

**Town of Princeton
Commonwealth of Massachusetts**

Selectboard and Advisory Committee Budget Report

Fiscal Year 2024

Annual Town Meeting

Thomas Prince School

Tuesday, June 20, 2023 - 6:30 p.m.

Prepared by the Princeton Selectboard and Advisory Committee

Table of Contents

Introduction.....	3
Message from the Selectboard	4
Budget Report	7
Introduction	7
Details of Police Budget Increase	8
Selectboard Budget Recommendations.....	9
Advisory Committee Discussion.....	11
Summary of Warrant Articles	14
Revenue.....	15
Revenue – Property Tax Data	17
Free Cash.....	21
Stabilization Fund Summary	22
Debt Summary.....	23
The importance of managing our debt level.....	29
Five-Year Budget Forecast (updated 4/7/22).....	29
Revenue Projections	30
PROPERTY TAX LEVY	30
STATE AID CHERRY SHEET	31
LOCAL ESTIMATED RECEIPTS.....	31
RED CARDINAL	31
EXPENDITURE PROJECTIONS.....	32
MUNICIPAL DEPARTMENTS.....	32
DEBT SERVICE.....	33
RETIREMENT, BENEFITS & PAYROLL TAXES	33
Tax Impact.....	34
The projected tax impact is based on the excess of projected spending over projected receipts.....	34
Forecast Summary and Discussion	35
Primer on Town Finances (simplified).....	35
Definitions of Interest:	36

Introduction

This report is provided to voters ahead of the Annual Town Meeting to give you time to better understand the operating budget, the decisions that went into its preparation, and the opinions of the Advisory Committee. This report is intended to serve as a policy document, a financial guide, and a communications device to our residents. The report was created to help orient interested readers by providing a brief overview of the budget process, as well as an explanation of the organization of the budget itself. Our goal is to provide a useful tool as you better acquaint yourself with the latest financial and planning information for the Town. We hope that you find it helpful and look forward to your feedback.

Please note we have included an appendix at the end with definitions of many of the terms used in this document.

Collectively, the Selectboard, Advisory Committee, and Town Finance Team (Town Administrator, Tax Collector/Treasurer, and Accountant) are focused on increased financial transparency and additional planning and reporting. This scope of this work encompasses a year-round timeline of planning for the Operating Budget, 5-year Capital Forecast, 5-year Financial Outlook, and the correlated Debt Schedule.

FINANCIAL POLICIES

The Advisory Committee and Selectboard approved a set of financial policies in December 2020 that were several years in the making. Financial policies are an important component of any governmental financial management program. They are guidelines for operational and strategic decision-making related to financial matters, identifying acceptable or unacceptable courses of action, establishing parameters in which the government can operate, and providing standards against which a government's fiscal performance can be judged. The consequences of poor financial decision making can be severe in small towns like Princeton that have smaller budgets and less diverse tax bases.

Why have financial policies? There are a number of benefits for Princeton:

- Financial policies help educate those municipal officials who may not have a background in government financial management. Most of our elected and appointed municipal officials have no background or expertise in government finance. Nevertheless, these officials are responsible for the administration of a budget of about ten million dollars. Written financial policies can help inform officials, either trained or untrained, of good financial practice, making it more likely that these good practices will be implemented and followed.
- Financial policies may help prevent or resolve conflicts in local government. The responsibilities of Princeton's municipal officers frequently overlap, and clear lines of authority can be hard to identify. As a result, the administration of our local government can seem complex. The key to effectively navigating this complexity is effective communication and cooperation. Financial policies can clarify both the responsibilities of local officials and lines of authority.
- Financial policies can provide continuity and efficiency in the town's financial operations. Selectboard members and other municipal officers often serve relatively short terms, and new officers may not be

experienced in dealing with financial issues. Financial policies can eliminate the need to reinvent responses to recurring situations, thereby increasing efficiency by standardizing operations.

- The adoption of financial policies can foster confidence in local government by increasing transparency, accountability, and consistency in municipal decision-making. The policies can help local officials make more informed decisions about providing services, acquiring and managing capital assets, safeguarding a town's resources, and promoting financial stewardship, all of which may result in a more stable tax rate. The adoption of policies also can help promote strategic thinking in tough economic times.

The Financial Policy document (see [version approved 12/29/20](#)) is a living document. There is a process built into it that allows the parties involved in budgeting to divert from a recommendation after deliberation. All deviations must be documented. Over time, if the Selectboard and Advisory Committee notice that a particular guideline has been overridden for multiple years, the committees can and will discuss possible modifications to the guideline.

Though it is important to have a financial policy, it is critical for all officials involved to follow it. You will hear throughout this document how we are doing with respect to various components of the Financial Policy document.

PROCESS

The initial draft budget came from the finance staff and was based on departmental requests. It was reviewed, discussed, and refined over many months by the Financial Management Team (FMT) which comprised a Selectboard representative, an Advisory Committee representative, and the finance staff. The finance staff worked to ensure that departments had what they needed in their budgets, that the estimates for capital requests were well researched with alternative options and multiple quotes, and that figures for stabilization accounts, free cash, and local receipts were as accurate as possible. The FMT worked to make sure that important Town priorities were funded, that capital requests were justified and were timed correctly, and that the budget increase and impact on property taxes would be reasonable. They reviewed all the numbers for accuracy and need, and ensured that capital requests were adequately reviewed and based on good estimates. They also looked carefully to make sure that decisions made for FY24 would enable the Town to handle its current and future obligations, while also providing financial flexibility and options for future year projects and needs. The Selectboard and Advisory Committee representatives brought issues and summaries back to their committees for review and discussion. The FMT also attempted to keep the taxpayers updated throughout the process by holding several budget presentations leading up to the Advisory Committee Hearing on the Warrant. We are all pleased to say that the multi-team approach to budgeting this year was very productive and helpful. The teams have been working closely together since summer of 2020 when we began discussing financial policies and forecasting.

Message from the Selectboard

The goal of the Selectboard in preparing this operating budget was to provide basically the same level of service as last year and to try to keep the overall operating budget increase as low as possible. When we started the budgeting process, inflation was running at close to 7%. We started the process by asking all departments to limit their budget increases to 4%. If they needed to exceed that level of funding, we required justification. We also asked all departments to review their capital needs for the next five years. We asked

departments that could do so to look into purchasing used versus new items and to explore leasing versus purchasing. The Selectboard funded an update to the wage and compensation study created for us by the Collins Center in 2017.

The Board knew going into the budgeting process that there were a few big-ticket items that were imminent:

- Increased Police staffing and spending due, in most part, to Massachusetts Police Reform legislation.
- Continued PFAS spending on testing, POETs, compliance, soil sampling.
- Road, bridge, and culvert repairs that are on the Road Advisory Committee's multiyear plan.
- A new public safety building.
- A Wachusett Regional School District budget increase would probably exceed 4%.

The first part of Police Reform to impact the town is that part-time officers will soon be required to have the same level of training and certification as full-time officers. For details about this new requirement, see the Selectboard's letter on [Law Enforcement Reform Legislation](#) from February of 2022. A perhaps unintended consequence of this legislation is that we expect to lose several of our part-time officers because they can't or don't want to go through the Bridge Academy, can't give the town enough hours to become and remain certified, or will leave Princeton to work full-time for another department. It will become very difficult to find an officer who is eligible to work full-time but is willing to work part-time for us. In FY23, voters approved adding an additional full-time officer. We also lost one of our full-time officers to Sterling. Two of our part-time officers have been moved to full-time. One is going through the academy now and the other will be doing so later in the year. Unfortunately, those two officers were also the officers who gave Princeton the most hours when they were part-time. Chief Patriarca continues to be concerned about how to adequately cover shifts without forcing full-time officers to take too much overtime and thereby decreasing morale. Therefore, at the request of Chief Patriarca, the Selectboard has budgeted to add an additional full-time officer in FY24. We hope to put two part-time officers through the Bridge Academy and have them continue to work as part-time officers for us. Ideally the two part-time officers will stay with Princeton, but there is a significant risk that they might take a job elsewhere after they receive this training. We believe we can manage without a decrease in service-level but with an increase in overtime pay if they don't.

As the Selectboard and Financial Management Team worked through the spring on the budget, debt ceiling negotiations were proceeding in Washington. There was some talk of clawing back some of the COVID-related funds from the states. Though at this point it no longer seems as likely, the team agreed to spend our ARPA funds now on capital items just in case instead of using free cash as we would usually do. The table on the next page shows our ARPA allocations as of 6/20/2023:

ARPA Allocations as of 6/20/2023

<u>Project</u>	<u>Approved</u>	<u>Allocated</u>
Bagg Hall Water System	11/17/2021-STM	\$ 22,460.00
4 Bldg HVAC Assessment	3/22/2022	\$ 6,800.00
Fire Department Assessment	6/15/2022	\$ 25,950.00
Deposit Engine 5 Replace	3/22/2022	\$ 87,500.00
Police Department Assessment	6/15/2022	\$ 9,750.00
Police Reform Offset	7/13/2022	\$ 73,500.00
Speed Plateaus	3/22/2022	\$ 7,000.00
Multi Purpose Trailer	7/13/2022	\$ 8,500.00
Library Ethernet Cabling	7/13/2022	\$ 6,000.00
Police Repeater Replacement	7/13/2022	\$ 8,203.80
Compensation Study	8/10/2022	\$ 8,000.00
POET Install Project	9/14/2022	\$ 10,200.00
Ecotourism Grant Match	11/2/2022	\$ 5,031.00
Wellhouse Demolition Project	11/2/2022	\$ 1,200.00
Fire Dept Turn Out Gear	5/10/2023	\$ 30,000.00
Highway Truck Lift	5/10/2023	\$ 13,000.00
Highway Mini Excavator	5/10/2023	\$ 85,000.00
Security Improvements TP School	5/10/2023	\$ 50,000.00
Hwy-Snow Plow Blades/Temp Sensors	6/1/2023	\$ 40,000.00
Highway Generator - Fuel Pump System	6/1/2023	\$ 15,000.00
PFAS Engineering & Well Monitoring	6/14/2023	\$ 150,000.00
Walkway Repairs	6/14/2023	\$ 20,000.00
Slate Roof Repairs	6/14/2023	\$ 7,500.00
Window Repairs	6/14/2023	\$ 12,684.00
Defibrillators	6/14/2023	\$ 19,000.00
		\$ 722,278.80

	Allocated	SB Authorized	Remaining
Awarded--1st Round	\$ 521,293.51		
Awarded--2nd Round	\$ 521,293.51		
Total	\$ 1,042,587.02	\$ 722,278.80	\$ 320,308.22

The Town continues to seek grant opportunities. In 2021 we became a Green Community and a Certified MVP (Municipal Vulnerabilities Program) Community. These designations will enable us to seek future grants. We receive several grants this past year: PFAS State Earmark \$100,000; DEP Small Public Water System PFAS Grant \$48,660; Complete Streets \$498,003; Municipal Pavement Program \$480,000; Winter Road Recovery Assistance Program \$100,000; Shared Streets and Spaces Equipment Purchase \$48,221. It is the FMT and Selectboard's position that we should not count on funds such as these, but we should do everything possible to maximize the amount we receive, and to use it in the most fiscally responsible fashion possible. Some money comes with strict guidelines, such as the Shared Streets and Spaces grant money. We applied for but did not receive a \$3.9M MassWorks grant for Worcester Rd. We were told that one key reason we didn't receive the grant is that we hadn't invested much in the project. This need for "skin in the game" is one reason the Selectboard keeps pushing for the approval of funds for the design and construction documents for the new public safety building.

Voters will be asked to transfer \$200,000 from Free Cash and \$317,150 from the Sale of Town Owned Land Fund (multiple parcels of land were sold at auction per a vote at ATM in 2017) into the Public Safety Building account so the Selectboard can engage Caolo & Bieniek to create the final design and construction documents for a new public safety building. The Board believes it is in the best interest of the Town to have shovel-ready plans. This will enable us to apply for any grants or other funding opportunities that develop. Selectboard member Phil Gott requested that we have another qualified individual from outside of town review the plans to ensure that we are including what (and only what) we can reasonably expect to need for the next forty years. Town Administrator Sherry Patch has submitted a Rural and Small Town Grant application for \$500,000 to help pay for the design and construction documents. If we receive that grant, it will reimburse us for part of our spending and that amount² will be in next year's free cash.

Overall, the Town's budget increase is 9.5%. The Selectboard and FMT agreed to use \$150,000 of free cash to reduce the tax impact of this increase. In addition, \$109,000 of ambulance receipts was used as an offset. Note that we usually use ambulance receipts to offset the budget. In the past, the ambulance was self-funding but is no longer. After those offsets, the total budget increase is 7.2% over last year's budget. No new borrowing is proposed this year and leases are kept short.

Future borrowing for a new public safety building and ongoing PFAS spending will affect our budget significantly for many years and the Town will need to focus on keeping other expenses in control. Hard decisions will need to be made as we discuss our wants versus our needs.

Budget Report

Introduction

The following is the recommended budget proposal for the Town of Princeton from the Selectboard for FY24. The operating budget for the Town is presented in one article on the Annual Town Meeting Warrant. The remaining FY24 budget is comprised of additional articles that cover capital expenditures

and requests for special services by the Town. Each year Town Meeting reviews the proposed budget and adopts it by voting to approve each warrant article. Town meeting is effectively the legislative body for town. **Town government cannot spend residents' money without approval from Town Meeting.**

Please note that the operating budget bottom line has been approved by the Selectboard but that individual sections will need to be re-voted before the Warrant is final.

Ambulance

Fire Chief Bennett informed the Selectboard and FMT that he is very concerned about the ambulance response times overnight when the station is not manned. It is particularly difficult to get people to respond to calls in the early morning hours and our mutual aid partners are stretched very thin covering Fitchburg, Leominster, Clinton and Worcester. He made the strong case that our residents deserve response times that are significantly shorter than the 17-22 minutes we have been seeing overnight. In response, the Chief requested that we add an overnight per diem Paramedic or EMT, 14 hours per night, 7 nights per week. Though the Selectboard and FMT saw the value in this, they requested that we trial this program 3 nights per week to begin. This increases the Ambulance Readiness Wages by \$54,600 (35%).

Fuel and Energy

Instead of having each department make assumptions about what fuel costs would be doing, the departments were asked to level fund that component of their budget. The Miscellaneous budget now includes a new line item called Energy Reserve (\$25k) which the Town Administrator can use to assist departments that don't have enough in their budget.

PFAS

Ongoing PFAS expenses such as testing, water delivery, POETs for homes in the affected area with greater than 20 ppt of PFAS, reporting by our Licensed Site Professional, and GAC canister replacement are all considered "consumables," items you purchase, use up, and need to purchase again later. The Selectboard and Advisory Committee agree that consumables belong in the operating budget and we have a line in the operating budget for PFAS. We expect that we will have a line item for PFAS for years to come though we believe that over time it will decrease. We have included our best estimates at this time for PFAS operating expenses. The following chart shows annual PFAS expenses that are in the operating budget.

Bottled Water and POET Carbon Replacement	\$10,000
Legal	\$20,000
Tighe & Bond not-to-exceed	\$468,800
Less: ARPA funds applied	(\$150,000)
Proposed PFAS lines in Operating Budget	\$348,800

The \$498,800 PFAS budget (before ARPA funds) is less than the \$584,000 budgeted last year. Note that none of the allocated ARPA funds have been used yet in FY23 though we expect to use approximately \$30,000 of them. Only \$58k of the original \$1 million borrowed remains. \$28k was used in FY23. These numbers were as of 4/6/23.

Details of Police Budget Increase

The Police Union contract negotiations have not been completed as of this point and the budget that is included in the warrant makes assumptions about the contract. Specifically, it assumes a 3% increase in base wages and assumes everything else stays the same. If a contract is not reached by 6/30/23, the department will be operating under the old contract and spending at a 1/12th level each month. Once the contract is finalized, back pay will be calculated and paid to the officers. If the amount budgeted isn't sufficient to meet the contractual obligations, we will need to hold a special town meeting in the fall to raise and appropriate additional funds.

The MRI assessment of the Police Department expressed concern with the current level of staffing and reduced likelihood of finding part time officers. Chief Patriarca, who joined Princeton in January, concurred with their findings. The Department has been trying to find and hire additional part-time officers since early 2022 and has not been successful. Qualified candidates tend to be hired quickly into full-time positions in other towns. The uncertainty around the availability of part-time officers and the difficulty Chief Patriarca has had maintaining the existing level of shift coverage led the Chief to request one additional full-time officer in this year's budget. He had initially requested the addition of a Lieutenant and two additional patrol officers to provide additional administrative and supervisory focus and to be able to have two officers on each shift. The Chief agreed to pare his request back this year.

The \$272,632 (26%) increase in the police budget can be broken down as follows:

- non-union salaries increased by \$49,569(28%) in large part because of the new contract with our new Chief and the addition of a temporary part-time administrative assistant to the Chief
- union salaries increased by \$125,919 (20%). This includes the 3% assumed base pay increase (compounded by shift differential), a new full-time officer and increased overtime.
- Equipment Repair is up \$11,229 (18%)
- Custodial is down \$13,500 (-84%) because the Chief moved that amount to Professional Development
- Software licensing is up \$14,442 (391%). Some items were moved from Equipment & Maintenance to Software Licensing. New items to this expense line are Detail Tracking Software \$3,600, Motorola Programming Software \$300, and Evidence barcode system \$1,927. Older items include Trackstar \$1,365; Archive Social \$2, 388; AFIS \$3,000; and Tritech \$6,300.
- The Chief requested two new line items be separated out of Miscellaneous. Ammunition is budgeted at \$26,533 because Academy attendees are required to bring their own ammunition, the department has increased firearms training requirements, and the cost of ammunition has increased significantly over the past few years. Uniforms is budgeted at \$13,147. This includes \$7,913 for new hire uniforms. The Miscellaneous line item increased by \$8,615 (120%) in large part because of items required for our Property and Evidence compliance needs (approximately \$5,700 for new CCTV cameras) and approximately \$3,000 for a new portable radio.
- \$73,500 of ARPA funds were used to lower the FY23 police budget but there are no ARPA funds allocated to it this year.

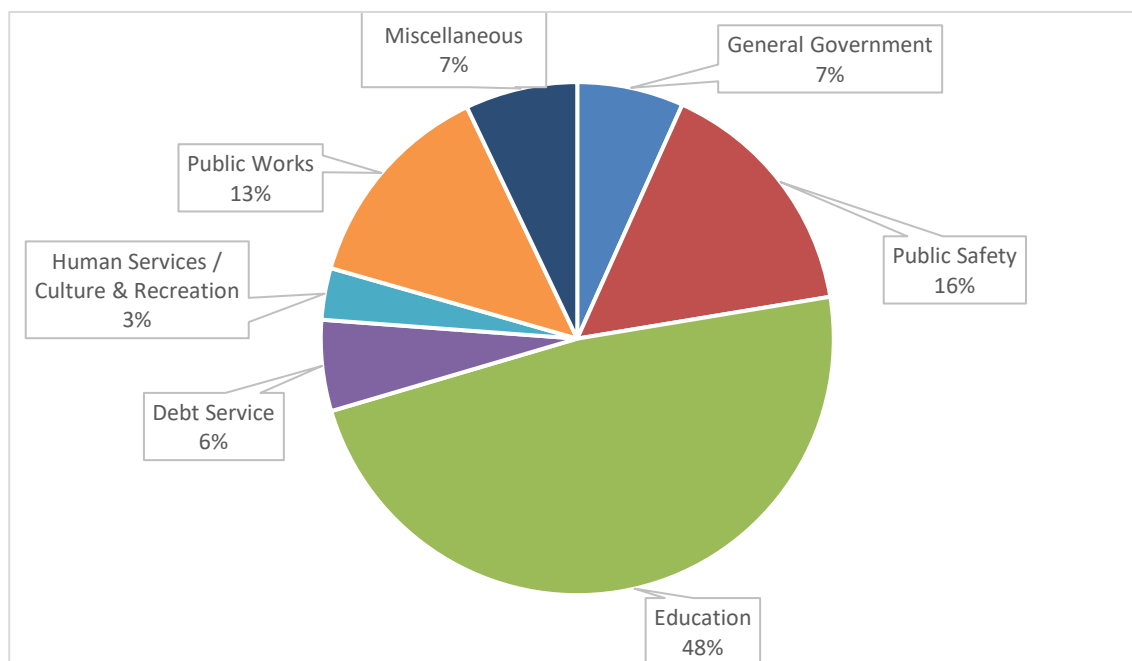
Selectboard Budget Recommendations

The current budget recommendation is a balanced budget that is within the 2 ½ plus growth tax guidelines of Proposition 2 ½. That law says that the tax rate cannot be higher than \$25.00 per \$1,000 of valuation and that the tax levy must be within the property tax levy limit (see definition in appendix) the value of which is 2 ½% higher than the prior years' levy limit, with additions for new growth and exceptions allowed for overrides and exclusions as adopted by the voters.

The recommended operating budget for FY24 is \$12,479,180, an increase of \$1,099,867 (7.2%) over the FY23 operating budget approved at Town Meeting. This increase is due to several factors which include:

- Police budget is up \$272,632 (26%). This is discussed in great detail in an earlier section of this report.
- Ambulance budget is up \$75,700 because of the addition of an overnight per diem employee 3 nights a week (see earlier discussion). An additional \$247,585 increase is due to the payment of ambulance salaries and expenses out of the Town operating budget instead of from receipts. Note that the ambulance receipts applied to the FY23 budget were \$154,00 and they are \$109,900 this year.
- Debt service increased 20% (\$122,609) over last year. This is primarily because we will start paying the principal on the \$1,000,000 PFAS borrowing we did in 2021 and we have the first lease payment on a new police cruiser and a new (used) fire truck which were voted on last ATM.
- Across the board, wages are up in this budget. If an employee's wage was under the level specified in the Wage and Compensation Study, we brought their wage up to the new level. Otherwise, employees received a 3% COLA.

The chart below shows the breakdown of the operating budget by department for FY24.



If all articles in the warrant are passed, the estimated impact on the property tax bill of a \$500,000 home in FY24 is \$571. Note that this is a revaluation year for assessments and it is likely that home values will be higher and the mil rate will be lower.

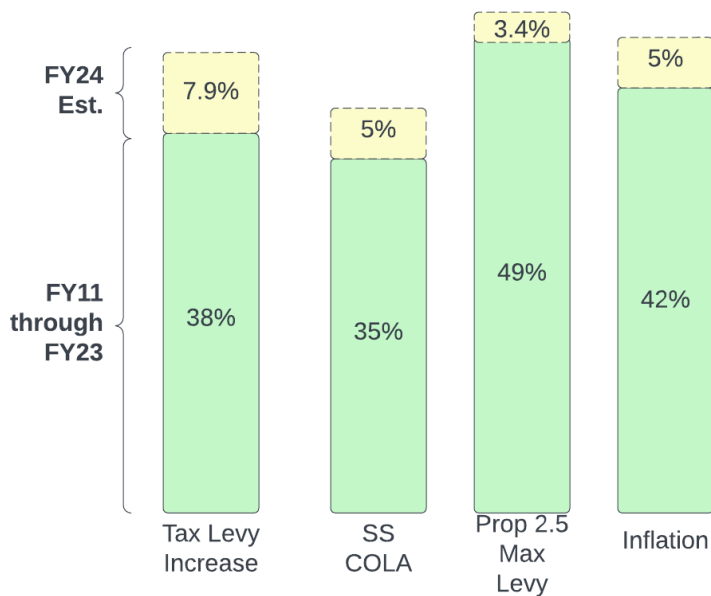
Assessed House Value	Incremental Tax Impact to Yearly Bill
\$458,009 – Average Single-Family Residence FY23	\$522
250,000	285
350,000	399
450,000	513
550,000	627
650,000	741
750,000	855
850,000	969

Please note that the above table is based on the Division of Local Services data and assumes revenues other than property taxes are level from the previous year. If those revenues are lower, the property tax impact will increase.

Advisory Committee Discussion - Benchmarking

Princeton Taxes FY11 through FY24

Through FY23, Princeton tax levy has kept below the Prop 2.5 max levy with a significant margin. It has also kept under the inflation rate but increased 3% more than the equivalent Social Security Cost of Living Adjustments (COLA). Unfortunately, there are many unknowns when forecasting for next year's budget around actual funding sources. The FY23 budget won't be closed until after July 1st end of year so local receipts won't be precisely known (though there are current estimates) plus state funding continues to adjust. One other unknown is the actual amount of new growth which spreads the levy broader. This means that a 7.9% increase in the tax levy does not mean that each individual tax bill would go up 7.9%. The forecast used an average Prop 2.5 max levy increase of 3.4% (2.5% plus 0.9% new growth) which is based on the historical increase in the past decade.



- All FY24 increases are estimates. Actual levy increase won't be known until after new growth assessment is known.
- The FY24 tax levy increase of 7.9% is less than overall budget increase due to application of other funding sources (ARPA, Free Cash, receipts, state funding) reducing the levy portion of funding the budget.
- Social Security Cost of Living Adjustments (COLA) historical increases are from SSA web site.
- The COLA estimated increase is an assumption based on inflation and the historical average of inflation vs COLA.
- Prop 2.5 historical data available from DLS web site.
- Prop 2.5 3.4% increase is average across FY11-FY23 and includes base 2.5% plus new growth.
- Historical inflation data is from BLS web site.
- Inflation estimate is based on news reports.

Benchmark Towns

While every town must stand alone, it is useful to, at least, understand how Princeton compares to other similar towns. We often compare ourselves to our immediate neighbor towns but most of our immediate neighbors are significantly different in size and commercial development. Using public data available at the Massachusetts Division of Local Services gateway web site, we were able to identify towns that are most like Princeton based on several criteria.

- All in Worcester County making them local but not immediate neighbors.
- Having a Population between 50% of the Princeton population and 200% of the Princeton population.
- Having a Median Household Income between 50% and 200% of Princeton's median household income.
 - Note the use of median rather than average or mean. This avoids a few very high earners from skewing the results higher. By using median, exactly 50% of the households are below the number and 50% of the households are above.

- Median household income data came from CensusReporter.org web site.
- Having a Per-Capita Equivalent Valuation between 50% and 200% of Princeton’s per-capita valuation.
- Having a total Road Miles between 50% and 200% of Princeton’s total road miles. The inclusion of road miles to determine similar towns is because road miles affect DPW budgets as well as policing and fire due to a more spread-out population.

This led to 10 towns that met all the criteria above and could be considered objectively similar. In addition to those metrics, we’ve included more benchmark data to compare actual Princeton tax levy to the levy applied in other towns.

- The 10 similar towns and their metrics are listed first and a median value across those 10 towns is included. Again, we use median to eliminate any skew from very large or very small actual values.
- The Percent Residential is an indication of how much of the total assessed value of the town is in residential houses as opposed to commercial or industrial properties.
- The single-family tax bill is as reported to the DLS gateway data set.
- The last column is calculated to determine how much of the Median Household Income is needed to pay for the Single-Family Tax Bill.

Municipality	Population	Median Household Income	2022 EQV Per Capita	2018 Total Road Miles	Percent Residential	FY 2023 Single Family Tax Bill	Single Family Tax Bill as % of Median Household Income
Ashburnham	6,341	104,074	134,432	98	96.20%	5,654	
Berlin	3,674	106,908	211,064	45	81.74%	7,729	
Bolton	5,676	167,132	230,426	66	94.67%	12,463	
Boylston	4,882	127,833	209,683	52	83.12%	7,717	
Harvard	6,844	167,393	209,527	80	95.67%	12,833	
Hubbardston	4,312	105,938	136,314	86	94.04%	4,625	
Mendon	6,251	133,850	196,937	62	89.63%	8,090	
Oakham	1,846	85,078	146,024	50	92.63%	4,115	
Paxton	5,028	123,958	130,816	47	96.01%	7,253	
West Brookfield	3,820	83,079	134,406	66	89.82%	4,034	
Median	4,955	115,433	171,481	64	93.34%	7,485	
<i>Princeton FY23</i>	<i>3,499</i>	<i>148,438</i>	<i>182,830</i>	<i>82.92</i>	<i>96.23%</i>	<i>6,934</i>	
<i>vs Median</i>	<i>71%</i>	<i>129%</i>	<i>107%</i>	<i>130%</i>	<i>103%</i>	<i>93%</i>	
<i>Princeton FY24</i>						<i>7,489</i>	

The bottom rows of the table above compare Princeton to the median summary of the ten towns most like Princeton in Worcester County. The comparison is done based on the known FY23 tax bills and also assuming an 8% increase for FY24, how Princeton would compare then. Note, though, that we'll be comparing Princeton FY24 to every other town's FY23. It is likely that all the other towns will have tax increases as well.

The data provided can provide several insights into how Princeton compares to other towns.

- Even among similar towns, Princeton is a small town (71% of the median population) but also spread out (130% of the median road miles). Also, we have the least commercial/industrial properties among any of these towns with Ashburnham & Paxton very close but still leaving Princeton with the least commercial/industrial assessment.
- Up through FY23, the Princeton single family tax bill has been 7% lower than the median across the other similar towns. But there is a very broad range between the lowest (West Brookfield) and the highest (Harvard).
- When comparing the single-family tax bill to the household income, Princeton has been very good to take less of a bite (as a percentage) out of the resident's paycheck than almost all the similar towns. Hubbardston takes less but does that by getting a lot of state aid.
- Assuming we see an 8% increase in FY24 tax bills, it will bring us in line with the median single family tax bill (though once we see other town FY24 increases, we may still be lower). As a percentage of income, Princeton still is taking a significantly smaller bite than most of the other towns.

Summary of Warrant Articles

Below is a summary of some of the monetary articles to be voted on at Town Meeting. As of the date of this report, the Selectboard has not yet voted on the final warrant. This gives an overview of the warrant but is subject to change. Some discussion by the Advisory Committee is provided.

Operating Budget (Article 3): There will be an article for the annual operating budget that includes all operating departments, including the schools. The Operating budget is mainly funded through Raise and Appropriate (real estate taxes) with the remainder coming from others sources of revenue such as state aid, local receipts, and some of the revolving funds. **The impact of approving this article on the taxes of the average home in Princeton (\$458,009 home value) is expected to be \$522 over last year's amount.**

The Advisory Committee approves this article and the operating budget. The funding requested by this budget allows each department to provide a consistent level of service equal to that provided in the past while keeping the overall budget increase reasonable. As described above, the operating budget for each major department is within the range established by the neighboring towns of the Wachusett District and therefore considered reasonable by the Advisory Committee. There is one exception, general government as a percentage of the total budget is higher than the neighboring towns and will be investigated.

Transfer Funds to Complete Design and Construction Documents for New Public Safety Building (Article 7): This monetary article transfers \$200,000 from Free Cash and \$317,150 from the Sale of Town Owned Land Fund to the Public Safety Building account to be used to fund the final design and construction documents for the new public safety building at \$990,000. The Selectboard believes it is in the best interest of the Town to have a shovel ready project and be prepared to seek and apply for grants for the new building. Note that we have applied for a \$500,000 grant for these documents and, if received, those funds will end up in free cash next year. **This article does not increase your real estate taxes except in that these funds could have been used reduce borrowing (not applicable in FY24) or lease payments.**

The Advisory Committee approves this article by a 4-2 vote. Those who were not in favor stated that they were in favor of the building but preferred to vote on plans and construction costs at the same time.

Leasing Replacement Backhoe (used), new Ambulance, and new Police Cruiser (Article 8): This monetary article authorizes the Town to lease these three new vehicles. The ambulance, which will be leased over 5-years. replaces the existing one which has reached its end-of-life and has been having many problems. The police cruiser will be leased over three years. The backhoe will be leased over 5 years. It replaces one that is 28 years old. At the end of the lease periods, the Town will own the vehicles. Since there is no payment due for a year, there is no FY24 impact but the purchases will impact future years. **This article does not increase your real estate taxes *this year*.**

The Advisory Committee approves this article. These items were on the 5-year capital plan.

The articles 9-13 described in the Annual Town Meeting Warrant have no material financial impact to the town this fiscal year. The Advisory Committee along with the Selectboard and Financial Management Team have researched these articles. The Advisory Committee approves the remaining articles.

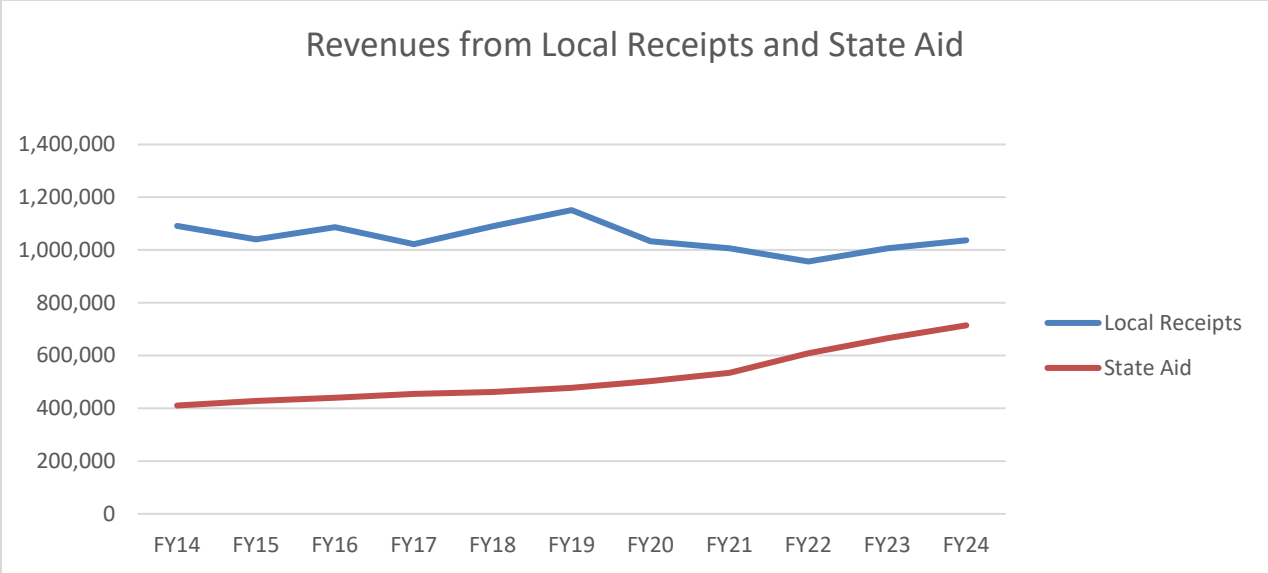
Revenue

The sources of funds for the Town of Princeton are Property Taxes, Local Receipts, Other Sources (certified free cash and stabilization funds), and State Aid.

This year the State has not provided any cautions regarding State Aid, so the numbers are from the Governor's budget. Local Receipts have been estimated by the Financial Team based on FY22 actuals, FY23 projections, and current conditions.

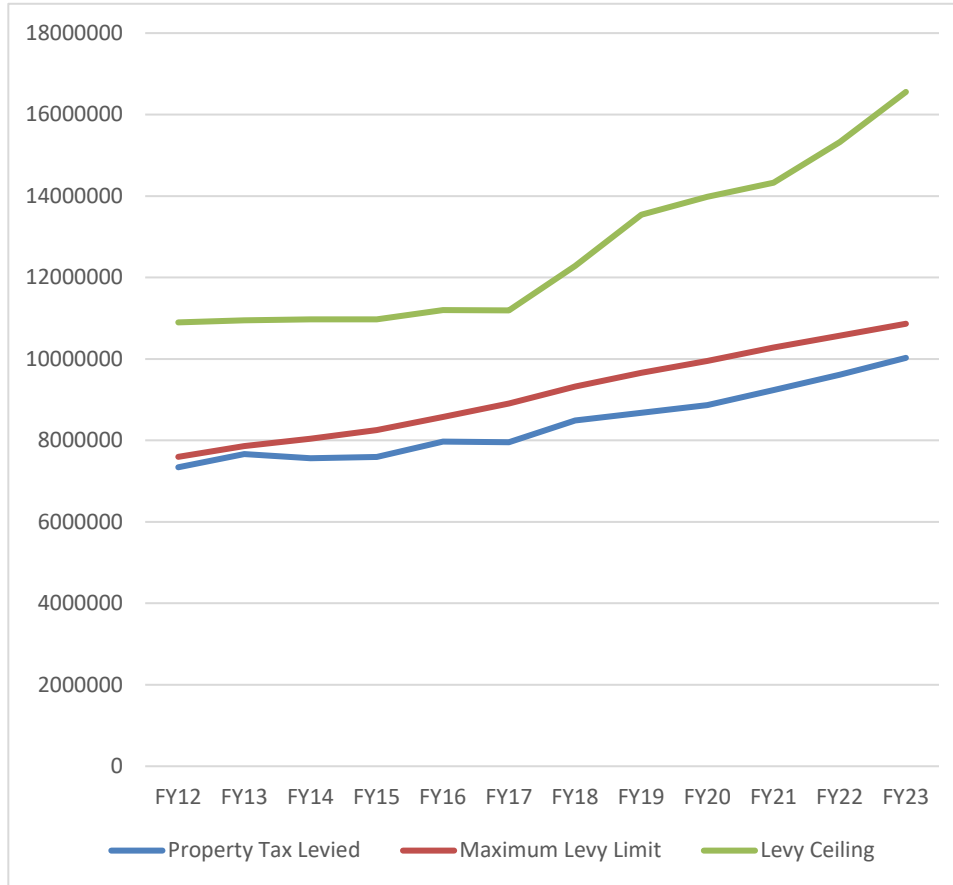
The source for all the Levy, Property Tax, and Population Data information is the Division of Local Services website: <http://www.mass.gov/dor/local-officials/>.

The following graph shows Local Receipts and State Aid. Note that FY23 numbers are projected and FY24 are estimates by the finance staff. These estimates are deliberately very conservative.



Revenue – Property Tax Data

The following graph shows the Total Property Tax Levied compared to the Maximum Levy Limit for Princeton since FY11. This illustrates what many consider to be the Town’s ability to pay. The space between the red and blue lines represents the amount of flexibility the voters have to fund additional projects. The levy ceiling is shown to illustrate the long-term effect of taxing below the levy limit over a period of years.



There has been concern expressed that we would be exceeding our levy limit this year. The Financial Team’s estimate of our levy limit and excess levy capacity for FY24 is:

Prior Year Levy	\$ 10,513,309
Plus 2 ½	\$ 262,833
Plus New Growth	\$ 45,000
Plus Excluded Debt	\$ 328,956
Total Max Levy	\$ 11,150,098
Less Total to Raise and Appropriate	\$(10,813,820)
Excess Levy Capacity	\$ 336,278 or 97%

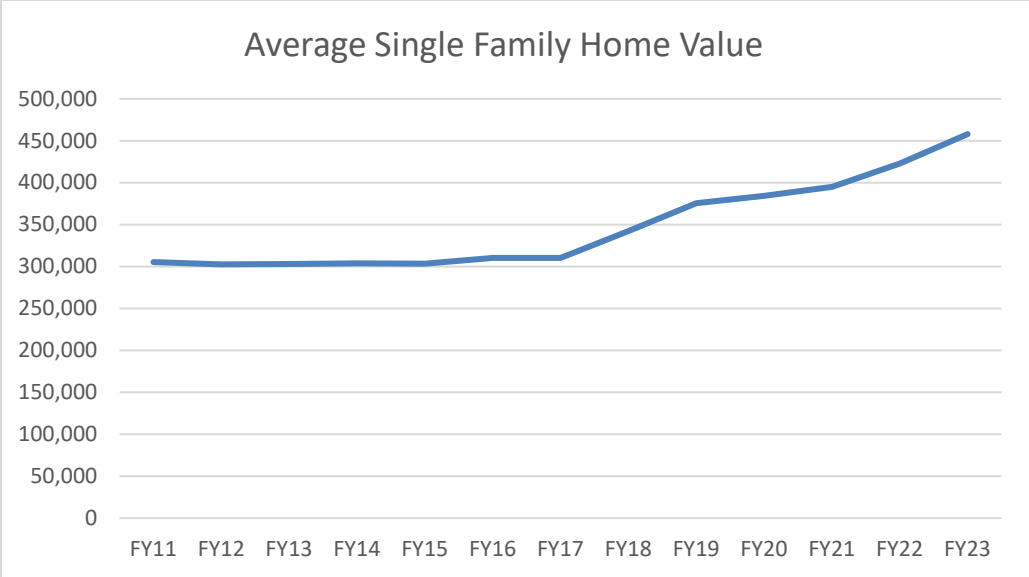
Note that we have averaged \$982,091 in excess levy capacity over the past five years. We haven't been at or above 97% of our levy limit since FY11-FY13. Without using the \$150,000 in free cash to offset the tax impact, we would have exceeded our levy limit in FY24.

The current (FY23) tax rate is **\$15.14** per \$1,000 of valuation. This is based upon the valuation of all property in Town for FY23 of \$662,244,345. Both the valuations and the tax rate will change in the fall for FY24. The valuations are completed sometime in November, and the tax rate is set at the end of November or first week of December. Per the Mass.gov DLS Gateway Property Tax Impact Calculator, any increase of \$100,000 in spending will increase the tax rate by approximately \$0.15 per \$1,000 of assessed value.

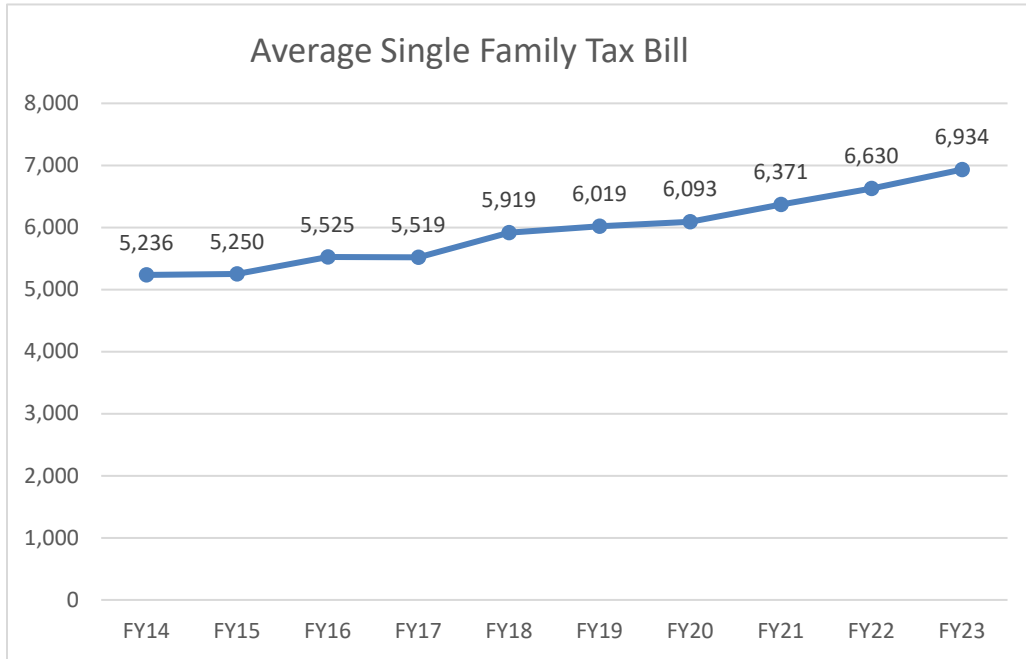
Found below are the average (mean, not median) "Single-Family Home" tax bills and the percentage of home value these tax bills represent. Note the Average Home Value is calculated by taking the total assessed value for all single-family homes and dividing it by the number of single-family homes. In FY23, the mean single-family value in Princeton was \$458,009. We have one of the lowest tax rates of the towns listed, but because our houses are worth more, we have one of the higher average tax bills.

Municipality	Population (2021)	Average Single-Family Value (FY23)	Residential (and commercial and industrial) Tax Rate (FY23)	Average Single-Family Tax Bill (FY23)	% of Tax Levy that is Residential (FY23)
Holden	19,898	442,480	14.99	6,633	95.16
Hubbardston	4,312	354,932	13.03	4,625	94.04
Paxton	5,028	412,579	17.58	7,253	96.01
Princeton	3,499	458,009	15.14	6,934	96.23
Rutland	9,169	419,830	13.72	5,760	95.04
Sterling	8,152	465,354	14.30	6,655	88.27
Westminster	8,275	412,711	13.06	5,390	89.23

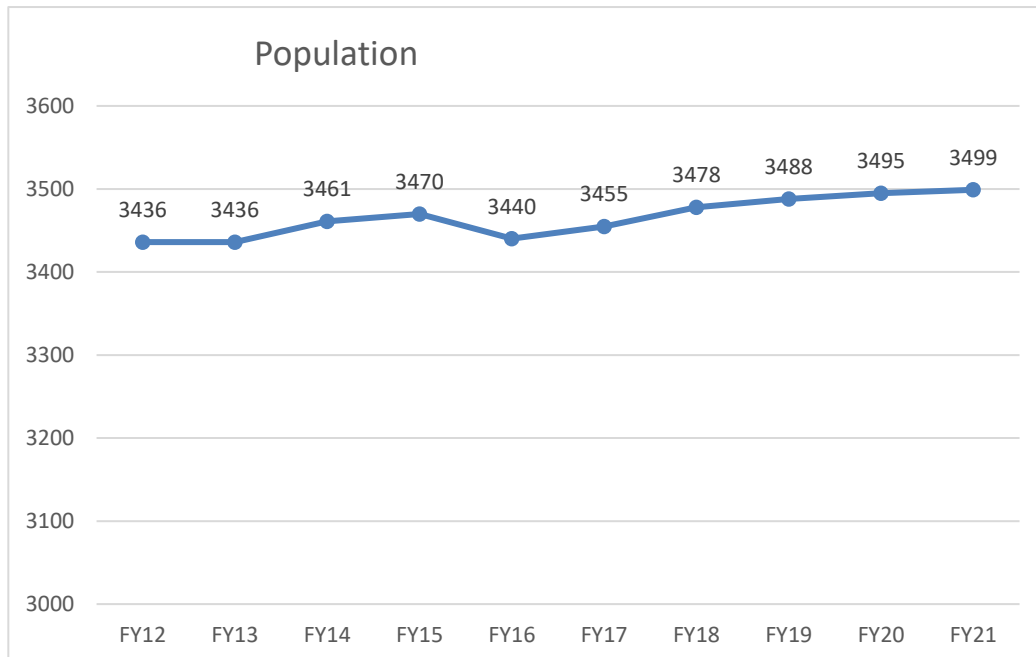
The following chart illustrates the average single-family assessed home values in the Town of Princeton over the past few years. Home values remained relatively stable between FY12 and FY17. There has been a 48% increase since then (8.3% since FY22).



The following chart illustrates the average single-family tax bill for the Town of Princeton over the past ten years. The average single-family tax bill is \$1,698 more than it was in FY14 or approximately 32% higher (4.3% when adjusted for inflation). This is a 3.2% increase compounded annually.



The Population Chart below illustrates the population growth from FY12 to FY21. The population in FY12 was 3,436 compared to 3,470 in FY15 (an increase of 34). After falling in FY16, growth averaged 0.3% for the next five years.



Capital Planning

Princeton does not have a Capital Planning Committee. A five-year capital improvement plan (CIP) was developed in conjunction with the Collins Center for the FY20 budget. For the current budget cycle, the Financial Management Team met with department heads starting in approximately November to discuss their capital needs for FY24-FY28.

The five-year capital plan is the best estimate by all departments of what their capital needs will be in the next five years. Guidance, now formalized in the Financial Policy, was given to the department heads on what should be capital versus operating budget expenses. Once the FMT was comfortable with the approximate size and timing of these requests, attention turned to the FY23 capital requests. For each, extra scrutiny was given to ensure the cost was based on good estimates, the item really belonged in capital and not the operating budget, and it was needed in the upcoming fiscal year.

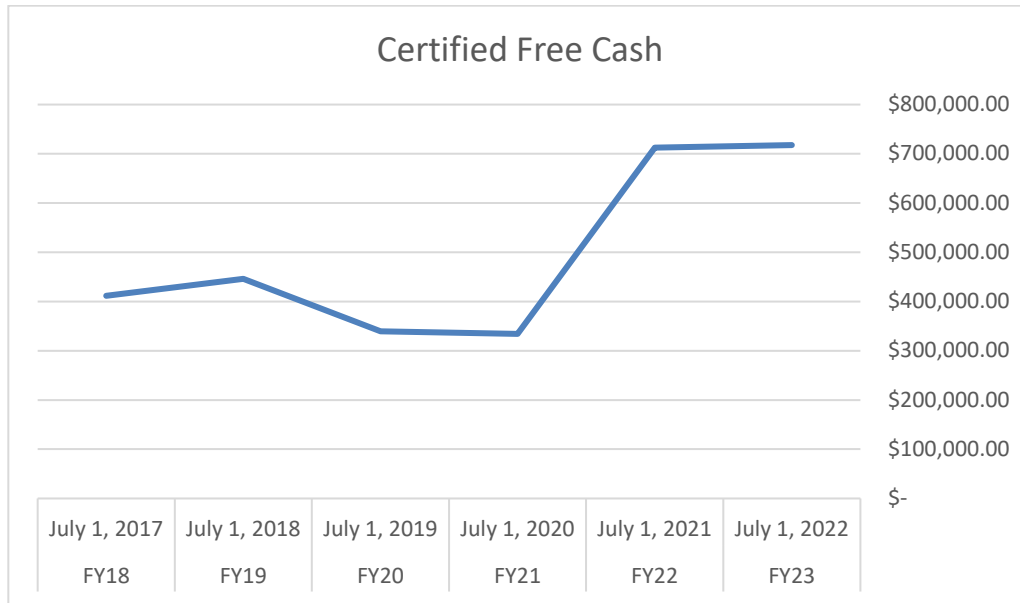
The next step in capital planning is to discuss how an item should be funded. Is it a vehicle or piece of equipment that should be leased? Is it a longer-lived item that really should be financed over a longer period through borrowing?

Some capital items can be paid for outright or the cost might be offset in part through other means. For example, some capital items are expected to be funded through grants. Others might be funded through transfers from free cash or a stabilization fund. Discussion of these follows.

Free Cash

The certified Free Cash for FY23 was \$717,710 dollars. This is up only slightly from \$712,647 last year. Going into ATM, Free Cash is at \$527,710 since taxpayers allocated \$65,000 for a PFAS debt payment and \$125,000 to replace a Thomas Prince water tank at a Special Town Meeting in the March. There are many contributing factors to Free Cash, but tighter fiscal controls and careful, realistic budgeting have helped bring the budget in-line with actual spending and reduced the level of Free Cash.

Per our Financial Policy, it is our goal to general certified Free Cash at a level of three (3) to six (6) percent of General Fund revenues. FY23 certified Free Cash is based on FY22 actuals and can only be spent after it has been certified but before the next certification process has begun. In general, this is approximately from November of 2022 to October of 2023. FY23 General Fund revenues (from budget workbook revenue snapshot) are projected to be \$12,475,569. Our certified Free Cash percentage is 5.75%.



Stabilization Fund Summary

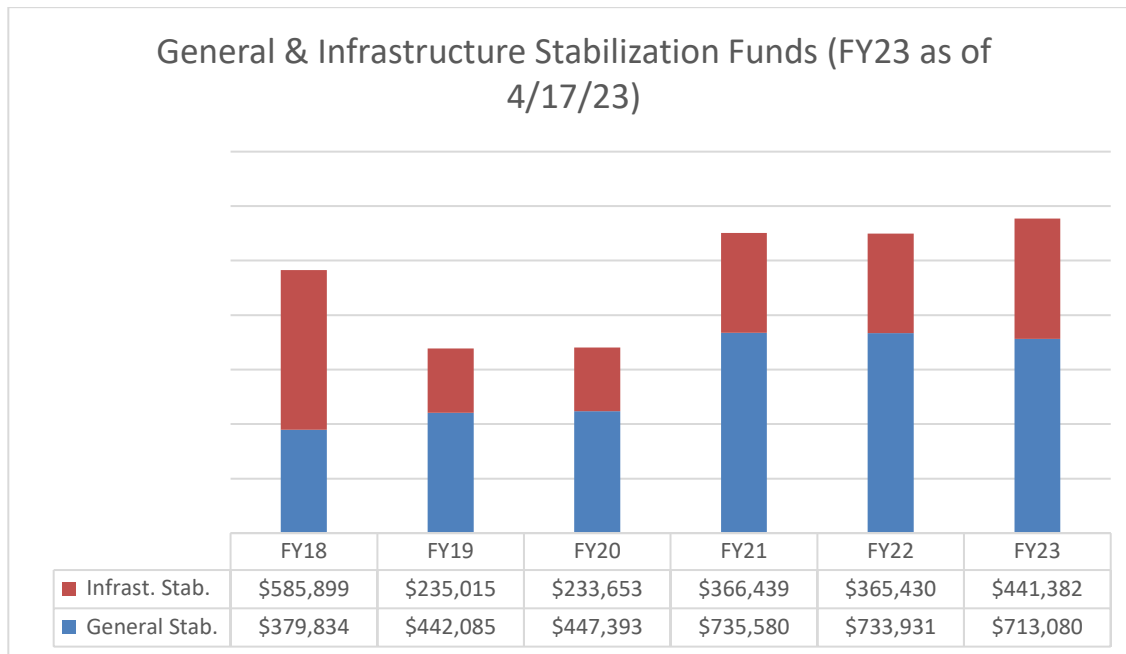
Part of the CIP is funded from Stabilization Funds. Maintaining adequate stabilization fund levels is important to the financial stability of the Town. The Financial Policy defines minimum levels for each stabilization fund. As the five-year CIP is revised and funding sources are identified, the stabilization fund levels are monitored. Adjustments to the five-year CIP and/or funding sources may be required if future Stabilization Fund levels drop too low. The chart below illustrates the stabilization fund levels from FY18 to FY23 (amount includes the General and Infrastructure Stabilization funds).

The significant drop in the Infrastructure Stabilization Fund between FY18 and FY19 was because voters transferred \$500,000 from Infrastructure Stabilization to a capital fund for a new public safety building in May of 2018. The remainder of the cost of the building was to be borrowed. Although the borrowing passed at Town Meeting, it failed at the ballot. In May of 2019, voters transferred \$130,000 from Free Cash to Infrastructure Stabilization and voted to raise and appropriate \$100,000 for Infrastructure Stabilization.

In June of 2020, voters transferred \$267,424 from free cash into the General Stabilization fund. The management team was concerned about the uncertainties surrounding COVID and decided to put off several capital projects and hold a Special Town Meeting later in the year. The free cash was moved into the Stabilization account in anticipation of transfer requests at that next meeting.

There are no transfers from stabilization accounts on the ATM warrant this year.

	General Stabilization	Infrastructure Stabilization
Fund Balance if all articles pass – note funds not used at this year’s ATM	\$713,080	\$441,382
FY24 Projected General Fund operating revenue	\$12,841,626	\$12,841,626
Financial Policy Goal	5% of operating revenue	3.5% of operating revenue
Financial Policy Targeted Fund Minimum Balance	\$602,081	\$449,457
% of Operating Revenue	5.6%	3.4%



Per the Financial Policy, it is also important to look at what is funded using the stabilization funds. For the general stabilization fund, it is intended to be used to avoid the incurrence of debt. This year, the fund is not used.

The Infrastructure Stabilization Fund should only be used for furniture, fixtures, equipment, purchase or improvement of real property, or any item costing more than \$25,000 that has a useful life of at least 5 years. This year the fund is not used.

Debt Summary

A comprehensive CIP involves a strategy that includes a debt management plan. The debt management plan should be developed to meet the financing needs of the Town in a cost-effective manner, taking into account Town priorities, as well as legal, financial, and structural considerations.

Please recall there was no new borrowing last year.

This year, there is no additional borrowing.

The following tables shows the five-year debt service and lease payment projections: (updated as of 5/10/23).

Debt Summary - 5 year projection (updated 5/10/23)
Existing Debt (long-term borrowing done) and Lease Payments

Existing Debt	Start Date	End Date	Original	FY 24	FY 25	FY 26	FY 27	FY 28
			Principal					
PFAS Remediation	6/18/21		1,000,000					
Principal				110,000				
Interest				53,172				
Total				163,172	-	-	-	
Broadband Make Ready	3/17/17	3/15/27	1,000,000					
Principal				100,000	100,000	100,000	100,000	
Interest				12,300	9,300	6,300	3,200	
Total				112,300	109,300	106,300	103,200	
Bagg Hall, Rt 31, Salt Barn	9/2/21	9/2/31	1,905,000					
Principal				205,000	205,000	195,000	190,000	185,000
Interest				49,525	43,375	38,350	34,500	28,900
Total				254,525	248,375	233,350	224,500	213,900
Green Repair at TPS	10/28/14	10/15/24	1,105,000					
Principal				110,000	110,000			
Interest				3,300	1,100			
Total				113,300	111,100		-	
Other								
Principal				25,000	25,000	25,000	25,000	
Interest								
Total				25,000	25,000	25,000	25,000	
Highway Rt31 Portion of Debt	9/2/21	9/2/31	631,850					

Principal				(65,000)	(65,000)	(65,000)	(65,000)	(65,000)
Interest				(16,599)	(14,649)	(13,024)	(11,724)	(9,774)
Total				(81,599)	(79,649)	(78,024)	(76,724)	(74,774)
Leases								
Police Cruiser				59,226	59,226	43,688		
Fire Truck				58,753	58,753	58,753	58,753	58,753
Highway Front-end Loader				26,106	26,106	26,106	26,106	26,106
Total				144,084	144,084	128,546	84,859	84,859
Total Town Only								
Principal				485,000	375,000	255,000	250,000	145,000
Interest				101,698	39,126	31,626	25,976	19,126
Leases				144,084	144,084	128,546	84,859	84,859
Total				730,782	558,210	415,172	360,835	248,985

A line in the above table that deserves explanation is “Highway Rt31 Portion of Debt.” The agreement between all parties was that we would borrow for roadwork but that the debt service would be paid out of the operating budget for Highway. You will see further down that this amount is subtracted from the overall debt service line in the operating budget.

Another thing to note is the reason there is no principal or interest on the PFAS Remediation above is that permanent borrowing is expected to happen in March 2025 so further principal and interest payments show up in the next section – Proposed Debt.

Debt Summary - 5 year projection
Proposed Borrowing and Projects without Long-term Borrowing Complete

			Original					
Proposed Debt	Start Date	End Date	Principal	FY 24	FY 25	FY 26	FY 27	FY 28
Public Safety Facility	1/1/28	1/1/68	11,333,000					
P&I Payment @	3.50%							551,458
1 st Round Public Safety BAN	7/1/25	7/1/26	5,666,500			212,494		
PFAS Phase I Permanent & Clock	3/1/25	3/1/32	1,223,000					
P&I Payment	3.50%				176,066	176,066	176,066	176,066
2 nd Round Public Safety BAN	7/1/26	7/1/27					424,988	
Total Proposed P&I					176,066	388,560	601,054	727,524

Note that there are some lines in the above table that are for borrowing that was authorized at prior Town Meetings (e.g. PFAS Phase 1 and Clock Tower). When the Town begins a project, it takes out short-term, low-interest, interest-only notes called BANs (bond anticipation notes). After a project is complete, the Town goes out for long-term borrowing to pay off the BAN. There are administrative costs to doing borrowings, so we try to lump smaller notes together into a single borrowing. That is why you see a single line for PFAS Phase 1 and Clock. We are going for long-term borrowing on both projects.

Though this warrant does not seek construction funds for the New Public Safety Building, we show the projected debt for this project for informational purposes. The assumption is that we would begin construction in FY26. The amounts for FY26 and FY27 are interest payments on the BAN. In FY28, we expect to have gone for long-term borrowing at 3.75% for 40 years. The debt service amount climbs in FY28 when we begin to pay off both principal and interest. The debt service would remain at the FY28 level for the life of the borrowing. This item does not affect this year's (FY24) budget.

**Debt Summary - 5 year projection
Proposed Leased**

Proposed Leased Equipment	Start Date	End Date	Original Principal	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Police Cruiser 4% 3 year term	2025	2027	\$65,000.00		24,314	24,314	24,314	
Back Hoe 5.49% 5 year term	2025	2029	\$ 125,000.00		29,264	29,264	29,264	29,264
Police Cruiser 4% 3 year term	2026	2028	\$ 72,000.00			25,200	25,200	25,200
Ambulance 4.98% 5 year term	2025	2031	\$ 395,300.00		91,532	91,532	91,532	91,532
Total				-	115,846	141,046	141,046	116,732

Per the Financial Policy, large capital items can be paid for in a number of ways, two of which are leasing and borrowing. The Financial Team looked at lease options for several vehicles and determined that leasing made more sense for the Town than borrowing.

Total of Existing and Proposed Borrowing and Proposed Leases

			Original					
	Start Date	End Date	Principal	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Total existing, proposed & leased				730,782	850,122	944,778	1,102,935	1,093,240

The above table shows the amount of debt service & leasing payments we are projected to pay if all the warrant articles pass. You will note that the difference between the two sets of numbers is that the Highway-funded debt service is pulled out because it is in the Highway’s operational budget.

The importance of managing our debt level

Per our Financial Policy, the Town strives to maintain a debt ratio of 5-7% (including regional school system debt). In particular, the annual debt service on General Fund debt shall not exceed 7% of the annual General Fund revenues.

For FY24, our debt ratio is $(730,782 + \text{an estimated } 134,575 \text{ of WRSD debt}) / 12,841,626 = 6.7\%$. We will look at this topic again when we discuss the 5-year Budget Forecast.

There are several reasons why it is important to carefully manage the Town’s debt:

- Moody’s Investor Services, a debt rating company, looks at the magnitude of a town’s debt obligations relative to: 1) its resources (using property tax base as the proxy), and 2) its operations (using operating revenues as a proxy). They indicate that one of Princeton’s credit strengths is its low debt. A material increase in the debt burden could lead to a downgrade in our bond rating and therefore an increase in our cost of borrowing.
 - Additional debt can translate into an increase in our tax rates and therefore an increase in our real estate tax bills.
 - Taking on too much debt (having too large a debt service payment) can squeeze out other parts of our town budget. For example, a town might need to cut back on services (hours at the library, amount of plowing/sanding/pothole repair, number of employee hours) or might find it harder and harder to pay for schools.

Projecting debt/financials into the future allows the town to phase its borrowing in a way that maximizes return to the town and minimizes sudden shocks to the taxpayer.

Five-Year Budget Forecast (updated 6/20/23)

The goal of the Town of Princeton's financial forecast is to conservatively project revenues and expenditures five years into the future (FY24-FY28). The forecast is intended to provide residents and the management team with the information they need to make informed decisions around the Town's financial strategies and policies, long-term financial and capital planning, and long-term contracts or obligations.

Revenue and expenditure forecasting is a powerful financial planning tool that can be used to isolate the impact of particular future events, and determine their effects on the Town's financial picture. The forecasting model is designed using reasonable assumptions about a wide variety of future events and, by using these assumptions along with known facts, a comprehensive view of the Town's fiscal outlook emerges. Though potential exists that any one item in the forecast may be less than accurate, when taken as a whole, a well-built model presents a fair representation of the Town's future finances.

The approach used in the forecast model for the Town of Princeton assumes that current staffing service levels, except for Police and Ambulance, will be maintained in the future years of the forecast. The model also assumes that existing Massachusetts General Laws and regulations will remain unchanged over the forecast period. However, as new information becomes available, the assumptions and estimates used in the current projections will need to be regularly reevaluated by Town officials to determine if they are still appropriate and reasonable. For example, the 2021 Police Reform legislation dramatically affected our Police budget last year and will for several years to come.

Revenue Projections

PROPERTY TAX LEVY

Annual tax levy growth is constrained by Proposition 2½, the Massachusetts General Law that limits the annual growth in a municipality's total tax levy to 2.5%, plus an allowance for certain new construction and other additions to the tax rolls. The law also allows a city or town to increase taxes beyond this annual levy limit with voter approval. An override of this limit by voters becomes a permanent part of the tax levy calculation in future years and is best used for recurring expenses in the regular operating budget.

A debt exclusion may also be approved by voters to increase the levy limit temporarily to fund capital projects. Generally, these projects are financed by borrowing and the annual debt service is added to the levy limit each year until the project is paid off.

The FY24-FY28 forecast for Princeton projects new growth to be eight new average value homes per year. This is a simplification since new growth depends not just upon new homes but also upon the value of additions and renovations. However, looking at the past five years, this seems like a reasonable assumption. Note this does not factor in the proposed MBTA adjacent community legislation that might drive a significant increase in multi-family homes. For this forecast, we are assuming those new homes won't come on line during our five-year window.

STATE AID CHERRY SHEET

There are multiple components of State Aid: Unrestricted General Government Aid (UGGA), State Owned Land, Veterans Benefits and Exemptions for Veterans and Elderly, and Aid to Public Libraries. The Selectboard issued a letter to residents on [Sources of Revenue](#) in 2018 which showed that UGGA and State-Owned Land made up over 90% of Cherry Sheet revenue. This forecast uses the conservative assumption that Cherry Sheet revenue will increase by 3% per year. Historical year-over-year increases were:

FY15: 4.1%

FY16: 2.8%

FY17: 3.0%

FY18: 2.1%

FY19: 3.2%

FY20: 5.1%

FY21: 1.5%

FY22: 12.1%

Note that the FY23 estimate is up 15%.

LOCAL ESTIMATED RECEIPTS

Local estimated receipts are locally-generated revenues, other than real and personal property taxes. Examples include motor vehicle excise, investment income, payments in lieu of taxes, penalties and interest on taxes, departmental revenue, fines, and permit fees. This forecast uses the conservative assumption that Local Estimated Receipts will increase by 0% per year. Historical year over year increases were:

FY15: (4.7%)

FY16: 4.4%

FY17: (5.8%)

FY18: 6.5%

FY19: 5.6%

FY20: (6.8%)

FY21: 4.5%

FY22: (14.7%)

Note that the FY23 estimate is up 5%.

RED CARDINAL

We no longer assume we will receive any revenue from Red Cardinal.

FREE CASH

Free Cash are funds remaining from the operations of the previous fiscal year which are certified by the State's Department of Revenue as available for appropriation (use). It is the Town's policy to not use Free

Cash to offset General Fund expenses but instead to use it for snow & ice deficits, stabilization funds, OPEB, one-time capital expenses, reduction of debt, and reduction of the tax levy. For the sake of this forecast, the assumption is that approximately the same amount of free cash will be generated each year and it will be used to fund approximately the same amount of capital expenditures. You will not see free cash in the forecast.

	FY25	FY26	FY27	FY28	FY29
Receipts Excluding R/E Tax					
Excise, PILOT, Misc.	1,037,000	1,037,000	1,037,000	1,037,000	1,037,000
State Aid	735,964	758,043	780,784	804,208	828,334
Local Receipts Not Allocated (ARPA)					
Total Receipts Excluding R/E Tax	<u>1,772,964</u>	<u>1,795,043</u>	<u>1,817,784</u>	<u>1,841,208</u>	<u>1,865,334</u>
Cumulative Increase					6.5%
Allowance for Abatements and Exemptions					
Amount to Raise Through R/E Tax	<u>\$11,490,863</u>	<u>\$12,044,634</u>	<u>\$12,672,914</u>	<u>\$13,138,436</u>	<u>\$13,542,059</u>
Cumulative Increase 5 year					25.5%
Real Property					
Residential Value	662,989,425	676,249,214	689,774,198	703,569,682	717,641,076
Commercial Value	9,333,217	9,519,882	9,710,279	9,904,485	10,102,574
Industrial Value	2,182,343	2,225,990	2,270,510	2,315,920	2,362,238
New Residential Growth	12,484,800	19,101,744	25,978,372	33,122,424	40,541,847
New Commercial Growth					
Personal Property	14,494,031	14,783,912	15,079,590	15,381,182	15,688,805
Total Real Property	<u>\$701,483,817</u>	<u>\$721,880,741</u>	<u>\$742,812,949</u>	<u>\$764,293,692</u>	<u>\$786,336,541</u>
Cumulative Increase 5 year					15.4%

EXPENDITURE PROJECTIONS

MUNICIPAL DEPARTMENTS

In the forecast, Town departments have been grouped by major categories consistent with Town budget and state expenditure reporting. The department budgets are reported as follows: General Government; Police; Fire; Ambulance; Animal, Tree & Emergency; Schools; Public Works; COA & Veterans; Library, Parks,

etc. We separate out Ambulance Readiness Wages and Ambulance Other because we believe Readiness Wages will be an area of higher growth over the forecast period.

For projection purposes, the impact of the three-year Police Union contract signed in 2020 has been factored into the Police forecast. The contract expires at the end of FY23 but it is the best information we have at this time for Police Union wages. The Police forecast also takes into account that FY24 will be the first year that we are operating with a Chief, six full-time officers, and two part-time officers. We will need to put those two part-time officers through a three-week Bridge Academy. That expense is factored into FY24 but removed for FY25 and beyond. The Chief has made it clear that he would like to increase the number of shifts with two officers from what he had in FY23 and will have in FY24. We also expect further expenses related to Police Reform to come in over time. Therefore, we have assumed growth rates for the Police Department over the next five years to be 10%, 7%, 5%, 3% and 3%.

The EMS has been having a harder and harder time getting call personnel to respond over the past few years. Before COVID, the department instituted weekday 7am-5pm two-person per diem shift. That was expanded to include weekends during COVID. Ambulance response rates during those hours have been averaging under 4 minutes. In FY24, we have budgeted for a single-person 5pm-7am shift, three days per week, as a trial. The forecast assumes that ambulance readiness wages will grow by 7%, 7%, 5%, 3%, 3% over the forecast period.

Schools have historically grown at a higher rate than most other parts of the budget. Between FY17 and FY22, schools rose by an average of 3.9% per year. The forecast uses a 4% per year increase.

Other departmental operating budget accounts have been projected to increase by 3% per year. We have seen significant wage pressure over the past four years and recruitment has been very difficult.

DEBT SERVICE

Debt Service is projected based on existing obligations, new leases in this warrant, the new public safety building, and a placeholder of \$25,000 new debt service per year.

RETIREMENT, BENEFITS & PAYROLL TAXES

The forecast assumes a growth rate of 3% per year except as follows:

- Police will grow at 10%, 7%, 5%, 3% and 3%.
- Ambulance Readiness Wages will grow at 7%, 7%, 5%, 3%, 3%.
- School at 4%.
- Animal Control, Tree Warden, Emergency Services at 2%.

	FY25	FY26	FY27	FY28	FY29

	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
General Government	\$881,223	\$907,659	\$934,889	\$962,936	\$991,824
Police Department	\$1,457,422	1,559,441	1,637,413	1,686,536	1,737,132
Fire Department	320,522	330,138	340,042	350,243	360,750
Amb readiness wages	223,202	238,826	250,767	258,290	266,039
Amb other	118,126	121,669	125,319	129,079	132,951
Animal, Tree & Emergency	37,593	38,345	39,112	39,894	40,692
total public safety	2,156,864	2,288,419	2,392,653	2,464,042	2,537,564
Schools	6,365,826	6,620,460	6,885,278	7,160,689	7,447,117
WRSD New Growth Assessment	0	0	0	0	0
Public Works (DPW)	1,769,211	1,822,287	1,876,956	1,933,265	1,991,262
Human Services (COA & Veterans)	161,147	165,981	170,961	176,089	181,372
Culture & Rec (Library, Parks, etc.)	266,535	274,531	282,767	291,250	299,987
Debt Service (schedule)	734,276	803,732	961,889	976,509	912,956
<i>Debt Service %</i>	5.5%	5.8%	6.6%	6.5%	5.9%
Intergovernmental					
Misc: Retirement, Benefits & Payroll Taxes	928,745	956,607	985,306	1,014,865	1,045,311
Total Disbursements	<u>13,263,827.03</u>	<u>13,839,676.83</u>	<u>14,490,697.90</u>	<u>14,979,643.84</u>	<u>15,407,393.25</u>
Annual Increase	4.1%	4.3%	4.7%	3.4%	2.9%
Cumulative Increase					21.0%

Tax Impact

The projected tax impact is based on the excess of projected spending over projected receipts.

	FY25 <i>Projected</i>	FY26 <i>Projected</i>	FY27 <i>Projected</i>	FY28 <i>Projected</i>	FY29 <i>Projected</i>
Tax Rate	\$16.38	\$16.69	\$17.06	\$17.19	\$17.22
Adjustment to Actual Rate					
Tax Rate	\$16.38	\$16.69	\$17.06	\$17.19	\$17.22
Example Home Value	416,160	424,483	432,973	441,632	450,465
Tax on example home	<u>\$6,817</u>	<u>\$7,083</u>	<u>\$7,387</u>	<u>\$7,592</u>	<u>\$7,758</u>
Annual Tax Increase	5.6%	3.9%	4.3%	2.8%	2.2%
Cumulative R/E Tax Increase					<u>28.1%</u>
Levy Ceiling Total Valuation (2.5%)	\$18,047,019	\$18,570,324	\$19,107,342	\$19,658,414	
Levy Limit Annual Growth	11,882,552	12,657,159	13,623,048	14,791,684	16,175,023
Excess Levy Capacity	\$391,689	\$612,525	\$950,134	\$1,653,248	\$2,632,963

Forecast Summary and Discussion

The forecasted impact on the taxpayer is a bumpy rise in the tax levy and therefore property taxes. The projected tax increases are:

FY25: 5.6%

FY26: 3.9%

FY27: 4.3%

FY28: 2.8%

FY29: 2.2%

There are also impacts on the Town. Our excess levy capacity (a measure of the Town's ability to raise taxes) grows from \$392k in FY25 to \$2633k in FY29. This is an indicator that the Town could increase its spending and raise taxes without violating Proposition 2 ½. It is interesting to note that Paxton and Rutland have almost no excess levy capacity as of FY23. Rutland voters approved an override this spring. Sterling is at 3.8% and Holden at 2.2% as a percent of maximum levy capacity. Princeton is at 7.7% in FY23 and is estimated to be at 4.4% in FY24.

Another measure that is important to look at is the Debt Service Percentage. In this forecast, it rises from 5.7% in FY24 to a peak of 6.6% in FY27 and then lowering to 5.9% in FY29. Per the Town's financial policy, we strive to maintain a Debt Service Percentage of 5-7% (including WRSD debt). If this number climbs too high, it is an indicator that the Town is using too much of its revenue to service its debt. Note that the impact of the new public safety building doesn't really begin to be felt until FY27. While the Town is paying off the new public safety building, it will need to be conservative as it considers taking on new debt. No new debt was added in either FY23 or FY24.

Primer on Town Finances (simplified)

The town takes in money from various sources, mainly real estate and excise tax revenue, local aid, payments in lieu of taxes, local receipts, and grants.

The town pays its bills out of those proceeds and by borrowing.

The Selectboard, in conjunction with the Town Administrator and the Advisory Committee, proposes a budget for the following year. This budget is approved or amended by citizens at Town Meeting. From that budget, it determines how much funding must come from real estate taxes, and that number is distributed across the total assessed real estate value, EQV, in the Town to determine the tax rate (\$/thousand in property value) needed to fund the operations of the Town for the fiscal year. They must pay attention to not exceed either the Proposition 2 ½ Levy Limit or the Proposition 2 ½ Levy Ceiling when setting the budget.

At town meeting, the town can vote to pay bills out of Free Cash, the Stabilization Fund, the Reserve Fund, through a debt exclusion, or with a Proposition 2 ½ override. Note that an override is not required if the taxes needed to fund

the budget are less than the Levy Limit. Voters can raise taxes to any amount (even by more than 2 ½%) that is below the Levy Limit and does not exceed the Levy Ceiling.

Definitions of Interest:

Debt Burden: The amount of debt carried by the town. Sometimes refers to debt service costs as a percentage of the total annual budget.

Debt Exclusion: An action taken by the voters to raise the funds necessary to pay debt service costs for a particular project from the property tax levy, but outside the limits under Proposition 2 ½. The amount is only added to the levy limit for the life of the debt and may increase the levy above the levy ceiling.

Debt Limit: The maximum amount of debt that a town may authorize for qualified purchases under state law. This is set at 5% of EQV but town may get permission to go to 10%.

Debt Service: The repayment cost, based on an amortization schedule, of the principal and interest on any particular bond issue.

EQV (equalized valuations): The determination of the full and fair cash value of all property in the Commonwealth that is subject to local taxes. The state Commissioner of Revenue determines the town's EQV biannually.

Excess Levy Capacity: The difference between the levy limit and the amount of real and personal property taxes actually levied in a given year.

Free Cash: Money, raised through taxation and unexpended from the previous year's operations. Typically, free cash is used for special purchases, put into the Stabilization Fund, or used to reduce property taxes. As often noted, Free Cash is not free.

Full and Fair Cash Value: This has been defined by the MA Supreme Judicial Court at length. For this document, it is defined as the fair market value of all the real and personal property in the town.

Levy: Also know as the Tax Levy. This is the amount raised through taxes.

Levy Ceiling: Proposition 2 ½ states that, in any year, the real and personal property taxes imposed may not exceed 2 ½ percent of the total full and fair cash value of all taxable property.

Levy Limit: Proposition 2 ½ also states that real and personal property taxes imposed by the town may only grow each year by 2 ½ percent of the prior year's levy limit, plus new growth and any overrides or exclusions. The levy limit can exceed the levy ceiling only if the community passes a capital expenditure exclusion, debt exclusion, or special exclusion.

New Growth: The additional tax revenue generated by new construction, renovations and other increases in the property tax base during a calendar year. It does not include value increases caused by normal market forces or revaluations.

Reserve Fund: An amount set aside annually within the budget (not to exceed 5 percent of the tax levy for the preceding year) to provide a funding source for extraordinary or unforeseen expenditures.

Stabilization Fund: A fund designed to accumulate amounts for capital and other future spending purposes, although the money may be appropriated for any lawful purpose. Appropriation from the stabilization fund requires a two-thirds majority vote.

Tax Levy: The amount of money raised by real estate and property taxes.