

City of Beverly

Financial Forecast

FY 2017 to FY 2020

Prepared by: The Financial Forecasting Committee

May 2016

**City of Beverly
Financial Forecast
FY 2017 – FY 2020**

	<u>Page</u>
Introduction	1
I. Revenue Forecast and Assumptions	4
Tax Levy and New Growth	
State Aid	
Motor Vehicle and Other Excise	
Local Receipts	
Meals Tax	
Interest Income	
Medicaid and Medicare D	
Other Financing Sources	
<i>The Revenue Forecast: FY 17 – FY 20</i>	
II. Expenditure Forecast and Assumptions - Municipal Budget	9
Salaries and Wages	
Expenses	
Capital Outlay	
Property Casualty Insurance	
Sanitation	
Retirement Assessment	
Health Insurance	
Debt Service	
State and County Assessments	
Reserve for Unforeseen	
Vocational School Assessment	
Workers Comp, Payroll Tax, Life Insurance	
Other Initiatives	
<i>The Municipal Forecast: FY 17 – FY 20</i>	

III. Expenditure Forecast and Assumptions - School Budget	12
Salaries and Wages	
Building and Curriculum Expenses	
Utilities	
School Committee	
Buildings and Grounds	
Transportation	
SPED Tuition	
SPED Staff and Expenses	
Benefits	
<i>The School Forecast: FY 17 – FY 20</i>	

APPENDICES: 15

A. Historical Revenue Information

- 1 10-Year History of New Growth and Overlay**
- 2 State Aid History**
- 3 Other Revenues**

B. Existing and Proforma Debt Service Schedule through FY 20

C. Glossary of Financial Terms

Introduction

This forecast represents the work of the Financial Forecasting Committee, a committee composed of councilors, school committee members and residents.

This forecast focuses on the period of FY 17 to FY 20 in order to provide policy makers, citizens and municipal and school officials with an understanding of the immediate and multiyear outlook. FY 16 represents the mayor's budget as adopted by the council. FY 17 to FY 20 represents the estimated revenues for those years, the municipal expenditures to continue current service levels and the projected school budget through FY 20.

The purpose of the forecast was to determine the capacity of the City's revenue base to fund the current programs and services of the city and the school system as well as to fund debt service, insurances and assessments through FY 20.

In brief, the City's revenue base is comprised of the property tax, state aid; motor vehicle excise tax, local receipts, interest income and some inter fund transfers. The principal growth revenue over the forecast period will be the property tax; state aid is projected at \$50 per enrollment and it includes increases for Veteran's Benefit reimbursement each year. The City's revenue forecast and all revenue assumptions are documented in *Section I*.

The City's spending requirements have been forecasted based on current programs and services and based on the continuation of the current mix and number of positions in all municipal departments as well as in the school department. This forecast assumes a 1.5% wage increase for all employees each year of the forecast period; FY 17 includes the impact of the settled collective bargaining agreements in the past two years. General expenses have been increased consistent with required increases for health insurance and property insurance, the retirement assessment, state and county assessments, and vocational school assessments. The forecast also includes the proforma debt service for the high school and middle school projects. The municipal expenditure forecast and assumptions are detailed in *Section II*.

The school forecast is similar to the municipal forecast as it continues current staffing and programs and services, it is important to note that there is also provision for additional staff and provision for 1.5% wage increases. It also provides funding for the step and column increases consistent with the collective bargaining agreement.

Based on a continuation of current municipal services, funding of the schools based on the forecasted needs presented, the impact of the new debt service, the increase in health insurance and the revenue base as forecasted there are projected gaps in FY 18 and FY 19, however with use of the stabilization fund to fund debt requirements in those two years there are no gaps, as the revenue base and the

temporary use of reserves will fund the City's currently forecasted needs. There is also intent to maintain sound stabilization reserves to assure a strong credit rating. The next page presents a summary of the forecasted position through FY 20.

**Financial Forecast - In Brief
FY 17 to FY 20**

EXHIBIT A

	FY 16	FY 17	FY 18	FY 19	FY 20
Forecasted Revenues	\$114,287,518	\$118,577,275	\$122,320,324	\$126,150,439	\$130,093,316
Less: Forecasted Municipal Expenditures	\$63,217,834	\$65,868,344	\$68,452,983	\$71,298,455	\$72,119,324
Less: Forecasted School Expenditures	\$51,004,090	\$52,623,193	\$54,381,204	\$56,331,167	\$58,056,204
Excess/Deficiency of Revenues over Expenditures	-	\$85,738	(\$513,863)	(\$1,479,183)	(\$82,212)
Use of Stabilization Fund or Implementation of Other Policy Options			\$513,863	\$1,479,183	\$82,212
Excess/Deficiency of Revenues over Expenditures			\$0	\$0	\$0

I. Revenue Forecast and Assumptions

The following are the assumptions for each category of revenue. The Revenue Forecast for FY 17 through FY 20 is presented on the last page of this *Section*.

Tax Levy and New Growth

The tax levy is the principal revenue for funding the city's general fund. It is also the revenue source that will provide the major annual growth in each year of the forecast versus any other revenue category. The City of Beverly taxes to the maximum allowable tax levy and this forecast assumes continuation of this policy for each year of the forecast period.

The maximum allowable levy is comprised of the base levy from the prior fiscal year, increased by 2.5% pursuant to the provisions of Proposition 2½, plus an increase for "New Growth", which is then reduced by a provision for abatements and exemptions (overlay). Overlay is projected at .0087 of the tax levy each year of the forecast period, slightly greater than the historical average in order to provide a sounder overlay provision.

Historically, over the past decade the city has averaged an annual of \$973,000 in "New Growth". This forecast includes new growth at \$925,000 in FY 17 through FY 20 consistent with past activity, we note however that new growth could increase based on approvals of major projects and increased economic activity.

State Aid

The city receives various types of state aid, the two major categories are: Chapter 70 (Education Aid) and Unrestricted General Government Aid (formerly Lottery Aid and Additional Assistance). Historical information on state aid is presented in the *Appendix*.

Chapter 70 Aid: This is the city's single largest form of state aid. Municipalities in Massachusetts can receive Chapter 70 Aid based upon four different components of the revised formula enacted into law in FY 07: 1. Foundation Aid, 2. Down-payment Aid of the Fully Phased in Foundation Budget, 3. Per Pupil Minimum Increase Aid or 4. Growth Aid. Since Beverly spends more than Foundation Budget it does not qualify for the first two categories of Chapter 70 aid. Based on the economy and fiscal pressures the state in most years has not been able to fund the equity provisions of the Chapter 70 formula.

For FY 17 the Governor's proposed budget increased Chapter 70 by \$88,980 and the forecast includes this increase. For FY 17 to FY 20 this forecast increases Chapter 70 by \$50 per the October 1st Foundation enrollment of 4,449 and increases Foundation enrollment by thirty students each year.

Unrestricted General Government Aid: In FY 10 the Governor combined the two former categories of state aid (Lottery Aid and Additional Assistance) into a new category called Unrestricted General Government Aid. The reductions in aid in FY 09 and FY 10 were significant for Beverly as Beverly was a community that received Additional Assistance (many communities did not receive this category of aid). Between FY 08 and FY 12 the city lost \$2,685,821 in aid or 37%.

The Governor proposed an increase in UGGA for FY 17 of \$231,000 and this forecast includes that increase. Based on the state's fiscal situation this forecast holds the FY 17 level of UGGA constant through FY 20.

Other State Aid: There are smaller categories of state aid including veteran's benefits reimbursements and reimbursements for exemptions for the elderly, blind and surviving spouses. Veterans' benefits reimbursements are increased at 8% based on the economy and more requests for these benefits and the state's obligation to reimburse. The other categories are held constant.

School Construction Reimbursement: The state's reimbursement for the elementary schools is presented in the forecasted consistent with their annual payment schedule each year. It is important to note that there is no reimbursement presented for the high school and the middle school as only the local share of the debt service is presented on the expenditure side.

PILOTS

The city receives Payments in Lieu of Taxes (PILOTS) from three nonprofit institutions. This forecast continues the full amount in anticipation of continuation of all three PILOT arrangements through FY 20.

Motor Vehicle (MVX) and Other Excise

The city has had increases in MVX since FY 11 and collected almost \$4.6 million in FY 15. The city also collects approximately \$200,000 each year from boat and hotel taxes. The committee is forecasting that there will be a three percent increase each year through FY 20, the committee has also adjusted the FY 17 receipts up to \$4.4 Million in recognition of the strong growth in the past few years.

Local Receipts

This category of revenue includes licenses and permits, departmental revenues, rental income, payments in lieu of taxes, fines and penalties on interest on taxes and municipal lien certificates. Over the past five fiscal years there have been changes in various sub categories of fees, licenses etc. The city has seen growth in various permit and fee categories. A strong category of growth has been in building permits, however this revenue source can fluctuate significantly from year to year, as such there is some conservatism in the local receipts forecast. FY 17 has been adjusted up by \$300,000 over FY 16's budget and FY 18 to FY 20 has been increased by 2% each year.

Meals Tax

The city council adopted the local option meals tax six years ago and collections have continued to increase annually. This forecast provides for \$598,000 in collections in FY 17 and provides for an increase of three percent from FY 18 to FY 20.

Interest Income

The city has had very low interest income earnings in recent years. In light of low interest rates, this forecast assumes earnings of \$25,000 for FY 17 to FY 20.

Medicaid and Medicare D

Medicaid revenue is revenue to the city's general fund and administered by the school department. This forecast assumes annual reimbursements of \$ 400,000 based on the recent fluctuations in this category and the school department's expectation that \$400,000 is a reasonable estimate. Medicare D is forecasted at \$280,000 consistent with history.

Other Financing Sources

The general fund budget each year is supported by "non-revenues" called "Other Financing Sources". There are two categories: 1.) voted transfers from certified fund balances and 2.) transfers from enterprise funds for indirect costs associated with the enterprise that are budgeted in the general fund (management and support staff, retirement costs and health insurance).

The first category is voted transfers by the council from certified fund balances in three funds of the city: the parking violations fund, the parking meter receipts fund and the cemetery perpetual care fund. Historically these voted balances total \$381,525. This forecast reduces the transfers from the parking funds due to a decline in collections and the forecast is \$225,000.

The second category representing transfers from the water, sewer, airport, recreation and senior citizen enterprise funds; these are increased slightly for the health insurance component that is increasing.

Free Cash

The forecast does not include the use of Free Cash to fund any year of the forecast period. This is a policy decision of the Mayor and the Council. Free Cash could be appropriated by the Council as a funding source and has been in the past.

**City of Beverly - General Fund
Revenue Forecast: FY 17 to FY 20**

<i>Line:</i>	<i>Forecasted:</i>					
	FY 16 Adopted	FY 17 Forecast	FY 18 Forecast	FY 19 Forecast	FY 20 Forecast	
REVENUES:						
A	PROPERTY TAX: PRIOR FY LEVY LIMIT	\$88,212,708	\$91,261,034	\$94,467,560	\$97,754,249	\$101,123,105 Prior Year Levy
B	Plus: 2 1/2% Increase	\$2,205,318	\$2,281,526	\$2,361,689	\$2,443,856	\$2,528,078 2.5% increase per law
C	Plus: "New Growth"	\$843,008	\$925,000	\$925,000	\$925,000	\$925,000 New Growth based on historical average
D	LEVY	\$91,261,034	\$94,467,560	\$97,754,249	\$101,123,105	\$104,576,182
E	Less: Overlay (Provision for Abatements)	-\$903,167	-\$825,552	-\$850,462	-\$879,771	-\$909,813 Overlay forecasted at .0087 of Levy
F	TAX REVENUE NET OF OVERLAY	\$90,357,867	\$93,642,008	\$96,903,787	\$100,243,334	\$103,666,370
G	State Aid (to General Fund)	\$13,530,103	\$13,867,893	\$14,123,759	\$14,383,311	\$14,646,762 FY 17 based on Governor's Budget; FY 18 and beyond includes 8% increase in Veterans Aid and \$50 per Pupil Increase in Chapter 70 Aid each year and continued trend in enrollment growth
H	School Construction Reimbursement	\$868,132	\$868,132	\$868,132	\$868,132	\$868,132 Per Reimbursement Schedule
I	PILOTS	\$236,667	\$236,667	\$236,667	\$236,667	\$236,667 Agreements with 3 Tax Exempt Institutions
J	Medicaid	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000 Constant
K	Medicare D	\$280,000	\$280,000	\$280,000	\$280,000	\$280,000 Constant
L	Motor Vehicle, Boat, Hotel Excise	\$4,097,000	\$4,417,000	\$4,549,510	\$4,685,995	\$4,826,575 FY 18 and beyond increased by 3%
M	Local Receipts	\$2,447,700	\$2,747,700	\$2,802,654	\$2,858,707	\$2,915,881 FY 18 and beyond increased by 2%
N	Meals Tax	\$575,000	\$598,000	\$615,940	\$634,418	\$673,054 FY 18 and beyond Increased by 3%
O	Interest Income	\$18,000	\$25,000	\$25,000	\$25,000	\$25,000 Consistent with History
P	Transfers from Enterprise Funds	\$1,152,174	\$1,170,000	\$1,190,000	\$1,210,000	\$1,230,000 Based on History; increases for reimbursement of increasing Health Insurance
Q	Other Available Funds (Special Rev. Funds)	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000 Based on History
R	Other Available Funds (Trust Funds)	\$99,875	\$99,875	\$99,875	\$99,875	\$99,875 Based on History
S	Free Cash					Policy Decision
T	Total Projected Revenue	\$114,287,518	\$118,577,275	\$122,320,324	\$126,150,439	\$130,093,316
U	Annual Projected Increase in General Fund Revenue		\$4,289,757	\$3,743,049	\$3,830,115	\$3,942,877
	Annual Percentage Increase		3.8%	3.2%	3.1%	3.1%

II. Expenditure Forecast and Assumptions - Municipal Budget

This section presents the specific assumptions for each category of municipal expenditures and the overall municipal forecast is presented on the last page of this *Section*.

Salaries and Wages: The basic assumption in the forecast is that this is a current service forecast and it assumes that all employees/positions in each city function/department will continue to be employed and to provide the service. This forecast assumes 1.5% increase in wages. Most municipal employees are at the top step and no additional funds are forecasted for step increases, there will also be some turnover and more senior personnel may be replaced by a successor who makes a lower wage. Generally this turnover and step progression is assumed to balance out on the municipal side of the budget for forecasting purposes. We also note that in FY 17 the salaries and wages have been increased to adjust for the collective bargaining settlements in the past year.

Expenses: The city has many contracts for services, procures various supplies and small equipment, and makes payments to various professional associations and the like across all municipal functions and departments. This forecast takes the total FY 15 expense budget for all departments and increases this cost by 1.5% for each year of the forecast period.

Capital Outlay: The annual city budget provided for \$730,839 in capital replacement in FY 16. This forecast provides for a consistent level of capital replacement over each year of the forecast with an overall budget of \$846,000 by FY 20.

Property Casualty Insurance: This is insurance for all buildings and facilities. This insurance account has realized savings in FY 16 and is held constant for FY 17. It is assumed to increase each year between FY 18 to FY 20 with an overall cost of \$819,545 by FY 20...

Sanitation: This forecast assumes that there will not be an increase in the trash fee. Accordingly based on the contract for collection services the forecast continues and increases the subsidy of the general fund to the sanitation fund for each year through FY 20.

Retirement Assessment: The city is one of two members of the Beverly Contributory Retirement System (BCRS); the other member is the Beverly Housing Authority. Each year in compliance with Governmental Accounting Standards Board (GASB) requirements the BCRS is required to have an actuarial valuation to determine based on investment performance, life spans of employees, impacts of early retirement incentives on the funding schedule in order to fully fund the system in compliance with state law. This forecast includes the annual appropriation required from the city each year from FY 17 to FY 20 consistent with the current actuarial funding schedule, which increases at 4.5% per year.

Health Insurance: For FY 17 health insurance is increased by 5% based on the increasing cost of health care and recent claims experience, for the period of FY 18 to FY 20, the committee has projected an increase of 4%.

The health insurance forecast also makes provision for post-employment benefits. The city has an actuarial valuation completed every two years of its post-employment benefits; in FY 17 the forecast makes provision for a contribution to the trust fund of \$135,275 and the intent is to increase this contribution by 3% each year.

Debt Service: The debt service included in the forecast is the debt service for all debt issued to date. The forecast also includes additional proforma debt for the debt that the Treasurer will issue in over the course of the forecast period, principally the final debt issue for the high school and all of the planned debt issues for the middle school based on the appropriation and debt authorization voted by the council.

State and County Assessments: The city is assessed each year for such services as the Metropolitan Area Planning Council, Mosquito Control Projects, the MBTA, School Choice Sending Tuition and other services. Virtually every year the assessments increase in range of 2 to 4%. FY 17 includes the Cherry Sheet assessments from the Governor's Budget and FY 18 to FY 20 are increased at 2.5%.

Reserve for Unforeseen/Reserve Accounts: This category provides funding for all of the city's reserve accounts including the new centralized sick time buy back reserve. In FY 17 and FY 18 the previous provision for collective bargaining has been removed and it has been added back for FY 19 and FY 20, consistent with the collective bargaining cycle.

Vocational School Assessment: The assessment is a function of enrollment, Chapter 70 aid to the school and the Chapter 70 formula. FY 17 includes the actual preliminary assessment for Beverly per the assessment schedule sent to all the member communities. Also this forecast includes the debt assessment for the new facility. The forecast assumes a 3% increase in the assessment each year through FY 20. The committee notes that there could be increases in a given year based on a significant change in enrollment or a decline in other communities' enrollments.

Workers Compensation, Payroll Tax, and Life Insurance: Based upon the utilization of workers comp in FY 16, the FY 17 forecast is increased by \$100,000. These combined costs are increased at 2% for FY 18 to FY 20.

Other Initiatives: The forecast per the administration's plans includes funding for road and sidewalk improvements. In FY 16 a total of \$1.4 Million was budgeted and this level of funding is assumed to continue each year through FY 20

**City of Beverly - General Fund
Municipal Expenditures Forecast: FY 17 to FY 20**

		<i>Forecasted:</i>					
		FY16	FY17	FY18	FY19	FY20	
		Approved Budget	Forecast	Forecast	Forecast	Forecast	<i>Assumption:</i>
EXPENDITURES:							
<i>A</i>	SALARIES & WAGES	\$20,933,489	\$21,980,163	\$22,309,866	\$22,644,514	\$22,984,181	FY17 represents 5% est. retroactivity of CBA's, 1.5% thereafter
<i>B</i>	EXPENSES	\$6,571,687	\$6,660,112	\$6,760,014	\$6,861,414	\$6,964,335	1.5% Annual Increase
<i>C</i>	CAPITAL OUTLAY	\$730,839	\$730,839	\$767,381	\$805,750	\$846,037	Continued Annual Capital Investment
<i>D</i>	PROPERTY/CASUALTY INSURANCE	\$755,000	\$750,000	\$772,500	\$795,675	\$819,545	3% Annual Increase
<i>E</i>	SANITATION	\$1,093,848	\$1,109,162	\$1,124,690	\$1,140,436	\$1,156,402	1.4% Increase \$1 PER \$70 (Current Contractual Increase)
<i>F</i>	HEALTH INSURANCE (CITY SIDE & RETIREES)	\$8,442,197	\$9,530,980	\$9,912,219	\$10,308,708	\$10,721,056	Adjusted FY17 to 12 /12ths and added 5% cost increase; 4% each year thereafter
<i>G</i>	EXISTING DEBT SERVICE	\$7,365,796	\$7,268,174	\$7,158,819	\$7,043,324	\$5,857,743	Per Existing Debt Schedules
<i>G.1</i>	SHORT TERM DEBT	\$479,914					
<i>G.2</i>	PROFORMA - Debt to be Issued						
	High School (Principal of \$1.7 Million)		\$86,428	\$86,428	\$86,428	\$86,428	High School Principal for Debt still to be issued
	High School (Interest)		\$69,142	\$65,685	\$62,228	\$58,771	High School Interest for Debt still to be issued
	Middle School SCENARIO II - LEVEL Debt Service						
	Middle School - First Issuance Principal			\$430,000	\$450,000	\$470,000	Per First Southwest Proforma Debt Schedules
	Middle School - First Issuance Interest			\$1,250,000	\$1,228,500	\$1,206,000	Per First Southwest Proforma Debt Schedules
	Middle School - Second Issuance Principal				\$430,000	\$450,000	Per First Southwest Proforma Debt Schedules
	Middle School - Second Issuance Interest				\$1,250,000	\$1,228,500	Per First Southwest Proforma Debt Schedules
	Middle School - Third Issuance Principal					\$185,000	Per First Southwest Proforma Debt Schedules
	Middle School - Third Issuance Interest					\$540,000	Per First Southwest Proforma Debt Schedules
	Bond Anticipation Notes - Middle School		\$462,083	\$700,000	\$248,000	\$0	Planned BANs fro Middle Schools to meet "Cash Flows"
<i>H</i>	Total Proforma Debt		\$617,653	\$2,532,113	\$3,755,156	\$4,224,699	
<i>I</i>	RETIREMENT ASSESSMENT	\$9,218,322	\$9,654,887	\$10,089,357	\$10,543,378	\$11,017,830	4.5% Increase Per Current Funding Schedule
<i>J</i>	OPEB TRUST FUND CONTRIBUTION	\$0	\$135,275	\$139,333	\$143,513	\$147,819	Starting in FY17 OPEB contribution with 3% growth
<i>K</i>	WORKERS COMP, PAYROLL TAX, LIFE INS.	\$888,000	\$990,000	\$1,009,800	\$1,029,996	\$1,050,596	Additional \$100K in FY17 due to usage, 2% Increase thereafter
<i>L</i>	STATE/COUNTY ASSESSMENTS	\$2,207,816	\$2,245,323	\$1,623,729	\$1,664,322	\$1,705,930	FY 17 Includes ECRECC, 2.5% Increase in future years without ECRECC
<i>M</i>	RESERVES (UNFORESEEN, Coll Barg Retirements etc)	\$1,082,913	\$882,913	\$882,913	\$1,132,913	\$1,132,913	CBA reserve removed in FY17 and 18 as contained in salary assumptions - added back in FY19 and 20 in anticipation of next round of CBA negotiations
<i>N</i>	ROADS AND SIDEWALKS	\$1,400,000	\$1,400,000	\$1,400,000	\$1,400,000	\$1,400,000	Level Funded
<i>O</i>	Total Projected Municipal Expenditures	\$61,169,821	\$63,955,481	\$66,482,734	\$69,269,099	\$70,029,087	
<i>P</i>	VOCATIONAL SCHOOL ASSESSMENT	\$2,048,013	\$1,912,863	\$1,970,249	\$2,029,356	\$2,090,237	FY 17 is Preliminary Assessment from NSTHS; 3% Annual Increase thereafter
	GRAND TOTAL	\$63,217,834	\$65,868,344	\$68,452,983	\$71,298,455	\$72,119,324	

III. School Budget Forecast and Assumptions

The committee's assumptions are presented below and the complete school budget forecast is presented on the last page of this *Section*. FY16 shows the original appropriated budget as well as the revised budget for FY16. It should also be noted that the Forecast for FY17 represents a 3.2 percentage increase over the FY16 Appropriated Budget.

Salaries and Wages: The collective bargaining agreements for the various school unions have not been negotiated beyond FY17. This forecast includes 3.0% increase in FY17 and 1.5% increase in FY18-FY20 to reflect additional staffing needs due to enrollment projections as well as contractual obligations. This forecast includes the necessary funding for column and step moves for teachers which is based on historical data and trends. The same approach was also applied to clerks, custodians, cafeteria employees and non-instructional administration.

Buildings Expenses and Curriculum Expenses: Buildings budgets were funded based upon enrollment numbers. The forecast has remained constant, and a 1% increase is projected in FY18-FY20. Curriculum expenses have increased by 1% in FY17-FY20.

Utilities: FY16 revised budget is based on historical usage and cost data, the forecast has a 1% increase in FY18-FY20. During the FY17 budget forecast the loss of rental income for the McKeown building is estimated at \$530,000, this forecast is estimating a cost of \$250,000 for utilities due to this lack of funding.

School Committee: This category is forecast with level funding for FY17 and is increased by 1% in FY18-FY20 for professional development and memberships.

Buildings and Grounds: Buildings and grounds was level funded for in FY17 and with a 1% increase for each year thereafter. Salary accounts were increased by 1.5% in FY17-FY20.

Special Education Transportation: This forecast provides for level funding in FY17 and a 1% increase for Special Education transportation in FY18-FY20. Salary accounts were increased by 1.5% in FY17-FY20. The contractual services portion of transportation expense has been increasing due to unfunded mandates.

Tuition: This forecast provides for a 1.5% increase in tuition costs based upon the recommendation of the Director of Pupil Personnel Services. Circuit Breaker reimbursement is projected at 70% reimbursement.

SPED Staff and Expenses: The salaried special education staff accounts increased to reflect additional staffing needs due to enrollment projections and contractual obligations at 1.5% for FY17-FY20. SPED expenses accounts; supplies and materials were increased at 1% in FY18-FY20.

Benefits: The health insurance element of this category has been increased at 5% plus additional enrollments for forecasted additional positions, and increased at 4% for FY18-FY20. FICA and unemployment however were level funded.

Full Day Kindergarten: The cost of transitioning to Full Day Kindergarten has not been factored into the assumptions for FY17-FY20. The estimated increase cost would be \$600,000 due to the loss of revenues for the Full Day Kindergarten.

Note: This forecast anticipates the need to re-examine staffing levels in FY18 based on 2 factors; 1) Opening of the new Middle School and 2) Current projection of the FY19 incoming 5th grade class.

**Beverly Public Schools
Expenditure Forecast - FY17-FY20**

<i>Expenditures:</i>	<i>Appropriated:</i> FY16	<i>Revised:</i> FY16	<i>Forecast:</i> FY17	<i>Forecast:</i> FY18	<i>Forecast:</i> FY19	<i>Forecast:</i> FY20	<i>Assumption:</i>
Salary and Wages	\$28,805,840	\$29,493,764	\$30,156,146	\$30,910,093	\$31,414,994	\$31,904,129	<i>Based on staffing needs due to enrollment projections and projected additional staffing needs. FY17 1.5% contractual increase. Projecting 1.5% in FY18-FY20 for additional staffing and contractual needs. Additional increase in FY19 due to new Middle School staffing needs.</i>
Building Budgets	\$532,250	\$538,083	\$534,941	\$545,143	\$550,523	\$556,028	<i>Level funded in FY17, 1% increase in FY18 -FY20. Level funding in FY17 except Memorial Building savings during renovation. 1% in FY18 & FY20, FY19 Increase due to new Middle School completion.</i>
Utilities	\$1,332,038	\$1,337,325	\$1,172,577	\$1,247,582	\$1,360,058	\$1,373,653	
District Curriculum	\$341,580	\$341,580	\$401,580	\$405,596	\$409,672	\$413,769	<i>Increase 1% for FY17-FY20.</i>
School Committee	\$34,100	\$34,100	\$34,100	\$34,222	\$34,407	\$34,532	<i>Level funded FY17, 1% increase in FY18-FY20 in expense accounts.</i>
Buildings and Grounds	\$1,104,347	\$1,129,162	\$1,153,215	\$1,163,820	\$1,174,636	\$1,185,576	<i>Salary accounts increased 1.5% in FY17-FY20, Expense Accounts increased 1% for FY17-FY20.</i>
Transportation:							
<i>Regular</i>	\$844,736	\$861,258	\$899,870	\$913,559	\$927,295	\$940,040	<i>Increase 1.5% for salary accounts and 1% for expenses FY17-FY20.</i>
<i>Sped</i>	\$1,150,691	\$1,154,391	\$1,160,767	\$1,174,532	\$1,187,057	\$1,201,143	<i>Increase 1.5% for salaries and 1% for expenses FY17-FY20.</i>
SPED Tuition	\$4,736,618	\$4,976,546	\$4,976,546	\$5,083,968	\$5,192,133	\$5,301,907	<i>Increase 1.5% for FY17-FY20 for Tuition accounts.</i>
SPED Staff	\$2,161,696	\$2,241,749	\$2,335,519	\$2,370,507	\$2,394,184	\$2,430,051	<i>Based on staffing needs due to enrollment projections and projected additional staffing needs. FY17 1.5% Contractual Increase. Projecting 1.5% in FY18-FY20.</i>
SPED Expenses	\$314,500	\$113,383	\$113,383	\$114,517	\$115,662	\$116,819	<i>Increase 1% for FY17-FY20.</i>
Benefits	\$7,303,491	\$6,776,150	\$7,453,405	\$7,731,666	\$8,122,180	\$8,426,937	<i>FY16 Premium Holiday deduction & 5% increase in FY17, 4% increase in FY18-FY20 for Health Insurance account. Other benefit accounts level funded to 1% increase.</i>
Technology	\$503,896	\$805,646	\$609,236	\$715,328	\$822,482	\$930,706	<i>Technology needs increase due to Premium Health holiday in FY16 revised column. Added \$100K in FY18-FY20 Equipment account. 1% increase in other expense accounts.</i>
Admin. Expenses	\$207,064	\$517,995	\$207,064	\$209,135	\$211,226	\$213,338	<i>FY16 revised budget has current Health holiday reserve. FY17 level funded, increase 1% for FY18-FY20</i>
Steps/Column/Reserves	\$1,215,243	\$0	\$731,885	\$1,078,578	\$1,731,700	\$2,344,618	<i>Contractual Obligations Steps and Columns and reserve for potential new positions.</i>
Substitutes	\$416,000	\$682,958	\$682,958	\$682,958	\$682,958	\$682,958	<i>Level funded in FY17-FY20.</i>
TOTAL BUDGET	\$51,004,090	\$51,004,090	\$52,623,193	\$54,381,204	\$56,331,167	\$58,056,204	
Carryover/Shortfall			\$0	\$0	\$0	\$0	
Forecasted: City Appropriation	\$51,004,090	\$51,004,090	\$52,623,193	\$54,381,204	\$56,331,167	\$58,056,204	
<i>Change in Appropriation:</i>			<i>\$1,619,103</i>	<i>\$1,758,011</i>	<i>\$1,949,963</i>	<i>\$1,725,037</i>	
<i>Change in Percent</i>			<i>3.2%</i>	<i>3.3%</i>	<i>3.6%</i>	<i>3.1%</i>	

APPENDICES

A. Historical Revenue Information

- 1 10-Year History of New Growth and Overlay**
- 2 State Aid History**
- 3 Other Revenues**

B. Debt Service Service through FY 20

C. Glossary of Financial Terms

New Growth and Overlay History

Appendix A.1

FY 08 to FY 16 History of Actual New Growth and Overlay

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 08 to FY 16 Average
New Growth	\$896,666	\$887,207	\$964,222	\$888,874	\$955,183	\$859,178	\$1,060,975	\$1,403,828	\$843,008	\$973,238
Provision for Abatements/Exemptions: Overlay	\$387,540	\$415,184	\$373,165	\$525,480	\$534,551	\$582,697	\$852,411	\$1,213,876	\$903,167	\$643,119
Tax Levy	\$67,855,110	\$70,392,586	\$73,125,075	\$75,897,751	\$78,739,127	\$81,559,693	\$84,640,977	\$88,167,851	\$91,227,113	
Overlay as % of Levy	0.57%	0.59%	0.51%	0.69%	0.68%	0.71%	1.01%	1.38%	0.99%	0.79%

History of State Aid to the General Fund

Appendix A.2

FY 08 to FY 16

	Education								
Education	2008	2009	2010	2011	2012	2013	2014	2015	2016
Chapter 70	\$6,901,558	\$7,254,770	\$7,109,675	\$6,694,328	\$6,730,266	\$6,901,866	\$7,033,951	\$7,336,283	\$7,506,147
School Transportation			\$0	\$0	\$0	\$0	\$0	\$0	\$0
Charter Tuition Reimbursement	\$15,532	\$74,049	\$45,839	\$45,701	\$22,337	\$5,358	\$6,251	\$4,465	\$17,405
Total Education	\$6,917,090	\$7,328,819	\$7,155,514	\$6,740,029	\$6,752,603	\$6,907,224	\$7,040,202	\$7,340,748	\$7,523,552
	General Government								
General Government	2008	2009	2010	2011	2012	2013	2014	2015	2016
Unrestricted General Government Aid			\$5,145,188	\$4,939,380	\$4,582,242	\$4,939,380	\$5,056,137	\$5,196,353	\$5,383,422
Lottery Aid	\$4,815,621	\$4,346,357							
Additional Assistance	\$2,452,442	\$2,213,461							
Police Career Incentive	\$264,018	\$277,518	\$50,041	\$25,699	\$0	\$0	\$0	\$0	\$0
Veterans Benefits	\$52,904	\$98,487	\$164,269	\$232,049	\$210,434	\$221,841	\$231,722	\$353,566	\$419,577
Exemp: VBS and Elderly	\$105,019	\$105,037	\$127,823	\$114,476	\$107,206	\$110,210	\$118,094	\$133,430	\$154,635
Total General Government	\$7,690,004	\$7,040,860	\$5,487,321	\$5,311,604	\$4,899,882	\$5,271,431	\$5,405,953	\$5,683,349	\$5,957,634
Total State Aid	\$14,607,094	\$14,369,679	\$12,642,835	\$12,051,633	\$11,652,485	\$12,178,655	\$12,446,155	\$13,024,097	\$13,481,186
Annual Change in Aid		-\$237,415	-\$1,726,844	-\$591,202	-\$399,148	\$526,170	\$267,500	\$577,942	\$457,089

- Notes:
1. Lottery Aid and Additional Assistance were eliminated in FY 10 and replaced by UGGA - Unrestricted General Government Aid
 2. FY 09 presents the full Chapter 70 aid amount, it is important to note that the state budget could not fund \$762,943 due to the budget crisis and the Federal Government paid the \$762,943 through a Federal Stimulus Grant
 3. School Choice and School Lunch funding from the state is not presented as they go to segregated special revenue funds, the forecast is for the General Fund

FY 08 to FY 16 Historical Revenue Activity

Appendix A.3

Key Revenue Categories

Other than Property Tax and State Aid

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Motor Vehicle Excise	\$4,110,619	\$3,858,394	\$3,640,687	\$3,841,248	\$3,883,673	\$4,093,957	\$4,427,486	\$4,689,621
<i>Annual Change:</i>	\$146,913	(\$252,225)	(\$217,707)	\$200,561	\$42,425	\$210,284	\$333,529	\$262,135
Local Receipts*	\$3,303,049	\$2,658,005	\$3,030,775	\$3,231,239	\$3,199,407	\$3,585,315	\$3,416,758	\$3,627,409
<i>Annual Change:</i>	\$125,052	(\$645,044)	\$372,770	\$200,464	(\$31,832)	\$385,908	(\$168,557)	\$210,651
<i>* Local Receipts includes such receipts as building permits, licenses, rents, fines, Muncipal lien certificates etc.</i>								
Medicaid	\$870,161	\$630,915	\$512,787	\$592,284	\$666,894	\$439,975	\$591,042	\$527,760
<i>Annual Change:</i>	\$294,175	(\$239,246)	(\$118,128)	\$79,497	\$74,610	(\$226,919)	\$151,067	(\$63,282)

General Fund Existing Debt Service

Appendix B

	<u>Issued</u>	<u>2016 Total</u>	<u>2017 Total</u>	<u>2018 Total</u>	<u>2019 Total</u>	<u>2020 Total</u>
McKeown School	6,659,000	192,213	189,663	190,913	193,206	-
Ayers School	7,340,000	215,956	217,381	217,381	218,628	-
School Bonds	19,908,000	588,023	591,668	588,518	591,821	-
School Planning	5,300,000	56,050	56,815	56,215	56,945	-
Landfill Closure	2,848,000	313,188	301,713	284,088	273,619	259,500
Drainage	5,890,000	351,540	341,390	322,790	310,865	296,340
Centerville School	11,437,000	838,650	834,800	838,850	835,750	839,600
North Beverly School	11,400,000	837,990	834,140	833,240	835,190	834,140
Farms Library	3,165,000	205,475	199,700	194,750	185,700	180,100
Fire Equipment	400,000	39,150	38,250	37,350	36,150	35,175
Carriage House	200,000	19,575	19,125	18,675	18,075	17,588
Fire Equipment	830,000	105,925	102,950	100,400	98,275	90,400
Drainage	3,207,000	208,450	197,775	192,975	184,050	178,625
Drainage	3,000,000	190,850	185,600	181,100	177,350	167,200
BHS #1	20,000,000	1,448,000	1,424,000	1,400,000	1,368,000	1,342,000
Land acquisition	720,000	60,200	59,000	57,800	56,200	54,900
BHS #2	10,000,000	704,000	694,000	682,000	670,000	658,000
Parking Lots	1,300,000	128,550	125,225	122,375	120,000	116,675
Fire Trucks	974,000	89,743	90,475	89,375	81,625	83,875
Police Communications / Fiber	1,000,000	157,142	155,800	148,500	143,000	137,500
City Hall / Police Station Repairs	2,483,000	218,356	214,850	212,350	206,100	199,850
Library Repairs	2,458,000	217,623	214,100	211,600	205,350	199,100
BHS #3	2,059,000	179,147	179,775	177,675	172,425	167,175
TOTAL CURRENT DEBT SERVICE		7,365,795	7,268,194	7,158,919	7,038,324	5,857,743

Appendix C. Glossary of Terms

Abatement – A complete or partial cancellation of a tax imposed by a municipality. The local Board of Assessors administers abatements.

Adopted Budget – The final annual budget as approved by the city council.

Appropriation – an authorization granted by a legislative body (council) to make expenditures and incur obligations for specific purposes and which is usually limited in amount and to the time during which it may be expended.

Appropriations Order – the order for vote by which appropriations are enacted into law by the legislative body. This gives legal authority to spend.

Assessed Valuation – a valuation set upon real estate or other property by a government as a basis for levying taxes. In Massachusetts, assessed valuation is based on “full and fair cash value”; the amount a willing buyer would pay a willing seller in the open market.

Available Funds- these funds are established through previous appropriations or results of favorable conditions. These may be appropriated to meet emergency or unforeseen expenses, large one-time expense or capital expenditures. Examples: free cash, stabilization fund, overlay surplus, water surplus etc.

Bond Anticipation Notes (BANs) - Notes issued in anticipation of the later issuance of bonds.

Budget – a plan of financial operation containing an estimate of proposed expenditures for a single fiscal year (July 1 to June 30) and the proposed means of financing them.

Capital expenditures/improvements – these are items generally found in the capital budget such as construction costs, site development, major repairs or replacement of capital facilities and public ways.

Capital expenditure exclusion – A one-year increase in the levy limit, approved by the voters in a referendum, for the purpose of funding a capital project. The referendum question defines the project, states the maximum amount of the exclusion and specifies the fiscal year in which the payment will occur.

Chapter 70 Aid – This is the Commonwealth’s program for ensuring adequate and equitable K-12 education funding, since its original enactment as part of the 1993 education reform law. The formula has a required local contribution from each city and town. The intent was that richer communities would be asked to contribute more and conversely would receive less Chapter 70 aid than poorer communities. Based on the FY 2004 changes to the formula, there are four sub components of aid that determine the annual increases in funding to the community/school district. They are: foundation aid, down payment aid, growth aid and \$50 per pupil minimum aid.

Character of Expenditure – a grouping of expenditures on the basis of the nature of goods or services purchased as follows:

Personal services – direct payment to employees of wages and salaries through normal payroll procedures.

Non-personal services – payment of ordinary and recurring operating expenses not otherwise classified

Capital Outlay – payments of a relatively recurring nature to acquire or replace equipment for normal operating purposes, normally with a life expectancy of one to five years.

Cherry Sheet – A form showing all state charges and reimbursements to the city as certified by the state director of accounts. Years ago this document was printed on cherry colored paper.

Collective Bargaining – the negotiations between an employer and union representative regarding wages, hours and working conditions.

Debt Exclusion – A temporary increase in the levy limit approved by the voters in a referendum for the purpose of funding a capital project by means of debt. Both principal and interest are excluded from the levy limit until the debt is retired.

Debt Limit – the maximum amount of debt that a municipality may have authorize for qualified purposed under stare and self-imposed ceilings

Debt Service – the cost (usually stated in annual terms) of the principal retirement and interest of any particular issue.

Encumbrances – obligations in the form of a purchase order or contract, which are chargeable to an appropriation and for which that part of the appropriation is reserved. They cease to be an encumbrance when paid or when an actual liability for payment is recorded.

Enterprise Fund – A fund established to account for operations that are financed and operated in a manner similar to a private business enterprise. State law allows enterprises for water, sewer, solid waste, airports, hospitals, and transportation and recreation services. Both the costs and revenues of the enterprise are segregated from other finances of the town.

EQV – Equalized valuations present an estimate of fair cash value of all taxable property in each municipality as of January 1st of each year. The EQV is a measure of the relative property wealth in each city or town. Its purpose is to allow for comparisons of municipal property values at one point in time, adjusting for differences in local assessing practices and revaluation schedules.

Excess Levy Capacity – the difference between the levy limit and the amount of real and personal property taxes actually levied in a given year. Annually the council must be informed of excess levy capacity and evidence of such acknowledgment must be submitted to DOR when setting the tax rate.

Exclusions - Exclusions allow, by referendum vote, an increase in the amount of property taxes that a municipality may levy for a limited period of time and only for capital purposes. The revenue is in addition to the levy limit bit it neither increases the levy limit nor becomes part of the base for calculating levy limits of future years.

Expenditures – the spending of money by municipality for programs and services within their approved budgets.

Fiscal Year – the state and all municipalities operate on a fiscal year, which begins on July 1 and ends on June 30. For example FY 2001 begins July 1, 2000 and ends on June 30, 2001.

Foundation Budget – the target set for each school district defining the minimum spending level necessary to provide an adequate education for all students. The foundation budget calculations allocate fixed spending target amounts per pupil for teachers’ salaries and benefits, support staff salaries and benefits, utilities, maintenance costs, books and equipment. These calculations are adjusted annually for inflation and also take into account the district’s pupil characteristics and the regional labor market.

Free Cash – funds remaining from the operations of the previous fiscal year, which are certified by DOR’s director of accounts as available for appropriation. Free cash when certified can only be spent via an appropriation of a city council, board of aldermen or town meeting.

Fund – an accounting entity with a self-balancing set of accounts that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

General Fund – The general operating fund of the city. It includes revenues from taxation, general state aid, school aid, and all other financial resources that are not held for specific purposes. Expenditures from this fund may be for any purpose for which a municipality may legally appropriate funds. Enterprise fund money is not part of the General Fund.

General Obligation Bonds – bonds issued by a municipality, which are backed by the full faith and credit of its taxing authority.

Intergovernmental Revenue – revenue received from other governments (state, federal, county) in the form of grants, shared revenues and aid.

Levy – The total amount of real and personal property taxes assessed in a given year, referred to as “the levy”.

Levy Limit - the maximum amount a community can levy in a given year. The limit can grow each year by 2 and ½ % of the prior year’s levy limit, plus new growth and any overrides.

Local Aid – revenue allocated by the Commonwealth to municipalities. Estimates of local aid are transmitted to municipalities by the “Cherry Sheet”.

Local Receipts – locally generated revenues other than real and personal property taxes and excluding enterprise fund revenues. Examples include: motor vehicle excise, investment income, fees, rentals and charges.

Net School Spending – includes both school budget and municipal budget amounts attributable to education excluding long-term debt service, student transportation, school lunches and certain other specified school expenditures. A municipality’s NSS funding must equal or exceed the NSS requirement established annually by the Department of Education.

New Growth – The increased value in a given year of new development and other growth in the tax based that is not the result of revaluation. Included are physical additions or improvements to taxable property, new personal property and new subdivision parcels and condominium conversions.

Operating Budget- the plan of proposed expenditure for personnel, supplies and other expense for the ensuing fiscal year.

Other amounts to be raised - amounts raised through taxation, but which are not appropriation items. Generally, these are locally generated expenditures (i.e. overlay, teacher pay deferral, deficits) as well as state and county charges.

Overlay – an account established annually to fund anticipated property tax abatements and exemptions in that year. The overlay reserve is not established by the normal appropriation processes, but rather is raised on the tax rate recapitulation sheet. If, at the end of a fiscal year, a balance remains in the reserve and the Assessor’s determine that no further claims are pending, the amount remaining may be re-appropriated for other purposes or closed to the general fund balance.

Override – A permanent increase in the levy limit approved by the voters in a referendum. The increase becomes part of the base for calculating levy limits of future years. An override ballot question requests funding for expenses that are expected to continue into the future. Overrides may be structured in any of three forms: a single ballot question stating a single purpose; a “pyramid” consisting of two or more questions stating the same purpose but different amounts of money in each question, or a “menu” of separate questions each stating a different purpose along with its related amount of money.

Policy: A definite course of action adopted after review of information and directed at the realization of goals.

Property Tax Levy – the amount a community can raise through the property tax. The levy can be any amount up to the levy limit plus exclusions.

Proposition 2 and ½ - A law that became effective on December 4, 1980. It provides that the tax levy cannot exceed 2 and ½% of the full and fair cash value (levy ceiling).

Reserve Fund – an amount set aside annually with the budget to provide a funding source for extraordinary and unforeseen expenditures. In a city, transfers from this fund may be voted by the city council upon recommendation by the mayor.

Stabilization fund – a fund from which any amount may be appropriated for any legal purpose. The aggregate of the fund shall not exceed ten percent of the city’s equalized value and any interest shall be added to and become part of the fund. A two-thirds vote of the town meeting or city council is required to appropriate monies from the stabilization fund.

Tax Rate – the amount of tax stated in term of a unit of the tax base; for example \$14.8 per \$1,000 of assessed valuation of taxable property.

Unrestricted General Government Aid Local Aid - The category of aid introduced in FY 10 as the replacement to Lottery Aid and to Additional Assistance. This blended category was introduced based on extensive cuts to the two former categories of Aid. It is available for any purpose or activity of the general fund.

