

Your Norwood Finance Commission would like to dedicate this 2018 Budget Binder to our friend
John W. Hayes



The Finance Commissioner wall plaque says “John W. Hayes, 1987-2017”. John’s name plate is in good company, with other long-respected names such as Fales, Prescott, Elias, Collins and Hawley.

John W. Hayes, the longest serving (30 year) elected Finance Commissioner has retired this year. John was originally elected to the Finance Commission in April 1987, and has been re-elected every 3 years since. John has been part of the local and regional political scene from the early 1970's to the present.

Those of us who have worked with John know him as thoughtful, passionate, outspoken, gruff but heartfelt, but most importantly the “Voice of the Taxpayer”. He has always considered the impact any issue would have on the individual citizen, and his love for the town of Norwood is obvious. John has stayed connected to his constituents, and continues to be their voice. This is highlighted when John holds court at the senior center, but John is equally concerned about the impact a decision would have on young families too. John has been a champion on our committee; he has been a mentor, a role model and a friend.

John has represented a broad part of the community with his fiscal conservatism. John took an active role on the committee to bring the local ambulance service in house, and to create the NFD's Advanced Life and Basic Life (ALS and BLS) services. The recommendations of this committee not only saved the town thousands or hundreds of thousands of dollars over the years, but more importantly it has brought improved response times and an overall improved quality of life to our community.

John will continue his Norwood service in other capacities such as an Elected Commissioner for the Norwood Housing Authority, and as a district 2 town meeting member.

We wish John and his wife June good health and continued success. We thank John for his service, and for helping to make Norwood a better place to live.

Thank you,
Your friends and fellow Finance Commissioners

The Finance Commission would also like to extend our gratitude and best wishes in recognition of his service to

Joseph P. Greeley



Joe has been a member of the Finance Commission since 2005.

What has distinguished his tenure is his attention to detail combined with his intimate knowledge of the inner workings of each town department. Joe will carefully look at all sides of an issue before making a decision. He has served on important town committees including the 2002 Committee of 21 which focused upon the long-term facility needs of the Town, Capital Outlay Committee, Norwood Day Committee, 4th of July activities and many others. He has been the Finance Committee liaison to the Blue Hills Regional Technical School and has attended many of the regional school's budget meetings to ensure that Norwood's interests are addressed.

While Joe will be missed on the Finance Commission, his insight and experience will continue as an active participant of Town Meeting.

Your friends and fellow Finance Commissioners

THE TOWN OF NORWOOD



REPORT OF THE FINANCE COMMISSION

BUDGET RECOMMENDATIONS - FISCAL 2018

(July 1, 2017 through June 30, 2018)

Table of Contents:

- Overview and management summaryFront of Book
- Revenue and Budget summary analysis.....Tab 1
- Index of departments, alphabeticallyTab 2
- Table of contents of budgets, by number.....Tab 3
- Official Annual Meeting Warrant.....Tab 4
- Detailed Budget Recommendations..... Tab 5
- Town Meeting Member listings, by district.....Tab 6
- Wage and Salary listings, 2016 W2 report.....Tab 7
- Supplemental financial data.....Tab 8

Overview and Management Summary

To The Townspeople of Norwood:

The following message is meant to provide you with an overview of the Finance Commission's detailed budget recommendations to be presented at the upcoming Annual Town Meeting for the town's fiscal year 2018.

The Budget-Balancing Process.

Massachusetts law requires the Finance Commission to recommend to Town Meeting an annual budget that is balanced. The process of fulfilling that mandate begins in November, when the various departments submit their initial budget requests to the Town Accountant's office. These initial requests represent what the department heads believe their offices will need for their departments to deliver the highest level of services to the town.

The other side of the budget-building equation consists of revenue forecasts. Beginning in January, a working group called the Budget Balancing Committee (BBC) reviews the Town Accountant's projected changes in the main sources of revenue for the upcoming year. The Budget Balancing Committee includes two members each from the Finance Commission, the Board of Selectmen, and the School Committee, along with the Town Accountant, the Town Manager, and the Superintendent of Schools. As the BBC zeroes in on a final, supportable revenue estimate, its members also discuss the allocation of available funds according to a formula that balances the needs and goals of the various departments and at the same time represents the desires of Norwood's citizenry. Upon the completion of its work, the BBC forwards its package of recommendations to the Finance Commission, which then meets with department heads for a final review.

The Finance Commission believes that the proposed FY2018 Town of Norwood budget presented to you herewith is a reasonable one. We believe that it represents a responsible reflection of what the town can afford, based upon the identified available revenues for next year. We are especially pleased – and in this respect we are convinced that Norwood is fortunate compared to surrounding communities - that we can offer Town Meeting a budget package that will not see any material reduction in staffing or service levels and that will be funded without adversely affecting our Surplus/Reserves position.

Revenue Fluctuation Analysis:

As one analyzes Norwood’s projected revenue stream components, it becomes clear that we have five (5) main sources of revenues available: Departmental Receipts, State Aid Receipts, Real Estate Taxes, available Surplus/Reserves and Utility Operations Receipts. As you will see from the following summary, the only significant increase in revenues that we are expecting from Non-Utility revenue sources is from taxation (and those increases are limited by law).

Revenue Comparisons for FY2018 Annual Town Meeting (\$000’s omitted):

	<u>FY2017</u>	<u>FY2018</u>	<u>\$ Change</u>	<u>%</u>
• Department Receipts	\$14,651	\$14,955	\$ 304	+ 2.1% (a)
• State Aid	10,788	11,178	390	+ 3.6% (b)
• Taxation	70,170	72,846	2,676	+ 3.8% (c)
• Surplus/Reserves	<u>3,086</u>	<u>2,830</u>	<u>(256)</u>	<u>- (0.1%) (d)</u>
Subtotals	98,695	101,809	3,114	+ 3.2%
• Utility Receipts	<u>76,522</u>	<u>84,778</u>	<u>8,256</u>	<u>+ 10.8% (e)</u>
Grand Total	\$175,217	\$186,587	\$ 11,370	+ 6.5%

Explanatory Notes:

- **(a) Departmental Receipts (Pg. 1-2) change of \$304k.**
 - The only component of this increase is:
Ambulance Receipts \$304K
- **(b) State Cherry Sheet Aid (Pg. 1-6) change of \$390k**
 - The actual amount of State Cherry Sheet Aid for next year is unknown and is still being debated by the Legislature as we go to print. For purposes of estimating our revenues, we used the FY18 Local Aid amount in the Governor’s budget. This amount is subject to change as the actual legislative voting process is not expected to conclude until sometime in June.
- **(c) Tax Levy Increase (Page 1-7), change of +\$2.7M**
 - There are three components of the Tax Levy:
 - Annual 2 ½% Levy Increase allowed \$1.7M
 - Tax Levy for 2 ½% of New Construction Growth \$1.1M
 - Reduction of debt exclusion due to refinance (\$127K)
- **(d) Surplus/Reserves (Page 8-2), change of -(\$256K)**
 - The Source of this change is:
 - Reduction in use of Free Cash to balance budget - (\$333K)

- Reduction in use of free cash for projects (-183K)
- Increase in use of Cemetery / Transfare funds 28K
- Increase in use of AMR funds 212K
- Increase in Chapter 90 Highway Funds 20K

• **(e) Utility Receipts (Page 8-2) change of +\$8.3MM**

- The Utility Rates are set each year for Electric Light, Water/Sewer and Broadband to ensure that utility receipts will be adequate to recover direct budget and overhead costs (including debt) in these various utility operations areas. A breakdown of the projected FY18 utility receipts, by area, is as follows: there is a projected \$6.98MM increase in Light Receipts; there is a \$960K projected increase in Water/Sewer receipts and there is a \$313K projected increase in Broadband receipts.

II. Fiscal 2018 – Budget Highlights:

The total Town budget being recommended for next year is **\$183,803,724**. The town departmental budget can be broken down into 4 main categories or functions: (1) General Government, (2) School Department, (3) “Shared/Fixed Cost Budgets” and (4) Utilities. As you will note from the **Fiscal 2016-2018 Budget Summary** that follows (see **Tab 1, pg. 1-10 (1) to pg. 1-10 (6)**), the operating budget changes for FY18 for the major segments of the town's budget can be summarized in the chart that follows:

(Annual Budgets by function ; \$000’s omitted)

	<u>FY2017</u>	<u>FY2018</u>	<u>Change</u>	<u>%</u>
1. General Gov’t. Oper (Pg. 1-104)	\$33,625	\$34,944	\$ 1,319 (f)	3.9%
2. School Dept. Operating (Pg.1-105)	40,933	42,709	1,776 (g)	4.3%
3. Shared/Fixed Costs (Pg.1-105)	<u>38,365</u>	<u>40,545</u>	<u>2,180</u> (h)	<u>5.7%</u>
Subtotal (Non-Utility Depts.)	112,923	118,198	5,275	4.7%
4. Utilities (Pg.1-106)	<u>59,668</u>	<u>65,605</u>	<u>5,937</u>	<u>9.9%</u>
5. Total town budgets	\$172,591	\$183,803	\$11,212	6.5%

Explanatory Notes:

(f). General Government operating budget. (Please refer to Tab 1, **Pages #1-10 (1) to #1-10 (4)**). The General Government side of the budget will be increasing at rate of 3.9% in FY2018. There will be an increase here of \$1.319MM when compared to the current fiscal year. Although there will be many relatively small changes in the General Government budgets next year, some of the more significant changes in this area next year are as follows:

<u>Category</u>	<u>FY2017</u>	<u>FY2018</u>	<u>Increase</u>	<u>Percent</u>
1132 Elec/Reg Incidentals	\$104,685	\$162,000	\$57,315	54.7
1531 Computer Management	279,838	367,788	87,950	31.4
4305 Highway Maintenance	-0-	243,000	243,000	100.0
9901 Article 1 COLA Reserve	-0-	750,000	750,000	100.0

- 1132 Includes \$70,000 for new voting machines, a one-time expense
- 1531 New position – Assistant Director of Computers
- 4305 Selectmen voted to spend funds in excess of Chapter 90
- 9901 This allocation will be distributed when contracts are settled and raises are known

(g). School Department operating budget The School Department side of our FY2018 budget will increase by \$1.776MM, an increase of 4.3%. Additionally at the May, 2017 Special Town Meeting we are providing an additional \$703,158 which will benefit the FY2018 budget increasing the total to 6.1%. As you will observe in the budget detail on in **Tab 1 on Page 1-10 (5)** hereunder, there are several budget changes for school department accounts for FY18 compared to FY17. The most significant changes contributing to the bottom line increase for the school department are as follows:

- 6020 SCH INSTRUCTIONAL SALARIES + \$868,684 3.3%
- 6160 SCH TRANSPORTATION +159,697 10.7%
- 6981 SCH-COL BARGAINING RESERVE +1,088,114 100.0%

(h). “Shared Cost” budgets. This grouping of budgets will increase next year by \$2.2MM (an increase of 5.7%). The specifics of the changes are enumerated in **Tab 1 on Page 1-10 (5&6)** below. As you will note, these are budgets that do not pertain to *just* General Government employees / departments and do not pertain to *just* School Department employees / activities, but rather most of these budgets are “shared” (i.e. they pertain to both General Government and School Departments). Many of these budgets are also contractual in nature and cannot be reduced to balance the other operating budgets in General Government and Schools. The significant areas of change in these accounts are as follows:

<u>Category</u>	<u>FY2017</u>	<u>FY2018</u>	<u>Increase</u>	<u>Percent</u>
9010 Retirement Fund	\$4,433,134	\$4,887,339	\$454,205	10.2
9105 Interest	4,385,608	4,312,951	(72,657)	(1.7)
9106 Debt	11,952,261	13,873,625	1,921,364	16.1
9220 Group Insurance	13,587,000	13,737,500	150,500	1.1
9230 Medicare Empl Share	825,000	924,013	99,013	12.0
9341 Amort of Snow & Ice	449,220	-0-	(449,220)	(100.0)

- Retirement fund – Mandatory to close gap in unfunded liability.
- Interest – Treasurer’s significant refinance at lower rates
- Debt – BANS were permanently bonded which initiated principal payments
- Group Insurance – GIC sets rates

III. Wage Increases.

Wages are presented in each department at current salary levels with an adjustment for known Step increases. Since some of the unions have recently settled, and more are in negotiations with the Town both General Government and Schools have set up reserves from which funds will be transferred to departments during Fiscal 2018. For General Government, wage increases for FY2018 are under negotiation and Account 9901 has a \$750,000 estimate. The schools have made a similar reserve Account 6981 which has a \$1,088,114 estimate.

IV. FY2018 Budget - Balancing Objectives:

The process of balancing the town’s budget for FY2018 went smoothly but the limitation of receipts was the constraining factor for both the Schools and General Government. Due to the collaborative nature of those discussions, we feel that the FY2018 recommended budget for the town of Norwood is reasonable and conservative.

Thank you!

The Finance Commission would like to extend its sincere thanks to all of the town’s department managers for working with us to complete this year’s budget balancing task. We would also like to thank the members of our Budget Balancing Committee for their hard work in bringing together representatives of the Board of Selectmen, the Finance Commission, and the School Committee to discuss revenue projections and to negotiate budget compromises for Fiscal 2018. Our final budget recommendations for FY2018 reflect a strong cooperative effort from all departments and boards.

Town Meeting Information:

Norwood's FY2018 budget booklet is being distributed to twelve (12) locations in all of the voting districts of the Town to service and to ensure transparency to townspeople. In addition, a more extensive, detailed booklet will be provided to all elected Town Meeting Members. This detailed version will also be available for public inspection in the Town Clerk & Accountant’s Office, Floor 2, Room 32, Town Hall as well as the Library.

Also included in this book you will find a list of elected Town Meeting Members for all districts, the calendar 2016 W2 salaries of all Town employees, and Supplemental Financial analysis.

This budget is scheduled to be voted upon at the Annual Town Meeting, which is scheduled to begin at 7:30 P.M. on Monday, May 8th at the Senior High School.

Thank you for your dedication, understanding, and continued support at Town Meeting.

The FINANCE COMMISSION

Judith A. Langone, Chair
Alan D. Slater, Vice-Chair
Robert Donnelly
David Hajjar
Anne Haley

Our thanks to former Commissioners who contributed significantly to this Budget Book

Joseph P. Greeley
John W. Hayes

MUNICIPAL FINANCE TERMINOLOGY

The following terms are frequently used in the Annual Town Report, the Finance Committee Report at Town Meeting. In order to provide everyone with a better understanding of their meeting, the following definitions are provided:

SURPLUS REVENUE: (often referred to as "Excess & Deficiency" or E & D)

This fund represents the amount by which the cash, accounts receivable and other assets exceed the liabilities and reserves. This is a bookkeeping item.

AVAILABLE FUNDS: (often referred to as "Free Cash")

This is the amount certified annually by the State Bureau of Accounts by deducting from Surplus Revenue all uncollected taxes for prior years. This fund may be used by a vote of the Town Meeting.

OVERLAY:

The Overlay is the amount raised by the Assessors in excess of appropriations and other charges for the purpose of creating a fund to cover taxes abatements granted and avoiding fractions in the tax rate.

OVERLAY RESERVE:

This is the accumulated amount of the Overlay for various years not used or required to be held in the specific overlay account for a given year, and may be used by a vote of the town for extraordinary or unforeseen purposes or voted into the Reserve Fund.

RESERVE FUND:

This fund is established by the voters at an Annual Town Meeting only and may be composed of (a) an appropriation (not exceeding 5% of the Tax Levy of the preceding

year), (b) money transferred from the Overlay Reserve, or (c) both. Transfers from the Reserve Fund are within the exclusive control of the Finance Committee and are for "extraordinary or unforeseen" expenditures.

STABILIZATION FUND:

This is a special reserve that was originally created for use only for capital expenditures. There was a change in this law in 1991 which resulted in the previous restriction for capital items to be eliminated. Funds may be used for any purpose voted at Town Meeting.

The Stabilization Fund may be appropriated at an Annual Town Meeting or at a Special Town Meeting by a two-thirds town meeting vote for any purpose for which the town would be legally authorized to appropriate money; it may be placed in all kinds of banks; any interest earned shall be added to and become part of the Fund.

CHERRY SHEET:

This refers to the document provided by Commonwealth that reflects the State and County financial charges and reimbursements to the town as certified by the State Director of Accounts. The term "Cherry Sheet" originated due to the fact that the notices from the State of the State Aid were originally reported to cities and towns on "cherry" red paper. It charges the town with its share of the expenses of running the various state agencies and county government. It credits the town with its share of distributions from the Local Aid fund, Reimbursements, Agency Funds, and the Sales and Use Taxes used by the Assessors as Estimated Receipts.