

To the Voters of Carlisle:

The Carlisle Finance Committee has completed its budget review and presents its recommendations concerning the Fiscal Year 2017 (“FY17”) budget contained in the attached Warrant Book. Please refer to the glossary at the end of this Warrant Book for an explanation of the terms used in this letter.

Introduction

The Finance Committee, appointed by the Board of Selectmen, advises the Town Meeting on financial matters. The Committee, as required by law, presents a balanced budget to the annual Town Meeting. In this budget, Town expenditures are fully funded by revenues from property taxes within the levy limit, state aid, forecasted local receipts, and transfers from available funds such as free cash. Revenue from potential overrides may not be used to fund the balanced budget.

Balancing the Budget

The balanced budget presented in the attached Warrant meets the basic municipal and educational needs of the Town of Carlisle (the “Town”), including the Carlisle Public Schools (CPS) and the Concord-Carlisle Regional School District (CCRSD). The balanced budget presented herein does not include an appropriation or funding source for Article 16 in the attached Warrant.

The Town is in the fifth year of paying down substantial amounts of debt from our two school building projects. The new high school significantly impacts this year’s budget as the debt service reaches peak levels. This will also be the third year of partially funding our OPEB (Other Post Employment Benefits) obligation which is essentially the cost of healthcare benefits for current and future retired town employees. In addition, we expect new growth to continue at the same level as the past several years. The Finance Committee does not expect the pressure on the budget to abate in the near future, as rising costs are expected to continue to exceed revenue from new growth. Because the Town relies on real estate tax for nearly all of its revenue, the low level of residential construction affects Carlisle more than other Commonwealth towns. On the positive side, Carlisle is less dependent on state aid than most communities.

Revenue

The Finance Committee forecasts that FY17 revenue from all sources available will grow by 2.26% over FY16. This includes property taxes as well as fund transfers (including free cash). We expect revenue raised through the property tax and excluded debt levy will grow by 4.1%, including “new growth”, while state aid and local receipts are expected to remain unchanged from the prior year.

Transfers from our free cash balance are also considered revenue. Generally, the Finance Committee only recommends the use of free cash, which consists of un-expended budget appropriations, for “one-time” expenses and not to support ongoing operational items. Free cash does not permanently increase the levy limit. The following uses of free cash are being considered in this years’ warrant articles.

- \$300,000 to support the increase in debt service incurred by the two school building projects
- \$100,000 to support the Long Term Capital Committee’s request list - above the amount raised by taxes
- \$100,000 to continue funding of the OPEB, above the levy amount

If all of the articles in the warrant were to pass at town meeting, we are proposing a transfer of \$500,000 from free cash to pay for them and reduce the burden on taxpayers. If an article does not pass, the related free cash amount would not be used and would then correspondingly increase the final level of free cash.

This will leave the Town with over \$1,889,686 in free cash before the July 1, 2016 certification, which, along with more than \$1,000,000 in the Stabilization Fund, represents a prudent reserve for future operational and capital expansion needs.

Levy Limit Spending

Total operational spending within the levy limit increases 2.26% as compared with FY16 (See table 1). Implementation of the salary recommendations of the Wage and Classification Study for non-contract Town employees increases the FY17 operating budget by approximately \$130k (or 0.5%). The debt service for the town, not including the high school, decreases slightly by -2.2% in FY17. The FY17 long term capital appropriations decreases by 5.9% from FY16 as the town balances the need to maintain and improve its infrastructure with the cost of implementing the recommendations of the Wage and Classification Study. We also have committed to continue funding our OPEB liability (healthcare costs for retired town employees) with a third year levy amount of \$225,000. This continues our plan to maintain or increase the annual appropriation each year to address the Town's unfunded liability of roughly \$9.8 million.

Excess Levy Capacity

For the fourth year in a row, the Town has significant excess levy capacity. Proposition 2 1/2 places a limit on the amount of tax the Town can levy without an override. In past years, the Town has levied taxes up to this limit. Because of the prudent and careful spending by town departments, the application of free cash to reduce debt service, a decrease in the Town's CCRSD assessment, and slowed growth in health insurance and retirement costs, FY17's balanced budget requires an estimated \$2,073,279 less than the levy limit allows.

Operating Budget

The Town operating budget breaks down as follows:

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|------------------------------------|-------|
| • Education | 63.3% |
| • Other Town Departments | 21.2% |
| • Debt Service and Other | 7.3% |
| • Insurance, Benefits & Retirement | 8.2% |

The budget for education will increase by 2.4%, which reflects a 1.8% increase in the CPS budget, a 3.42% increase in the CCRSD budget (w/o debt) and an increase in CCRSD debt service of 7.22%. Although Carlisle's assessment ratio has decreased slightly again this year, and therefore our share of operational costs has decreased, debt service associated with the high school will remain at or near current levels for the next several years. The assessment for the Minuteman Regional School District (MMRSD) is down 23.3%, representing a decrease of \$52,726. This decrease is due to primarily to a decrease in the in the enrollment of Carlisle students.

Most non-education Town departments were held flat against FY16 with the exception of salary increases due to implementation of the Wage and Classification Study recommendations, contractual obligations and/or cost of living adjustments.

Debt and Capital Exclusions

The proposed Warrant Articles includes one debt exclusion question for FY17, which does not affect the budget for FY17. This item is for Carlisle's share of the debt to be incurred by CCRSD for landfill remediation with an expected total project cost of \$1,100,000.

Debt

In FY17, the net excluded debt levy will increase slightly by 2.14% to \$2,792,815.

Finance Committee Conclusions

The Finance Committee has ongoing concerns about the overall growth of spending relative to revenue, now and in the future. In particular:

- New growth of residential housing is expected to remain at low levels.
- State aid may continue to decrease as the Commonwealth struggles with its own budget issues
- Debt service due to the CPS building and CCHS reached peak levels in Fiscal Year 2016 and will remain at high levels for the next several years.
- The Telecommunications Study completed in 2016 recommends significant investment in Carlisle's communication infrastructure.
- Maintenance costs of Town buildings including the Gleason Library, Town Hall, Police Station and Fire Station, are expected to increase in future years.

The Finance Committee and the Board of Selectmen have sought new sources of revenue and alternative ways to deliver Town services. Some of the focal points continue to be:

- Sharing resources and staff between town departments
- Sharing with, or purchasing services from, adjacent towns
- New, nontraditional sources of revenue

The Finance Committee continues to work hard to balance, in a prudent way, the needs of the town and the demands placed on taxpayers to fund the town.

We welcome citizen input into the process beyond the annual Town Meeting and its associated hearings. Committee meetings are posted at Town Hall and in the Mosquito and we urge you to attend or e-mail your thoughts to us at

fincom@carlisle.mec.edu.

We invite you to review the material in this booklet and attend the Finance Committee hearing on the Warrant at 7:00 pm in the Town Hall on Monday, April 25th.

Sincerely,

The Carlisle Finance Committee
Kevin Perkins, Chair
Scott Triola, Vice Chair
Michael Bishop
Jim Darr
John Keller
Jerome Lerman
Lynne Lipinsky