

**Town of Princeton
Commonwealth of Massachusetts**

Selectboard and Advisory Committee Budget Report

Fiscal Year 2023

Annual Town Meeting

Thomas Prince School

Saturday, May 14, 2021 - 10:00 a.m.

Prepared by the Princeton Selectboard and Advisory Committee

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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, Accountant and Assessor) 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. This foundation is built on the Town Hall financial staff and the new accounting system to which we recently migrated.

FINANCIAL POLICIES

The Advisory Committee and Selectboard approved a set of financial policies in December 2020 that were several years in the making. The Advisory Committee took the lead in this effort at the request of the Selectboard. They began by reviewing financial policies in place in other well-run towns and recommended by the State's Division of Local Services as Best Practices.

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 Adopt 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 Advisory Committee followed a careful and deliberate process as they put together their recommended financial policies. Many policies give ranges or dollar cut-offs. The Committee tested their proposed figures during the FY21 budget cycle. Were the ranges too narrow? Were the dollar cut-offs too low? Some proposed policies had to be amended to work for Princeton. The policies were followed during the FY22 and FY23 budget process.

The Financial Policy document (see [version approved 12/29/20](#)) is a living document. There is a process built in to 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, 1-2 Advisory Committee representatives, 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 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 FY23 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 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 day and evening budget presentations three times 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. We knew going in that we would be facing an increase of approximately 3% based solely on PFAS and debt service (including lease payments) on purchases already approved by voters. We started the process by asking all departments to provide a 97% budget (essentially a 3% cut). 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 Board knew going into the budgeting process that there were a few big-ticket items that were imminent:

- Police Reform legislation signed into law in December of 2020 triggers the move away from using part-time police officers. This is a very costly unfunded State mandate.
- We have completed Phase 1 of the PFAS work (determining who is affected) and have moved into Phase 2 (what is the source and are there areas where PFAS are still leaching into the soil). This entails additional spending as Tighe & Bond continues soil sampling and analysis and explores further remediation.
- Road, bridge, and culvert repairs that are on the Road Advisory Committee's multiyear plan.
- We need to build a new public safety building.
- The Wachusett Regional School District budget increase would probably exceed 2.5%.

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 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. Therefore, at the request of Chief Powers, the Selectboard has budgeted to put one of our part-time officers through the six-month Recruit Academy and have them work as a full-time officer for the Town. In FY24, we will hopefully put another officer through the Recruit Academy and 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.

The Town Administrator and Selectboard identified two areas where the level of service needed to be improved. The Highway Department is called on frequently for tasks typically outside the purview of a highway department. Some examples are repairing the walkway near Bagg Hall and the Library, helping

with burials, and building a walking track at Krashes Field. These types of requests are likely to continue. In the meantime, the Department would like to do more mowing and trimming along roads, more work on road drainage issues, and more repair of pot holes. The Cemetery Commission relies on a part-time laborer with very few hours, some help from Highway as available, and a willing local contractor to do burials. It is difficult to find a part-time laborer who is willing to work for a few hours a week yet be flexible enough to help with last-minute burials. It is also difficult at times to find someone with a mini excavator that can help prepare for and complete a full-body burial with only three days' notice. Grieving families expect and deserve a high level of service from the Town and providing that has been extremely challenging and stressful for the Commission.

Another area of concern for the Town Administrator is silos of knowledge in a few key areas. One employee has a wealth of information about our facilities and their systems. Another is very knowledgeable about undocumented aspects of our cemeteries. In this budget, the Board has attempted to consolidate highway, cemeteries, and facilities into a newly formed DPW department with the goal of cross-training, knowledge sharing, and labor flexibility. We added a full-time employee to the department who can work across these various functions. We also added more administrative hours to the DPW so that the Superintendent can spend less time in front of a computer and more time supervising expensive and important road construction projects.

To help offset the loss of revenue from COVID, the Town received approximately \$521,000 in funds from the American Recovery Act. We expect the same amount again in the summer of 2022. We don't need to spend all of funds immediately and we are encouraged to use the money for one-time expenses. The Selectboard solicited taxpayer input on potential uses through a survey and several meetings. We used some of the funds to reduce the amount we are asking taxpayers to authorize for PFAS, Police, a new (but used) Fire Engine, and several efficiency/effectiveness studies.

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: Shared Streets and Spaces paid for work at Krashes Field; a Local Rapid Recovery Plan Program paid for a plan for improving the commercial area on Worcester Road; We received grants to help with our Housing Production Plan and other work on the Master Plan. We won't know for a while whether we will receive anything from Congressional bills such as the infrastructure bill or parts of the Build Back Better plan. It is the 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.

Though it remains a high priority for the Town, no money will be sought for the new public safety building design and construction documents at the Annual Town Meeting. A Special Town Meeting will be scheduled for the fall in order to give the Building Committee sufficient time to present their updated plan and cost projections to the Town.

Overall, the Town was able to keep its budget increase to 4.23% 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 will affect our budget significantly 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 FY23. The operating budget for the Town is presented in one article on the Annual Town Meeting Warrant. The remaining FY23 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.

PFAS

We have entered into Phase 2 of the PFAS Immediate Response Action Plan. Our Licensed Site Professional (LSP) is testing approximately one hundred private wells on a quarterly basis. Approximately thirty of those also require Point of Entry Treatment (POET) sampling. The Town is providing bottled water to about seventy-five homes each month and has authorized \$1900 per household towards POET systems for each of these. Though we haven't had to replace any POET cannisters, our LSP assumes that we will need to do so this year. These 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 included a line in the operating budget for PFAS for the first time last year. 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. Our assumptions after discussion with our LSP are that MassDEP will allow us to move to semi-annual testing and that only half of our POETs will need a cannister replacement in FY23. The following chart shows annual PFAS expenses that are in the operating budget.

Bottled Water and POET Carbon Replacement	\$25,000
Legal	\$30,000
Tighe & Bond not-to-exceed	\$529,000
Less: ARPA funds applied	(\$250,000)
Proposed PFAS lines in Operating Budget	\$334,000

The \$584,000 PFAS budget (before ARPA funds) is significantly higher than the \$300,000 budgeted last year. Costs that exceeded \$300,000 were paid for out of the \$450,000 in PFAS borrowing that remained at the end of FY21. We don't expect a significant amount of that \$450,000 to remain at the end of FY22.

Details of Police Budget Increase

The \$90,035 increase in the police budget can be broken down as follows:

- non-union salaries increased by \$12,732 in large part because of a new contract with the Chief
- union salaries increased by \$119,625 as follows:
 - 2.75% or \$9,722 for full-time officers' base
 - \$57,296 for new full-time officer's salary
 - \$6,972 shift differential
 - \$243 part-time officer firearms training
 - 2.75% or \$2,113 part-time wages
 - \$10,587 for EMT, EMT refresher (every 2 years), longevity
 - \$11,149 additional required training
 - \$22,000 additional overtime (fewer part-time officers leads to more overtime for full-time)
 - slight decrease in an education-incentive spending area
- Equipment Repair is up \$27,959 (\$8,215 of which is for a mobile radio for the new cruiser. In the past, it was included in the lease. That can no longer be done.)
- Telecom is down \$2,388
- Custodial is up \$5,900 (academy fee, academy equipment, physical, fitness test for new officer)
- Software licensing is up \$1384
- Vehicle fuel is up \$4,323
- IT Server is down \$6,000
- \$73,500 of ARPA funds were used to lower the FY23 police budget

It appears confusing or incorrect that the proposed police budget increases by a higher percentage over FY22 than a preliminary budget with 2 full-time officers did. The following table should help explain that the budget did go down before ARPA funds were applied.

	Preliminary budget with 2 full-time	Final budget with 1 full-time	notes
<i>FY22 Budget</i>	<i>\$943,905</i>	<i>\$943,905</i>	
Budget increase	\$243,641	\$181,892	Pre-ARPA
Radio for cruiser	\$8,215		Missing in prelim budget but included in final
Increase over FY22	251,856	\$181,292	Note decrease
Percentage	26.7%	19.2%	
ARPA applied	(147,000)	(73,500)	Per Selectboard decision. Remainder saved for FY24 or other.
Net Increase	104,856	107,792	
Percentage	11.1%	11.4%	

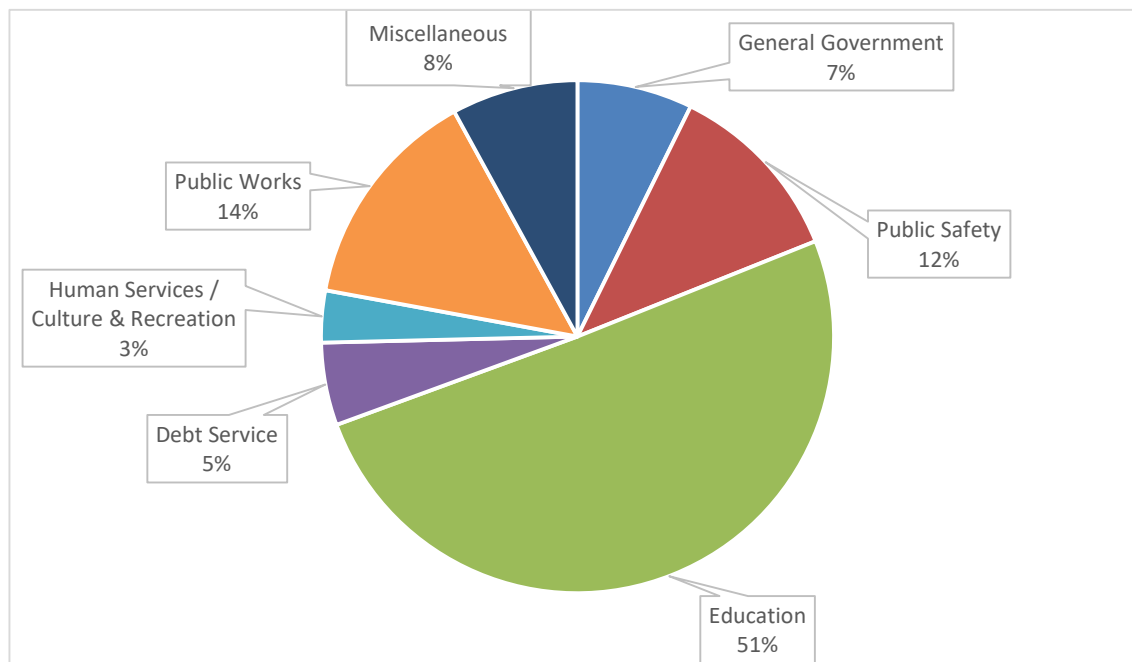
Selectboard Budget Recommendations

The current budget recommendation is a responsible balanced budget that is within the 2 ½ plus growth 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 FY23 is \$11,638,313.49, an increase of \$471,082.15 (4.23%) over the FY22 operating budget approved at Town Meeting. This increase is due to several factors which include:

- Debt service increased 32% (\$147,574) over last year. This is because we will start paying the principal on Bagg Hall Stabilization, Roads, and the Salt Shed. We also start payments on the lease on the front-end loader approved last year.
- Princeton's share of WRSD budget is up 4.19% (\$217,875).
- Police budget is up 11.48% (\$108,392, *after* \$73.5k ARPA applied). This is explained in more detail below.
- Public Works and Facilities is up 4.03% (\$63,786).
- PFAS budget is up 11.3% (*after* \$250k ARPA applied).
- Health Insurance is up 9.69% (\$33,716, assumes 2 new full-time employees)

The chart below shows the breakdown of the operating budget by department for FY23.



If all articles in the warrant are passed, the estimated impact on the average household’s tax bill in FY23 is \$326. This impact was calculated using the Massachusetts Division of Local Services’ [Tax Impact Calculator](#).

Assessed House Value	Incremental Tax Impact to Yearly Bill
\$422,841 – Average Single-Family Residence FY22	\$326
250,000	192
350,000	270
450,000	347
550,000	424
650,000	501
750,000	578
850,000	655

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

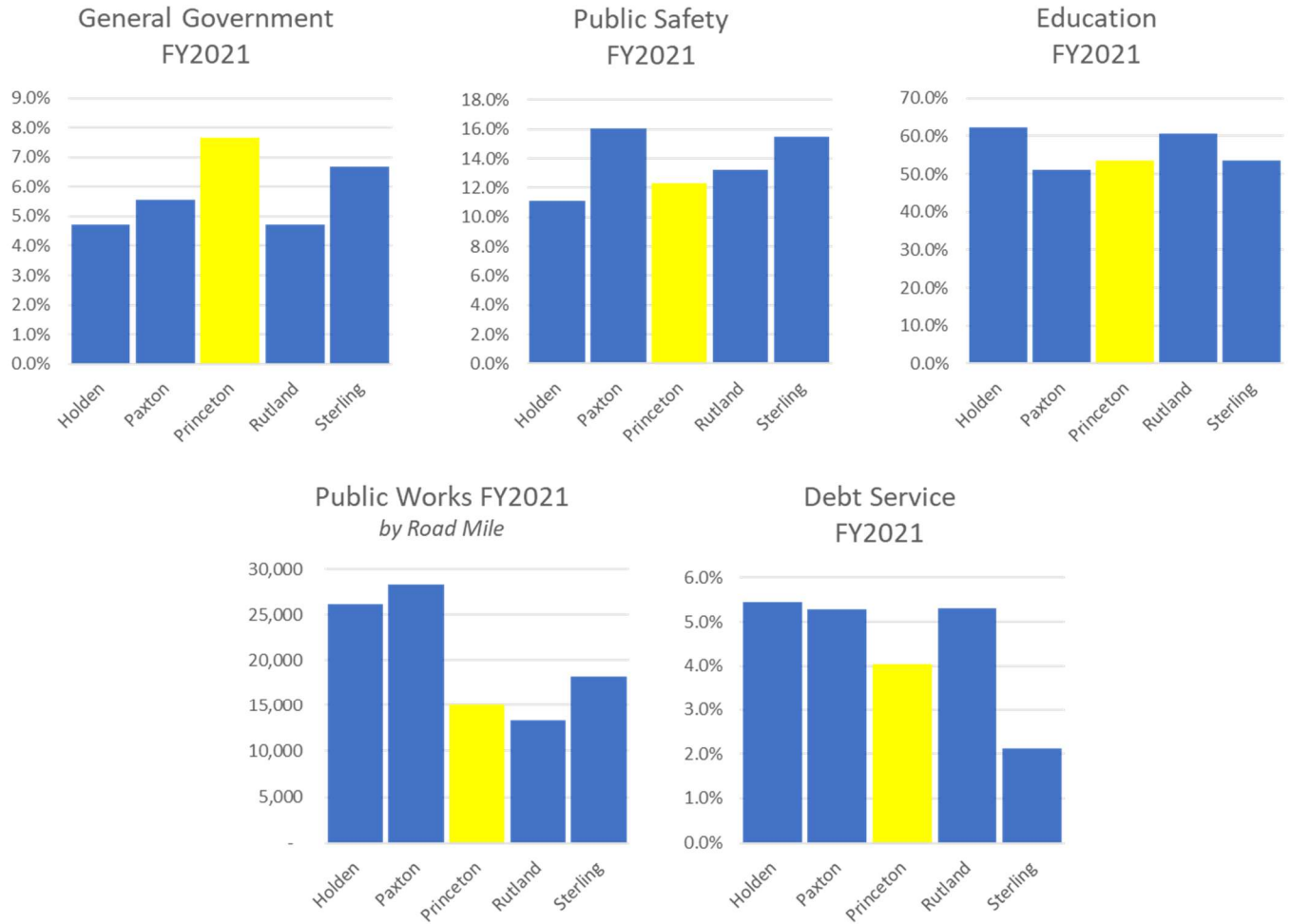
The Advisory Committee followed the Selectboard’s goal of a responsible budget within the Proposition 2 ½ limits. To help achieve this goal, the Advisory Committee worked with select individual department heads to understand their needs and in some cases provided opinions on department funding and spending. As always, the Advisory Committee is looking for areas to reduce spending while maintaining the current level of service. In some cases, such as the Police Department with the requirement for increased training, funding needed to increase to maintain the current level of service.

The Advisory Committee also looked at how spending levels compare with neighboring towns as a percent of the total budget or in the case of the highway department, spending per mile of roads. As shown on the following series of charts, department spending for the town was within the range established by the neighboring towns of the Wachusett District (Holden, Paxton, Rutland, Sterling and Princeton). There is one exception and that is the department covering general government spending. General government spending is higher than the neighboring towns. As the Advisory Committee investigates benchmarking with the district and other comparable towns, we will explore why this department is at the higher level of spending.

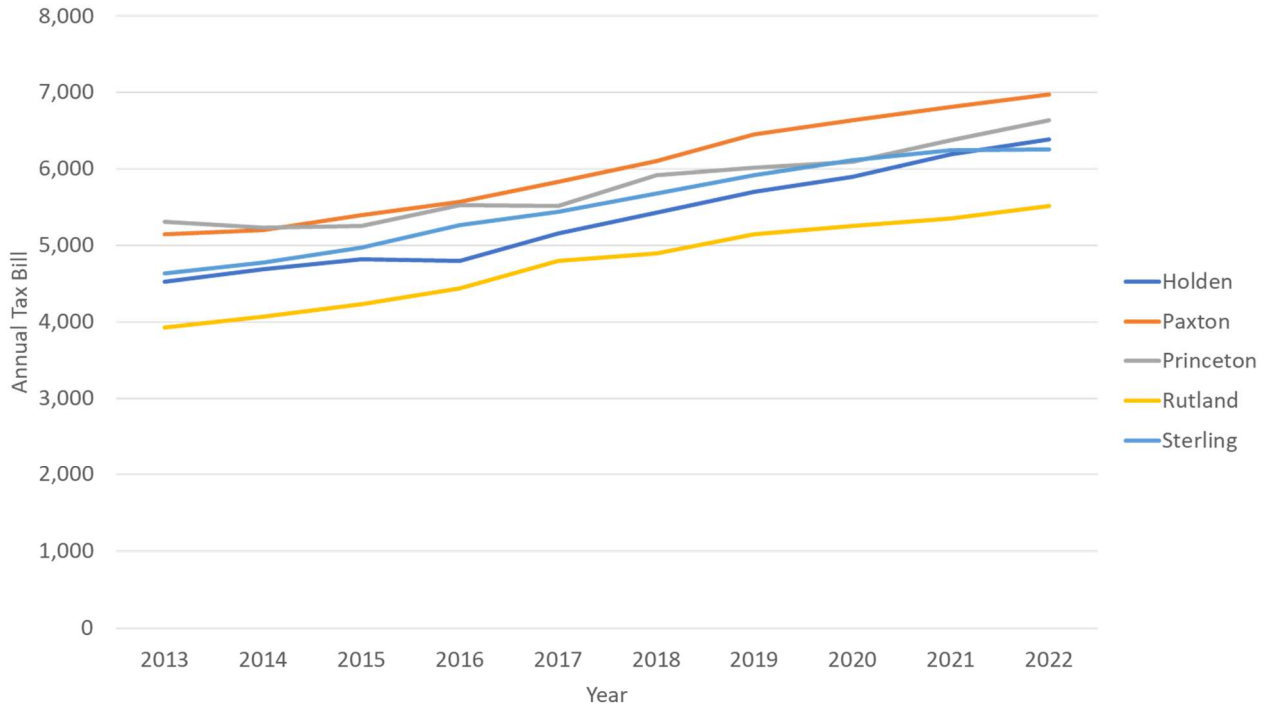
Another measuring point is the individual residential property tax bill. Using data from the Department of Revenue, Division of Local Services, Princeton is again within the range established by the neighboring

towns of the Wachusett District. This is shown in a following chart.

All together these indicators suggest the town is well managed and spending within reasonable limits.



Single Family Tax Bill



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 (\$422,841 home value) is expected to be \$326 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.

Install Driveway and Asphalt Apron at Station 2 (Article 7): This monetary article transfers \$117,242.50 from free cash to repave Station 2 in East Princeton. The pavement is in poor condition which makes it difficult to plow, prone to icing, and inadequate for emergency helicopter landing. **This article does not increase your real estate taxes except in that free cash could have been used reduce borrowing (not applicable in FY23) or lease payments.**

The Advisory Committee approves this article.

Digital Record Retention Project (Article 6): This monetary article transfers \$27,296 from free cash to archive, organize, file, and build a database of documents from multiple areas of Bagg Hall including the vault, second floor, and balcony. **This article does not increase your real estate taxes except in that free cash could have been used reduce borrowing (not applicable in FY23) or lease payments.**

The Advisory Committee approves this article.

Supplement the Installation of New Generator for Highway Barn (Article 12): This monetary article transfers \$7,800 from free cash to provide additional funding to purchase and install an emergency generator at the Highway Department. Original funding of \$43,000 was approved in FY22. The estimated additional cost is \$7,800 due to unanticipated electrical code issues and inflation. **This article does not increase your real estate taxes except in that free cash could have been used reduce borrowing (not applicable in FY23) or lease payments.**

The Advisory Committee approves this article.

Purchase New 6-Wheel Dump Truck for DPW (Article 10): This monetary article transfers \$100,000 from free cash to provide funding to purchase a six-wheel dump truck for use by the DPW. The estimated cost is \$100,000, as the full cost would be offset by the trade of an older model dump truck. **This article**

does not increase your real estate taxes except in that free cash could have been used reduce borrowing (not applicable in FY23) or lease payments.

The Advisory Committee approves this article. This item was on the 5-year capital plan.

Replacement of Locks at Thomas Prince School (Article 11): This monetary article transfers \$60,000 from free cash to provide funding to replace all of the door locks at TPS. This is considered to be an important step to take for student and teacher safety in the case of an emergency and is part of the ALICE program. **This article does not increase your real estate taxes except in that free cash could have been used reduce borrowing (not applicable in FY23) or lease payments.**

The Advisory Committee approves this article.

Leasing Replacement Fire Engine (used) and new Police Cruiser (Article 16): This monetary article authorizes the Town to lease these two new vehicles. The truck replaces Engine 5 which has reached its end-of-life date and will be leased over seven years. The police cruiser will be leased over three years. At the end of the lease periods, the Town will own the vehicles. Note that \$87,500 of ARPA funds were used as a refundable deposit on the fire engine. Since there is no payment due for a year, there is no FY23 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.

Evaluate Police Department Operations (Article 8): Approval of this article will provide funding (from Free Cash) to have an outside law enforcement auditor evaluate the operations of the Princeton Police Department in comparison to industry standards. The estimated cost is \$15,000. **This article does not increase your real estate taxes *this year*.**

The Advisory Committee approves this article with the suggestion that the study begin before the police chief search.

Recruitment of a new Police Chief (Article 9): Approval of this article will provide funding (from Free Cash) to have an outside law enforcement entity aide the town in the recruitment and hiring of a new Police Chief. Chief Powers in set to retire in December 2022. The estimated cost is \$15,000. **This article does not increase your real estate taxes *this year*.**

The Advisory Committee approves this article with the suggestion that the Police Department Operations Study (see previous article) begin before the police chief search.

Infrastructure Stabilization Account (Article 13): Approval of this funding will transfer \$100,000 from Free Cash to the Infrastructure Stabilization Account. This is a savings account to help pay for future infrastructure needs such as a new public safety building. Use of these funds require a 2/3 majority vote. This is good financial management. **This article does not increase your real estate taxes *this year*.**

The Advisory Committee approves this article.

Energy Contingency/Fuel Stability Account (Article 14): Approval of this article will provide \$25,000 for emergency energy costs such as oil, diesel, gasoline, propane, and electricity. These funds will be used only if needed and approved by the Selectboard. This will be funded from Free Cash. **This article does not increase your real estate taxes *this year*.**

The Advisory Committee approves this article.

The remaining articles 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.

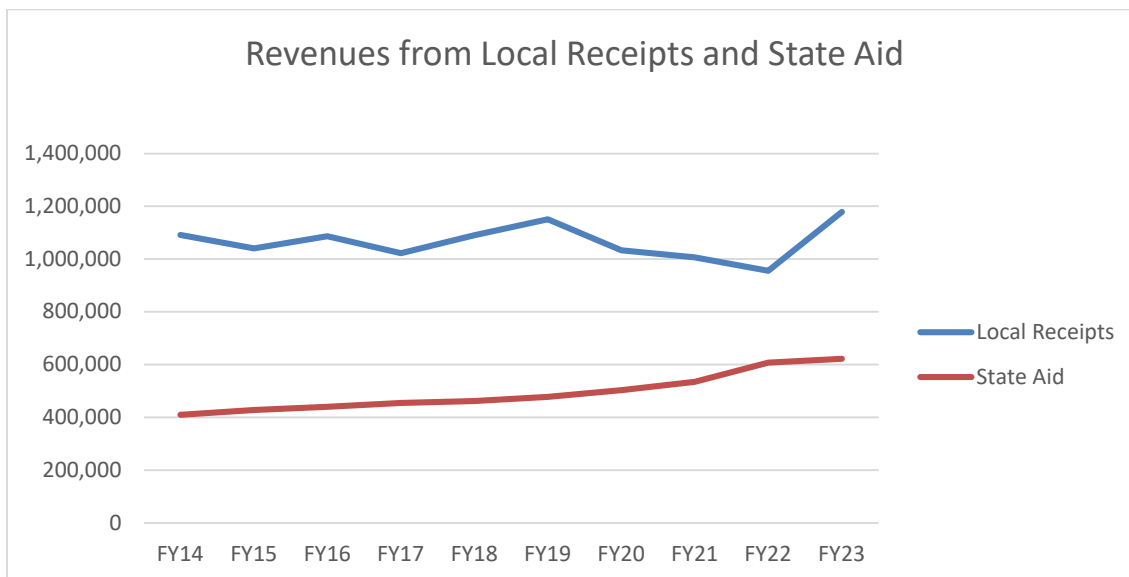
Revenue

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 FY21 actuals, FY22 projections, and current conditions.

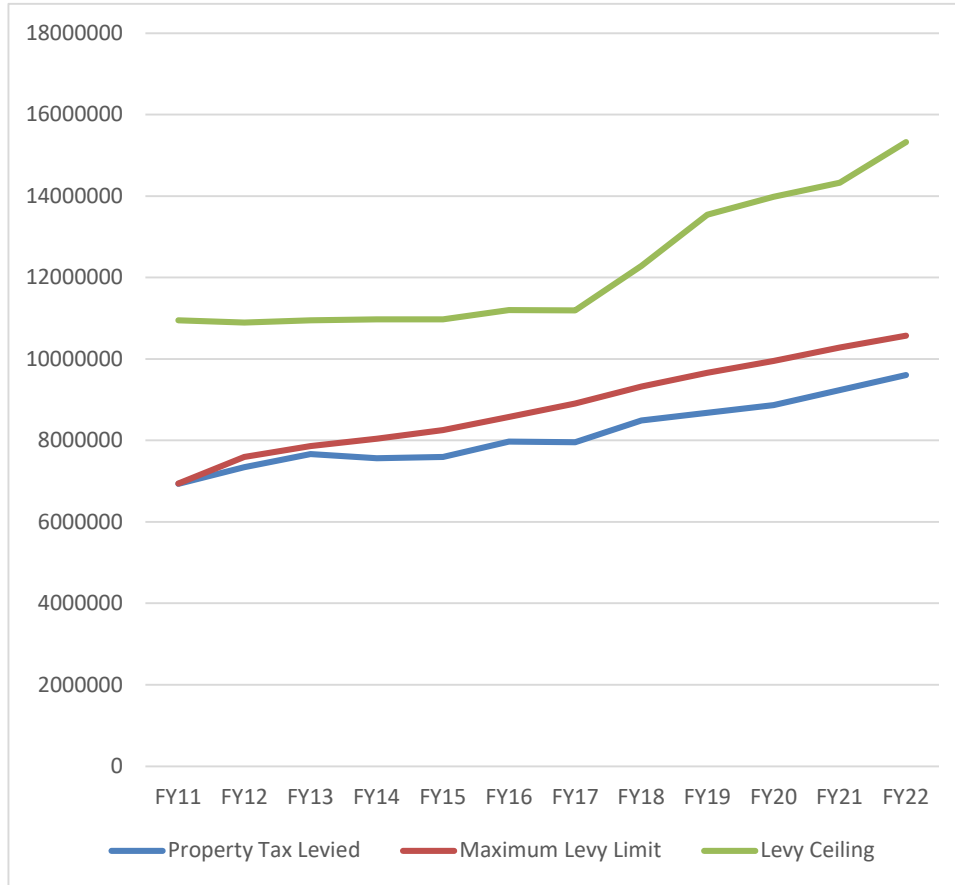
The source for all the Levy, Property Tax, and Population Data information is the Division of Local Services website: <http://www.mass.gov/dor/local-officials/>.

The following graph shows Local Receipts and State Aid. Note that FY22 numbers are projected and FY23 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 two 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.

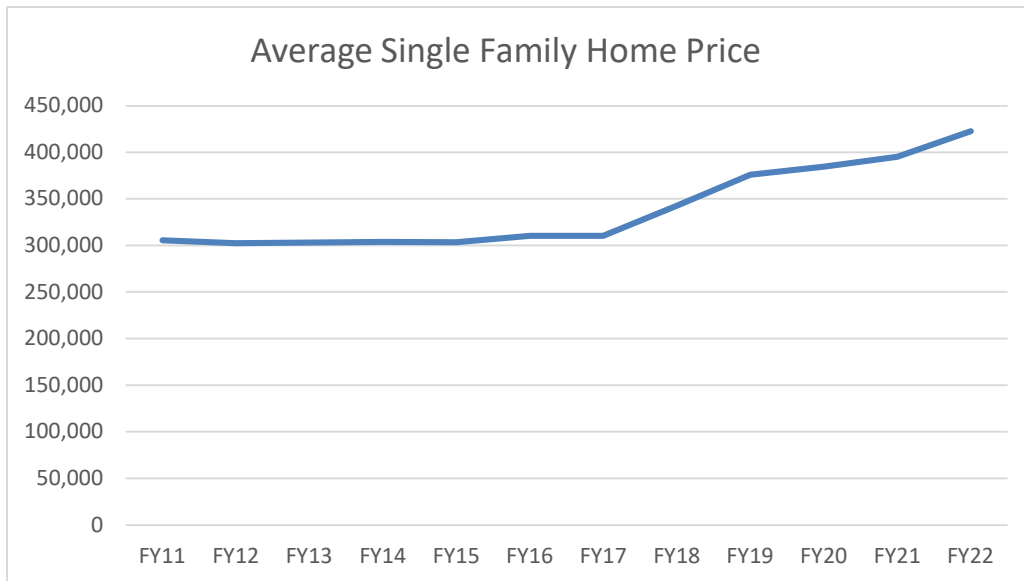


The current (FY22) tax rate is **\$15.68** per \$1,000 of valuation. This is based upon the valuation of all property in Town for FY22 of \$613,031,759. Both the valuations and the tax rate will change in the fall for FY23. The valuations are completed sometime in November, and the tax rate is set at 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 \$0.16 per \$1,000 of assessed value.

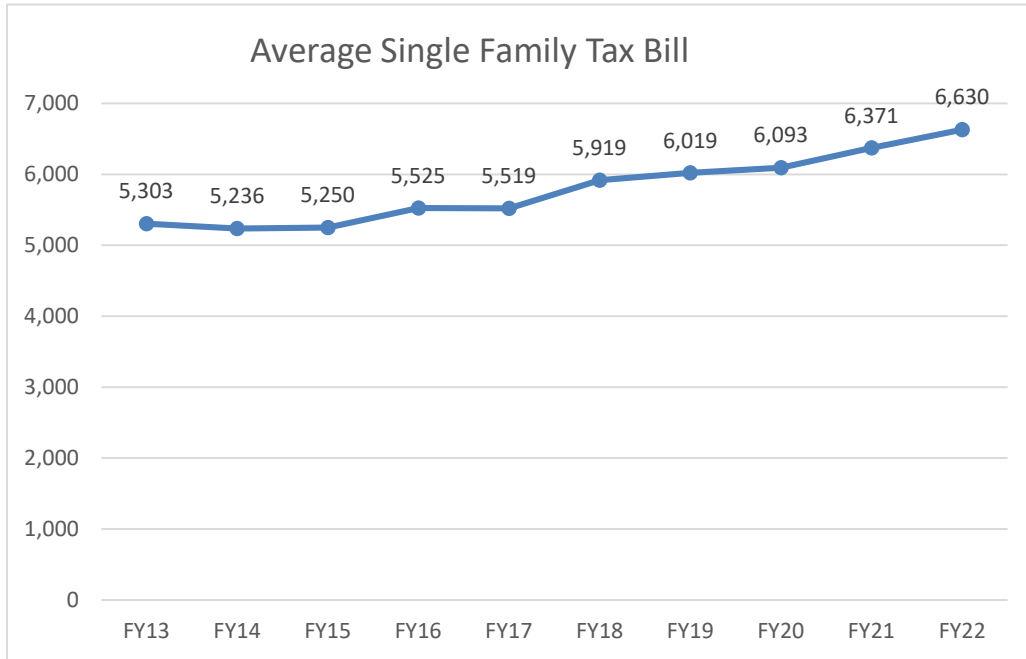
Found below are the average (mean, not median) “Single-Family Home” tax bills and the percentage of home value these tax bills represent. Note the Average Home Value is calculated by taking the total assessed value for all single-family homes and dividing it by the number of single-family homes. In FY22, the mean single-family value in Princeton was \$422,841. 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 (2020)	Average Single-Family Value (FY22)	Residential (and commercial and industrial) Tax Rate	Average Single-Family Tax Bill	% of Tax Levy that is Residential
Holden	19,905	385,361	16.56	6,382	94.69
Hubbardston	4,328	315,258	14.00	4,414	93.91
Paxton	5,004	367,171	18.98	6,969	95.69
Princeton	3,495	422,841	15.68	6,630	96.09
Rutland	9,049	349,540	15.79	5,519	94.34
Sterling	7,985	410,430	15.25	6,259	87.79
Westminster	8,213	341,704	15.80	5,399	87.60

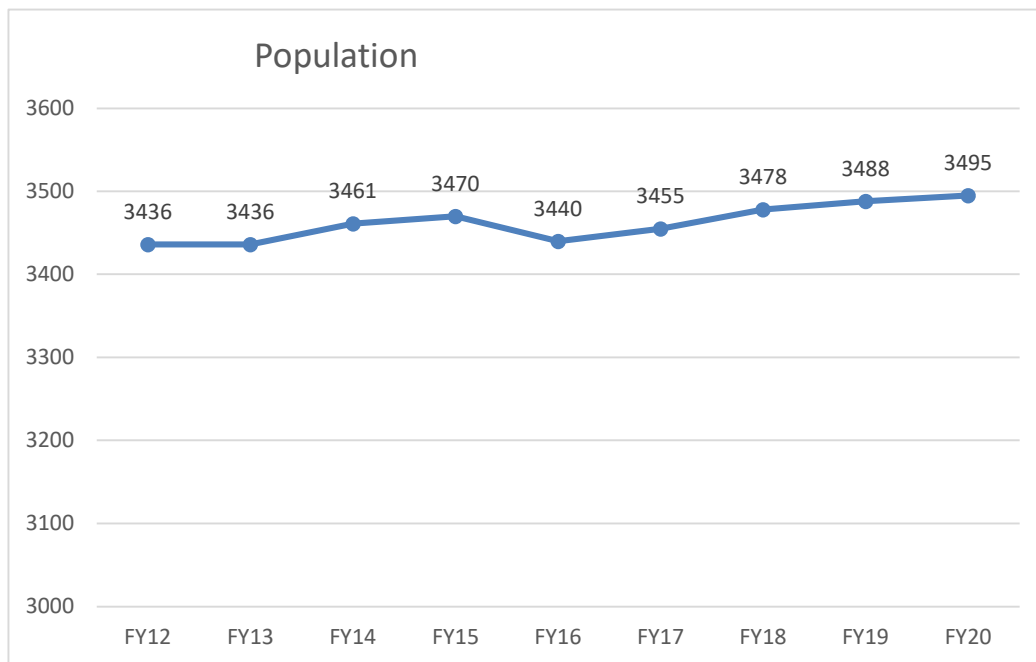
The following chart illustrates the average single-family home values in the Town of Princeton over the past ten years. Home values remained relatively stable between FY12 and FY17. There has been a 36% increase since then (7% since FY21).



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 \$1,327 more than it was in FY13 or approximately 25% higher (2.5% when adjusted for inflation). This is a 2.5% increase compounded annually.



The Population Chart below illustrates the population growth from FY12 to FY20. The population in FY12 was 3,436 compared to 3,470 in FY15 (an increase of 34). After falling in FY16, growth averaged 0.4% for the next four 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 Town Administrator, Selectboard, and Advisory Committee met with department heads starting in approximately November to discuss their capital needs for FY23-FY27. Much work was done to ensure the cost estimates and timeframes were accurate.

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.

In accordance with the newly adopted Financial Policy, please note that smaller items that might have been considered capital in the past were included in the operating budget this year and last.

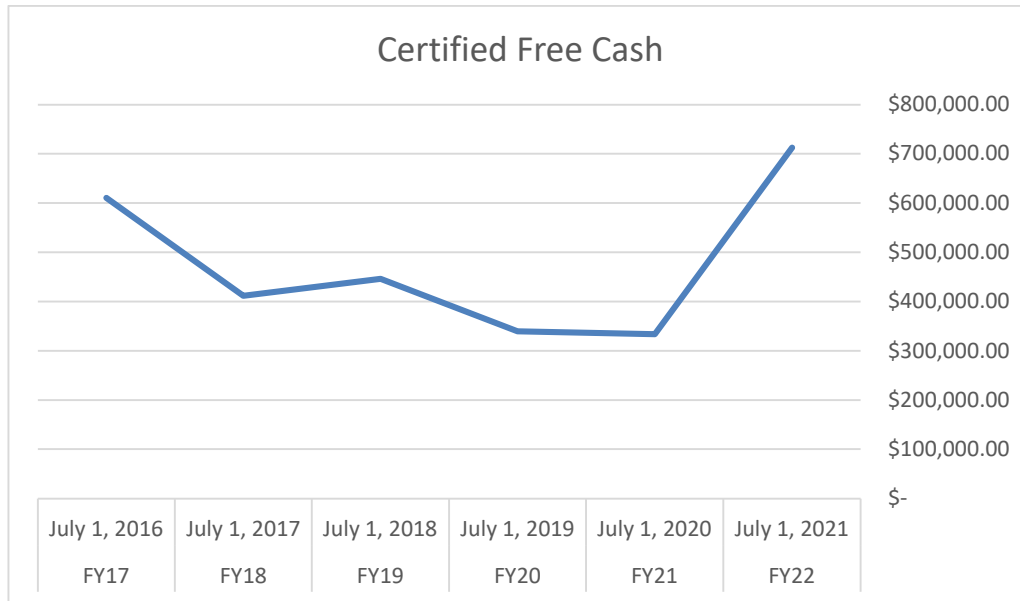
The next step in capital planning is to discuss how an item should be funded. Is it a vehicle or piece of equipment that should be leased? Is it a longer-lived item that really should be financed over a longer period through borrowing?

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 FY22 was \$712,647 dollars. This is up significantly from \$334,243 last year. Going in to ATM, free cash is at \$527,647 since taxpayers allocated \$185,000 for POETs at a Special Town Meeting in the fall. 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. FY22 certified free cash is based on FY21 actuals and can be spent during FY23. FY23 General Fund revenues are projected to be \$12,055,608.35. Our certified free cash percentage is 5.9%.



Stabilization Fund Summary

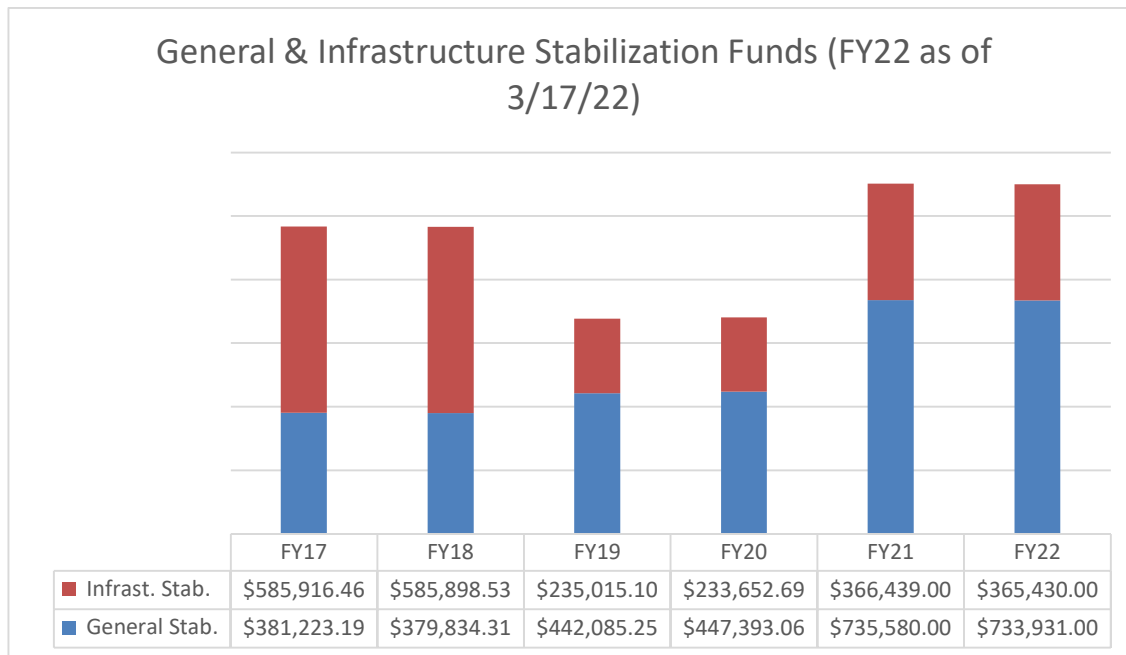
Part of the CIP is funded from Stabilization Funds. Maintaining adequate stabilization fund levels is important to the financial stability of the Town. The Financial Policy defines minimum levels for each stabilization fund. As the five-year CIP is revised and funding sources are identified, the stabilization 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 FY15 to FY22 (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. It is possible that voters may be asked at a future STM to approve the transfer of some amount from the General Stabilization or Infrastructure Stabilization funds to help pay for the New Public Safety Building design and construction documents.

	General Stabilization	Infrastructure Stabilization
Fund Balance if all articles pass – note funds not used at this year's ATM	\$733,931	\$465,430
FY23 Projected General Fund operating revenue	12,055,608	12,055,608
Financial Policy Goal	5% of operating revenue	3.5% of operating revenue
Financial Policy Targeted Fund Minimum Balance	\$602,780	\$421,946
% of Operating Revenue	6.0%	3.9%



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 that last year, the only warrant article dealing with new borrowing was for the library clock tower repair.

This year, there is no additional borrowing.

The following tables shows the five-year debt service and lease payment projections: (updated as of 4/7/22).

Debt Summary - 5 year projection (updated 4/7/22)
Existing Debt (long-term borrowing done) and Lease Payments

Existing Debt	Start Date	End Date	Original	FY 23	FY 24	FY 25	FY 26	FY 27
			Principal					
PFAS Remediation	6/18/21		1,000,000					
Principal								
Interest				11,500				
Total				11,500	-	-	-	-
Broadband Make Ready	3/17/17	3/15/27	1,000,000					
Principal				100,000	100,000	100,000	100,000	100,000
Interest				15,300	12,300	9,300	6,300	3,200
Total				115,300	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	205,000	195,000	190,000
Interest				56,700	49,525	43,375	38,350	34,500
Total				261,700	254,525	248,375	233,350	224,500
Fire Trucks	12/7/18	12/1/22	480,000					
Principal				120,000				
Interest				2,100				
Total				122,100		-	-	-
Green Repair at TPS	10/28/14	10/15/24	1,105,000					
Principal				110,000	110,000	110,000		
Interest				5,500	3,300	1,100		
Total				115,500	113,300	111,100		-
Other								

Principal				25,000	25,000	25,000	25,000	25,000
Interest								
Total				25,000	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				(18,874)	(16,599)	(14,649)	(13,024)	(11,724)
Total				(83,874)	(81,599)	(79,649)	(78,024)	(76,724)
Clock Tower	4/15/22	4/15/23	388,000					
Principal				3,880				
Interest				3,880				
Total				3,880				
Leases								
Police Cruiser				15,303	15,303	15,303		
Highway Front-end Loader				25,644	25,644	25,644	25,644	
Total				40,947	40,947	40,947	25,644	
Total Town Only								
Principal				495,000	375,000	375,000	255,000	250,000
Interest				76,106	48,526	39,126	31,626	25,976
Leases				40,947	40,947	40,947	25,644	25,644
Total				612,053	464,473	455,073	312,270	301,620

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.

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

			Original					
Proposed Debt	Start Date	End Date	Principal	FY 23	FY 24	FY 25	FY 26	FY 27
Public Safety Facility	1/1/25	7/1/57	11,000,000					
P&I Payment @	3.50%					137,500	206,250	598,085
PFAS Phase I Permanent & Clock	7/1/23	7/1/33	1,388,000					
P&I Payment	3.50%				24,290	166,895	166,894	166,895
Total Proposed P&I					24,290	304,395	373,145	764,980

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. 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 FY25. The amounts for FY25 and FY26 are interest payments on the BAN. In FY27, we have gone for long-term borrowing at 3.5% for 30 years. The debt service amount climbs in FY27 when we begin to pay off both principal and interest. The debt service would remain at the FY27 level for the life of the borrowing. The \$11m loan principal is just an assumption and does not come from the public safety building committee. This item does not affect this year's budget.

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

			Original					
Proposed Leased Equipment	Start Date	End Date	Principal	FY 23	FY 24	FY 25	FY 26	FY 27
Fire Truck	FY 23	FY 29	262,500					
7 Years @ 3.08%					43,235	43,235	43,235	43,235
Chief Vehicle	FY 23	FY 27	49,153.28					
5 Years @ 3.19%				10,791	10,791	10,791	10,791	10,791
Police Cruiser 2015	FY 23	FY 25	62,705.29					
3 years @3.09%				22,207	22,207	22,207		
Police Cruiser 2014	FY 24	FY 26	66,970.00					
3 Years @ 3.09%					23,581	23,581	23,581	
Total				32,998	99,813	99,813	77,607	54,026

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 2023	FY 2024	FY 2025	FY 2026	FY 2027
Total existing, proposed & leased				645,051	588,576	859,281	763,022	1,120,626
Total Existing, Proposed and								
Leased, LESS: Highway Roadwork				645,051	588,576	859,281	763,022	1,120,626

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 FY23, our debt ratio is (608,173 + 134,575 of WRSD debt) / 11,638,313 = 6.4%. 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 4/7/22)

The goal of the Town of Princeton's financial forecast is to conservatively project revenues and expenditures five years into the future (FY2023-FY2027). 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 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.

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 FY2023-FY2027 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.

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. Year-over-year increases in FY15 thru FY21 were:

FY15: 4.1%

FY16: 2.8%

FY17: 3.0%

FY18: 2.1%

FY19: 3.2%

FY20: 5.1%

FY21: 1.3%

Note that the FY22 estimate is up 12.7%.

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. Year over year increases in FY15-FY21 were:

FY15: (4.7%)

FY16: 4.4%

FY17: (5.8%)

FY18: 6.5%

FY19: 5.6%

FY20: (6.8%)

FY21: 4.5%

RED CARDINAL

We make the assumption that we will begin receiving excise taxes from Red Cardinal's cannabis sales beginning in FY24. We use the number presented in their proposal to the Town and grow it by 2% per year. Note that we also receive 2-3% of their revenue as a community impact fee but since that fee is designed to offset expenses to the Town, we don't include it in the forecast.

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.

	FY23 Proj	FY24 Proj	FY25 Proj	FY26 Proj	FY27 Proj
Receipts Excluding R/E Tax					
Excise, PILOT, Misc.	1,072,000	1,072,000	1,072,000	1,072,000	1,072,000
State Aid	591,433	609,176	627,451	646,275	665,663
Red Cardinal		150,000	153,000	156,060	159,181
Total Receipts Excluding R/E Tax	1,663,433	1,831,176	1,852,451	1,874,335	1,896,844
Cumulative Increase					15.2%
Amount to Raise Through R/E Tax	\$10,078,216	\$10,636,067	\$10,985,041	\$11,651,994	\$11,941,728
Cumulative Increase					25.1%
Real Property					
Residential Value	600,826,913	612,843,451	625,100,320	637,602,327	650,354,373
Commercial Value	8,045,718	8,206,633	8,370,765	8,538,180	8,708,944
Industrial Value	1,938,612	1,977,384	2,016,932	2,057,271	2,098,416
New Residential Growth	4,488,000	9,155,520	14,007,946	19,050,806	24,289,778
New Commercial Growth					
Personal Property	14,481,151	14,770,774	15,066,190	15,367,513	15,674,864
Total Real Property	\$629,780,394	\$646,953,762	\$664,562,153	\$682,616,097	\$701,126,375
Cumulative Increase					14.4%

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; Animal, Tree & Emergency; Schools; Public Works; COA & Veterans; Library, Parks, etc.

For projection purposes, the impact of the three-year Police Union contract signed in 2020 has been factored into the Police forecast of 3.5% annual growth. The contract expires at the end of FY23 but it is the best information we have 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, seven 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.

Schools have historically grown at a higher rate than most other parts of the budget. Between FY16 and FY21, 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 2% per year. For the past three budget cycles, guidance to the departments has been to level fund unless they can make a good case for an increase. Wage increases have made this difficult but departmental growth has slowed.

DEBT SERVICE

Debt Service is projected based on existing obligations, the new public safety building, the library clock tower, a replacement fire truck, a replacement ambulance, and a placeholder of \$25,000 new debt service per year.

RETIREMENT, BENEFITS & PAYROLL TAXES

The forecast assumes these will grow at 2% per year.

	FY23	FY24	FY25	FY26	FY27
Disbursements	<i>Budgeted</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
General Government	\$848,213	\$873,659	\$899,869	\$926,865	\$954,671
Police Department	965,254	1,140,689	1,170,781	1,211,758	1,254,169
Fire Department & Amb Readiness Wages	281,846	287,483	293,233	299,097	305,079
Animal, Tree & Emergency	34,225	34,910	35,608	36,320	37,046
Schools	5,876,301	6,087,848	6,307,010	6,534,063	6,769,289
WRSD New Growth Assessment		0	0	0	0
Public Works (DPW)	1,644,776	1,951,619	2,010,168	2,070,473	2,132,587
Human Services (COA & Veterans)	147,160	150,103	153,105	156,167	159,291
Culture & Rec (Library, Parks, etc.)	233,979	238,659	243,432	248,300	253,266
Debt Service (schedule)	608,173	645,051	635,348	921,678	817,918
<i>Debt Service %</i>	<i>5.2%</i>	<i>5.2%</i>	<i>4.9%</i>	<i>6.8%</i>	<i>5.9%</i>
Intergovernmental					

Misc: Retirement, Benefits & Payroll Taxes	<u>911,312</u>	<u>938,651</u>	<u>966,811</u>	<u>995,815</u>	<u>1,025,690</u>
Total Disbursements	<u>\$11,551,239</u>	<u>\$12,348,672</u>	<u>\$12,715,364</u>	<u>\$13,400,537</u>	<u>\$13,709,007</u>
Annual Increase	3.2%	6.9%	3.0%	5.4%	2.3%
Cumulative Increase					22.5%

Tax Impact

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

	FY 23	FY 24	FY 25	FY 26	FY 27
	<i>Budgeted</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
Tax Rate	\$15.40	\$16.14	\$16.35	\$16.89	\$16.85
Example Home Value	408,000	416,160	424,483	432,973	441,632
Tax on example home	<u>\$6,284</u>	<u>\$6,717</u>	<u>\$6,939</u>	<u>\$7,311</u>	<u>\$7,440</u>
Annual Tax Increase	.2%	6.9%	3.3%	5.4%	1.8%
Cumulative R/E Tax Increase	-	-	-	-	<u>19.4%</u>
Levy Ceiling Total Valuation (2.5%)	\$16,173,844	\$16,614,054	\$17,065,402	\$17,528,150	
Levy Limit Annual Growth	10,646,252	11,141,296	11,770,027	12,540,548	13,461,306
Excess Levy Capacity	<u>\$946,246</u>	<u>\$698,801</u>	<u>\$901,115</u>	<u>\$1,014,347</u>	<u>\$1,649,144</u>

Forecast Summary and Discussion

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

FY23: 0.2%

FY24: 6.9%

FY25: 3.3%

FY26: 5.4%

FY27: 1.8%

There are also impacts on the Town. Our excess levy capacity (a measure of the Town's ability to raise taxes) grows from \$946k in FY23 to \$1.6m in FY27. 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 Holden, Hubbardston, Paxton, and Rutland have almost no excess levy capacity as of FY21 and may be facing override votes. Sterling is at 7.25% as a percent of maximum levy capacity, Princeton is at 9.1%, and Westminster is at 12.62%.

Another measure that is important to look at is the Debt Service Percentage. In this forecast, it rises from 5.3% in FY23 to a peak of 6.9% in FY26 and then lowering to 6.0% in FY27. 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.

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.