

TOWN FORUM  
MUNICIPAL FINANCE

December 11, 2024

# INTRODUCTION SLIDE

The Players

Proposition 2 ½

Fiscal Year

Operating Budget

Capital Budget

Budget Calendar

Town Meeting

Question & Answer

## SPEAKERS

- Moderator: Dan Carty, Select Board Vice Chair
- Andy Sheehan, Town Manager
- Victor Garofalo, Finance Director, Treasurer/Collector
- Cynthia Gerry, Director of Assessing
- Mike Joachim, Finance Committee Co-Chair

## TOWN BOARDS, COMMITTEES AND STAFF

- **Town Manager** - Town Charter, Part IV, s. 10. Financial management responsibilities of the Town Manager:
  - “to prepare, annually, a financial forecast of the town revenues, expenditures and the general financial condition of the Town.”
  - Town Manager is “responsible for all the financial management functions of the Town” including preparing and submitting the Operating Budget and Capital Improvement Plan
- **Finance Director** – responsible for overseeing and coordinating a municipality’s financial activities and oversees the completion of the annual Tax Recapitulation Sheet and the free cash certification process. Assists Town Manager with the preparation of the annual operating budget and capital improvement plan, as well as all revenue and expenditure forecasting.

## TOWN BOARDS, COMMITTEES AND STAFF

- **Select Board** - reviews the annual proposed budget submitted by the Town Manager, and make recommendations to Town Meeting.
- **Director of Assessing** – oversees the process of valuation of real estate and personal property assessments for taxation in accordance with Massachusetts Law. This includes Assessment Administration, Mass Appraisal, Property Tax Classification, Administering tax appeals, and supervision of Motor Vehicle Excise tax assessments.

## TOWN BOARDS, COMMITTEES AND STAFF

- **Finance Committee** – responsible for reviewing Town, School and Lincoln-Sudbury Regional School District budgets, and making recommendations to Town Meeting.
- **Capital Improvement Advisory Committee (CIAC)** – The CIAC shall study all capital proposals which involve major tangible items with a total project cost of more than \$100,000 in a single year or over \$200,000 in multiple years and which would likely require an article at Town Meeting for the project's authorization. The CIAC shall make a report with recommendations to the Finance Committee and the Select Board on these proposals.

## TOWN BOARDS, COMMITTEES AND STAFF

- **Community Preservation Committee (CPC)** – shall study the needs, possibilities and resources of the Town regarding community preservation, including the consideration of regional projects for community preservation. The Community Preservation Committee shall make recommendation to the Town Meeting for the acquisition, creation and preservation of open space; for the acquisition and preservation of historic resources; for the acquisition, creation and preservation of land for recreational use; for the creation, preservation and support of community housing; and for rehabilitation or restoration of such open space, historic resources, land for recreational use and community housing that is acquired or created as provided in MGL Chapter 44B.

## WHAT IS PROPOSITION 2 1/2

- **Proposition 2 ½** refers to a Massachusetts law enacted in 1980 that places strict limits on the amount of property tax revenue a community can raise through real and personal property taxes. This revenue is called the **Tax Levy**, or just **Levy**. Proposition 2 ½ limits how much the levy can be increased from year-to-year. The maximum amount a community can levy in any given year is called the **Levy Limit**.
- **The 2 ½% increase limitation applies only to the Levy Limit, and not to an individual property tax bill.** It is a common misconception that Proposition 2 ½ restricts the amount your property tax bill can increase to 2 ½%.
- **New Growth, Overrides, and Capital or Debt Exclusions.**



## FISCAL YEAR vs. CALENDAR YEAR

- Fiscal year: A 12-month period that ends on the last day of any month except December
- Massachusetts Municipalities and State operates under a Fiscal Year, which runs from July 1 to June 30.
  - i.e. (FY2025 = July 1, 2024 to June 30, 2025)

# FISCAL YEAR CALENDAR

## July

Begin new Fiscal Year  
Close Book Prior Fiscal Year

## August

Con't to Close Prior FY

## September

DOR Year End Reports  
CPA Reports Due

## October

Free Cash Certification  
Financial Revenue Projections  
Town Audit

## November

Submit Schedule A  
Fall Town Meeting  
Final Budget Amendments  
Budget Guideline Issued  
Assessor Submits LA4 & LA13  
Financial Condition of Town

## December

Budgets Due to TM/FD  
Capital Request Due  
Classification Hearing  
RECAP Sheet / Set Tax Rate  
Budget Meetings w/ Departments  
FINCOM Budget Pressures SPS/LS

## January

Budget Released January 31  
Governors Budget  
Refine Revenue/Expenditures  
Warrant Articles Due  
School / LS Budgets Due

## February

Finance Committee  
Budget Review

## March

Finance Committee submits  
Budget Recommendations  
to Select Board

## April

Select Board Review  
Warrant & Budget

## May

Annual Town Meeting  
State Senate Budget

## June

Final State Budget  
Close Fiscal Year

## BUDGET CALENDAR

- The Town Manager, with the assistance of the Finance Director, prepares a financial projection by October 31st.
- The Finance Director provides budget guidance and supporting documents to all Town Departments by November 15th.
- On or prior to December 1st all departments provide budget requests to the Finance Director.
- The Town Manager and Finance Director meet with Department Heads individually to discuss budget requests. All meetings completed on or prior to December 15th.
- The Town Manager, with the assistance of the Finance Director, prepares the Town Manager's Proposed Budget and provides the document to the Select Board and Finance Committee by January 31st.

## BUDGET CALENDAR

- The Town Manager and Town Departments participate in Finance Committee hearings/deliberations after submittal of the budget.
- Not later than March 31st, the Finance Committee submits to the Select Board their written report with their recommendations.
- The Select Board shall cause the Finance Committee's budget submittal including the Town Manager's requested amounts, recommendations, and the Finance Committee's report of reasons for differences to be printed in the warrant for the Annual Town Meeting.
- Town Manager presents the final budget at the Annual Town Meeting (annually scheduled for the first Monday in May). >> May 5, 2025

## STEPS TO BUILDING A BUDGET

1. Establishes a baseline: today's condition
  - a. Calendar
  - b. Forecast Revenue and Expenditures
  - c. Prior Year YTD and Major Changes
2. Guidelines – Set Goals and Priorities
  - a. Allocate to Towns, Schools and LS
3. Distribute Forms to Departments
  - a. Financials: Prior Year Expenditures, YTD (Projections)
  - b. Describe Mission and how does budget relate to Goals and Objectives
  - c. Justifications for Restorations or Additions
  - d. Level budgets, additional requests, impact of cuts.

## STEPS TO BUILDING A BUDGET

4. Review Budget Requests with Department Heads and Schools
5. Review and Finalize Budget Request with Select Board and Finance Committee
6. Present Budget to Town Meeting
7. Adopt Budget at Town Meeting
8. Monitor Expenses and Revenues – Year Round

## WHAT IS A FINANCIAL FORECAST?

- Establishes a baseline: today's condition
- Makes certain reasonable assumptions of future conditions:
  - Revenues
  - Expenditures
  - Fund Balances
- Provides an estimate of future conditions
- Identifies potential trends
- Early warning system

## WHAT IS A FINANCIAL FORECAST?

- Forecast of projected revenues and expenditures: a useful tool for management to evaluate the financial condition and guide policy.
- Serves as an early warning system to detect future gaps between revenues and expenditures.
- Does not insulate a community from potential surprises or emergencies; allows the administration to plan for, consider, and correct potential issues.
- Like a weather forecast, the farther out one looks the less accurate the forecast.



## WHY FORECAST?

- Good financial management practice
- Transparency: minimize surprises
- Bond Rating agencies look favorably
- Required by Charter

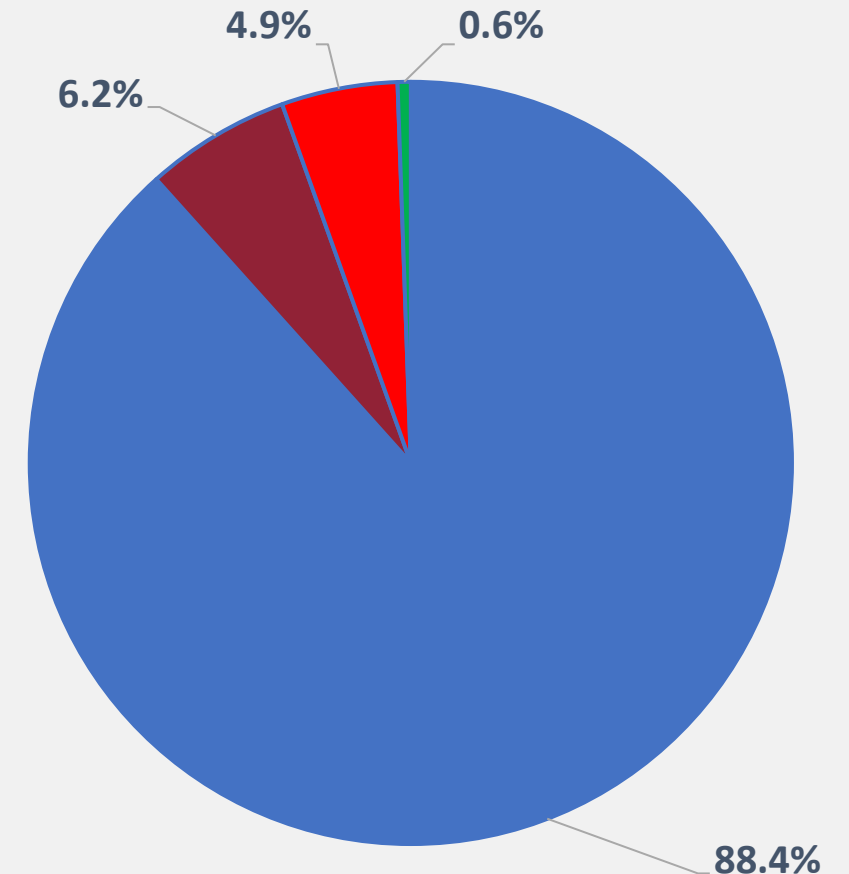
# REVENUE FORECAST

- Revenue projections identify the funds that will be available
- Identify revenue trends and anomalies
- Massachusetts requires each community to adopt a balanced budget
  - Goal is a balanced budget at Annual Town Meeting
  - Revenue forecast is first piece of balanced budget

# REVENUES

Four major categories of revenues:

- **Real Estate & Personal Property Taxes: 88.4%**
- **Intergovernmental Aid: 6.2%**
- **Local Receipts: 4.9%**
- **Other Available Funds: <1%**



## PROPOSITION 2 ½ - REAL ESTATE & PERSONAL PROPERTY TAXES

- 88.4% of revenues
- Largest portion of revenues
- The tax levy is the amount raised through property tax:
  - Increases 2 ½% annually + new growth: Proposition 2 ½
- Can raise more than 2 ½% through three mechanisms:
  - New Growth (Taxes attributed to the value of new construction and added permanently to the tax levy limit)
  - Debt/Capital Exclusions (Temporary increase to tax levy limit)
  - Operating Override (Permanent increase to tax levy limit)

## SPLIT TAX RATES & TAX LEVY %

- Sudbury has adopted a split tax rate, which shifts the total tax levy between major property classes, residential and commercial.
- In FY 2024, the selected residential factor is 0.9698, or a commercial factor of 1.41%. The corresponding tax rates were: \$14.61 for residential and \$21.61 for commercial/industrial and personal property.
- Tax Levy %
  - Residential – 90.37%
  - Commercial/Industrial – 6.11%
  - Personal Property – 3.52%

## KEY PHRASES

- **Levy Ceiling**

- The maximum taxes can be (2.5% of Fair Market Value) - \$175,223,465 (FY25)

- **Levy Limit**

- The Annual limit on tax increases - \$109,658,448 (FY25)

- **New Growth**

- New or renovated property - \$828,244 (FY25)

- **Override**

- A permanent increase in the Levy Limit - \$745,460 (FY24) and \$1,077,270 (FY19)

- **Debt Exclusion**

- A temporary increase in the Tax Levy - \$4,578,860 (FY25)

- **Overlay**

- Reserve for Abatement and Exemptions - \$347,909 (FY25)

# PROPOSITION 2 ½ - FORMULA

<u><i>Levy Limit</i></u>	<u>Projected FY26</u>	<u>Projected FY27</u>	<u>Projected FY28</u>
Start with Prior Tax Levy	\$ 105,269,360	\$ 108,451,094	\$ 111,962,371
Multiply by 2.5% - Prior Tax Levy	2,631,734	2,711,277	2,799,059
Adjusted Tax Levy	<u>\$ 107,901,094</u>	<u>\$ 111,162,371</u>	<u>\$ 114,761,431</u>
Add: New Growth	550,000	800,000	400,000
Tax Levy - Levy Limit	<u>\$ 108,451,094</u>	<u>\$ 111,962,371</u>	<u>\$ 115,161,431</u>
Add: Override	-	-	-
<b>Adjusted Tax Levy - Levy Limit</b>	<b><u><u>\$ 108,451,094</u></u></b>	<b><u><u>\$ 111,962,371</u></u></b>	<b><u><u>\$ 115,161,431</u></u></b>
 <u><i>Maximum Levy Limit</i></u>			
Add: Debt Exclusions	\$ 4,470,196	\$ 3,812,910	\$ 3,718,971
<b>Maximum Levy Limit</b>	<b><u><u>\$ 112,921,290</u></u></b>	<b><u><u>\$ 115,775,281</u></u></b>	<b><u><u>\$ 118,880,402</u></u></b>
Overlay - Reserve for abatements	382,838	383,986	388,636
<b>Net Tax Levy</b>	<b><u><u>\$ 112,538,452</u></u></b>	<b><u><u>\$ 115,391,295</u></u></b>	<b><u><u>\$ 118,491,766</u></u></b>

# TAX BILL CALCULATION & DATES

## Real Estate Taxes - Residential

Assessed Value	\$1,010,000
per /\$1,000	1,010
Rate Per \$1,000	\$14.61
<b>Residential Annual Real Estate Tax</b>	<b>\$14,756</b>

## Community Preservation Tax

Assessed Value	\$1,010,000
Less \$100,000 exemption	(100,000)
Adjusted Assessed Value	\$910,000
per /\$1,000	910
Rate Per \$1,000	\$14.61
Adjusted Tax	\$13,295
Community Preservation x 3%	3.00%
<b>Community Preservation Tax</b>	<b>\$399</b>
<b>Total Residential Real Estate Tax</b>	<b>\$15,155</b>

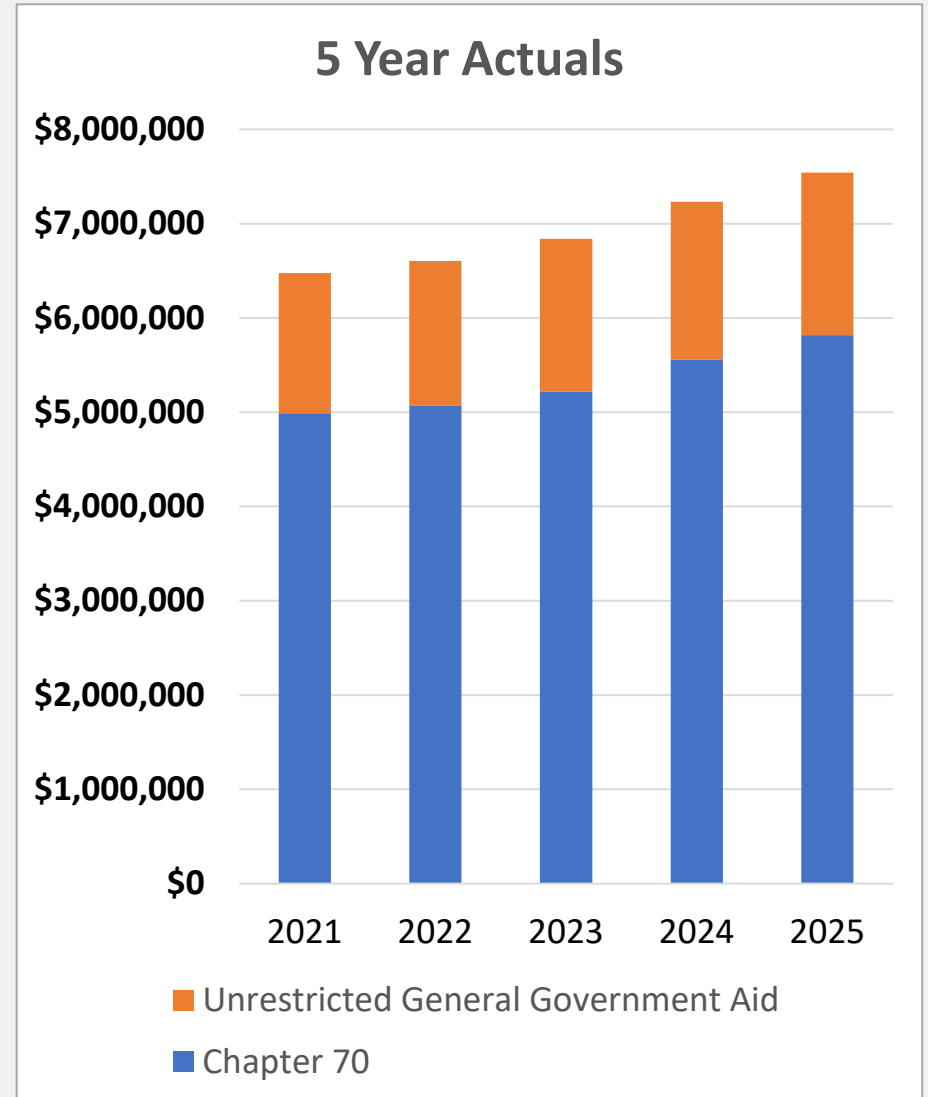
## Tax Bill Issue/Due Dates

<u>Quarter</u>	<u>Issue Date</u>	<u>Due Date</u>
1	July 1st	August 1st
2	October 1st	November 1st
3	January 1st	February 1st
4	April 1st	May 1st



# STATE AID

- 6.2% of revenue
- Comprised of 2 main components
  - Chapter 70 Education Aid
  - Unrestricted General Government Aid (UGGA)
- Smaller aid categories: Libraries, Veterans, PILOT, etc.
- Varies from year to year
- First indication of State aid to cities and towns is in January
- Not settled until State budget is adopted: Summer 2025



# STATE AID – CHERRY SHEET RECEIPTS

<b>PROGRAM</b>	<b>FY2024 Final</b>	<b>FY2025 Governor's Proposal</b>	<b>FY2025 House Budget</b>	<b>FY2025 Senate Budget</b>	<b>FY2025 Conference Committee</b>
<b>Education Receipts:</b>					
Chapter 70	5,557,508	5,632,778	5,818,444	5,833,498	5,818,444
Charter Tuition Reimbursement	11,497	11,355	53,795	53,801	53,801
<b>Sub-Total, All Education Items:</b>	<b>5,569,005</b>	<b>5,644,133</b>	<b>5,872,239</b>	<b>5,887,299</b>	<b>5,872,245</b>
<b>General Government:</b>					
Unrestricted Gen Gov't Aid	1,673,456	1,723,660	1,690,191	1,723,660	1,723,660
Veterans Benefits	17,725	20,700	20,700	20,700	20,700
Exemp: VBS and Elderly	22,065	20,753	20,753	20,753	17,876
State Owned Land	59,468	59,814	59,580	60,961	60,961
<b>Offset Receipts:</b>					
Public Libraries	51,776	51,805	51,805	51,805	57,187
<b>Sub-Total, All General Government:</b>	<b>1,824,490</b>	<b>1,876,732</b>	<b>1,843,029</b>	<b>1,877,879</b>	<b>1,880,384</b>
<b>Total Estimated Receipts:</b>	<b>7,393,495</b>	<b>7,520,865</b>	<b>7,715,268</b>	<b>7,765,178</b>	<b>7,752,629</b>

# STATE AID – CHERRY SHEET ASSESSMENTS

PROGRAM	FY2024 Final	FY2025 Governor's Proposal	FY2025 House Budget	FY2025 Senate Budget	FY2025 Conference Committee
<b><i>State Assessments and Charges:</i></b>					
Air Pollution Districts	8,075	8,277	8,260	8,260	8,260
Metropolitan Area Planning Council	11,045	11,321	11,271	11,271	11,271
RMV Non-Renewal Surcharge	5,460	7,220	7,220	7,220	7,220
<b>Sub-Total, State Assessments:</b>	<b>24,580</b>	<b>26,818</b>	<b>26,751</b>	<b>26,751</b>	<b>26,751</b>
<b><i>Transportation Authorities:</i></b>					
MBTA	21,268	10,725	10,725	10,725	10,725
Regional Transit	118,128	130,606	130,606	130,606	130,606
<b>Sub-Total, Transp Authorities:</b>	<b>139,396</b>	<b>141,331</b>	<b>141,331</b>	<b>141,331</b>	<b>141,331</b>
<b><i>Tuition Assessments:</i></b>					
School Choice Sending Tuition	19,344	38,688	39,208	39,208	38,819
Charter School Sending Tuition	57,318	61,498	103,985	103,991	103,991
<b>Sub-Total, Tuition Assessments:</b>	<b>76,662</b>	<b>100,186</b>	<b>143,193</b>	<b>143,199</b>	<b>142,810</b>
<b>Total All Estimated Charges:</b>	<b>240,638</b>	<b>268,335</b>	<b>311,275</b>	<b>311,281</b>	<b>310,892</b>

## OTHER STATE FUNDS

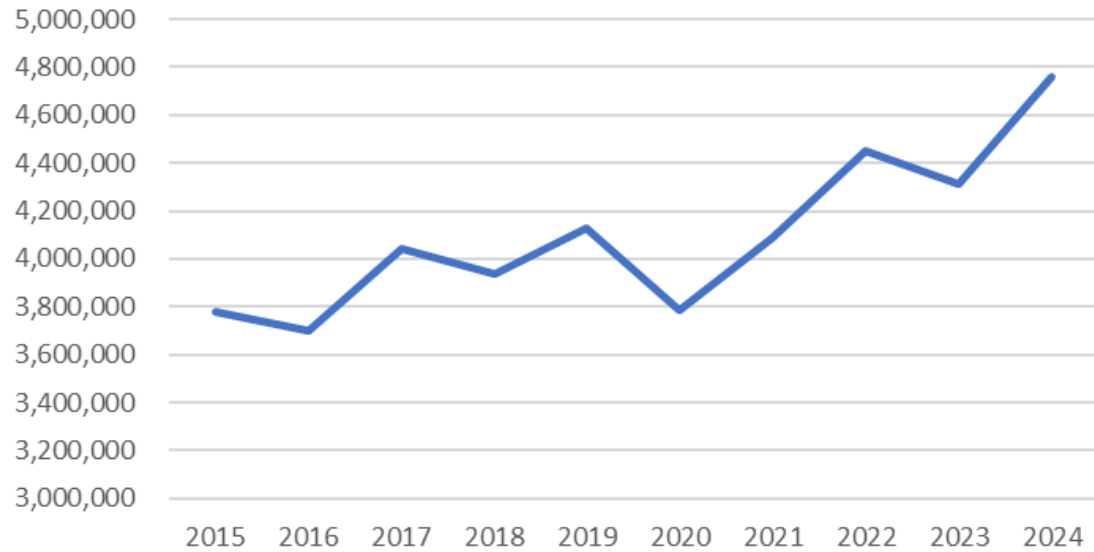
- Chapter 90 – Roads
- Circuit Breaker Funds Schools
- Public Safety or Public Work Grants
- Library State Aid
- School Lunch
- Senior Center Formula Grant
- School Grants

## LOCAL RECEIPTS

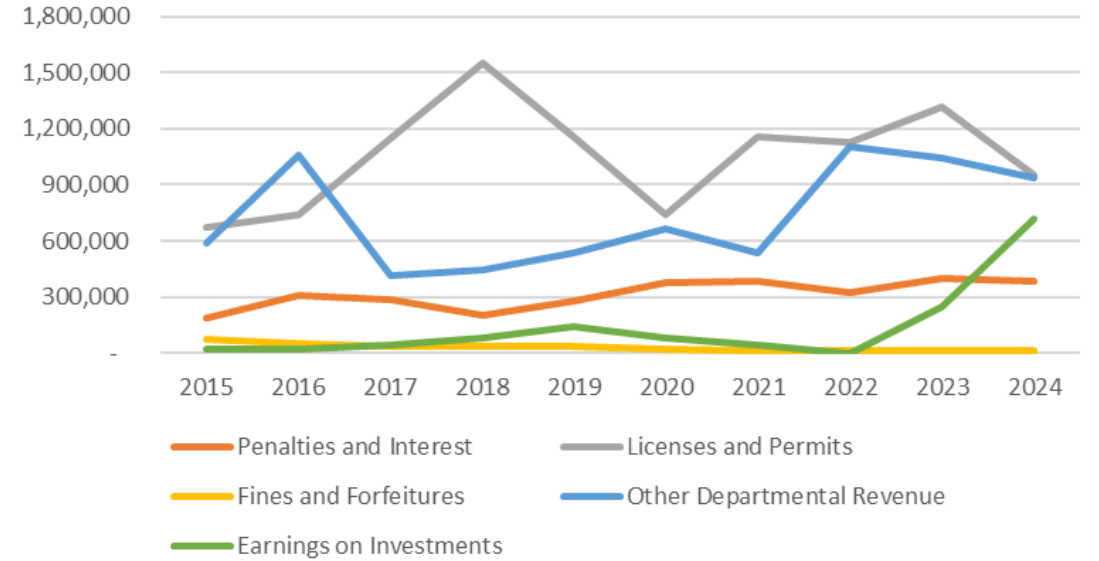
- 4.9% of revenues
- Locally generated revenue including but not limited to:
  - Motor Vehicle Excise Tax (57%)
  - Licenses & Permits (12%)
  - Meals and Lodging Excise Taxes (4%)
  - Penalties & Interest (5%)
  - Investment income (9%)
  - Other Departmental Revenue (13%)
  - Payments in Lieu of Taxes (PILOT) (<1%)
- Conservatively budgeted: mitigate for unanticipated fluctuations

# LOCAL RECEIPTS

## Meals, Lodging & Excise Tax



## Local Receipts



## OTHER AVAILABLE FUNDS

- Smallest revenue source: less than 1% of revenues
- Comprised of actual revenues already received: ambulance receipts and solar energy revolving fund
- Can vary from year to year
- Free Cash – Fund Capital and Stabilization Funds

# EXPENDITURE FORECAST

- Expenses include:
  - Education: SPS, LSRHS, Vocational
  - General Government
  - Public Safety
  - Public Works
  - Human Services
  - Culture and Recreation
  - Employee Benefits and OPEB
  - Other and transfers
  - Town Wide Expense
  - Debt Service
  - Capital



# WHAT DRIVES BUDGETARY INCREASES

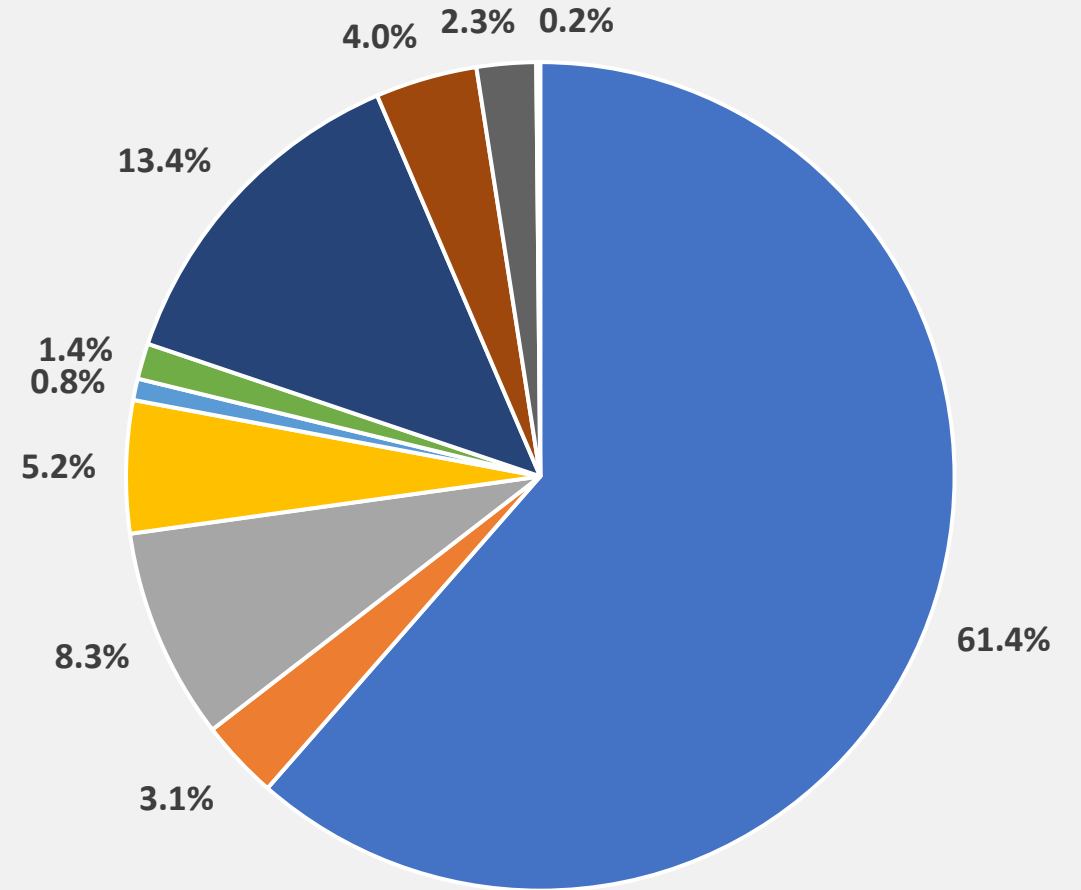
- Fixed costs
  - Health and PC&L insurance, pension obligations, debt service
- Personnel
  - Unionized employees: 7 bargaining units
  - Non-union employees
  - New Positions
- Non-personnel contracts: fuel, utilities, materials, vendor costs
- Increased services: changes in priorities, population, demographics, state/federal mandates, and by-law changes.

# EXPENDITURE FORECAST

- The forecast reflects
  - Known contractual increases for services and personnel
    - Software licenses
    - Vendor contracts
    - Settled Contracts – DPW, Supervisors, Police Lieutenants & Sergeants
    - In Negotiations – Police Patrol, Firefighters & Engineers
    - In negotiations - SPS and LSRHS
  - Informed estimates for all other expenditures
    - Materials
    - Fuel
    - Services

# EXPENDITURES – FY25 BUDGET

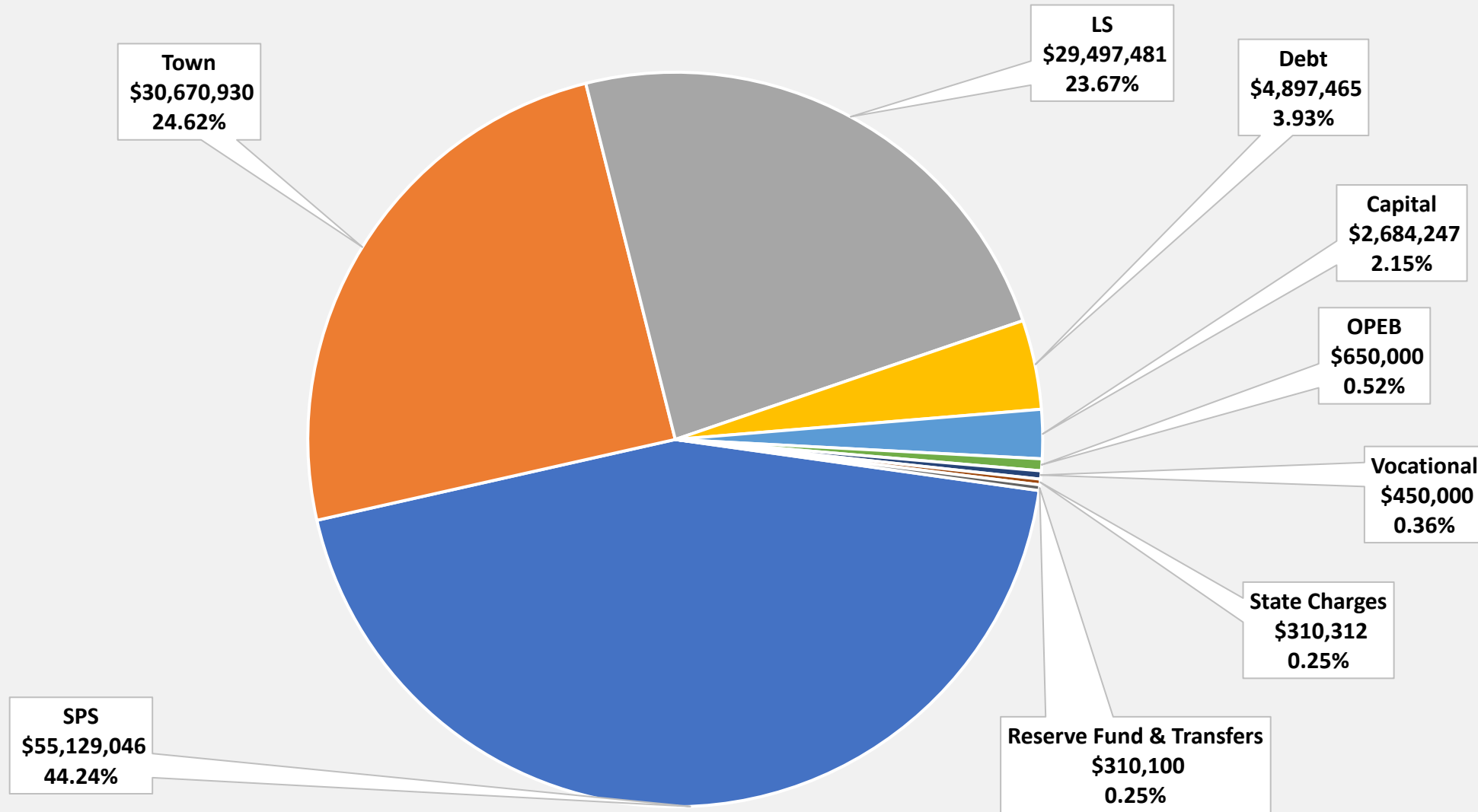
- Education (61.4%)
- General Government (3.1%)
- Public Safety (8.3%)
- Public Works (5.2%)
- Human Services (.8%)
- Culture & Recreation (1.4%)
- Employee Benefits & Property Liability Insurance (13.4%)
- Debt Service (4%)
- Transfer, State Charges, OPEB, Capital, Reserve Fund (2.3%)
- Town-Wide Operating (.2%)



## EXPENDITURES – FY25 BUDGET

<u>Department/Budget</u>	<u>FY25 Budget</u>	<u>% of Budget</u>
Education	\$ 75,733,352	61.4%
Employee Benefits & Property Liability Insurance	16,487,414	13.4%
Public Safety	10,172,288	8.3%
Public Works	6,370,755	5.2%
Debt Service	4,897,465	4.0%
General Government	3,817,526	3.1%
Transfer, State Charges, OPEB, Capital, Reserve Fund	2,849,109	2.3%
Culture & Recreation	1,716,739	1.4%
Human Services	1,031,178	0.8%
Town-Wide Operating	191,205	0.2%
<b>Total</b>	<b><u><u>\$ 123,267,031</u></u></b>	

# COST CENTERS – INCLUDING COST OF BENEFITS



# FINANCIAL FORECAST (PROJECTIONS FY26 – FY28)

<b><u>REVENUES</u></b>	<b>FY24 Actual</b>	<b>FY25 Budget</b>	<b>FY26 Projected</b>	<b>FY27 Projected</b>	<b>FY28 Projected</b>
Real Estate/Personal Property Taxes	\$ 105,315,361	\$ 109,300,952	\$ 112,538,452	\$ 115,391,295	\$ 118,491,766
State Aid	7,349,362	7,695,442	7,890,000	8,006,000	8,124,000
MEDICAID Reimbursement	109,946	98,251	98,251	98,251	98,251
Local Receipts	7,656,482	5,575,000	6,171,000	6,414,000	6,427,000
Transfers	819,076	824,894	695,000	680,000	680,000
<b>TOTAL REVENUES</b>	<b>\$ 121,250,226</b>	<b>\$ 123,494,539</b>	<b>\$ 127,392,703</b>	<b>\$ 130,589,546</b>	<b>\$ 133,821,017</b>
<b><u>EXPENDITURES</u></b>					
Education - SPS	\$ 44,029,869	\$ 45,785,871	\$ 47,159,447	\$ 48,574,231	\$ 50,031,457
Education - LS	28,537,698	29,497,481	30,252,405	30,731,977	31,653,936
Education - Vocational	193,961	450,000	400,000	400,000	400,000
General Government	3,388,604	3,817,526	3,966,885	4,139,351	4,307,576
Public Safety	10,005,847	10,399,288	10,754,675	11,158,956	11,769,386
Public Works	5,965,018	6,370,755	6,485,431	6,682,041	6,895,908
Human Services	863,586	1,031,178	1,057,319	1,109,447	1,156,776
Culture & Recreation	1,614,791	1,716,739	1,798,816	1,871,866	1,931,070
<b>Total Town Departments</b>	<b>\$ 94,599,374</b>	<b>\$ 99,068,838</b>	<b>\$ 101,874,978</b>	<b>\$ 104,667,869</b>	<b>\$ 108,146,109</b>
Reserve Fund	\$ -	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Town-Wide Operating	168,756	191,205	216,618	228,185	242,406
Transfers	4,293,163	10,100	10,100	10,100	10,100
Debt Service	3,093,132	4,897,465	4,969,223	4,717,429	4,611,035
State & County Charges	260,525	310,312	320,397	330,810	341,561
Employee Benefits (Town and SPS)	12,917,567	15,925,519	17,124,579	18,387,091	19,781,766
Property & Liability Insurance	484,891	561,895	626,808	676,953	731,109
OPEB Trust Contr (Town and SPS)	-	650,000	650,000	650,000	650,000
<i>Capital (Operating Budget)</i>	728,525	1,578,697	1,300,000	1,300,000	1,300,000
<b>TOTAL EXPENDITURES</b>	<b>\$ 116,545,933</b>	<b>\$ 123,494,031</b>	<b>\$ 127,392,703</b>	<b>\$ 131,268,437</b>	<b>\$ 136,114,086</b>
<b>Net Surplus / Deficit</b>	<b>\$ 4,704,293</b>	<b>\$ 508</b>	<b>\$ (0)</b>	<b>\$ (678,891)</b>	<b>\$ (2,293,069)</b>

# FINANCIAL FORECAST (PROJECTIONS FY26 – FY28)

<b>Revenue</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>
Real Estate & Personal Property	6.15%	2.97%	2.54%	2.69%
State Aid	1.41%	2.53%	1.47%	1.47%
Local Receipts	5.67%	10.69%	3.94%	0.20%
Ambulance Receipts & Other Transfers	13.83%	-15.75%	-2.16%	0.00%
<b>Total</b>	<b><u>3.70%</u></b>	<b><u>3.16%</u></b>	<b><u>2.51%</u></b>	<b><u>2.48%</u></b>
<b>Expenditures</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>
Education - SPS	3.22%	3.00%	3.00%	3.00%
Education - LS	1.94%	2.56%	1.59%	3.00%
Education - Vocational	-10.00%	-11.11%	0.00%	0.00%
Town Departments	4.69%	3.15%	3.77%	4.44%
Reserve Fund	0.00%	0.00%	0.00%	0.00%
Town-Wide Operating and Transfers	2.71%	13.29%	5.34%	6.23%
Town Debt Service	76.10%	1.47%	-5.07%	-2.26%
State & County Charges	29.30%	3.25%	3.25%	3.25%
Employee Benefits (Town and SPS)	4.81%	7.53%	7.37%	7.59%
Property Liability Insurance	9.41%	11.55%	8.00%	8.00%
OPEB Trust Contribution (Town and SPS)	0.00%	0.00%	0.00%	0.00%
<b>Total Operating Budget</b>	<b><u>5.06%</u></b>	<b><u>3.43%</u></b>	<b><u>3.08%</u></b>	<b><u>3.73%</u></b>
<i>Capital (Operating Budget)</i>	<i><u>-33.87%</u></i>	<i><u>-17.65%</u></i>	<i><u>0.00%</u></i>	<i><u>0.00%</u></i>
<b>Total</b>	<b><u>3.70%</u></b>	<b><u>3.16%</u></b>	<b><u>3.05%</u></b>	<b><u>3.70%</u></b>

## FINANCIAL FORECAST (PROJECTIONS FY26 – FY28)

Many variables can impact both revenues and expenditures for future years. The projection is intended to be used by Town Management for financial planning. Because they are projections, they should not be relied upon by any resident, committee or commission.



## CAPITAL

- 6% target of the prior year's General Fund Balance
- Annually the 5 year – 15 year capital plan is updated
- Town Manager shall establish criteria to determine capital asset prioritization
- The CIP shall not include items that cost less than \$20,000 or have a useful life of less than 5 years.
- Funding Sources include; tax levy, free cash, capital stabilization fund, debt, community preservation, grants, capital exclusions
- Policy is included in the Financial Policies
- All Capital purchases are subject to Procurement Laws (Chapter 30B, 30/39M, 149)

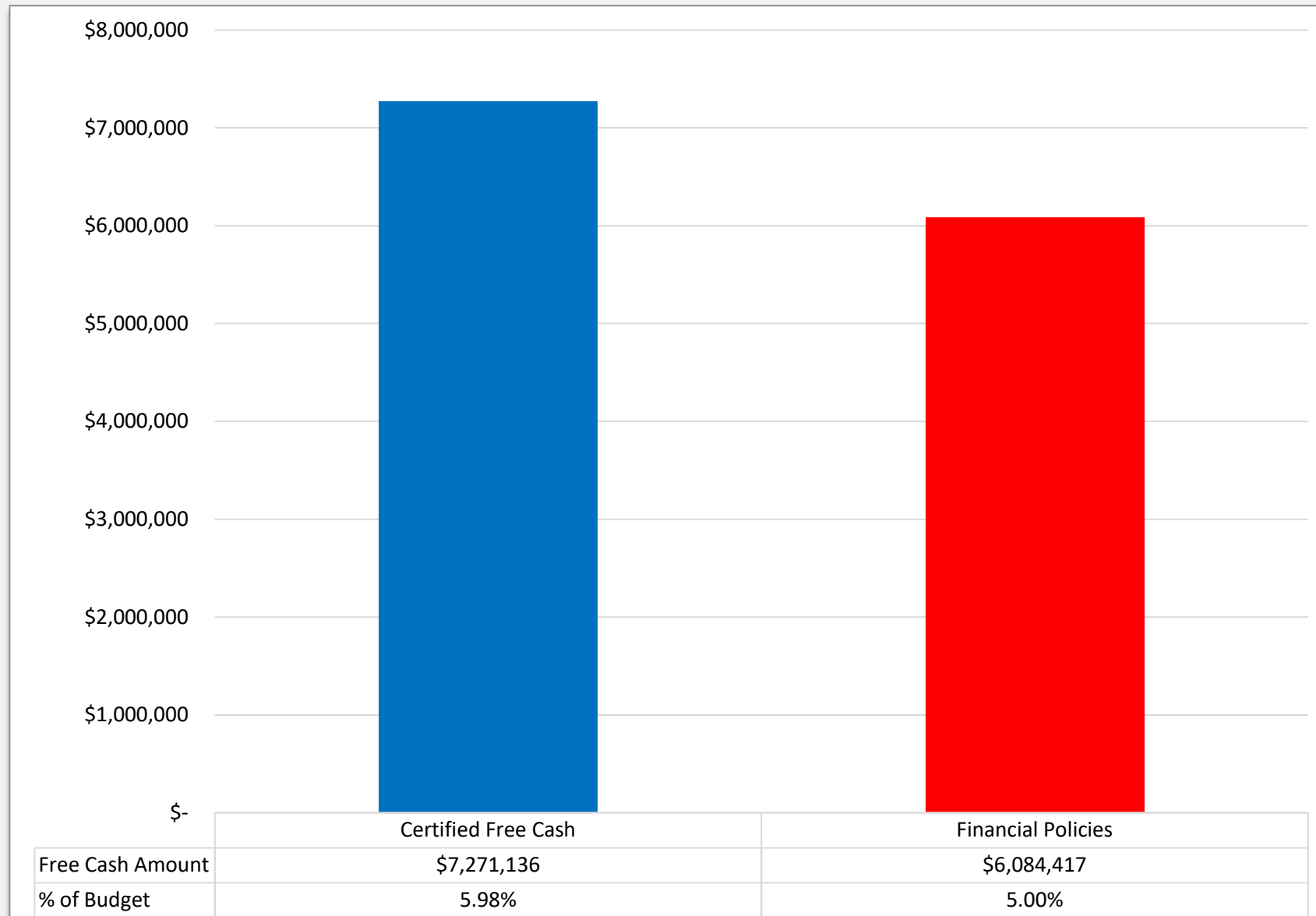
## WHAT IS FREE CASH?

- Free Cash is the surplus from a previous fiscal year
  - Revenue over forecast
  - Unexpended appropriations
  - Unexpended Free Cash carried over from the prior fiscal year
- Defined by state statute
- Certified by the State each year

## FINANCIAL POLICIES – FREE CASH

- Maintain free cash in the range of 3-5% of the prior years General Fund Budget.
- To achieve this, the Finance Director shall assist the Town Manager in proposing budgets with conservative revenue projections, and department heads shall manage their appropriation to produce excess income and budget turnback's.
- Any excess above 5% of the General Fund should be appropriated to reserves, to offset unfunded liabilities, or to set aside for existing debt.

# FINANCIAL POLICIES – FREE CASH



## FREE CASH – MAIN REASONS FOR INCREASE

- Free Cash Prior Year Carry Over - \$2,508,000
- Increase in Investment Income - \$714,000
- Increase Motor Vehicle, Meals/Hotel Tax - \$1,200,000
- Repayment of Prior Taxes and Tax Title - \$487,415
- Reversion expenditures - \$2,869,388
  - Vacancies in Public Safety and DPW - \$778,941
  - LS - \$398,902
  - Vocational - \$306,039
  - Insurance & Benefits - \$545,015
  - Reserve Fund - \$300,000

## TOWN MEETING

- Finance Committee Report
- Limiting Motion > Vote
- Cost Center Presentations: Town Manager, SPS Supt., LSRHS Supt.
- Questions and Debate
- Vote

Thank you

Questions and discussion