\$1,615,000	\$1,580,000	\$1,540,000
<i>Floral</i>	\$421,828	\$0	\$0	\$0	\$0
<i>Library</i>	\$0	\$0	\$816,044	\$856,054	\$831,194
Sub-total Debt Exclusions	\$7,896,566	\$7,230,388	\$7,797,782	\$7,527,867	\$7,077,615
<i>SBA Funding (Floral)</i>	(\$585,681)	(\$585,681)	\$0	\$0	\$0
<i>SBA Funding (HS)</i>	(\$2,764,695)	(\$2,764,695)	(\$2,764,695)	(\$2,764,695)	(\$2,764,695)
<i>Oak Middle MSBA</i>	(\$40,671)	(\$40,671)	(\$40,671)	(\$40,671)	(\$40,671)
<i>Sherwood Middle Bond Prem.</i>	(\$65,545)	(\$62,653)	(\$59,280)	(\$55,906)	(\$52,051)
<i>CenTech North Bond Prem.</i>	(\$1,817)	(\$1,675)	(\$1,523)	(\$1,429)	(\$1,358)
Net Tax Levy Exempted	\$4,438,157	\$3,775,013	\$4,931,613	\$4,629,166	\$4,218,840
TOTAL	\$67,548,981	\$69,745,014	\$73,720,021	\$76,582,585	\$78,771,094

* Total of four (4) land acquisitions

STATE AID

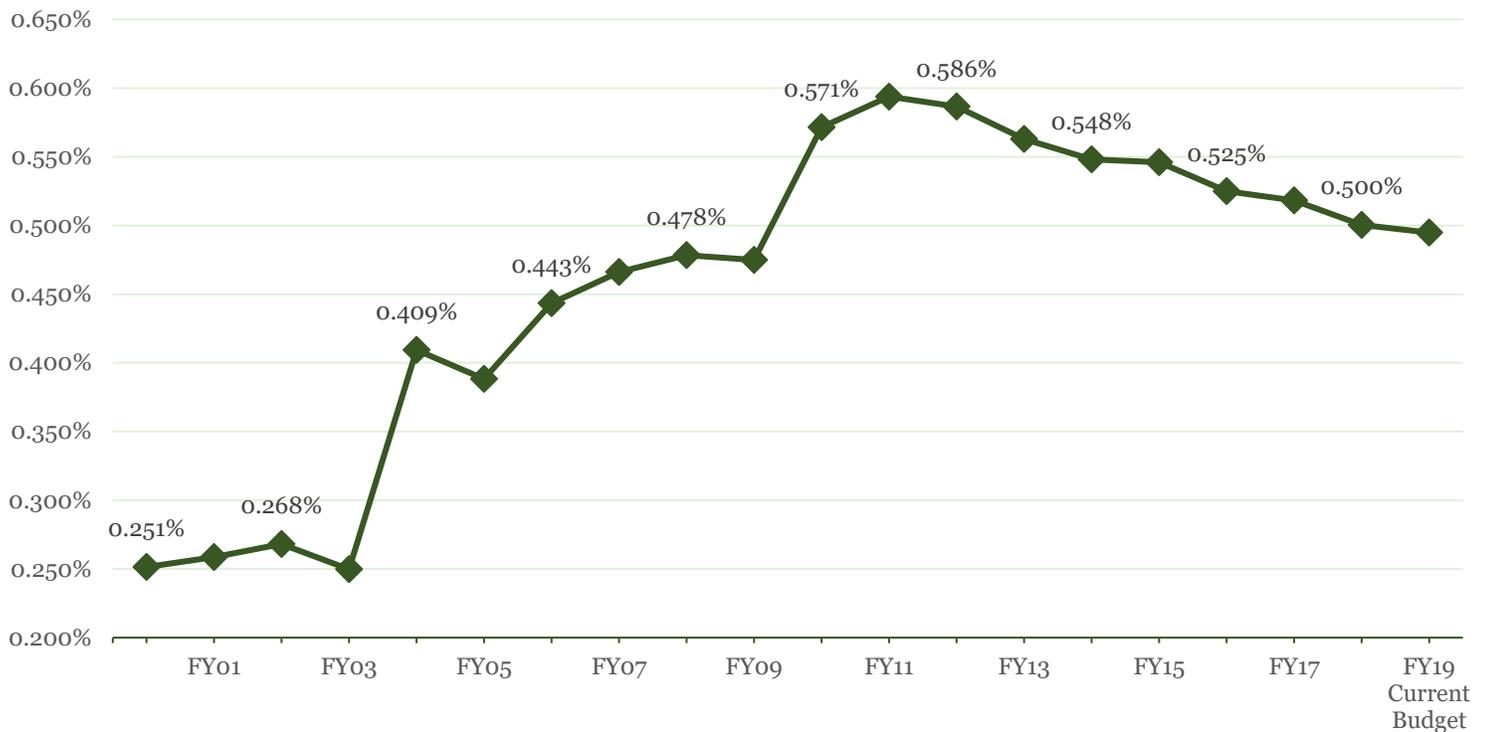
Description:

Annually the Commonwealth of Massachusetts provides both restricted and unrestricted aid to municipalities. Funding amounts are calculated through a variety of formulas and other means as defined in various statutes. The Governor of Massachusetts normally releases the initial State budget in late January each year. The Governor's budget provides municipalities with the first look at aid that the State provide to cities and towns. The two primary aid categories are Chapter 70 School Aid and an Unrestricted General Government Aid. This aid is also known as Cherry Sheet revenue.

Narrative:

Over the past twenty (20) years Shrewsbury seen a growth rate of 5.10% (CAGR); however, more recently the past five (5) years have witnessed a growth of 0.087% (CAGR). The more recent leveling of funding is also apparent in the graph below which reveals a decreases in Shrewsbury's State Aid as a percentage of total State Aid over the past ten (10) fiscal years.

Shrewsbury's percent of total State Aid FY 00 – FY 19



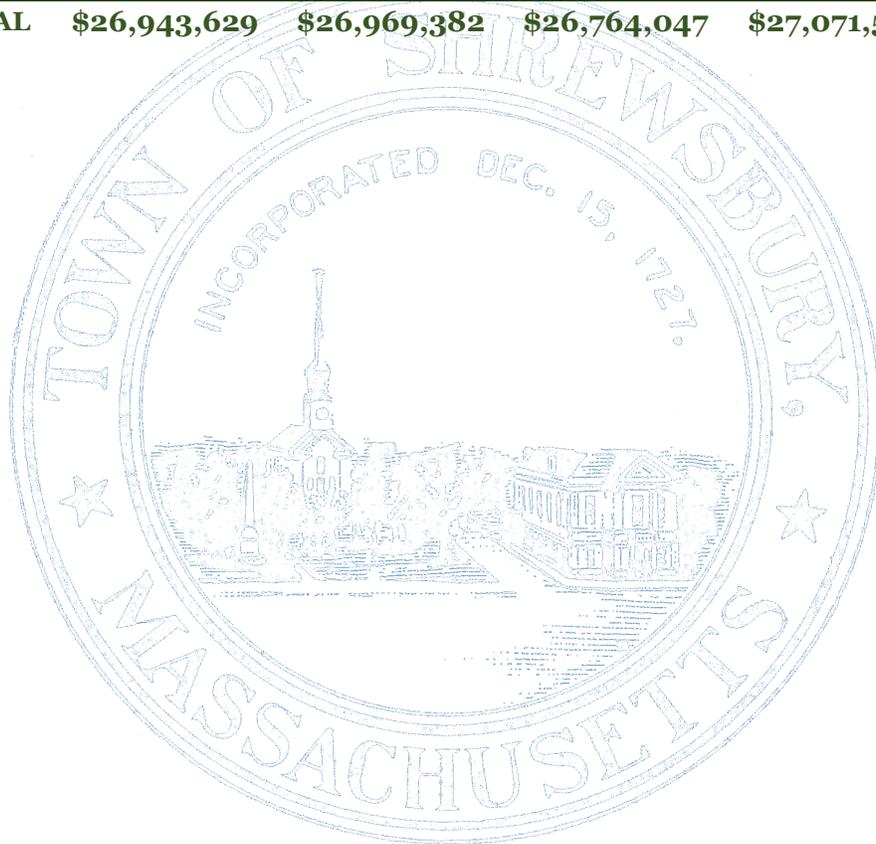
Forecast Assumption(s):

Prior to the January 2019 release of the Governor's state budget and to avoid potential revenue deficits; a conservative 0.087% increase, based on the five (5) CAGR, has be applied to General Government Aid and School Aid. School Construction Assistance through the SBA Program will be reported as actual and the remaining revenue comprised within Tax Exemption Aid and the Cherry Sheet offsets will remain level with FY19.

Initial Budget Recommendation:

Utilizing the historic data on hand and the forecasting approaches detailed above, the initial projection for FY20 State Aid is \$27,092,490 broken out as follows:

STATE AID SUMMARY	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Budget	FY20 Rec.
Gen. Government Aid	\$4,187,402	\$3,906,693	\$3,982,400	\$4,101,910	\$4,105,479
School Aid	\$19,267,701	\$19,574,876	\$19,739,972	\$19,911,469	\$19,928,782
School Construction	\$3,350,376	\$3,350,376	\$2,764,695	\$2,764,695	\$2,764,695
Tax Exemptions	\$86,883	\$95,423	\$94,769	\$99,186	\$99,186
Cherry Sheet Offsets	\$51,267	\$42,014	\$182,211	\$194,338	\$194,338
TOTAL	\$26,943,629	\$26,969,382	\$26,764,047	\$27,071,598	\$27,092,490



General Government State Aid

Description:

UNRESTRICTED GENERAL GOVERNMENT AID (UGGA)

As historical background, in FY10, the Additional Assistance category was combined with Lottery Aid under a new category called Unrestricted General Government Aid. Between these two aid categories, Shrewsbury received in excess of \$3,129,155 in FY08. While the UGGA account has increased year over year since its inception, the initial combination between Additional Assistance with Lottery Aid resulted in a reduction of \$674,805 to the Town.

VETERANS' BENEFITS

Chapter 115, Section 6, calls for the reimbursement to cities and towns of the costs of providing assistance to veterans and their dependents. Benefits paid out in accordance with state guidelines are eligible for 75% reimbursement.

STATE OWNED LAND

Payment in lieu of taxes for state-owned land that is not subject to local property taxes.

CHAPTER 90

Municipalities providing documentation in compliance with Chapter 149, sections 44J and 26-27F may receive state funds allocated for capital improvement such as highway construction, preservation and improvement projects.

Narrative:

Over the past twenty (20) years, General Government State Aid have seen a growth rate of 1.06% (CAGR) with a decrease of 0.27% in the compound annual growth rate over the past five (5) years.

Forecast Assumption(s):

A more accurate estimate for UGGA will be provided following the Governor's projection of the State revenues in January 2019 as the current policy increases UGGA aid similar to state revenue increases.

Initial Budget Recommendation:

In accordance with the **State Aid Budget Recommendation for FY20** found on page 9, the initial recommendation for General Government State Aid is \$4,105,479 and broken out as follows:

GENERAL GOVERNMENT	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Budget	FY20 Rec.
UGGA	\$2,478,757	\$2,678,416	\$2,782,874	\$2,880,275	\$2,882,781
Veteran's Benefits	\$99,127	\$107,134	\$97,173	\$113,841	\$113,940
State Owned Land	\$130,198	\$128,648	\$121,438	\$121,438	\$121,544
Chapter 90	\$1,479,320	\$992,495	\$980,915	\$986,356	\$987,214
TOTAL	\$4,187,402	\$3,906,693	\$3,982,400	\$4,101,910	\$4,105,479

School Aid

Description:

SCHOOL AID - CHAPTER 70

The distribution formula calculates a foundation budget for each school district and then funds a percentage of the budget depending upon a number of factors, including community income levels, property wealth, and municipal contributions to the school budget. For those communities determined to be more able to provide local resources, the State will fund a maximum 17.5% of the school district's foundation budget. Shrewsbury is one of 147 communities that fall within this category. Communities that are less affluent receive significantly more than the 17.5% minimum.

CHARTER SCHOOL TUITION ASSESSMENT REIMBURSEMENT

General Laws Chapter 71, Section 89 mandates that the State assess a municipality or regional school district for the costs associated with pupils attending a Charter School and reimburse sending districts for the tuition they pay to Commonwealth charter schools. Municipalities and school districts are reimbursed for this assessment based on funding schedule that is supposed to follow a pattern of in year one, an amount equal to 100% of the assessment; in years two through six, an amount equal to 25% of the assessment, after year six, no reimbursement. This reimbursement is subject to appropriation. If the account is not fully-funded, then the reimbursement is pro-rated. In previous fiscal years the Governor and Legislature have appropriated sufficient funds to fund only the first year reimbursement.

Narrative:

Over the past twenty (20) years School Aid has seen a growth rate of 5.66% (CAGR). An analysis of the compound annual growth rate over the past five (5) years reveals a 0.36% growth in State Aid. Although slightly greater in percentage, both the twenty (20) and five (5) CAGR trend for School Aid closely follows the growth trend in Total State Aid over the same period.

Initial Budget Recommendation:

In accordance with the **State Aid Budget Recommendation for FY20** found on page 9, the initial recommendation for School Aid is \$19,918,783 broken out as follows:

SCHOOL AID	FY16	FY17	FY18	FY19	FY20
	Actual	Actual	Actual	Budget	Rec.
Chapter 70	\$19,195,368	\$19,524,868	\$19,706,038	\$19,887,358	\$19,904,660
Charter Tuition Reimbursement	\$72,333	\$50,008	\$33,934	\$24,111	\$24,132
TOTAL	\$19,267,701	\$19,574,876	\$19,739,972	\$19,911,469	\$19,928,792

School Construction

Description:

SCHOOL CONSTRUCTION AID

The school construction aid the Town currently receives is for projects completed under an old State school building assistance program, the SBA program under which cities and towns borrowed the full amount of debt for a school building project and the state reimbursed the cities and towns for its share of the project. In 2004, the Governor signed Chapter 210 of the Act of 2004, which made substantial changes to the School Building Assistance (SBA) Program. This legislation (Ch. 208) transferred responsibility for the School Building Assistance Program from the Department of Education to the Massachusetts School Building Authority (MSBA), operating under the Office of the State Treasurer. The authority is a new and independent governing body comprised of seven members. The reform legislation dedicates one cent of the state sales tax to the new off-budget school building trust. Funding is no longer subject to an annual appropriation from the Legislature and approval of the Governor, allowing MSBA to prepay its share of project expenses. This streamlined process saves local communities millions in avoided interest costs and enables the MSBA to participate in more projects and the Commonwealth.

Forecast Assumption(s):

The Shrewsbury High School was the Town's the last school project to receive reimbursement under the old SBA process.

Initial Budget Recommendation:

In accordance with the **State Aid Budget Recommendation for FY20** found on page 9, the FY20 the SBA Program reimbursement will be \$2,764,695. The last construction aid payments for the Shrewsbury High School occur in FY22 which coincides with the closeout of the Town's debt service with this project.

SCHOOL CONSTRUCTION	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Budget	FY20 Rec.
SBA Program (Floral)	\$585,681	\$585,681	\$0	\$0	\$0
SBA Program (HS)	\$2,764,695	\$2,764,695	\$2,764,695	\$2,764,695	\$2,764,695
TOTAL	\$3,350,376	\$3,350,376	\$2,764,695	\$2,764,695	\$2,764,695

Tax Exemptions

Description:

There are several categories of property tax exemptions for which the State provides a partial reimbursement to municipalities. Veterans, blind persons, surviving spouses, and elderly who meet exemption requirements are eligible. Elderly persons (at least 65 years of age) who meet certain whole estate or total assets, annual income, and residency requirements, are eligible for an exemption. The number of exemptions granted is multiplied by the statutory reimbursement of \$500, subject to appropriation. However, if a municipality has adopted Clause 41B or 41C (Shrewsbury has adopted this section which increases exemption amount to \$1,300), the number of exemptions for which it is reimbursed cannot exceed the number reimbursed in the most recent year under Clause 41. In addition, municipalities that have adopted Clause 41B or 41C will be reimbursed for additional costs incurred in determining eligibility of applicants under these clauses in an amount not to exceed two dollars per exemption granted. For property tax exemptions granted to qualifying veterans, blind persons, surviving spouses, and elderly persons, the exemption and reimbursement amounts are as follows:

- Surviving spouses, minor children, and elderly persons:
 Clause 17 - \$175, full reimbursement
 Clauses 17C, 17C1/2, 17D - \$227.50, reimbursement cannot exceed the amount reimbursed on Clause 17.
- Veterans:
 Clause 22(a-f) - \$520 exempted, \$225 reimbursed
- Paraplegic veterans, surviving spouses:
 Full amount, 100% minus \$175 reimbursed (§8A)
- Veterans, loss of one arm, foot, or eye:
 Clause 22A - \$975 exempted, \$575 reimbursed
- Veterans, loss of two arms, two feet, one arm and one leg, or loss of sight:
 Clause 22B - \$1,625 exempted, \$1,075 reimbursed
- Veterans, special adapted housing:
 Clause 22C - \$1,950 exempted, \$1,325 reimbursed
- Veterans, surviving spouses of service members who died in combat zone or who are missing in action and presumed dead due to combat:
 Clause 22D - 100% exempted- 1st five years of exemption, \$2,500 thereafter
- Veterans, 100 percent disability:
 Clause 22E - \$1,300 exempted, \$825 reimbursed
- Blind persons:
 Clause 37A - \$650 exempted, \$87.50 reimbursed

Initial Budget Recommendation:

In accordance with the **State Aid Budget Recommendation for FY20** found on page 9, the FY20 Tax Exemption Aid will be held level with FY19 at \$99,186.

TAX EXMEMPTION AID	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Budget	FY20 Rec.
Tax Exemption Aid	\$86,883	\$95,423	\$94,769	\$99,186	\$99,186

Cherry Sheet Offsets

Description:

Included in the estimated amount of aid to be received from the State are grant funds for School Choice tuition and libraries. These grants are reserved for direct expenditure by the departments and cannot be counted as general available revenues. Consequently, as part of the tax rate preparation process, whatever amount is included within the State Aid estimate is also included in the non-appropriated expense section as offsetting debits.

The Town has traditionally received three such annual grants — one for the school lunch, one for school choice, and one for public libraries. In FY16, the State started to account for the school lunch program differently and it is no longer be reflected on the Cherry Sheet.

SCHOOL CHOICE RECEIVING TUITION

School Choice tuition rates are set at 75 percent of the prior fiscal year operating cost per full-time equivalent pupil for the receiving school district, with a cap of \$5,000. In addition, the actual special education cost for each pupil with an individualized education plan is paid in full by the sending district. That amount is determined using the same rate methodology for specific services as is used in the special education circuit breaker program.

PUBLIC LIBRARIES

The library grant is actually three separate grants — the Library Incentive Grant (LIG), Municipal Equalization Grant (MEG) and the Nonresident Circulation Offset (NRC).

The Board of Library Commissioners measures compliance with all requirements before voting to certify or deny applicants for grant payments. To qualify for funding, certain requirements must be met and the municipal Library Director must submit an application to the Board of Library Commissioners each year. Requirements include:

The city or town's appropriation to operate the public libraries must be equal to or greater than 102.5% of the average of the 3 preceding years' appropriations for free public library service. The Board of Library Commissioners may grant waivers of this requirement to a limited number of municipalities.

The library must have complied with the minimum standards for free public library service in the preceding year. There are minimum standards in such areas as library director's education, number of hours open, and expenditures for library materials. The library must submit annual report data as specified by the Board of Library Commissioners.

The three funding formulas to determine amounts for each municipality are as follows:

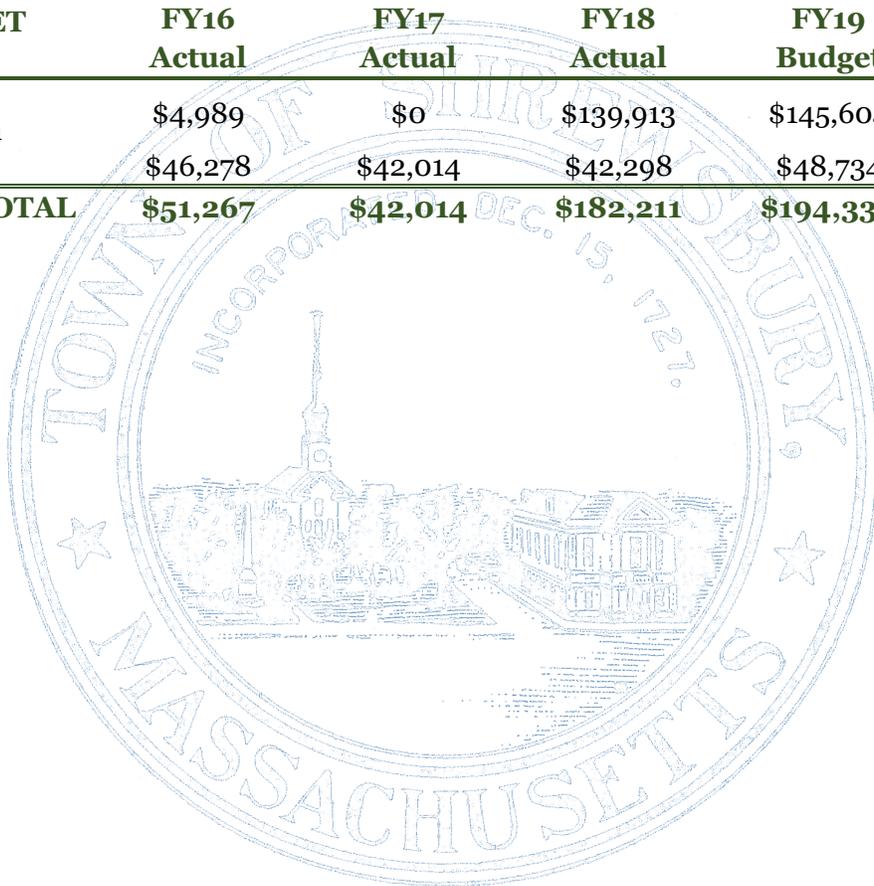
1. The Library Incentive Grant (LIG) is distributed to municipalities as follows:
 - a. Population under 2,500: an amount equal to the amount appropriated for free public library service in the preceding year; distribution not to exceed \$1,250.
 - b. Population of 2,500 or over: up to \$.50 per capita, provided that at least \$1,250 was appropriated for public library service in the preceding year.

2. The Municipal Equalization Grant (MEG) distributes the balance in the LIG/MEG account according to the lottery formula so that municipalities with lower property values receive proportionately more aid than those with greater property values.
3. The Nonresident Circulation Offset (NRC) is distributed annually by the Board of Library Commissioners, based upon each community's share of the total Statewide-circulated items.

Initial Budget Recommendation:

In accordance with the **State Aid Budget Recommendation for FY20** found on page 9, the FY20 Cherry Offsets will be held level with FY19 at \$194,338.

CHERRY SHEET OFFSETS	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Budget	FY20 Rec.
School Choice Receiving Tuition	\$4,989	\$0	\$139,913	\$145,604	\$145,604
Libraries	\$46,278	\$42,014	\$42,298	\$48,734	\$48,734
TOTAL	\$51,267	\$42,014	\$182,211	\$194,338	\$194,338



UTILITY REVENUE

Description:

Utility revenue is comprised of the funds generated through the Water, Sewer, and Solid Waste Utilities/Enterprises.

Note as previously state the Town Manager will recommend the establishment of two (2) new enterprise funds to manage the Town's obligations regarding both Storm water Management and Water services. Regardless of the account systems utilized (i.e. Enterprise fund) the Water revenue estimates will be the same. Lastly, revenue projections for Storm water were not available as of the time this manual was provided and will be conducted at a later date.

Legal Authority:

Water Commissioners – Board of Selectmen
Sewer Commission
Board of Selectmen

Fiscal Capacity:

Water and Sewer rates are reviewed regularly by the Water Commissioners (Board of Selectmen) and Sewer Commissioners to ensure that the fees generated accurately support the cost to supply the specific service to the community. Likewise, the pricing of both the PAY-T bags and bulky waste stickers may be adjusted to ensure the receipts received by the Solid Waste Enterprise offset approximately 50% of the enterprise's cost.

Narrative:

SOLID WASTE ENTERPRISE

The Solid Waste Enterprise was established in 2009 when the Town implemented a Pay-As-You Throw (PAY-T) program. Through PAY-T programs, residents are charged for the collection of municipal solid waste—ordinary household trash—based on the amount they throw away. This creates a direct economic incentive to recycle more and to generate less waste. The fees generated through the sale of PAY-T are used to offset the cost of solid waste disposal from the general tax levy. The revenues from this program were never intended to cover the entire cost of the Town's solid waste program. Over the past decade, the revenue generated through the PAY-T program has seen a growth rate of 0.46% (CAGR). During this time, the prices of the PAY-T bags and bulky-waste stickers have remained consistent with the pricing set at the inception of the PAY-T program.

WATER

The Shrewsbury Water Department is the Town's first utility established in 1905. The Board of Selectmen serve as the Town's Water Commissioners and are charged with setting the Water Rates. Water rates are set to ensure the full cost of the operating the utility, including day-to-day operations, administrative support provided by other Town Departments like accounting and investments in replacing and maintain the system infrastructure are covered by the users of the system. The Town uses a conservation based-rate structure that encourages the efficient use of water by charging customers a higher rate as their water consumption increases. Over the past twenty (20) years, charges for Water Services have seen a growth of 2.59% (CAGR) and between FY10 – FY 18 the average Water Surplus or ensuing impact on the Free Cash balance is calculated at \$468,203.

SEWER SPECIAL REVENUE FUND

The Town established a special revenue fund through which it manages the financial aspects of the Sewer Utility. Sewer fees, which are set by the Sewer Commission, are based upon water consumption and are set to ensure the full cost of the operating the utility, including day-to-day operations, administrative support provided by other Town Departments like accounting and investments in replacing and maintain the system infrastructure are covered by the users of the system. Over the past fifteen (15) years, the Sewer Surplus account has seen a growth of 7.84% (CAGR) however, more recently the past five (5) years have witnessed a growth of 0.44% (CAGR).

Forecast Assumption(s):

SOLID WASTE ENTERPRISE

October 24, 2018, the Town of Shrewsbury received proposals for the FY19 – FY24 Solid Waste Collection and Recycling Services. It is highly anticipated that the 2018 changes in the global recycling market will have a significant impact on recycling costs. Under the Town's current contract the hauler is compensated a flat amount for recycling and bears all market risk in disposal of recyclable materials. The standard in the industry is that the municipality and hauler share in the cost and profits of the disposal of these materials.

If the Town were to have to contribute even \$40 per ton on average to dispose of recycling, we would see a cost increase of over \$105,000 based on FY18 tonnage. Once we have a new contract in place, we will review the finances of the Solid Waste Enterprise Fund looking forward over the next five years. With an initial goal of maintaining a level impact of the solid waste program on the general fund, we may need to consider a 15%-20% cost increase for the PAY-T bags and other revenue items of the program. In considering this information the Solid Waste Enterprise Revenue will be held level with FY19 until further information is made available.

WATER

FY20 Water revenue projections have been tabulated from the May 8, 2018 Water Rate Study conducted out of the Town Manager's Office. This study was conducted at the outset of setting the FY18 Water Rate Schedule and includes the following projected water revenues: Water Conservation Fund, Water – Article Closeouts, Water Systems Improvements/Retained Earnings, Non-Water Revenue, and Water Rate revenue.

SEWER

Recently, necessary infrastructure projects have drawn heavily on the Sewer Surplus account. In the ensuing years it will be prudent to conduct a Sewer analysis to better understand the financial health of the enterprise. At this point in time, the Sewer Surplus projection will be held level with FY18 actual revenue. The Sewer I & I account has been projected at 75% of the available funds.

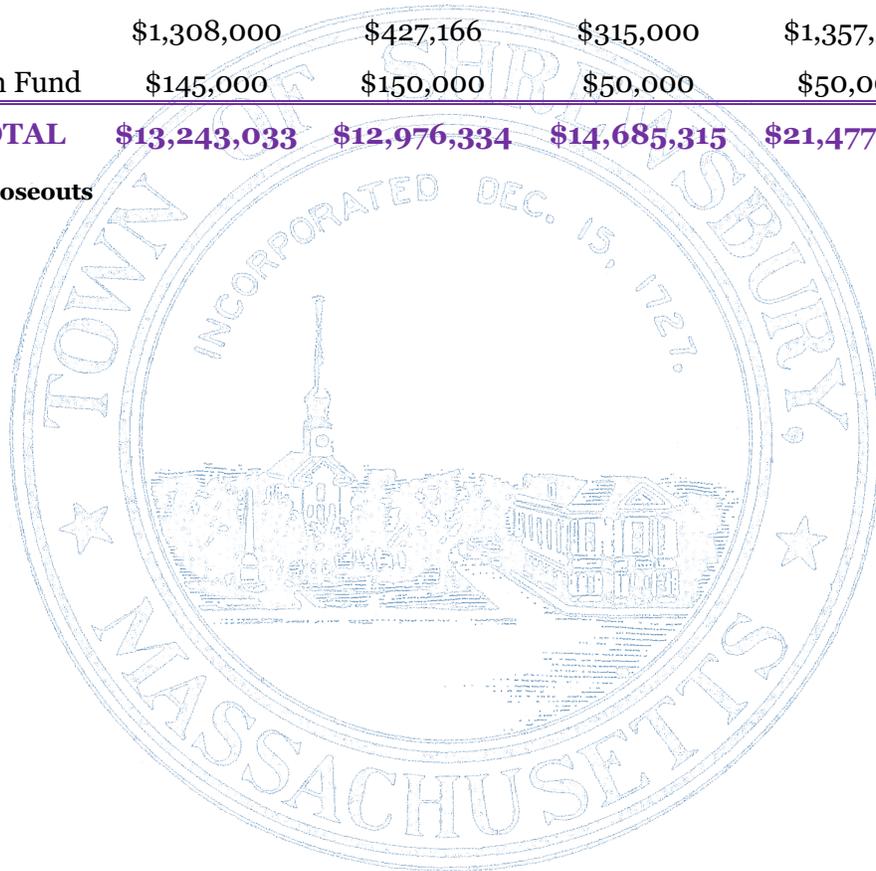
It is predicted that additional funds may be appropriated from available funds in the Treasury and reserves from prior fiscal years to fund other on-going capital and maintenance projects for the Water and Sewer operations.

Initial Budget Recommendation:

Utilizing the historic data on hand and the forecasting approaches detailed on the previous page, the initial projection for FY20 Utility Revenue is \$15,583,110 and broken out as follows:

UTILITY REVENUE	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Budget	FY20 Rec.
Water Fees	\$3,733,130	\$3,916,316	\$4,705,582	\$4,262,360	\$5,768,276
Solid Waste Enterprise	\$870,500	\$870,500	\$878,500	\$878,500	\$878,500
Retained Earnings	\$40,000	\$45,000	\$45,000	\$45,000	\$45,000
Sewer Surplus	\$6,846,603	\$7,140,352	\$8,331,233	\$13,883,979	\$7,573,000
Sewer I & I Account	\$300,000	\$427,000	\$360,000	\$1,000,000	\$549,954
Water Systems Improvements*	\$1,308,000	\$427,166	\$315,000	\$1,357,507	\$718,380
Water Conversation Fund	\$145,000	\$150,000	\$50,000	\$50,000	\$50,000
TOTAL	\$13,243,033	\$12,976,334	\$14,685,315	\$21,477,346	\$15,583,110

*Includes Article Closeouts

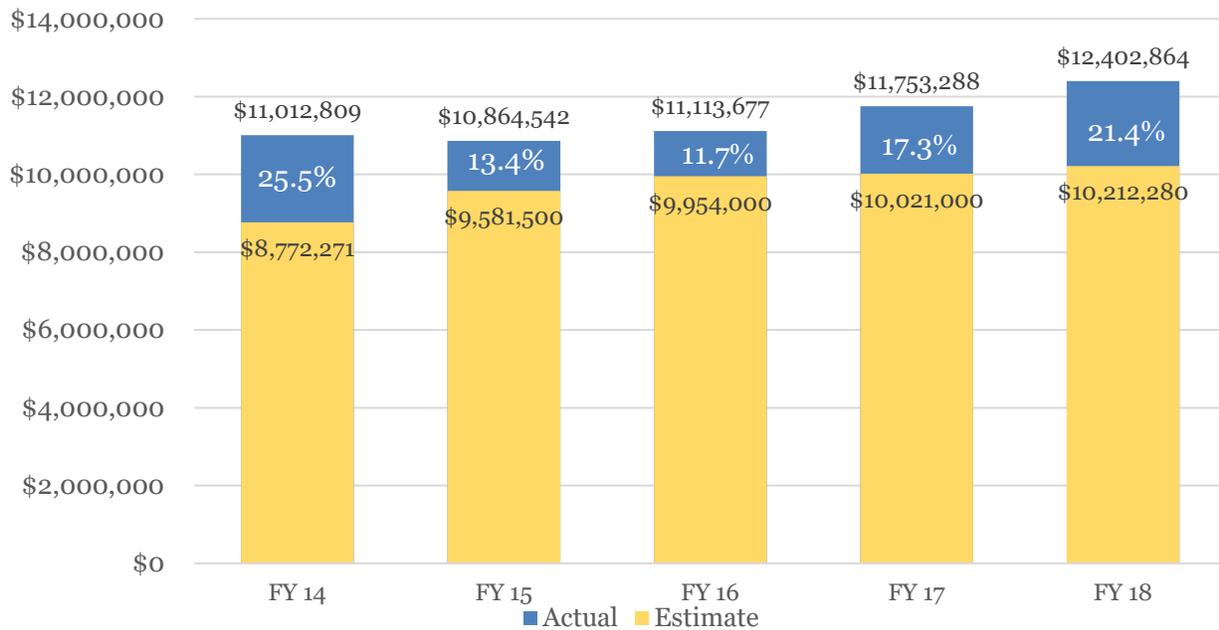


LOCAL RECEIPTS

Description:

Local receipts are locally generated revenues, other than real and personal property taxes. Examples include motor vehicle excise, investment income, hotel/motel tax, fees, rentals, and charges. Annual estimates of local receipts are shown the Tax Rate Recapitulation sheet of the Town's annual budget. Projections of local revenues are often based on the previous year's receipts and represent funding sources necessary to support the community's annual budget.

Local Receipts FY14-FY18 w/o Water Revenue – Actual vs Estimate



Legal Authority:

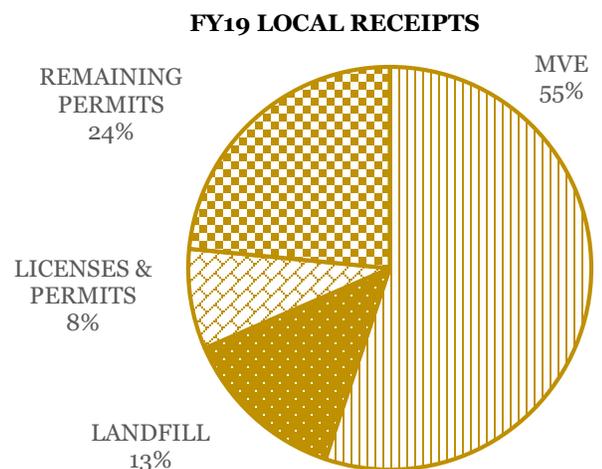
Detailed by receipt

Fiscal Capacity:

Detailed by receipt

Narrative:

Approximately 75% of annual Local Receipts are derived from the Motor Vehicle Excise Tax, Landfill charges for services pertaining to Ash Disposal and Metals Recovery, and Licenses & Permits. Over the past twenty (20) years, Local Receipts have realized a Compounded Annual Growth Rate (CAGR) of 1.89%. Additional analysis of these three revenues sources and an aggregate of the remaining receipts can be found on the following pages.



Forecast Assumption(s):

Over the past five (5) years, the average difference between local receipts budgeted versus actual is calculated at 17.86% with an average value of \$1,721,196. The goal is to budget local receipts more accurately in future years. This will enable the Town to realize the full benefit of this funding source. To ensure the Town’s revenues are balanced and capable of supporting the desired levels of services, forecast for Local Receipts shall be conservative based on historical trend analyses and shall use generally accepted forecasting techniques and appropriate data as detailed below.

In the forecasting of Schedule A - Local Receipt revenues, historic data of actual receipts collected from FY99-FY18 was gathered. The Town averaged the results of three forecasting techniques:

1. A Three-Year Moving Average Trend and Forecast Analysis (MA3),
2. Holt Exponential Smoothing Analysis (Holt ES), and
3. Damped Trend Exponential Smoothing Analysis (Damped ES).

The averaging of these three forecasting techniques helps to correct for the potential noise and error within the modeling (a procedure recommended by the GFOA). The FY20 recommendations were then calculated at ninety (90) percent of the averaged forecasted value.

To avoid potential revenue deficits, the calculated recommended forecast values were compared against the two (2)-year CAGR increase on prior year actuals and 100% of the prior three (3) year’s average actual collections. The CAGR percentage in FY 20 is based on a twenty (20)year-period with the intent increasing the running value with each subsequent year. Finally, at no point were Local Receipt recommendations in excess 98% of prior year actuals.

This forecasting approach has been applied to the aggregate of Local receipts, MVE revenue, Landfill - Ash Disposal and Metals Recovery receipts, Licenses and Permits revenues, and the remaining receipts (grouped). The budgeting approaches and policies as a whole are intended to outline objectives, provide direction, and define authority to help ensure sound fiscal stewardship and management practices. Each should be periodically reviewed and updated as necessary.

Initial Budget Recommendation FY 20:

Utilizing the historic data on hand and the forecasting approaches detailed above, in the initial projection for the total FY20 Schedule-A Local Receipts is \$11,923,379 and comprised as follows:

SCHEDULE A - LOCAL RECEIPTS	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Budget	FY20 Rec.
MVE	\$5,550,798	\$5,759,188	\$6,329,134*	\$6,000,000	\$6,082,454
LANDFILL	\$1,896,814	\$1,493,766	\$2,475,224	\$1,450,000	\$1,941,767
LICENSES & PERMITS	\$782,013	\$1,055,131	\$958,277	\$874,000	\$933,488
REMAINING PERMITS	\$2,634,917	\$2,805,592	\$3,146,837	\$2,551,000	\$2,965,670
TOTAL	\$10,864,542	\$11,113,677	\$12,909,472	\$10,875,000	\$11,923,379

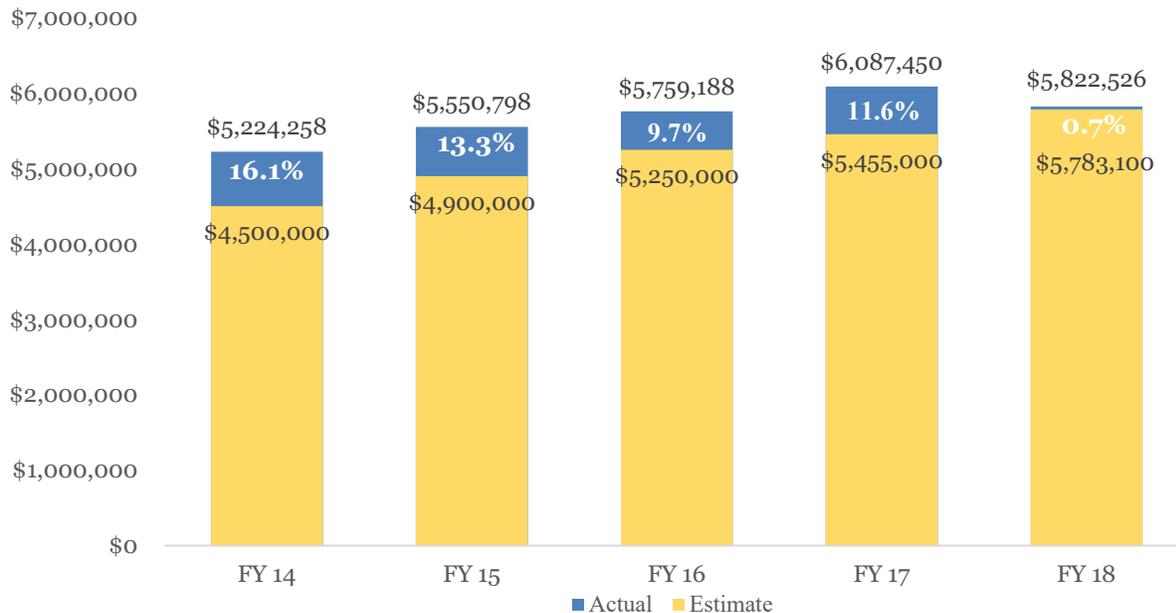
*See MVE Forecast Assumptions page 23

Motor Vehicle Excise Tax (MVE)

Description:

A locally imposed annual tax assessed to owners of motor vehicles registered to an address within the Town of Shrewsbury, in accordance with MGL Chapter 60A. Owner registration and billing information is maintained by the State Registry of Motor Vehicles and is made available to the Town.

Motor Vehicle Excise FY14-FY18 – Actual vs Estimate



Legal Authority:

M.G.L. c.60A
M.G.L. c.59, s.2

Fiscal Capacity:

The excise tax rate is set by State statute at \$25.00 per \$1000 of vehicle value. The excise tax law (M.G.L. c.60A, s.1) establishes its own formula for valuation for state tax purposes whereby only the manufacturer's list price and the age of the motor vehicle are considered. Every motor vehicle owner must pay an excise tax based on valuation of at least ten percent of the manufacturer's list price; thus, owners of vehicles older than five years should have a fixed excise tax bill for succeeding years of ownership. Even though an owner may have applied for an abatement that may reduce an excise tax bill, no excise shall be less than \$5.00.

Narrative:

Over the past twenty (20) years, MVE receipts have realized a CAGR of 3.32%. Over the past five (5) years, the average difference between MVE receipts budgeted versus actual is calculated at 10.28% with an average value of \$511,244. In fiscal year 2018 due to factors outside of the control of the Town, MVE billing was delayed resulting in lower receipts actually collected in comparison to the historic trend. It should be noted that the total amount of MVE billed during FY18 is consistent with the overall five-year trend.

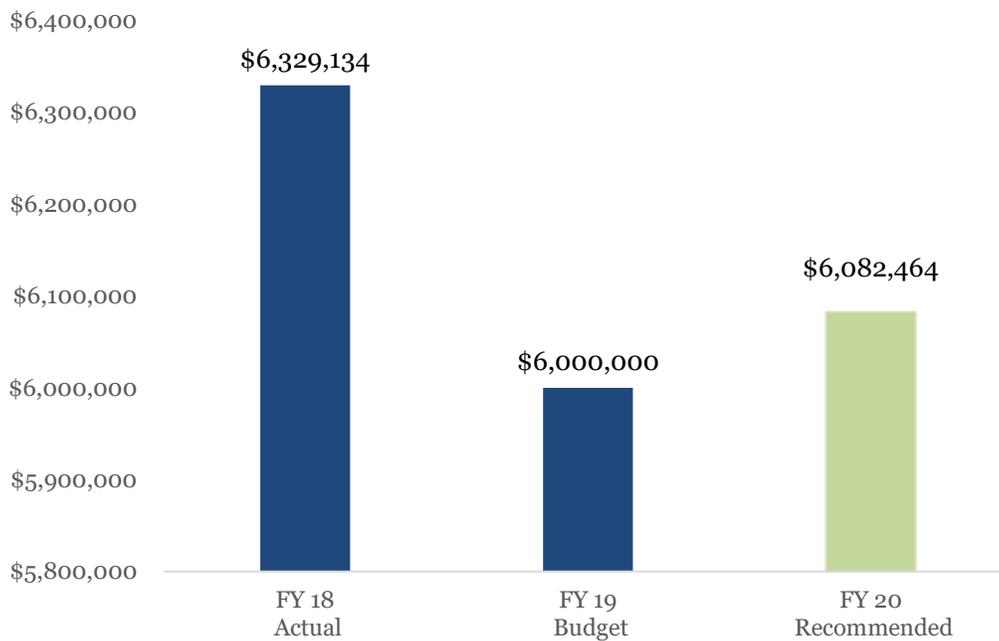
Forecast Assumption(s):

In considering the FY20 estimate for MVE receipts, it is important to review in greater detail the timing of the FY18 commitments (billing). \$633,261 in commitments dated June 27, 2018 would have normally been billed in May increasing the likelihood that those revenues would have been received in FY18. Assuming a conservative estimate wherein 80% of commitments were collected prior to June 30, 2018, FY18 receipts should have generated \$6,329,134 and an 8.63% margin between budgeted and actual. For the sake of our analysis this corrected value of \$6,329,134 will be used for the FY18 actuals value.

Initial Budget Recommendation:

In accordance with the **Initial Budget Recommendation for FY20** found on page 21, the initial recommendation for MVE receipts is \$6,082,464.

MVE Receipts Comparison*



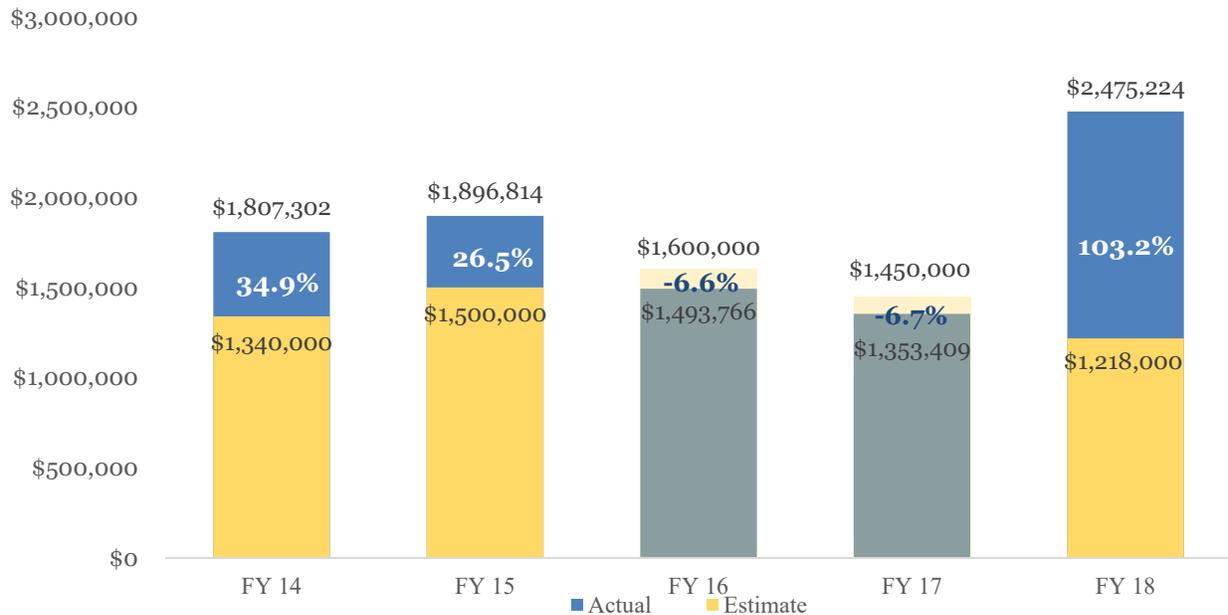
***As indicated in the Forecast assumptions the FY18 actuals used in this estimate are corrected with the late commitments. It will be necessary to properly account for this in future budget estimations.**

Landfill – Ash Disposal & Metals Recovery

Description:

An annual fee collected in monthly installments, based on cubic yardage (CY) of airspace consumed for the storage of materials deposited in the Landfill by Wheelabrator, Millbury Inc. along with the annual fee collected in monthly installments for the metals recovery activities.

Landfill Receipts FY14-FY18 – Actual vs Estimate*



* FY17 and FY18 receipts includes payments for the Metals Recovery activities of \$109,157 and \$86,126 respectively.

Legal Authority:

Terms set forth in the 2007 Landfill Operation Agreement between the Town of Shrewsbury and Wheelabrator Millbury Inc. and the Amendment dated July 1, 2015.
Landfill/Trash collection Charges c. 44, § 28 C(f)

Fiscal Capacity:

Ash Disposal - Contract details fee tranche ranges of cubic yardage (CY) of ash disposed multiplied by a Base Landfill Disposal Fee (BLDF) corrected by a yearly change in CPI. The total annual fee paid to the Town is paid in monthly installments equal to one-twelfth (1/12) of the fee for the current fiscal year computed by assuming that the volume of the Landfill Acceptable Waste that will be deposited at the Landfill will be the same as the prior fiscal year. At the end of the fiscal year the NET CY consumed is reconciled and any additional payment is made to the Town.

Metals Recovery - Wheelabrator will pay an annual fee, in lieu of all municipal personal property taxes on the installed metals recovery equipment, not including any mobile equipment, located at the landfill, calculated based on the assessed value of the equipment during the first year of the operation, at the established Town tax rate for personal property during the first year of commercial operation. The agreed upon initial value was \$81,869 per year which will escalate at seventy-five (75) percent of any increase in CPI concurrent with the Ash Disposal fee.

Narrative:

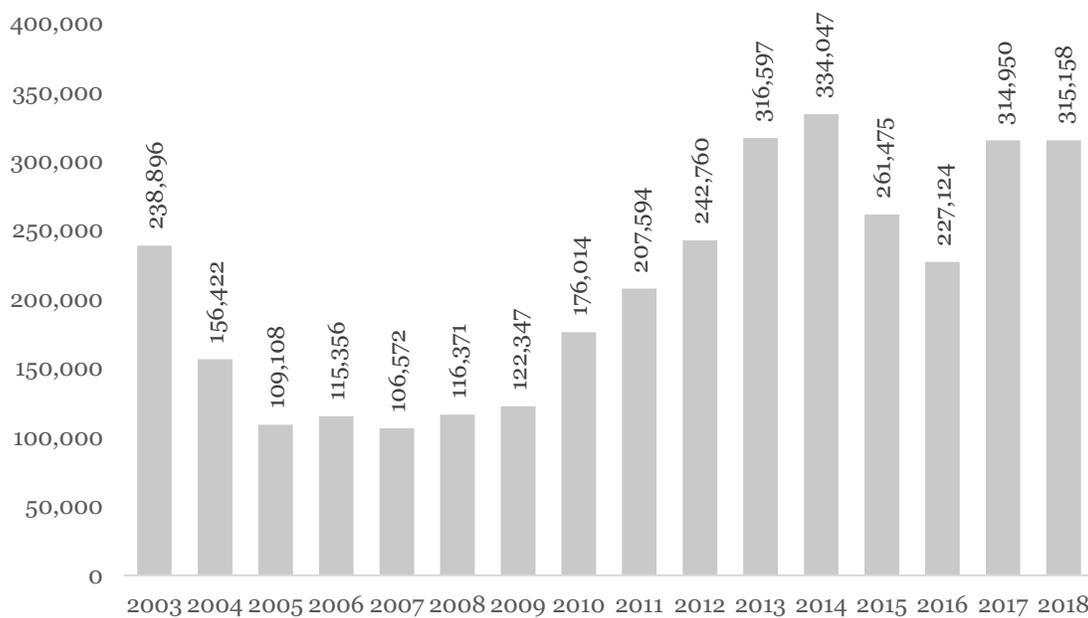
Over the past twenty (20) years, charges for services related to Ash Disposal at the Town’s Landfill receipts have seen a compound annual growth rate of 0.73%. Over the past five (5) years, the average difference between Ash Disposal receipts budgeted vs actual is calculated at 30.26% with a value of \$383,703. The decline in receipts in FY16 – FY17 and the subsequent increase in receipts in FY18 may best be explained by the construction and addition of the Recyclable Metals Recovery Operation at Wheelabrator Millbury Inc. wherein now additional ash may be processed on a yearly basis.

Forecast Assumption(s):

With the successful completion of the Recyclable Metals Recovery program the volume of ash disposed is expected remain steady year over year through FY22. By FY23 it is expected that Ash previously disposed at other facilities will be diverted to the Shrewsbury facility increasing the annual tonnage by approximately 125,000 tons.

Since the annual fee of Ash disposal each fiscal year is based on the prior year’s cubic yardage of ash disposed multiple by the BLDF our FY20 recommendation additionally assessed the average forecasted values, detailed in the **Forecast Assumption** section, with the calculated value for FY19 (FY18 CY multiplied by FY19 BLDF rates)

Annual Ash Disposal (CY) – FY03-FY18

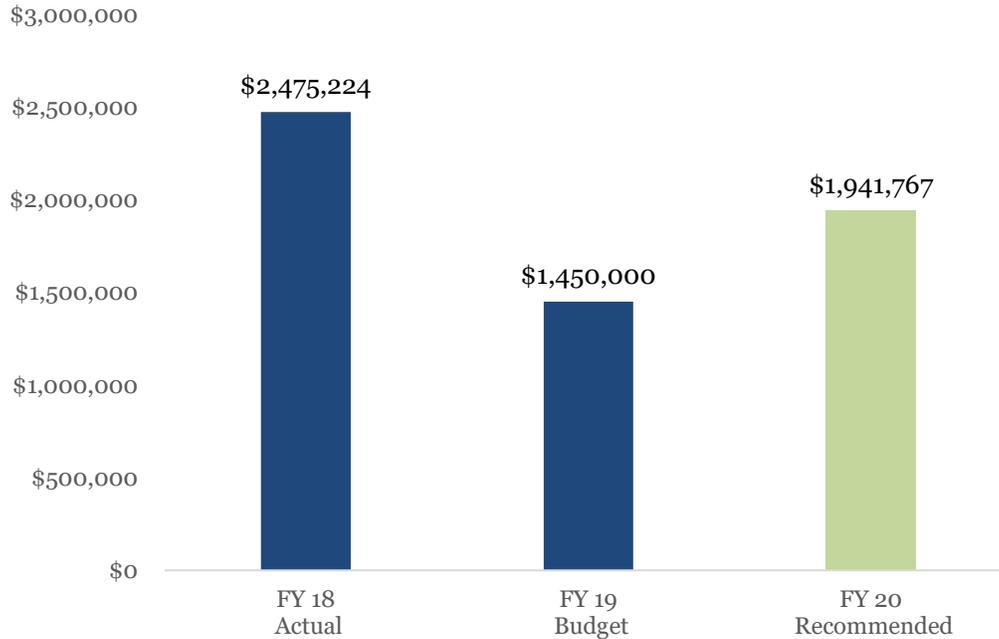


It must be noted, the term of the current landfill agreement with the Town of Shrewsbury and Wheelabrator Millbury Inc. ends in 2028 at which point the landfill is expected to be full. It is feasible additional land might be acquired for the construction of new disposal cells; however, the Town should also seek alternative revenue options over the coming years, as a means to better transition, if the ash disposal receipts are no longer viable after 2028.

Initial Budget Recommendation:

The initial recommendation for Ash Disposal receipts is \$1,941,767 of which \$80,000 is expected to be derived from the Metals Recovery activities. This recommendation has been developed in accordance with the **Initial Budget Recommendation for FY20** found on page 21.

Disposal Receipts Comparison*



***FY20 recommendation includes receipts both for Ash Disposal and for the Metals Recovery activities.**

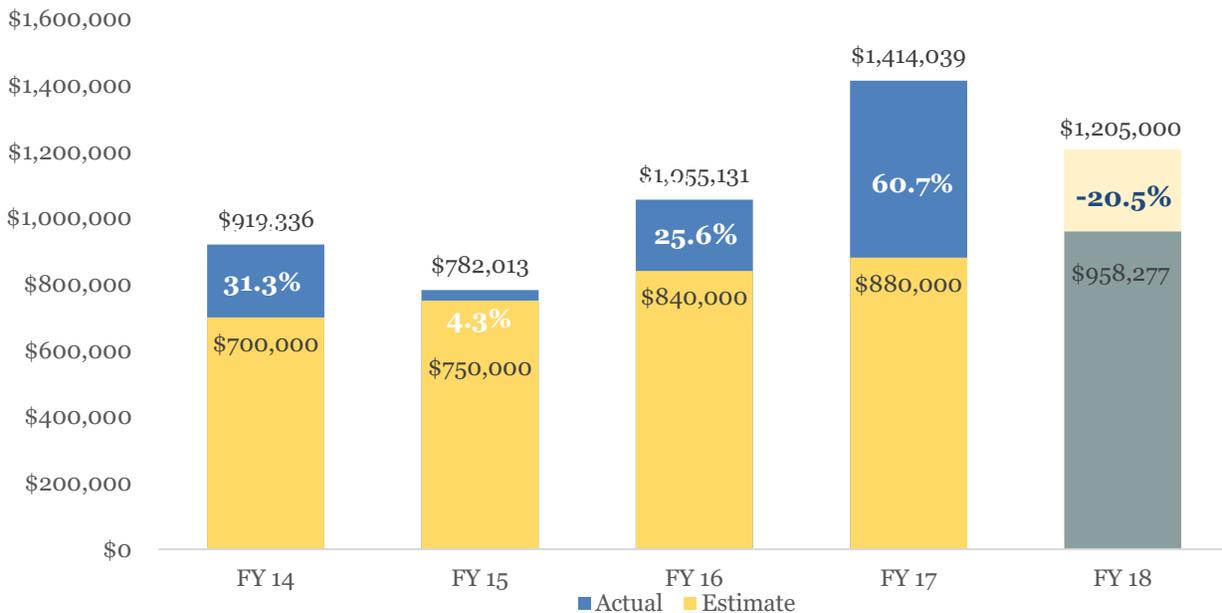
Licenses & Permits

Description:

Fees charged for activities regulated through the Town of Shrewsbury Bylaws concerning the health, safety, and welfare of the public that included revenues from alcoholic beverage licenses, including temporary (one day) licenses; any license or permit fee collected by a department including marriage and victualer's licenses, building, electrical, plumbing and gas permits.

The primary revenue source in this category are building permits which comprise roughly 70% of the total revenue. The Town must issue a building permit before any construction, alteration, moving, demolition, or repair is performed on a new or existing structure within the Town limits.

Licenses & Permits FY14-FY18 – Actual vs Estimate



Legal Authority:

Commonwealth of Massachusetts State Building Code, 8th Edition (780 CMR)
IRC-2009, IBC-2009, IECC-2015, IEBC-2009
Commonwealth of Massachusetts Fuel Gas and Plumbing Code (248 CMR 1-7)
M.G.L. c.136, M.G.L. c.138, M.G.L. c.140, M.G.L. c.148
Board of Selectmen

Fiscal Capacity:

Building permit fees for both residential and commercial projects are based on the value of the work to be performed. Our fee structure has been established by authorization designated in the statutes listed above. The fee is calculated based upon the total cost listed on the Application for Permit to build by the applicant.

Narrative:

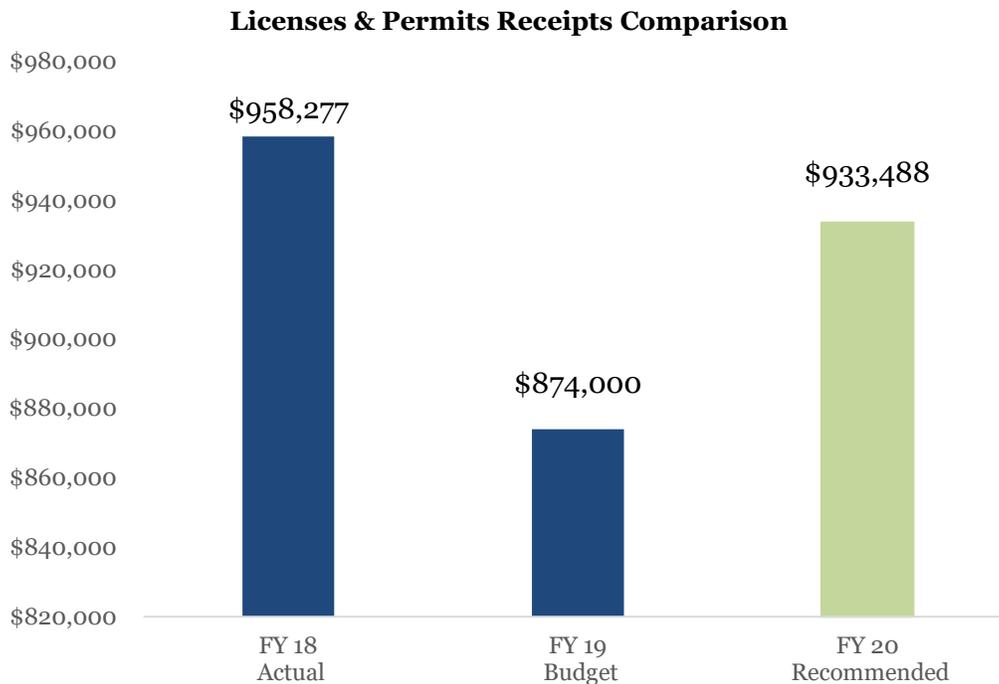
Over the past twenty (20) years, receipts for Licenses & Permits have seen a growth rate of 4.43% (CAGR). Over the past five (5) years, the average difference between Licenses & Permits budgeted vs actual is calculated at 20.28% with an average value of \$150,759.

Forecast Assumption(s):

The impressive growth in FY17 receipts may best be attributed to the construction of a 60 acre mixed use development known as Lakeway Commons. Unfortunately, in the final calculations of receipts in setting the FY 18 tax rate, too great an emphasis was placed on one time fees actually realized in FY17. Though the FY 18 receipts showed a year over year growth, the -20.5% difference between budgeted and actual is directly related to this overemphasis on one time fees. It is anticipated by FY 20, Electrical Inspections will be transferred from SELCO and fall under the purview of the Building Department. This transition will generate roughly \$100,000 in additional receipts.

Initial Budget Recommendation:

In accordance with the **Initial Budget Recommendation for FY20** found on page 21, the initial recommendation for Licenses & Permit receipts is \$933,488.

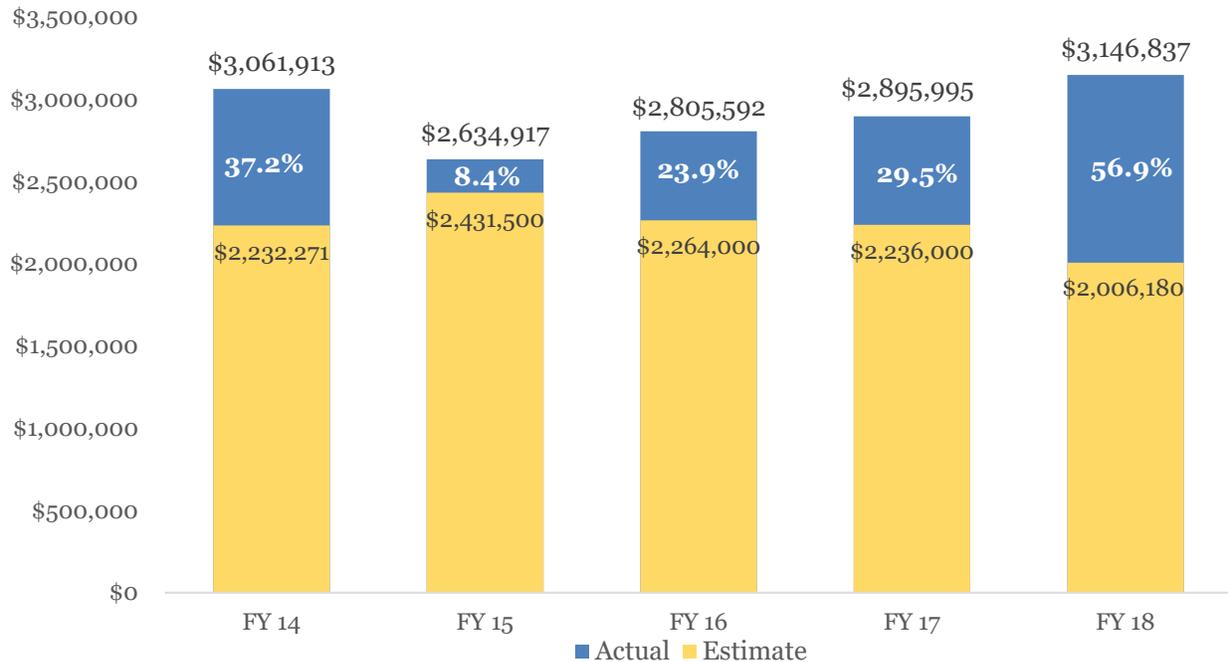


Remaining Receipts

Description:

Including fees charged for activities regulated through the Meals Tax, Penalties and Interest, Payment in Lieu of Taxes, Rentals, Departmental Revenues, Medicaid Reimbursement and Investment income.

Remaining Receipts FY14-FY18 – Actual vs Estimate



Legal Authority:

830 CMR 64H.G.5: Sales Tax on Meals

830 CMR 64G.1.1: Establishments Subject to Room Occupancy Excise Tax

Board of Selectmen

Board of Health

Various Town Departments

Fiscal Capacity:

In 2009, the Legislature gave the authority to Town Meeting to adopt optional increases to the meals and hotel taxes. At that time, only the State collected revenue from the meals tax of 5%. Cities and towns were allowed to add an additional 0.75%. The State allowed cities and towns to increase the room occupancy tax by 1% to a total of 5%. Both of these optional taxes were adopted by Town Meeting in the fall of 2009 to go into effect January 1, 2010. For communities that adopted these taxes with this effective date, they were allowed to estimate six months of collections in FY2010, eleven months in FY2011, and a full twelve months thereafter.

Narrative:

Over the past twenty (20) years, the Remaining Receipts have seen a growth rate of 0.77% (CAGR). Over the past five (5) years, the average difference between the Remaining Receipts budgeted vs actual is calculated at 31.2% with an average value of \$675,061.

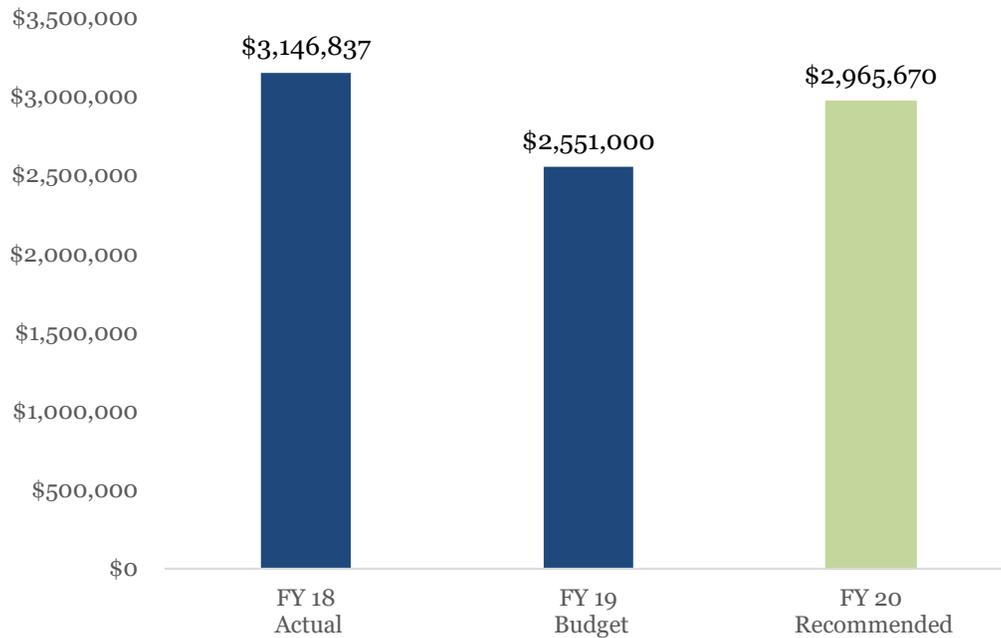
Forecast Assumption(s):

In grouping the remaining receipts into a single category, it is imperative to remain conservative in our forecasting projections as to not over or under articulate the nuances of each receipt. The averaging of the three forecasting methods and comparing them with the compounded annual growth rate proved helpful in the creation of a conservative trend. As time allows, individual receipts may be broken out and analyzed separately so that we may better understand the nuances of each.

Initial Budget Recommendation:

In accordance with the **Initial Budget Recommendation for FY20** found on page 21, the initial recommendation for the Remaining receipts is \$2,965,670.

Remaining Receipts Comparison

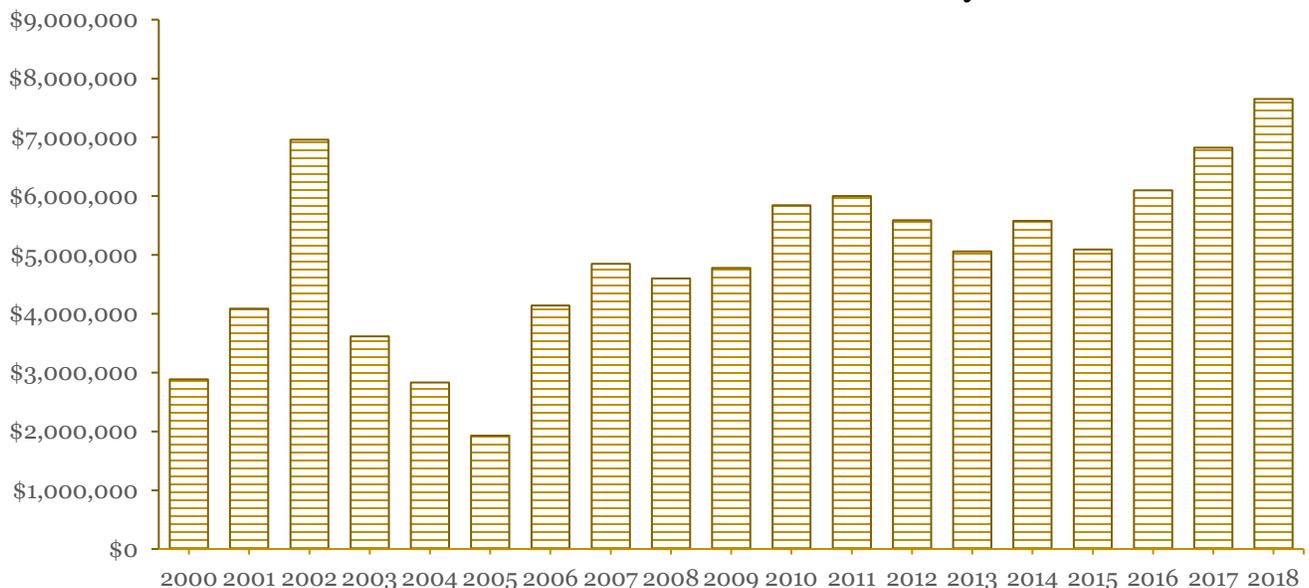


FREE CASH

Description:

Free Cash, which is certified as of July 1 each year by the Commonwealth's Department of Revenue (DOR), represents the portion of General Fund surplus revenue that is unrestricted and available for appropriation. These funds, once certified, may be used to support supplemental appropriations during the year, to support the ensuing fiscal year's budget, to reduce the tax levy, or to serve as emergency reserves. Free Cash is generated when the actual operating results compare favorably with the budget, such as when actual revenues exceed the original estimates and/ or when actual expenditures are less than amounts that were appropriated. It is also affected by increases or decreases in uncollected property taxes, deficits in non-General Fund funds, and any other legally incurred operating deficits, such as snow removal overdrafts.

CERTIFIED FREE CASH HISTORY as of July 1



Legal Authority:

Commonwealth's Department of Revenue
Finance Committee
Board of Selectmen

Fiscal Capacity:

The DOR recommends that towns maintain a Free Cash balance equal to no less than 5% of their fiscal year operating budget. In October 2017, the Board of Selectmen adopted a fiscal policy calling for no less than a 4% Free Cash and Stabilization reserve.

Narrative:

Over the past decade, the average Free Cash balance as a percentage of the Operating Budget is 5.1% after adjusting for water revenue.

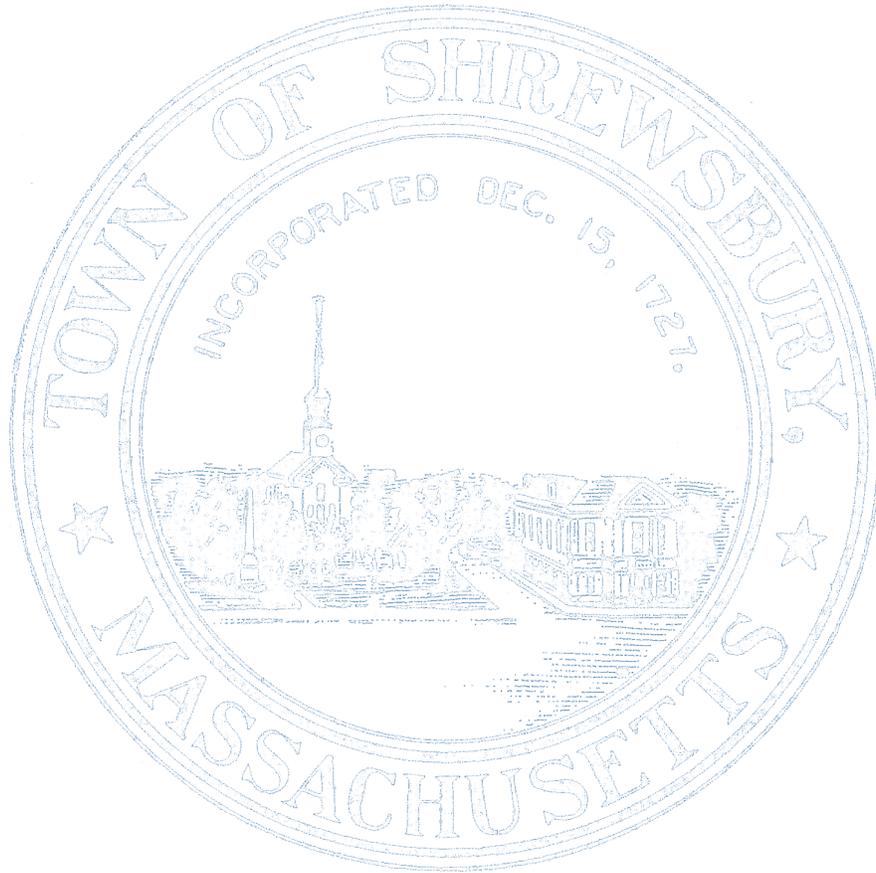
Forecast Assumption(s):

Every effort will be made to maintain as high a Free Cash balance as possible to prepare the community for future fiscal years.

Initial Budget Recommendation:

The Town's Free Cash balance as of June 30, 2018 was \$7,649,490. In accordance with Town policy, it is recommended that \$3,750,000 of the existing balance, be appropriated towards FY20.

FREE CASH	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Budget	FY20 Rec.
Free Cash Appropriated	\$3,709,000	\$3,847,697	\$3,770,000	\$4,719,846	\$3,750,000



OTHER AVAILABLE FUNDS

Description:

Revenues comprised within this category include those related to the sale of Cemetery Lots, Cemetery Trust/Stabilization, Debt Service revenue from SELCO and Title V Loans, internal Account Transfers, Bond Interest Reserve, and SELCO revenue to further reduce the Tax Rate.

Legal Authority:

M.G.L. c.114
310 CMR 15.000 – MA DEP

Fiscal Capacity:

The diversity of this revenue category makes it challenging to accurately describe its fiscal capacity.

Narrative:

Between FY11 – FY 18 the revenues comprised within the Other Available Funds category have accounted for an average of \$2,292,882 or 2.07% of the Total General Fund Revenues. The capacity derived from these various sources are unique and 97% of the revenue within this category are generated through an agreement with SELCO.

Forecast Assumption(s):

To avoid potential revenue deficits projected revenues within the Other Available Funds category have been held level with FY 19 with the following exceptions: Light Revenue associated with Debt Service, Title V Loan Repayments, and Account transfers. For both the Light debt service revenue and the Title V Loan Repayments alternate values are readily available within the Town’s debt service schedule.

Initial Budget Recommendation:

Utilizing the historic data on hand and the forecasting approaches detailed above the initial projection for FY20 Other Available Funds is \$1,514,438 broken out as follows:

OTHER AVAILABLE FUNDS	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Budget	FY20 Rec.
Sale of Cemetery Lots	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000
Light Revenue (Debt Service)	\$592,200	\$578,475	\$564,225	\$444,600	\$438,600
CATV Revenue (Debt Service)	\$0	\$0	\$0	\$0	\$0
Title V Loan Repayments	\$15,100	\$15,100	\$15,100	\$15,100	\$10,269
Account Transfers	\$575,583	\$242,974	\$99,736	\$1,396,487	\$0
Cemetery Trust	\$75,000	\$0	\$25,000	\$10,000	\$10,000
Bond Interest Reserve	\$0	\$8,900	\$750,000	\$0	\$0
Municipal Light (reduce levy)	\$237,569	\$237,569	\$237,569	\$237,569	\$237,569
CATV Revenue (reduce levy)	\$800,000	\$800,000	\$800,000	\$800,000	\$800,000
TOTAL	\$2,313,452	\$1,901,018	\$2,509,630	\$2,921,757	\$1,514,438

CLOSING COMMENTS

The revenue projections and figures represented throughout this document are accurate as of the date of this publication. As previously indicated, the intent and purpose of this document is to encourage and develop a clear and transparent budgetary process by providing an in depth detail of the Town's revenues. This revenue manual is a living document that will serve as a guiding budgetary baseline for the departments throughout the preparation of the FY20 budget and will evolve several times throughout the process.

Please do not hesitate to reach out to Town Manager Kevin J. Mizikar at 508-841-8508 or kmizikar@shrewsburyma.gov with any questions or concerns regarding the Revenue Manual and the preparation of the FY20 budget.

