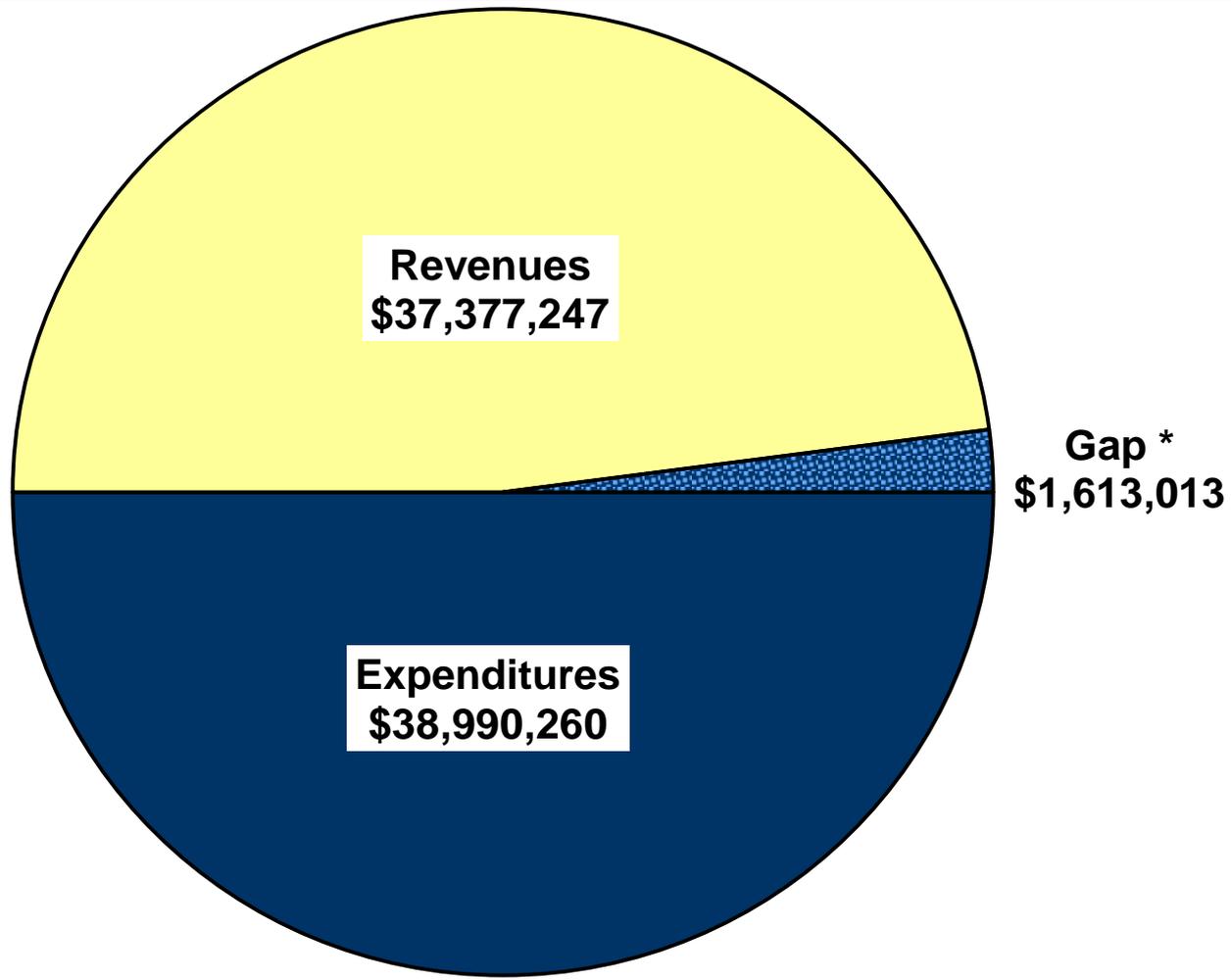


Annual Town Meeting
Article 29
Use of Free Cash
Fiscal Year 2018

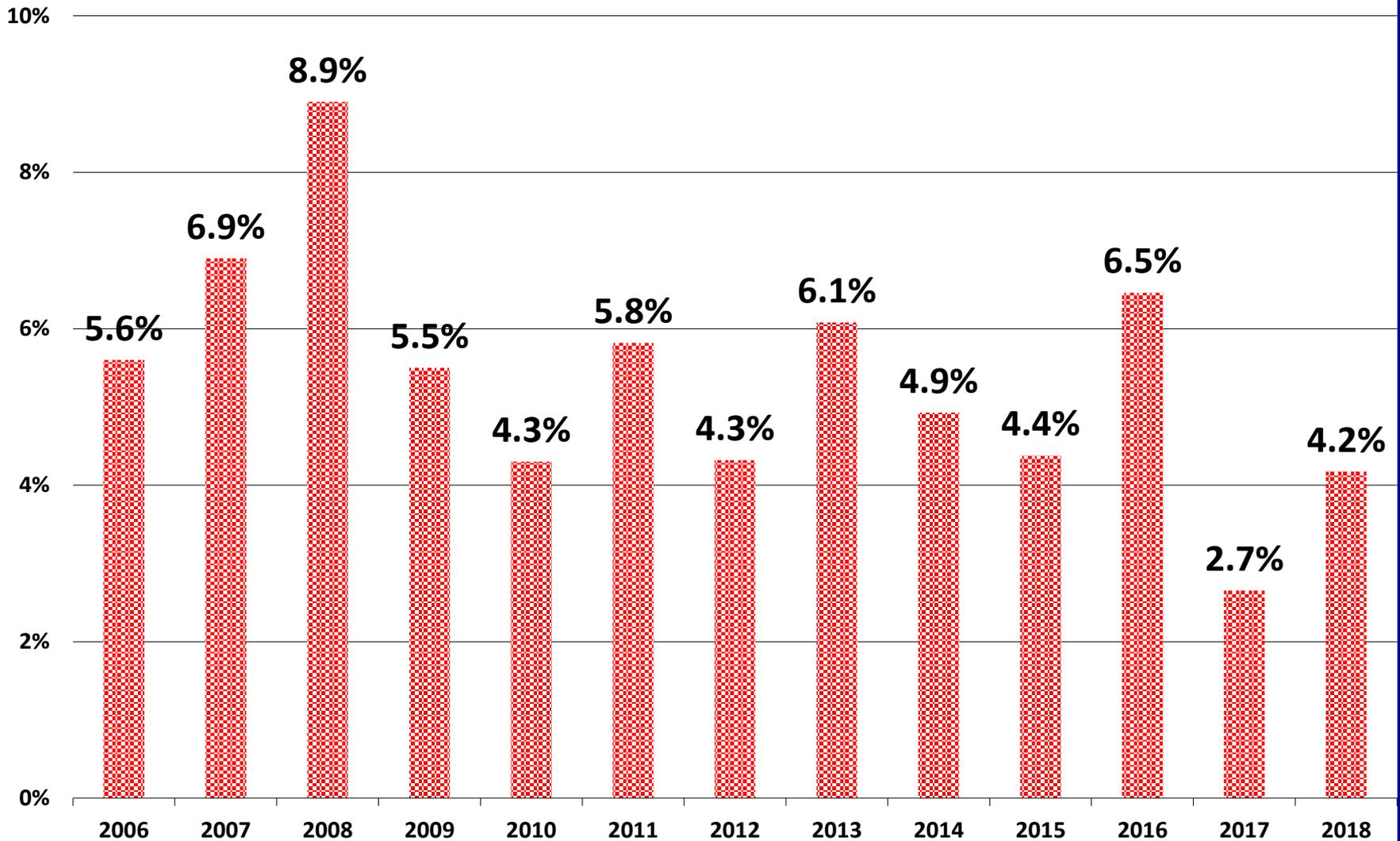


Budget Gap FY18



* - Minimum Amount Use of Free Cash to Balance

Budget Gap as a Percentage of Expenses



Free Cash

- The Warrant Committee reviewed and analyzed the level of Free Cash as we do every year.
- Dover has experienced a significant increase in Free Cash in recent years due to:
 - Conservative budget practices
 - Prudent management of expenses
 - Favorable new growth environment
 - Unanticipated large turnbacks from Regional Schools and town departments (likely non-recurring)

Free Cash *(continued)*

- The current Free Cash balance is at a level that has surpassed prudent necessity.
- MA Department of Revenue recommends a minimum of 5% to 7% of annual expenses in total reserves (Free Cash, Stabilization Funds, Overlay Reserves)
 - This would be \$2.9 to \$2.7 million for Dover for FY18.
- The Warrant Committee believes a Free Cash target of 10% to 15% to be more appropriate (\$3.9 to \$5.9 million).

Free Cash

Additional Use of Free Cash

- The Warrant Committee voted unanimously to recommend that ATM use an additional \$1.3 million of Free Cash in Article 29 to further reduce the FY18 Property Tax Rate.
- It will leave \$5.2 million of uncommitted Free Cash, which is 13.4% of the forecasted FY18 Total Expenses. Including the Stabilization Fund, reserves would be \$6.1 million (15.7% of expenses).
- The recommendation does not rely upon an assumption that Free Cash will continue to grow at a significant pace above what is required to replenish the account.

Revised Revenue Sources and Expenditures

REVENUE SOURCES AND EXPENDITURES

	Recap FY16	Recap FY17	Projected FY18	Projected FY18 With Additional Free Cash	% Change FY17/FY18	\$Change FY17/FY18
Revenue Sources						
Tax Levy	\$28,895,446	\$30,193,442	\$31,495,201	\$31,495,201	4.3%	\$1,301,759
Debt Service Exclusions						
Dover	832,817	853,987	1,103,497	1,103,497	29.2%	\$249,510
Regional School	588,060	585,719	558,369	558,369	-4.7%	-\$27,350
New Growth	561,571	533,583	350,000	350,000	-34.4%	-\$183,583
Free Cash	2,369,547	813,413	1,613,013	2,913,013 (*)	258.1%	\$2,099,600
State Aid (Receipts)	964,718	997,940	1,027,797 (a)	1,027,797 (a)	3.0%	\$29,857
SBA Reimbursements	531,983 (b)	531,983 (b)	531,983 (b)	531,983 (b)	0.0%	\$0
Local Receipts	2,138,250	2,317,865	2,200,000	2,200,000	-5.1%	-\$117,865
Overlay Surplus	75,000	75,000	100,000	100,000	33.3%	\$25,000
Other	10,400	10,400	10,400	10,400	0.0%	\$0
Capital Exclusion Override	0	0	0	0	NM	\$0
Total Revenue	\$36,967,792	\$36,913,332	\$38,990,260	\$40,290,260	9.1%	\$3,376,928
Expenditures						
Article 4	\$33,818,343	\$34,998,967	\$36,874,166	\$36,874,166	5.4%	\$1,875,199
Additions to Overlay	185,671	130,042	200,000	200,000	53.8%	\$69,958
Article 5	770,121	352,775	408,622	408,622	15.8%	\$55,847
Special Articles	879,931	205,692 (c)	252,595 (c)	252,595 (c)	22.8%	\$46,903
Special Articles - Other	62,529	179	675,000 (d)	675,000 (d)	376995.0%	\$674,821
Reserve Fund	250,000	250,000	250,000	250,000	0.0%	\$0
State Charges	315,881	325,547	310,877 (a)	310,877 (a)	-4.5%	-\$14,670
Recap Appropriations	15,625	18,973	19,000	19,000	0.1%	\$27
Prior Year Snow & Ice Deficit	274,586	0	0	0	NM	\$0
Total Expenditures	\$36,572,687	\$36,282,175	\$38,990,260	\$38,990,260	7.5%	\$2,708,085
Excess Levy Capacity	395,105	631,157	0	1,300,000		

(*) The amount of Free Cash to close the gap between Revenues and Expenditures - the minimum amount being considered for this year plus an additional \$1,300,000 from FC to lower the tax levy/rate.

(a) State Aid & Charges based on Governor's Budget.

(b) SBA - State Reimbursement for Chickering after final audit.

(c) Special Articles: RSC Capital Items (not in Article 4): \$206,676; Police Sick Leave Buyback: \$10,000; Unemployment Compensation Fund \$10,000; Prior Years' Bills \$919; Conservation Commission Fund Supplement: \$25,000 in FY18 (For FY15, FY16 was in Special Articles - Other)

(d) - Special Articles - Other: Chickering School A/C \$675,000

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Free Cash

What is Free Cash?

- Free cash is a revenue source that results from the calculation, as of July 1, of a community's remaining, unrestricted funds from its operations of the previous fiscal years based on the balance sheet as of June 30.
- It typically includes actual receipts in excess of revenue estimates and unspent amounts in departmental budget line items for the year just ended [“turnbacks”], plus unexpended free cash from the previous year.
 - MA DLS, Department of Revenue, February 2016

Free Cash

What is Free Cash?

Free Cash as of July 1, 2015	\$5,877,594
Free Cash as of July 1, 2016	\$8,139,482
Increase	\$2,261,888, or 38.5%

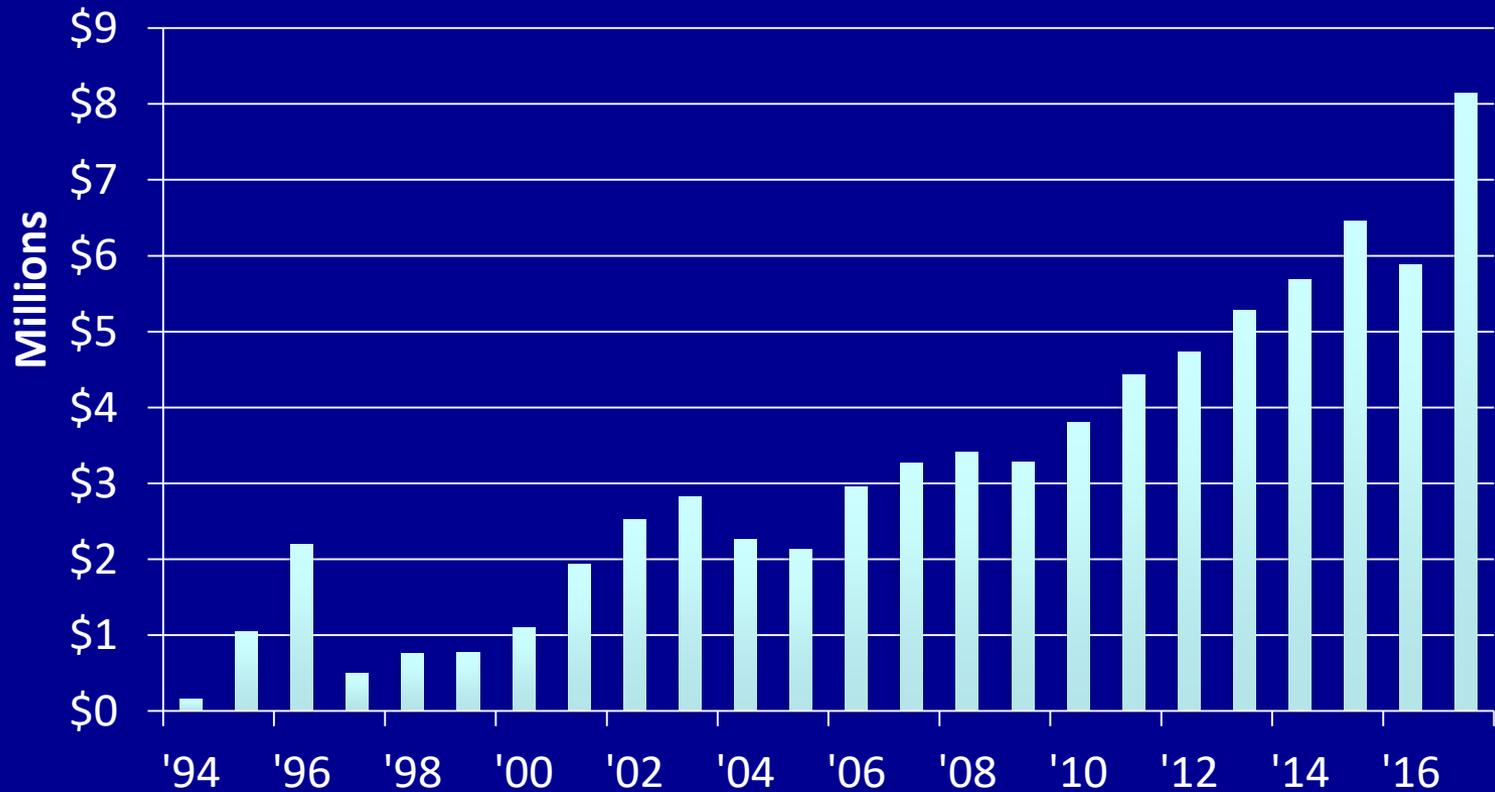
Free Cash

Explanation of Changes in Free Cash from 7/15 to 7/16:

7/15 FC Balance:	\$5,877,594
ATM17 Use of FC	-\$888,234
FY16 Budget Turnbacks	+\$1,818,266
(FY16 Regional Turnback	+\$453,639)
(one time E&D reduction)	
FY16 Snow & Ice (Recap)	-\$274,586
FY16 Misc.	+\$77,219
(Police Details & Overlay)	
FY16 Excess Rev over Expend.	+\$1,075,584
(encumbrance, adjustments)	
7/16 FC Balance:	\$8,139,482

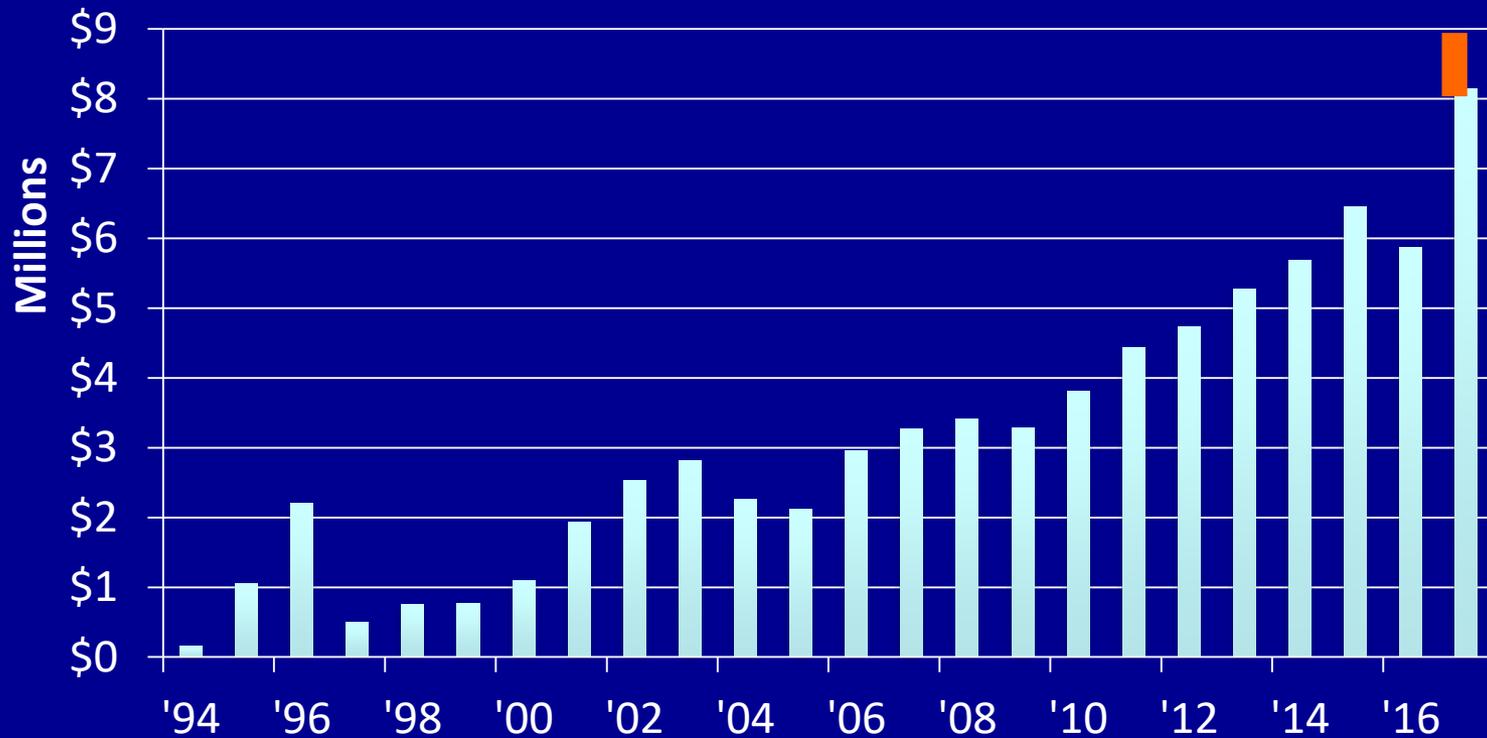
Free Cash History

Certified Free Cash Balance (July 1)



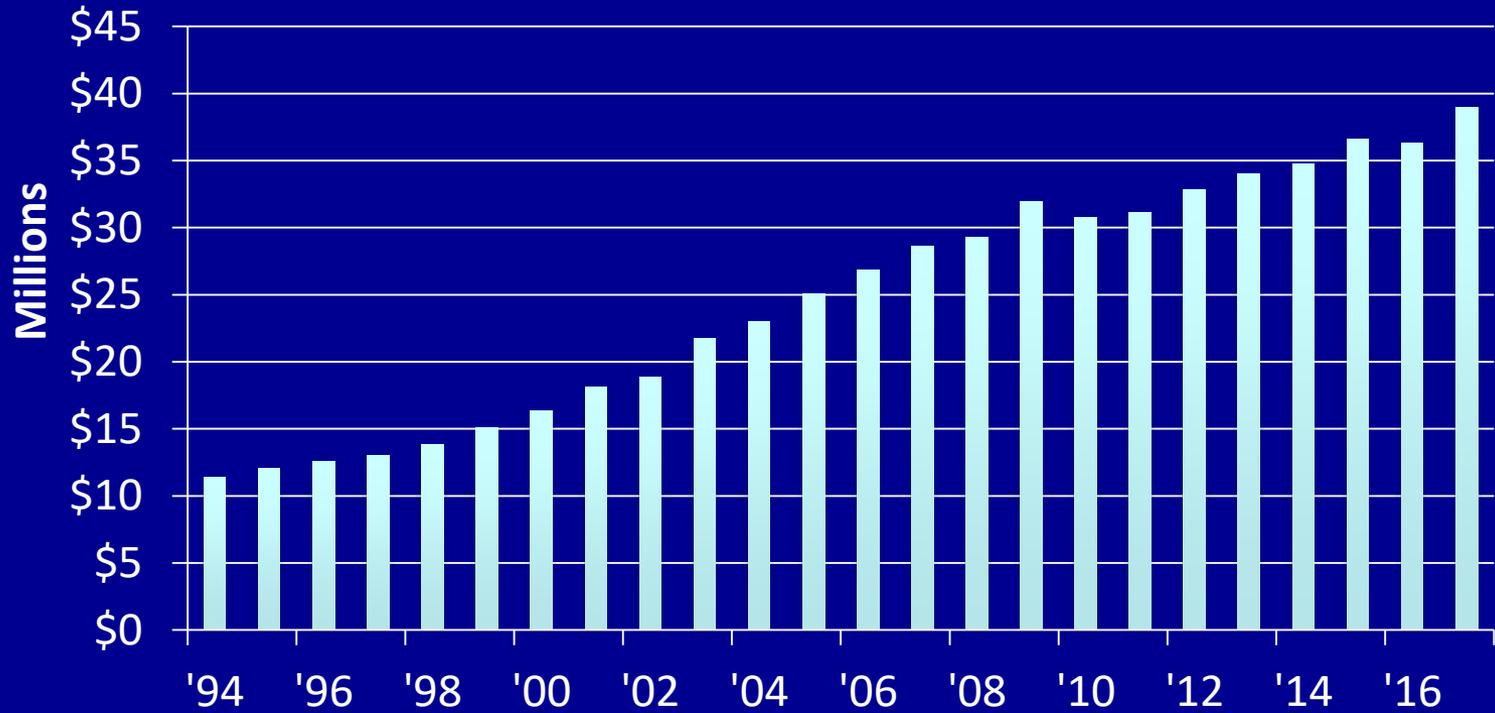
Free Cash History

Certified Free Cash Balance (July 1) Stabilization Fund



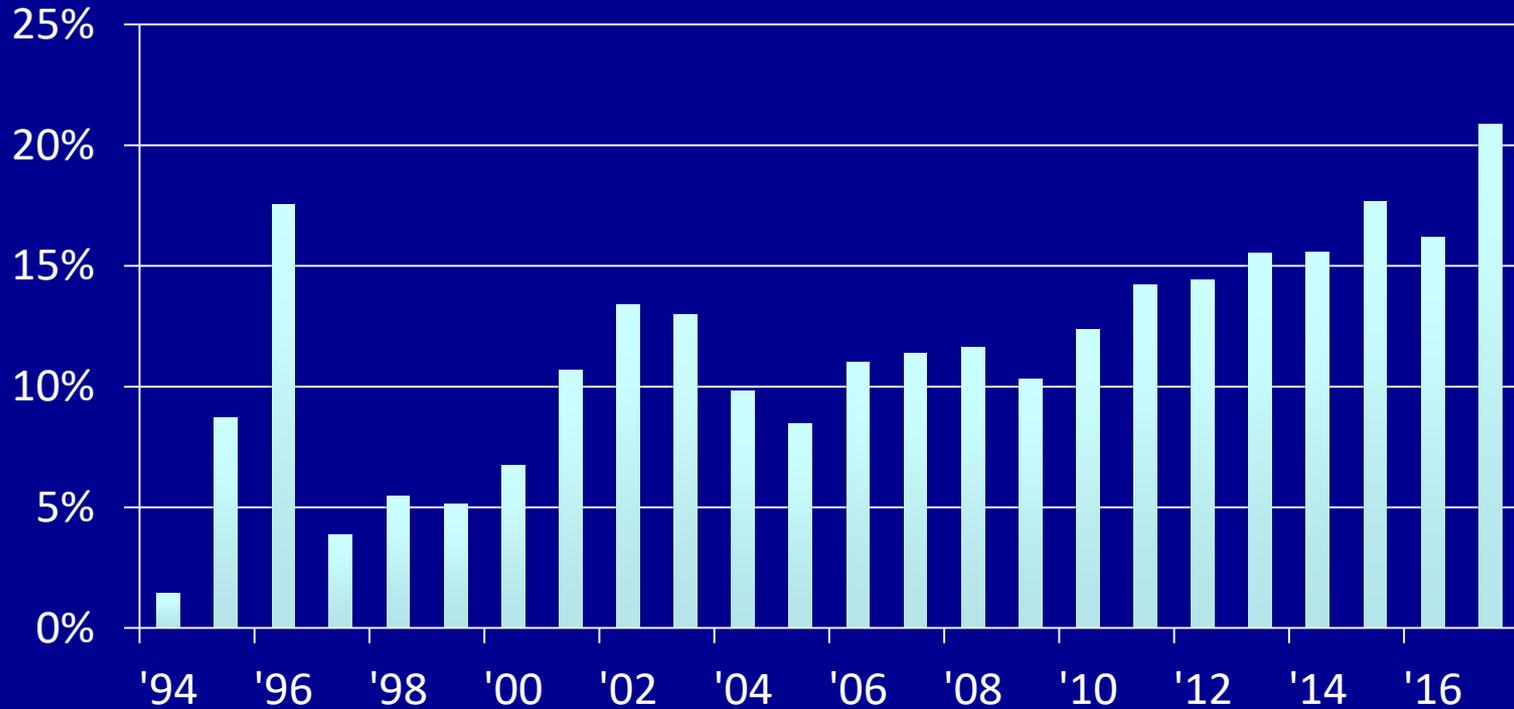
Free Cash History

Fiscal Year Budget



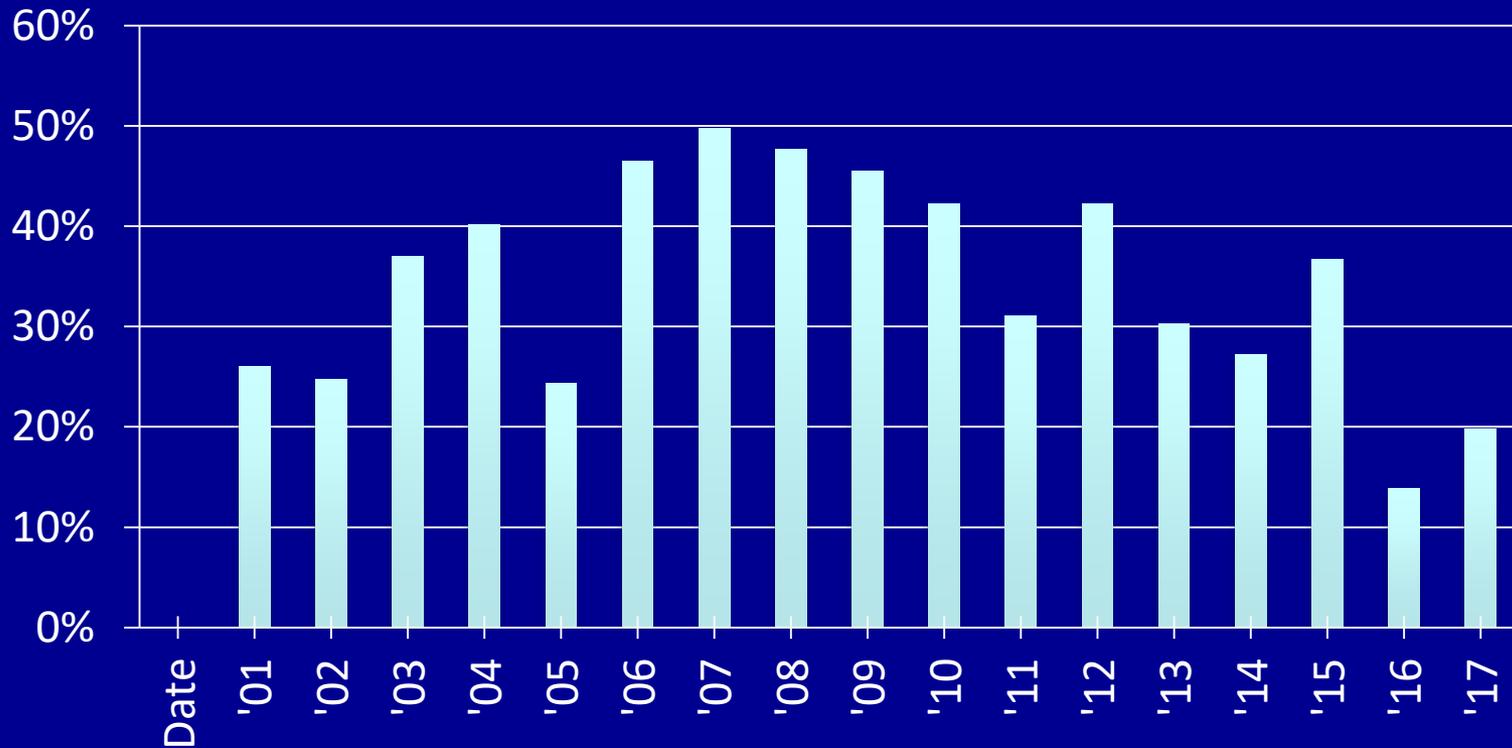
Free Cash History

Free Cash Balance as % of Budget



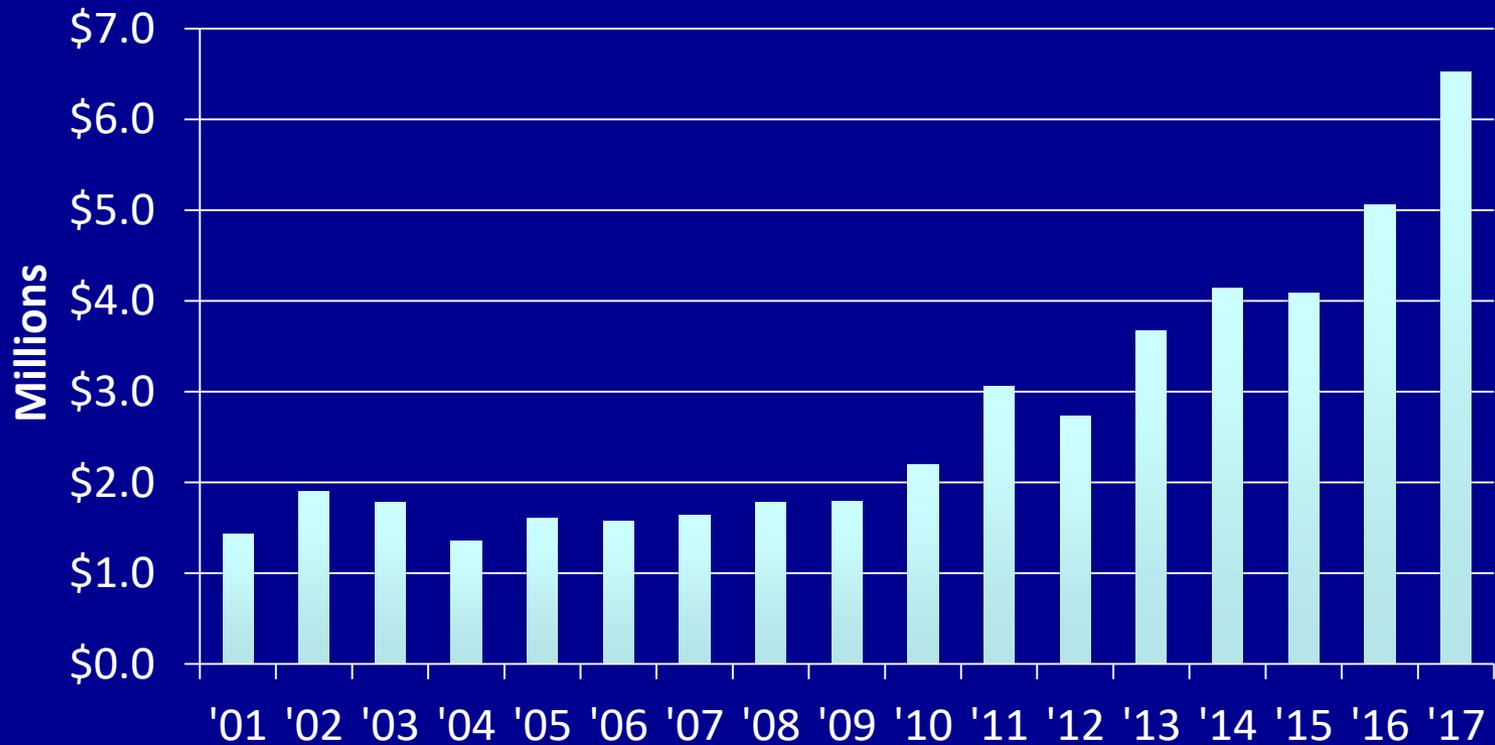
Free Cash History

Use of Free Cash % of Total Available



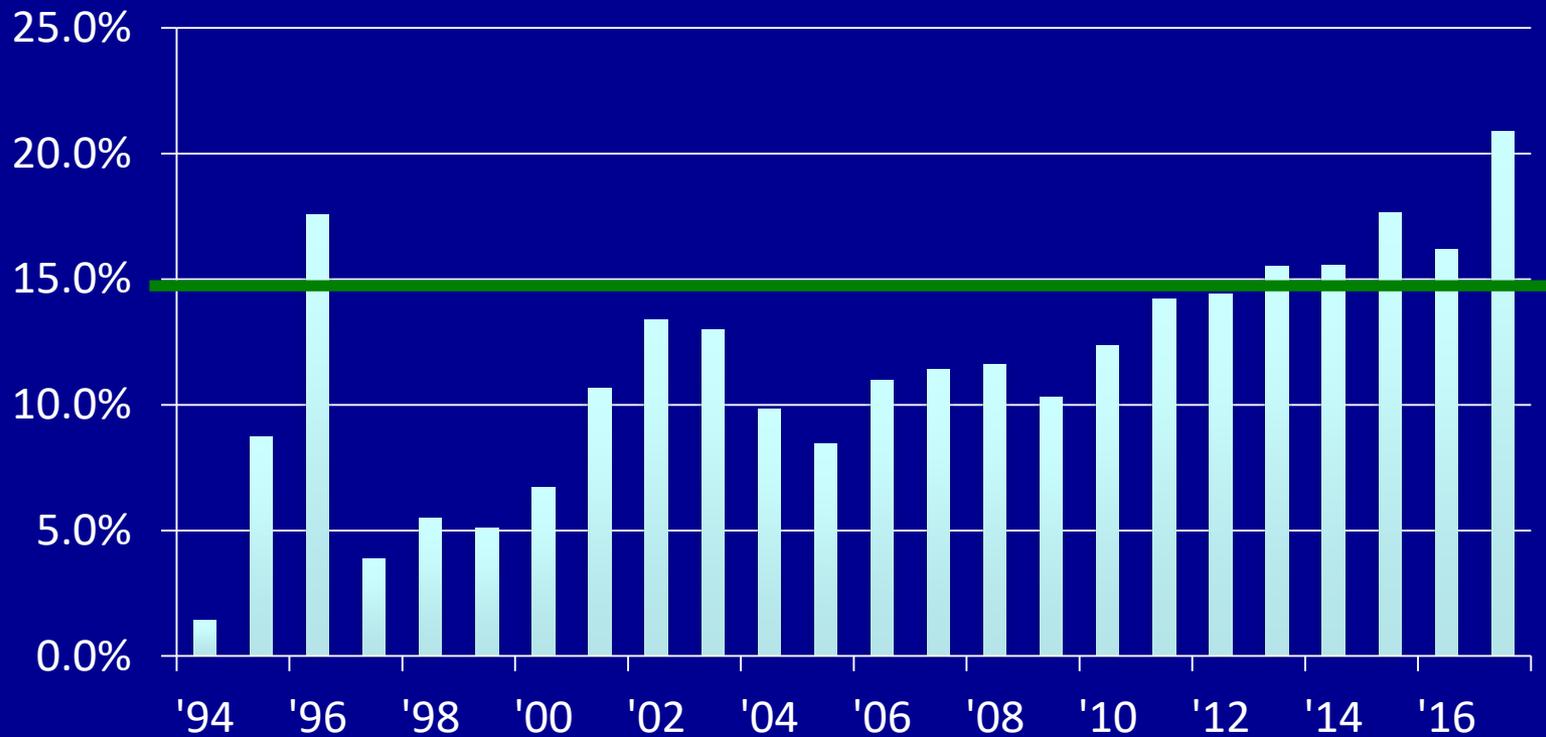
Free Cash History

Unused Free Cash



Free Cash History

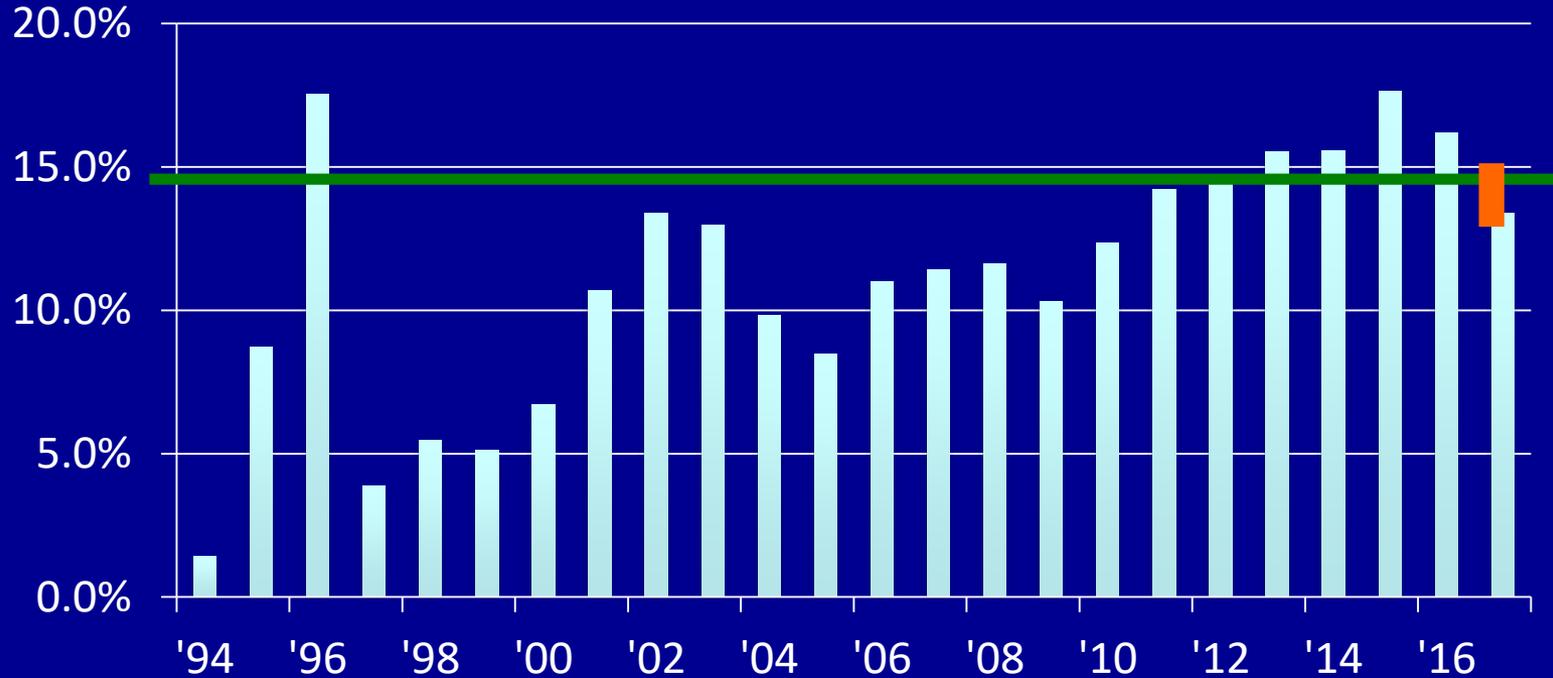
Free Cash Balance %Budget
15% of Budget Upper "Target"



Free Cash History

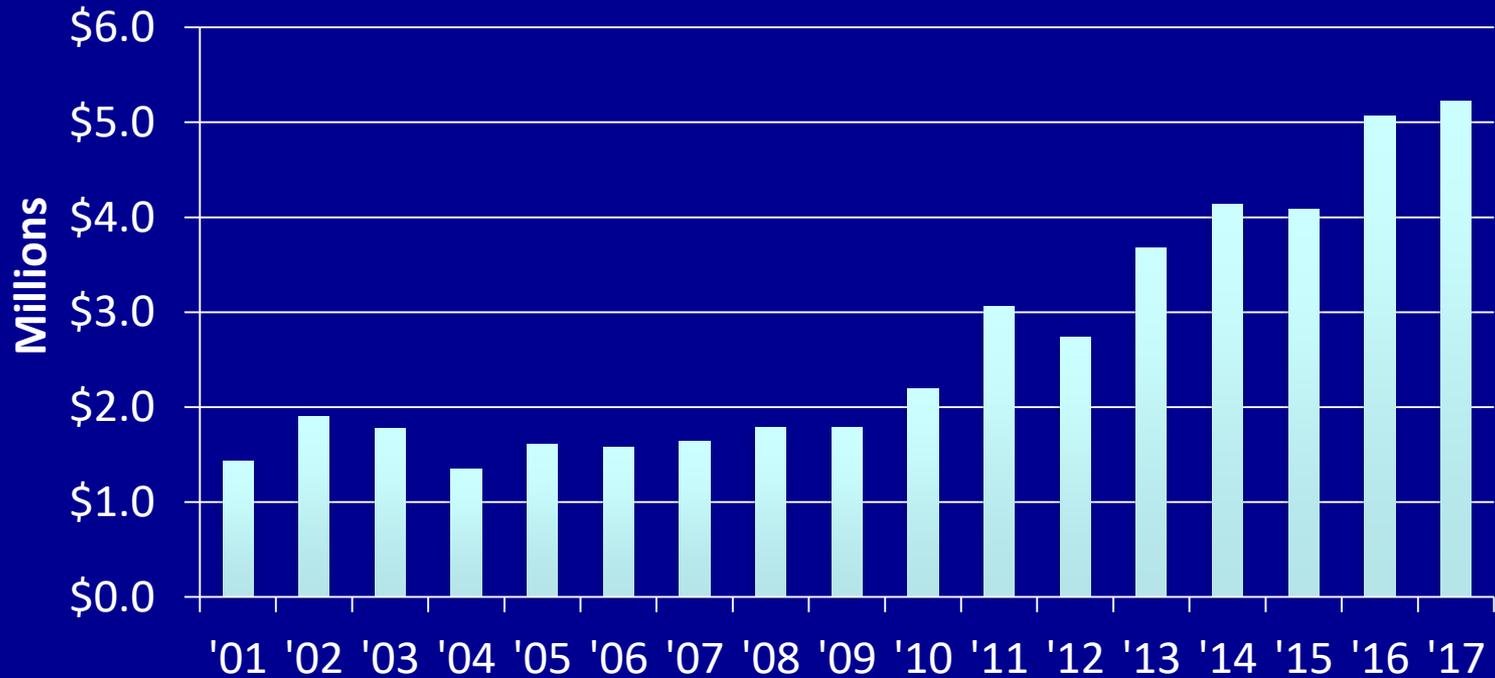
Free Cash Balance %Budget

15% of Budget Upper "Target" & Use of Additional
\$1.3 million & Stabilization Fund



Free Cash History

**Unused Free Cash assuming additional
\$1.3 million FC use**



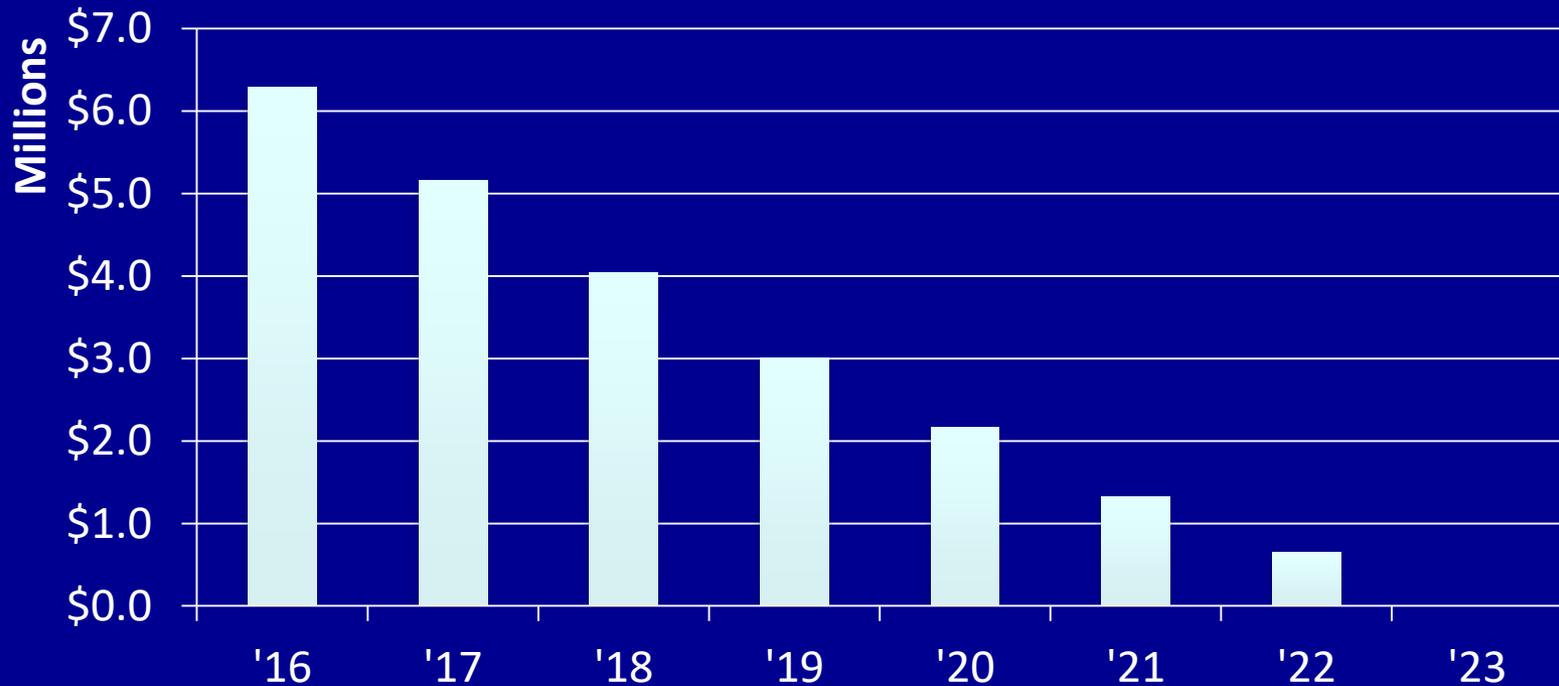
Free Cash

- An analysis of an appropriate level of Free Cash includes reviewing:
 - The General Economic Environment and Expectations
 - Expected Future Revenue Development and Expenditure (Operating and Capital) Needs And Wants
 - Debt Capacity, Reserves, Stabilization Funds
 - Debt Rating Considerations
 - Tax Rates
 - Comparable Towns
 - Preference to Avoid Overrides
 - Demographic Trends, Housing Market Trends
 - Other Factors, Etc.

Free Cash

Dover Outstanding Long Term Debt

Outstanding Principal
(excludes amounts for 46 Springdale Property)



Free Cash

Other Considerations

- Historically, the Warrant Committee has recommended using a “prudent” amount of Free Cash.
- Other towns have substantial funds in “Stabilization Funds” in addition to their Free Cash. Dover has not made use of Stabilization Funds to a large extent (current balance approx. \$886k).
- The Warrant Committee will review the Free Cash balance each year.

Free Cash

Other Considerations

- Why not recommend more than \$1.3 million additional use of Free Cash?
 - Based on analysis, the Warrant Committee believes \$1.3 million to achieve its target range and a prudent amount that will not limit flexibility in the future.
 - The Warrant Committee will review the Free Cash balance each year and make appropriate recommendations.

Annual Town Meeting 5/1/17

- Thank you