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Town of Framingham

Our Four-Year Strategic Financial Goals: What We Have Accomplished Together 2014 – 2017

A Message from Robert Halpin, Town Manager

Framingham, MA – Earlier this week the Board of Selectmen held the annual Tax Classification Hearing, a necessary requirement to establishing the official tax rate for the current fiscal year. At the conclusion of the hearing the Selectmen officially set the tax rate for FY 2018 at \$16.32 for residential properties and \$35.39 for commercial and industrial properties.

This is the last tax rate setting process in which I will participate as Town Manager here in Framingham. There is much change underway in Framingham at the moment, as the Town makes a historic transition to its new city form of government. After their vote on the tax rate, I asked the Selectmen for a moment to reflect on what we have accomplished over the past four (4) fiscal years in managing taxes and creating reserves that immensely strengthen our local government in Framingham as it enters its next phase.

This story begins in 2013 when the Board of Selectmen voted to support a proposal to move the Town's municipal employee and retiree health insurance plan into the state government's group health insurance program (the GIC) serving a group of more than 250,000 state and municipal employees. This was a major cost reduction opportunity created by the cooperative efforts of the Town Manager, Town Counsel, the Chief Financial Officer and the Director of Human Resources and ultimately the acceptance of public employee unions, employees and retirees. At the time of the decision to make the move it was projected that it would save the Town government \$17,000,000 dollars over the ensuing three (3) years. In the final result it actually saved the Town \$24,500,000 during those three (3) years.

The next chapter in the story included direction from the Board of Selectman that the Town administrators consider some mechanism whereby some substantial portion of these projected savings could be shared directly with Framingham taxpayers. In response, the Town Manager and Chief Financial Officer crafted a set of strategic financial goals and a three-year budget plan where, in fact, a significant portion of those savings were shared with taxpayers immediately while other amounts were used to create protections and opportunities to mitigate taxes in the future. We were able to craft this plan relying on the projected savings of moving the employee health plan to the state GIC and the judicious use of available cash reflecting the Town's overall strong financial condition.

Over what turned out to be a four (4) year period we accomplished the following goals for Framingham taxpayers, present and future:

1. Instead of the default maximum of a 2.5% annual increase in annual property tax levy, we used a lower rate of increase averaging approximately 1.25% in each of the four (4) fiscal years between FY 2014 and FY 2018 (the current year). By virtue of not raising the tax levy to the maximum allowed, the average single family residential tax payer in Framingham paid \$1,596 less in total taxes during that period than would otherwise have been the case. In FY 2018 alone, the cumulative impact of this tax levy restraint means that average residential taxpayer will pay \$503 less than would have been the case of a 2.5% year after year levy increase allowed by law.
2. We sought to make property taxes more stable and predictable for both residents and businesses. Instead of the relentless practice of shifting tax burden from residential properties onto commercial/industrial properties to the maximum extent possible, we embarked on a more sensible approach of managing the respective shares of tax burden at a level of 60% residential and 40% commercial. This is still a substantial shift in tax burden since residential properties amount to 76% of the overall tax base and commercial/industrial properties reflect 24%. But this policy allows the actual percentage of tax burden to float at whatever level is necessary to maintain the 60-40 split and adds predictability and stability from year to year. It helps avoid the type of catastrophic shift in tax burden back onto residential taxpayers we experienced in FY 2012 when commercial values collapsed due to the recession. In FY 2012 the Town shifted to the maximum 175% allowed by law with no flexibility and some of the highest commercial property tax rates in the state. By FY 2018 this shift was down to 170% - creating an important tool in the future if and when commercial/industrial property values suddenly fall at the end of an economic cycle. (If the Town had only been shifting burden by 165% in the year leading into FY 2012, it could have mitigated the entire massive and unanticipated increase in residential tax bills due to declining commercial values. So we are only about half way to where we should be.)
3. Preparing for the financing of a major \$65,000,000 replacement or reconstruction of the Fuller Middle School and other major building projects which have the potential to increase property taxes in the future, the Town set aside a total of \$10,600,000 in cash in a Capital Building Stabilization Fund. This will reduce the net amount of the building construction costs the Town will be responsible after a reimbursement grant from the Mass. School Building Authority. The use of a substantial portion of this fund to reduce the amount to be borrowed is an important 20 to 25% 'down payment' on costs that will lead directly to lower 'mortgage' payments and annual property taxes for taxpayers in the future.
4. As a result of not increasing the annual tax levy to the maximum 2.5% increase annually, we have accumulated a total unused excess tax levy capacity of approximately \$12,900,000 creating yet another substantial financial reserve. We have received favorable credit review comments by Moody's Investment Services and this excess levy capacity has the effect of lowering the perceived risk of our bonds and lowering the costs of borrowing for projects like the Fuller Middle School replacement/reconstruction.

As a commentary for the future, let me wrap up by saying that this has been one of the most satisfying and productive collaborative efforts of my 39 years in local government because it was both strategic (multi-year) and collaborative. It was successful in meeting all of the strategic goals articulated to the Selectmen in 2013. We took the time on the front end to think it through but, more importantly, to explain it and seek **buy-in** from all the government stakeholders at the time whose support was required at any particular point in time. By the time we were presenting these goals and concepts as part of the FY 2014 Town budget, we had gained the understanding and support of not only the Selectmen but the School Committee, the Finance Committee, the Standing Committee on Ways and Means and the Capital Budget Committee.

Thank you all for your encouragement and support during the time I have had the privilege of serving the Framingham community. I wish you the best and further success moving into the future.

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