

Town of Rehoboth
Finance Committee
Michael P. Deignan, Chairman
148 Peck Street
Rehoboth, MA 02769

Ms. Christine Lynch
Ms. Michelle Griffin
Massachusetts Department of Elementary and Secondary Education
75 Pleasant Street
Malden, MA 02148

November 15, 2019

Dear Ms. Lynch and Ms. Griffin:

I am in possession of a letter dated November 4th of this year addressed to the Chairman Gerald Schwall of the Town of Rehoboth's (hereinafter referred to as "the Town") Board of Selectmen ("the BOS") pertaining to fiscal oversight of the Dighton-Rehoboth Regional School District ("the District") pursuant to MGL c. 71 § 16B.

This letter was forwarded to me by Chairman Schwall as I am the Chairman of the Rehoboth Finance Committee ("FINCOM"), having served on the FINCOM since 2009 and as Chairman since 2012. Chairman Schwall has asked I provide the Department of Elementary and Secondary Education ("DESE") with financial and other background information and commentary you will find pertinent to setting the District's budget for Fiscal Year 2020 ("FY20").

DESE's communication calls for "information you believe in relevant to the Commissioner's determination on the final budget for the year". Consequently, contained herein are my comments on behalf of the FINCOM, broken into several sections, for your consideration when analyzing the District's requested budget and the Town's voted appropriation:

- First, I will analyze the increase in the District's assessment to the Town over the past six years compared to the Town's local government budget increases, and the revenue realized by the Town during that time;

- Second, I will provide background on the Town’s financial situation for FY20 showing our expected revenue broken down by its source and the growth in revenue over FY19;
- Third, I provide a summary of the deliberations of the FINCOM regarding the District’s assessment and how the FINCOM arrived at its decision to recommend funding for the assessment for our May 2019 Annual Town Meeting (“ATM”);
- Fourth, I will provide a summary of the ATM, and two subsequent Special Town Meetings (“STM”) the Town has held to deal with voting an appropriation for the District’s assessment;
- I will conclude this document with a brief synopsis and commentary on why I feel DESE should agree with the Town’s position and set a District budget which will result in an assessment to the Town equal to our voted appropriation at the May ATM as recommended by unanimous vote of the FINCOM, said appropriation being approved again at a STM held on July 16, 2019.

Tables, charts, and other exhibits I refer to are located at the end of this narrative. I have also added a table of contents and quick links for ease of navigating through the content of this letter. Documents and information from other sources, are appropriately footnoted, as necessary.

Before I begin, I need to provide some background to those reviewing this correspondence as it related to how the District’s budget is presented to the Town and FINCOM.

The Town historically does not vote to approve or reject the *budget* of the District. Rather, the Town endeavors to fund the budget proposed by the District to the extent that is able, while taking into consideration other budgetary considerations and the levy limit imposed under Proposition 2 ½, so called.

In recent years the FINCOM, to be transparent to the citizens who attend ATM, provides a copy of the limited assessment data from the District Treasurer in the warrant, referencing the total District budget dollar amount in background commentary text for the appropriation article. However, the actual motion made and vote taken at ATM is not to approve or disapprove the District’s budget or any line item thereof, but to approve an appropriation to fund, to the extent feasible, District expenses as reflected in the District assessment to the Town, while taking into consideration the Town’s other expenses, all in accordance with MGL Chapter 71, Section 16B paragraph 10. The motion before Town Meeting may not *match up* with the District’s proposed assessment but is certainly developed with respect thereto.

While the District provides a document summarizing its proposed budget and revenue sources, along with a breakdown of the assessments to each member community, it does not typically provide, in detail, as required under MGL Chapter 16 (k), "...a statement showing the method by which the annual charges assessed against each town were computed..." The FINCOM is appreciative of the efforts of the District but is often *hamstrung* by a lack of information underlying the District's assessment. Without more insight to the process employed by the District in preparing their budget, the FINCOM's job in seeking economy can be hampered.

Furthermore, the FINCOM must prepare its recommendation to Town Meeting without full insight as to the assessment that may be provided to Dighton. Hence, for the purposes of this document, I am going to deal principally with the Town's assessment, and not the District's overall budget, as this is how we vote at our ATM.

Finally, much of this document and the supporting graphs are going to reference a number different from the current assessment in your possession from the District.

The original assessment of \$19,779,701 (voted by the District in late March 2019) was in effect at the time the ATM warrant was printed (mid-April). This figure was later amended down to \$19,529,656 by the District prior to ATM but after the warrant was printed and mailed to residents. This latter number is the main value used in much of my analysis, as it was the assessment figure in effect when our ATM and STM were held in late May and mid-July.

As you are likely aware, the assessment was modified again, to its current value of \$19,361,791, on September 3rd, 2019. The difference, \$167,865 (from \$19.52m to \$19.36m), would not have changed the FINCOM analysis in any meaningful way, for reasons which will become clear to the reader later in this document.

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1. District assessment vs. Town government budget and revenue increases

Over the past decade, increases in the District's assessment to the Town have outpaced the Town's ability to raise additional revenue without having an impact on Town services or necessitating a tax increase on the residents. This has led to a contentious relationship between the member communities and an emotionally-charged atmosphere between Town and District officials and residents.

[Table 1](#) shows the growth in the Town budget, the assessment from the District, and the increase in Town revenue for the 10-year time period starting in 2010. This data is derived from ATM warrants available on the Town's web site¹.

In FY10, the District assessment to the Town was \$11,928,113. By FY19, this amount had grown to \$17,958,791, a \$6,030,678, or 50.56% increase in a 10-year timespan, for an annual average increase of 4.71%.

According to CPI inflation data² from the US Department of Labor, from the period of 2010 through 2019, the rate of inflation was 17.7%. In principle, level funding services during that same time period should be possible with only an 18 cent on the dollar increase. However, this is not entirely realistic with the fixed-cost increases government entities – both the Town and the District – have seen in areas such as energy, health insurance, and pension assessments.

During this 10-year time period, Town revenue has only grown an average of 4.25%, from \$19,446,781 in FY10, to \$28,222,706 in FY19 – a 45.13% increase overall during the 10-year timespan.

The important numbers to focus on are the average increases to the District assessment and the average increase to the Town's revenue. The District's average annual increase during that 10-year period was \$670,075, while Town revenue only increased an average of \$665,993 during the same period. In other words, the District's assessment has outpaced revenues, which would require significant cuts to the Town's general budget if it was to fully fund the District's assessments. Furthermore, this analysis does not even take into consideration the

¹<https://www.town.rehoboth.ma.us/town-administrator-board-selectmen/pages/town-meeting-warrants>

²https://www.bls.gov/data/inflation_calculator.htm

increased population and corresponding need for more services during this time period.

Another important piece of information not captured in the data from the District's assessment is the transfer of out-of-district vocational technical ("VocTech") expenses under the umbrella of Town government rather than being part of the District assessment.

Prior to FY14, VocTech expenses were paid by the District. After FY13, this spending was segregated to a separate article in the Town warrant and were no longer paid by the District, as the District indicated it was not legally responsible for these expenses and had made a "mistake" by paying for them as long as it had.

This has the effect of making it appear the District's assessment increased less than it actually did, as illustrated in [Table 1](#), where in FY14 the District's assessment increased on paper a mere 0.18%, when in fact the District's expenses also dropped by \$214,880 that year (from Rehoboth's side plus whatever tuition was transferred into the Dighton Town budget), as the District was no longer paying the Towns' VocTech expenses.

The FINCOM is not involved in any manner with the production of the District budget, nor do we perform any financial review on the data and assumptions used to craft the District's numbers. Nor has the FINCOM been invited to participate. What little input we have provided (e.g. expected revenue growth available to the Town in the next fiscal year), has been routinely ignored by the District (as is evidenced by the necessity to use cash reserves to balance the District's assessment request due to a lack of recurring revenue to fund it.)

The regional agreement calls for the existence of an "Advisory Finance Committee"³, the purpose of which is to "review and make recommendations on the tentative and final capital and operating budgets." While the regional agreement is unclear as to who chairs this committee, it has traditionally been the District Superintendent, who arranges for a joint meeting of the Towns' appointees.

Turning to the budget in question, for the FY20 budget, the Advisory Finance Committee met only once, on January 24th 2019, well before the Town had started its budget season and could not provide anything more

³[https://sc.drregional.org/UserFiles/Servers/Server_16565369/File/Regional%20Agreement/Agreement/D-R%20Regional%20Agreement%20\(amended%201987\).pdf](https://sc.drregional.org/UserFiles/Servers/Server_16565369/File/Regional%20Agreement/Agreement/D-R%20Regional%20Agreement%20(amended%201987).pdf) Page 12, Section 10.D

than extremely rough numbers for the upcoming fiscal years' revenue increases. This information was conveyed to the other members of this Advisory committee, yet, neither the School Committee nor the Superintendent scheduled further meetings of the Advisory Finance Committee this year.

What has the impact of the increases in the District budget and subsequent assessments to the Town been on the Town's budget? The answer is also shown in [Table 1](#).

During the last 10 years, the Town budget has increased a mere 29.18%, or an average 2.98% annually on an initial \$7.5m budget, against the 50.56% increase in the District's initial \$11.9m assessment. You will note in the "Year over Year +/- \$" column for the Town budget, several years have seen a decrease in the Town's budget over the previous fiscal year.

This occurs for two reasons: First, the Town uses a zero-based-budgeting approach to preparing its budget, opposed to the District's "traditional budgeting" approach where (based on public statements made at School Committee meetings) the District "takes 8-9% over the current year and works down from there". This means there may in fact be years where (due to decreased fixed costs, other cost savings, etc.) there could be a real decrease in the amount of money needed to fund the Town's governmental operations.

Second (and more accurately in the Town's case), in several years, the Town has been forced to fund increases in the District assessment by reducing the Town budget. For FY15 for example, the District's assessment increase of \$1.68 million dollars required the Town to make cuts in its year-over-year budget of \$278,000 and use a substantial amount of cash reserves to bridge the shortfall in revenue when a Proposition 2 ½ operational override failed to fund the Town's budget, once the District assessment had been approved at the ATM.

Why has the District assessment grown at a rate of almost double that of the Town budget? The answer lies in [Table 2](#), which shows a breakdown of the District's assessment since 2010.

Starting in FY15, the District used the change in the assessment methodology to mask a considerable year-over-year increase in its operating budget, which has resulted in a substantial above minimum required contribution liability in the Town's assessment. When questioned about the increase, it was attributed to the "requirement" the statutory method be used to compute an assessment, even though the alternative

method, as enshrined in the Regional Agreement was still available to the District.

That “above minimum required contribution” amount has grown by nearly 100% – to \$3.2 million – in the brief 5-year period to FY19. This does not include the figures for FY20, which I will discuss in a later section of this document.

The annual increases in the above minimum required contribution alone in many cases, and certainly increases in the District assessment as a whole, come close to or routinely exceed the Town’s annual 2.5% property tax levy increase allowable under Massachusetts General Law. For example, the above minimum required contribution from FY18 to FY19 was \$637,095, while in that same year, the Town only generated \$535,000 from its tax levy increase. Such increases are simply not financially sustainable, and these increases forced the Town to use free cash, a non-recurring revenue source, to fund the District’s assessment. Free cash’s exhaustion in FY19 was the direct cause of the requirement of the Town to pass a Proposition 2 ½ override to fund the District assessment that fiscal year. Nevertheless, the Town passed such override so as to fund the District’s continued operations.

Indeed, unchecked increases in the District assessment have forced the Town to use its cash reserves to meet the budget demands of the District for over a half-decade, starting in FY15. This practice of using non-recurring revenue to fund operations is unquestionably contrary to prudent financial principles. Guidelines promulgated by the Massachusetts Department of Revenue (“DOR”) state one-time revenue sources, which cash reserves such as stabilization and free cash are designated as, should only be used for one-time expenses, such as capital purchases, and not used to fund on-going business operations.⁴

[Table 3](#) contains a summary of the Towns’ cash reserves since FY15 used to fund the District’s assessment. This amount has ranged from \$390,000 to a massive \$922,000 in FY18.

Using these cash reserves creates a dangerous situation where future years’ budgets (and consequently personnel and programs) are precariously dependent on the presence of those reserves.

This is exactly what happened in FY19, when the District assessment of FY18 had been funded using a one-time revenue source of \$922k from

⁴<https://www.mass.gov/files/documents/2017/09/09/freecash.pdf>, paragraph 4

free cash. In FY19 that \$922k in free cash was non-existent, creating an immediate “deficit” the Town needed to overcome in FY19 even if it had chosen to “level fund” the District assessment. Of course, the District’s assessment did increase, by \$1.3 million, creating the necessity of passing a \$2.1 million override to fund the District’s assessment – the FY19 increase of \$1.3 million plus another \$922k to make up for the shortfall created by using a one-time revenue source the prior year.

The District proposed to continue this irrational, reckless spending practice in FY20 by motioning at the ATM to fund their annual increase partially out of the Town’s stabilization funds. Fortunately, cooler heads prevailed and the Town’s residents firmly defeated this fiscally irresponsible effort.

Unless controls are brought into place to constrain the growth in the District’s assessment to the Town, one or a combination of three different scenarios will occur within the Town:

- a. The Town will be compelled to continue to reduce funding to Town services and use the funds freed up from reducing those services to fund the District’s budget, thus reducing already sparse Town services further to Town residents;
- b. The Town will be forced to pass additional Proposition 2 ½ overrides to fund the increases in the District assessment, resulting in higher property taxes for the residents;
- c. The Town will be required to draw down further on its cash reserves, ultimately resulting in their depletion, which will only serve to add to its perilous financial standing, reduce its bond rating, and have adverse consequences on the public infrastructure as funding for capital projects and equipment replacement will not be present.

None of these scenarios bodes well for the Town and all will have detrimental effects on the student population within the school system, as the District relies on those same Town services and infrastructure provided to the Town residents.

A strong financial base is the foundation on which any Regional School System is built, with a budget built on sound financial principles and policies using recurring revenue sources for long-term sustainability. Once this foundation is established, the programs necessary for student

academic achievement can be established with full knowledge the funding is there to make the programs and students successful.

For this reason, it is incumbent upon DESE to perform a comprehensive review of the District's budget – not rely solely upon information submitted by the District – to set a budget for FY20. DESE should review the District's financial policies and practices, as well as its accounting practices for the past several years.

As an example, in FY19 the District used a substantial amount – well outside of historic norms – from their Excess and Deficiency (E&D) account to reduce the assessments to the member communities⁵. Given E&D is likewise classified as cash-reserves and considered a one-time revenue source, why the sudden departure from past practice, knowing, similar to the problem the Town created with the usage of \$922k in FY18, the use of \$1.25m from E&D would create a systemic revenue deficit the District must add into their assessments in FY20?

It is also incumbent upon DESE to review the process by which the District is performing its calculation of the assessments to the member communities, to determine if the assessments are calculated correctly in accordance with Massachusetts General Laws and the District's regional agreement. How could the assessment methodology change in FY15 yield such an immense above minimum required contribution for the Town?

Lastly, given the charged political atmosphere in the District, should the Commissioner himself not wish to exercise his responsibilities directly under the terms of 603 CMR 41.07, then he should appoint an neutral third party, in accordance with 603 CMR 41.07 (6), who is independent and has no ties to either the Town of Dighton, the Town of Rehoboth, or the Regional School District to act on his behalf with regards to the oversight of the District.

2. Town of Rehoboth FY20 Revenue

Starting in January of each year, the financial professionals in the Town of Rehoboth begin the process of budgeting for the next fiscal year. These individuals include, but are not limited to, the Town Treasurer,

⁵[http://dightonrehobothsd.ss16.sharpschool.com/UserFiles/Servers/Server_16563706/File/Our%20District/Budget/Proposed%20FY20%20Budget%203-26_19%20pptx\(1\)%20\(1\).pdf](http://dightonrehobothsd.ss16.sharpschool.com/UserFiles/Servers/Server_16563706/File/Our%20District/Budget/Proposed%20FY20%20Budget%203-26_19%20pptx(1)%20(1).pdf), page 14

Accountant, members of the Board of Assessors, Finance Committee, BOS, and Town Administrator.

Data on our projected revenues are collected by the Town Accountant and presented to the FINCOM in an Excel "budget worksheet". Revenue is classified in broad categories in some instances (e.g. "local receipts" which include numerous sources of revenue, such as building permits, fees, etc.) while other sources of specific (e.g. "state aid" or "local taxes levy limit") revenue are segregated into a separate line.

Projected revenue is updated throughout the budget process as additional information becomes available up to and until the Town's annual budget is approved at Town Meeting in May. This way, the Town is always working with the best estimates possible, knowing in some instances we are projecting revenue which the Town will not begin to collect for a period of 9 or more months away. We use generally accepted accounting principles, guidelines published and suggested by the DOR, and sound financial industry policies and practices when budgeting our revenue estimates.

The revenue estimates used by the FINCOM to prepare the Town budget for the ensuing fiscal year are published in substantial line by line detail in the ATM warrant for all residents to view. Also shown for the residents' benefit are last years' figures for comparison purposes, as well as the dollar amount and percentage change year-over-year.

For FY20, the revenue estimates shown in [Table 4](#) were prepared by the Town's financial professionals and accepted by majority vote of the FINCOM at its April 4th, 2019 meeting⁶.

These estimates were published in the May 2019 ATM Warrant⁷. I will discuss these sources of revenue in greater detail as to their source and special circumstances and considerations we use when budgeting each.

a. Local Taxes Levy Limit

The Local Taxes Levy Limit originates from the DOR, which provides each town early in the calendar year with figures it should use when preparing its budget for the coming fiscal year. For budgeting

⁶<https://www.rehobothtv.org/ondemandPlayer?ShowID=3127>

⁷<https://www.town.rehoboth.ma.us/sites/rehobothma/files/uploads/5-13-2019-rehoboth-stm-atm-final.pdf>, Page 27

purposes, these are considered “hard numbers”, they are not subject to modification by the FINCOM when preparing the Town budget.

Under normal circumstances, the year-over-year increase in the local taxes levy limit is limited to the annual 2 ½ tax increase allowed by law and the actual (not estimated) new growth realized by the Town in the previous fiscal year.

From 2019 to 2020, however, we see a substantial increase in the levy limit. This is due to the passage of a Proposition 2 ½ operational override in FY19 (more on this in subsection F below). Factoring out that override, the Town saw a year-over-year increase of \$878k, which is in line with that we would normally expect to see from our annual 2.5% growth in the levy limit plus actual new growth.

b. Solar PILOTs

The Town has a number of PILOT (Payment in Lieu of Taxes) agreements with solar farm operators. The Board of Assessors tracks these projects and projects a revenue amount for the fiscal year based on the PILOTs in effect.

The Town has a special “Solar PILOTs” fund, established by an act of the General Court⁸, into which these funds are deposited each year. The use of these funds is limited to the terms under which the General Court established the fund: they can only be used for the purchase of land or repair of municipal buildings for general government use.

As such, these funds are unavailable, by act of the General Court, to appropriate toward either capital projects or the operating budget of the District, or to appropriate for the operating budget of the Town.

For transparency to the taxpayers, the FINCOM shows the amount in the ATM warrant, but does not consider it a revenue source for operating budgets. It is subtracted from the amount available for appropriation at the ATM (more on this in subsection M below).

c. New Growth

New growth is a figure computed by the Board of Assessors based on their experience with ongoing construction and improvement projects, as well as new businesses in Town.

⁸<https://malegislature.gov/Laws/SessionLaws/Acts/2014/Chapter314>

The major source of new growth in the Town is residential construction projects. The Town's tax base is 92% residential, 4% commercial, 3% personal property, and under 1% industrial⁹. There is very little new growth attributed to commercial development within the Town. As such, the Board of Assessors can project potential revenue by analyzing construction permits and the stage at which those projects are at.

However, due to the volatility of the construction industry based on local economic circumstances, the Board of Assessors takes a conservative approach to budgeting new growth annually, so as to not over-estimate this revenue source.

Based on historical trends, an analysis of local construction, and other factors, the Board of Assessors level-funded their revenue projections for new growth from FY19 to FY20 for the May 2019 ATM.

As the Board of Assessors are considered the "subject matter experts" on new growth, the FINCOM considers this figure a "hard number" which is not subject to modification in preparation of the Town's budget.

d. 2 ½ Tax Increase

The 2 ½ Tax Increase originates from the DOR along with the Local Taxes Levy Limit (subsection A) figure. It is the amount the Town is allowed to increase the levy limit by, under law, for the coming fiscal year without passing a Proposition 2 ½ override.

This number is computed as 2.5% of the prior years' actual (not budgetary) levy limit, so the year-over-year percentage increase fluctuates slightly based on the actual vs. budgetary amounts used to prepare the budget (i.e. actual vs. budgeted new growth, for example).

For FY20 we realized an unusual increase of 14% year-over-year in this category due to the passage of the Proposition 2 ½ override in FY19. Next year (assuming no additional overrides as passed in FY20) we would expect the year-over-year amount to return to approximately 2.5%.

⁹https://dls.gateway.dor.state.ma.us/DLSReports/DLSReportViewer.aspx?ReportName=At_A_Glance

For budgeting purposes, this is considered a “hard number”, and is not submit to modification by the FINCOM when preparing the town budget.

e. Debt Exclusions

The Town Treasurer maintains the debt schedules for all town-related debt. At the moment, the Town has no town government related debt. All debt exclusions currently on residents’ tax bills are related to District projects. They are shown in [Table 5](#).

For reference purposes, the High School Septic project is listed (highlighted in yellow), however, it should be noted this project was not funded via a debt exclusion but instead is funded within the Town’s normal levy limit. For computational purposes on the debt exclusion amounts, it is eliminated.

Total debt exclusions added to residents’ tax bills for FY20 increased by \$396,987, for a total of \$783,671, attributed to increase in the debt service for the roof and window projects passed in 2016 for Rehoboth’s K-8 buildings, and the high school roof project passed in 2018. Residents will see their property taxes increase in January 2021 as these debt exclusions are added into the tax bill computation process.

For budgeting purposes, this is considered a “hard number”, and is not submit to modification by the FINCOM when preparing the Town budget.

f. Proposition 2 ½ override

In 2018, the Town passed an operational override of \$2,115,992 to fund increases in the District budget. Exhibit A, attached at the end of this document, provides a copy of the certified town meeting vote supplied by the Town Clerk. As indicated in the vote certification, 100% of the revenue from the Proposition 2 ½ override was allocated to the District’s budget.

At the time, the District Superintendent stated passing the override “would ensure the security of staff and certain programs for years to come” and “Everything (will be) back to normal for a very, very long time.”¹⁰.

¹⁰<https://www.tauntongazette.com/news/20180613/hundreds-turn-out-to-support-override-amid-d-r-budget-crisis>, paragraphs 5 and 6.

The \$2.1m override represented a nearly 10% increase in the tax levy. Town residents saw a substantial increase in their annual tax bills, which not only included the amount of the override, but also school-related debt exclusion increases which were added to the tax bill that year.

When you couple the 10% increase with the manner in which tax bills are sent by municipalities (the first and second quarter bills are estimated based on the prior years' tax rate and the third and fourth quarters are "actual" bills) residents saw the average 10+% increase in their property tax spread over only two, rather than four, tax bills.

To make matters even more severe for some residents, those individuals with mortgages and escrow accounts saw a huge increase in their monthly escrow payment as mortgage companies had to compensate for shortages in escrow accounts. Many residents with an "average single family" home in Rehoboth valued under \$400,000 saw an increase of over \$1,000.

For the purposes of transparency to ATM attendees, last fiscal years' override amount was broken out on a separate line to show it as a stand-alone revenue source in FY19. Since the Town has not passed an override in FY20, the amount of \$0. The \$2.1m amount of the override passed in FY19 became part of the "Local Taxes Levy Limit" shown in (subsection A) in FY20. This is why the year-over-year increase in the Levy Limit (subsection A) is close to \$3 million rather than a figure closer to the \$800k range which would reflect a regular 2.5% annual increase in the levy limit and new growth.

For budgeting purposes, this is considered a "hard number", and is not submit to modification by the FINCOM when preparing the town budget.

g. Motor Vehicle Excise (MVE) Tax

MVE Taxes are a recurring source of revenue to the Town which fluctuates based on the age of the vehicles currently registered to Town residents. An estimate for the coming fiscal years' receipts in this category is prepared by the Town Accountant and Chairman of the FINCOM and discussed by the FINCOM during its regular budget hearings.

As a revenue source, this category is classified as highly volatile by the FINCOM for two principal reasons:

1. MVE Taxes are based on an age-related depreciated value

This value of every vehicle is determined by the Commissioner of Revenue for each vehicle's model year¹¹. The value remains constant throughout the life of the vehicle. The value is then depreciated on a fixed schedule based on its age (ranging from as little as 10% to a maximum of 90% for vehicles five years or older), and then taxed at \$25 per thousand on the depreciated value.

As such, in order for MVE taxes collected by a community to remain level or even grow, it is necessary for the rate at which new(er) vehicles are brought onto the tax rolls to exceed the rate at which existing vehicles remaining on the rolls continue to depreciate, and the rate at which vehicles are removed from the tax rolls.

2. MVE taxes are levied on a calendar-year basis rather than a fiscal-year basis

When the Town is preparing the budget for the next fiscal year (January through April timeframe) MVE tax collections for the current fiscal year have just begun. This presents significant issues with projecting future revenues:

- i. It is impossible to assess whether or not MVE collections for the current fiscal year will meet the projections established in the prior budget cycle from 9-12 months earlier, as they have just started (and the largest amount collected is normally in the month of March), and
- ii. We are budgeting for collections 9-12 months in the future when we do not even know if the current fiscal year's collections will meet projections made 9-12 months earlier.

Due to these reasons, the FINCOM takes a conservative approach for budgeting the MVE tax receipt estimate. The FINCOM generally uses a figure of 85% to 90% of the prior fiscal years' actual collections. This means when preparing the FY20 budget in FY19, the only hard numbers we have are the actual collection figures from FY18 and prior.

¹¹<https://malegislature.gov/Laws/GeneralLaws/PartI/TitleIX/Chapter60A/Section1>

The FY18 actual collection figures becomes the basis of the estimate for FY20.

Shown on [Chart #1](#) are the MVE Historical Actual vs. Budgeted collections. As we are now beyond the close of FY19, we have the actual collection figures for that fiscal year available in the chart, although they were not available at the time the Town's budget was prepared in January-April 2019.

As this chart illustrates, the Town has seen a steady increase in its MVE collections. For FY20, the FINCOM used a budgetary figure of \$2 million for estimated revenue, which is 89.64% of the actual MVE revenue collected in FY18 (\$2,231,100). This represents a year over year increase of \$150,000, or 8.11%, from the FY19 estimate of \$1.85m.

The FINCOM feels there is no additional room for increasing this revenue estimate (established early in 2019) once the actual collection figures for FY19 became available. The year over year increase in MVE collections from FY18 to FY19 was only \$14,714, a substantial decline from the FY17 to FY18 increase of \$199,234. We feel this stagnation is a direct result of the impact of the override on people's real estate tax bills.

Consequently, we feel any additional increase in the MVE revenue estimates are ill advised at this time.

h. [Local Receipts](#)

"Local receipts" is a catch-all category of locally generated revenues collected by the Town which are not *bucketed* into other categories for budgeting purposes. Examples would include business licenses, building permits, investment income and other charges levied by the Town.

The Town's local receipts have remained fairly flat over the past seven years, ranging from a high of \$1.256m to a low of \$1.11m. An analysis of local receipts showed the "high" year was due to a large increase in the number of building permits pulled in that year.

[Chart #2](#) shows the historical actuals vs. budgeted local receipts collections since 2013.

The FINCOM prefers to use a realistic, but conservative number when budgeting for local receipts. We feel we have slightly more flexibility, however, as unlike MVE taxes, local receipts are collected on a fiscal year basis and thus we can perform a period-over-period analysis of our local receipts during the budgeting process to determine if our revenue estimates remain on target.

Even with this analysis, we occasionally miss our target. In FY18, due to budgetary pressures caused by the District's assessment, we took an overly aggressive approach to budgeting our local receipts. This resulted in the Town missing its target by \$29,000. Fortunately, the Town had unanticipated revenue in other categories which more than offset this minor deficit.

In FY19, we budgeted for \$1.175m in local receipts, and our actual receipts for the fiscal year were \$1.256m (again, principally due to high levels of building permits).

The Town does not anticipate any new sources of a significant amount of local receipts, and based upon feedback from other Town officials, the Town Accountant recommended a lower amount this year for our local receipts estimate.

After much discussion, the FINCOM opted to use an estimate of \$1.123m for FY20, a decrease of \$51,800 over the FY19 amount. We do not feel there is sufficient evidence to support raising this estimate to a higher number at this time.

i. State Aid

The State Aid revenue numbers used for preparing the annual Town budget are sourced directly from the preliminary Cherry Sheet figures provided by the DOR¹². The Town Accountant provides the FINCOM with this figure in the Excel budget workbook.

There are usually several different numbers to choose from for State Aid: A number from the House, from the Senate, and finally a figure from the Governor. For budgeting purposes, the FINCOM uses the lessor of the three figures available when the budget is finalized in mid-April for our ATM in May. Any additional monies the Town may

¹²<https://dls.gateway.dor.state.ma.us/reports/rdPage.aspx?rdReport=CherrySheets.CSbyProgMunis.MuniBudgFinal>

realize once the State budget is finalized are appropriated at our Fall STM.

For FY20 we used a State Aid figure of \$1,339,398, adjusting for offset items. This is a \$57,000 increase over FY19's \$1,282,368.

State Aid does not offer any room for growth, and is dependent entirely on the economics of the State and is outside of the control of the financial professionals in the Town government structure. For budgeting purposes, this number is considered a "hard number" and is not subject to adjustment by the FINCOM.

j. Meals Tax

As previously discussed, Rehoboth has a minimal amount of commercial business, comprising approximately 4% of its annual tax levy limit. Since Rehoboth is principally a residential community, it does not have a significant number of restaurants and food-service businesses that generate revenue in the form of the meals tax.

We have seen a modest climb in our meals tax over the past seven years, from \$63,000 in FY13 to a high of \$94,000 in FY18. [Chart #3](#) shows our historical actual collections versus budgetary estimates going back to FY13.

As is seen in the FY19 collections, we budgeted \$85,000 and collected \$88,449, a reduction of \$6,000 over the previous fiscal year. Given the meals tax is highly dependent on local economic conditions, we feel this decrease in the year over year revenue is a direct result in the substantial increase Rehoboth residents saw in their property tax bills during the latter half of FY19, which lead to less disposable income for households to spend on discretionary spending, such as dining out.

For FY20, we budgeted \$89,800 for our meals tax estimate, which is higher than our actual collections for FY19. While this action flies in the face of sound financial policies, the dollar amount we generate in meals tax is so insignificant that should we miss this target it does not represent a major blow to the Town's revenue collection for the fiscal year.

k. Free Cash

Keeping with sound financial policies promoted by the DOR, the Town attempts to use as little free cash as possible to balance the operating budget of the Town. Despite our best intentions, we fail horribly in this category, primarily due to an interest in robustly funding the District's assessment.

Since 2014, due to increasing demands on the Town created by unconstrained growth in the District assessment (previously outlined), the Town has been forced to use just shy of \$3 million dollars in free cash and other cash reserves to balance operations of the Town budget and District's assessment in direct contradiction of good financial practices.

In FY19, the Town used \$9,978 in free cash to balance operations. Very little free cash was used (or available) as the principal source of additional revenue to fund the year-over-year increase in the District assessment was the Proposition 2 ½ override.

At the start of the FY20 ATM in May 2019, the Town had available for appropriation the paltry sum of \$8,400 in free cash. As illustrated in our revenue summary, we opted to use free cash for neither the Town FY20 budget appropriation nor any of the three regional/county school system budget appropriations for which the Town is a member of.

I. [Fall STM Supplemental Appropriation](#)

Several of the line items in the Town's annual operating budget are estimates provided by vendors (such as our various insurance lines). Occasionally it is necessary to make a mid-year budget adjustment to fill lines which will run short when the estimated line items' actual expense become apparent after the start of the fiscal year.

These adjustments take the form of a supplemental appropriation at our STM in the fall. In FY19, the Town made \$74,094 in additional appropriations using various funding sources.

This line appears on the revenue summary for accounting purposes only, it is not a revenue source per-se, but represents additional funds (for example, additional state aid) from various sources that became available after the beginning of the fiscal year, and thus the other revenue estimate amounts would not capture this amount. Without it,

the revenue estimates shown would not balance against other sources town residents use for reference.

m. Subtotal

This line reflects the subtotal of all rows (A) through (L).

As illustrated in the [Table 4](#), the Town expects to generate \$1,425,772 in gross additional revenue in FY20 compared to FY19. The three principal sources of this additional revenue are the increase in the town's annual levy limit, increase in the motor vehicle excise tax estimate, and the increase in the debt exclusions added to residents' tax bills.

n. State/County Charges, etc.

Certain reductions must be made to the Town's revenue estimates to account for state and local charges reported to the Town on the Cherry Sheet from the DOR. Furthermore, the Town is required to make additional adjustments during the tax recapitulation process to account for deficits incurred from snow and ice removal as the Town historically has under-budgeted its snow and ice account for the past decade. We have addressed this last issue in the Town's budget for FY20.

In FY19, the Town had \$825,977 in reductions it had to make to its gross revenue estimates. For FY20, that amount was reduced by \$51,976 to \$774,001. The reductions to our gross revenue for FY20 are shown in [Table 6](#).

The Town routinely budgets \$200,000 into an overlay reserve account to process abatements and exemptions. This amount is recommended by the Board of Assessors and is considered a "hard number". As previously discussed in subsection B, amounts received in Solar PILOTs are automatically credited to the Solar Capital account thus the amount received in subsection B is automatically deducted here. State and County charges come directly from the Cherry Sheet, and the Snow and Ice deficit is provided by the Town Accountant based on any deficit we incur during the fiscal year.

While this has the net effect of reducing the amount available for appropriation by \$774,000, it does have the effect of reducing the 'reduction' year over year by \$51,976, as we had less deductions in FY20 than we had in FY19.

o. Available for Appropriation

Finally, after subtracting the State and County charges and other adjustments (subsection N) from the Town's gross anticipated revenue (subsection M), we are left with an estimate of \$29,784,526 available for appropriation in FY20. This is a net increase of \$1,477,748, or 5.22%, over FY19's revenue estimates of \$28,306,778.

The important figure to take away from this discussion is the net increase in year-over-year estimated revenue of \$1,477,748. This figure will play a prominent role in the next section of this document.

In conclusion for Section 2, I reiterate that the FINCOM and the financial professionals employed by the Town took a systematic, deliberative and pragmatic approach to analyzing and estimating our revenue sources for FY20. We feel these revenue sources are realistic and are based on sound financial principles. We do not feel at this juncture, there is cause or reason to adjust any of the figures for those estimates under our governance (local receipts, motor vehicle excise taxes, and meals taxes) to a higher number. Doing so, in our opinion, adds significant exposure to the risk the Town will not meet its revenue estimates, which will have a direct impact on the Town's financial status moving forward in FY21.

DESE's communication to the Town on November 4th asks the Town to identify "other sources of Town [...] revenue that may be available to support the school committee budget".

As the Town does not have any excess levy capacity, and has aggressively budgeted its other revenue estimates for FY20, the Town does not have any additional sources of recurring revenue with which it can fund an assessment from the District in excess of the \$18.9m already recommended. Any increase would necessitate an appropriation from cash reserves in direct contradiction of acceptable financial principles and policies.

3. FINCOM Deliberations on Assessment and Recommendation

Given the limited amount of additional revenue available to the Town based on the revenue projections for FY20, how should the funds best be distributed to support the operations of the Town and District?

This is a decision the FINCOM wrestles with on an annual basis, as we wish to fund the District to provide students with a quality education, while also providing a high level of acceptable government services to the other 10,000 (and growing) residents of the Town.

In an attempt to be fair and balanced when developing our budget recommendations for FY20, we looked at the FY19 appropriations to determine the relative proportion of revenue each entity – Town government, and the three regional/county school systems we participate in – received from the Town.

[Table 7](#) shows the data used by the FINCOM to perform this analysis. Note: Of the three assessments received by the Town from the District to date, the assessment in effect at the time Town Meeting was held in mid-May was used to perform the analysis on which our recommendation was based.

The “FY 19 ATM Appropriation” and “% Total FY19 Budget” show the portion of revenue received by each entity. So, in the case of Town government, its budget represented 34.57% of the Town’s revenue as a whole in FY19, and the District’s assessment received 63.44%. These figures are fairly close to the 10-year averages shown in [Table 1](#) (a 35.35% average for the Town and 63.33% average for the District).

For purposes of further analysis, I will limit the discussion purely to the Town and District’s components, as the assessment of the Bristol Plymouth Vocational Technical Regional School and the Bristol County Agricultural High School assessments were funded in full at our ATM in May.

Based on the percentages from the previous fiscal year, the FINCOM targeted the maximum increase for the FY20 Town budget at a year-over-year increase of no more than \$510,914. This represents 34.57% of the additional \$1.477m in additional revenue the Town expects to raise in FY20. Likewise, for the District, we targeted the year-over-year increase at a maximum of \$937,534 (63.44%) of our additional revenue.

After the zero-based-budgeting preparation of the Town budget by the Town's officials and financial professionals, the FINCOM determined we only needed \$433,313 to support increases in the Town FY20 appropriation. This is a 4.43% increase over FY19 and represents only 29.32% of additional revenue the Town expects to generate in FY20. With the exception of the addition of a part-time facilities manager to assist with building maintenance, the Town budget is classified as a "level services" budget, with no expansion of services to the public.

The two principal drivers of the increase in the Town budget were the increases in our Bristol County Pension System assessment and adjustment of our Snow & Ice Removal account to compensate for historic spending levels. Just these two increases accounted for nearly 50% of the additional funds needed for the Town budget. The remainder of adjustments in the Town's budget were modest increases to reflect actual costs associated with the Town's operations.

As indicated earlier in this document, the FINCOM was not involved with nor kept sufficiently apprised of the District's budget or our assessment via the Advisory Finance Committee, nor via regular communications from District employees or elected officials. Our first official notification of the assessment to the Town was received late afternoon on April 2nd, 2019, two days before the FINCOM was scheduled to vote on the Town budget and prepare its recommendations for the ATM warrant.

The initial assessment received from the District was \$19,779,700. This amount represented a \$1,820,909 (10.14%) increase over the FY19 assessment. Later, by Town Meeting in May, this amount was reduced to \$19,529,656, a \$1,570,864 (8.75%) increase. These figures are documented in [Table 1](#).

There has been much written about (and no doubt DESE has received numerous communications speaking of) the rather small increase in the District's budget for FY20. Nevertheless, the current unaffordable assessment from the District (\$19,361,791) contains a year-over-year increase of 7.81% from FY19, as shown in both [Table 1](#) and on line 3 of [Table 8](#).

Based on the \$19.5m assessment in effect at the time ATM was held in May, even if the Town allocated all of the projected additional revenue it expects to receive in FY20 with 0% growth in the Town budget and both of the other two school systems we participate in, the Town would still not be able to raise enough additional revenue to fund the increase in the District's assessment. The Town would still fall short by \$93,117. The

increase in the District assessment was 106.3% of the Town's projected additional revenue. Simply put, it was not financially viable for the Town to fund this request.

The current assessment voted in September 2019 is not an improvement. It would consume 94.94% of all additional revenue the Town expects to generate, or \$1,403,000. If DESE were to approve the District's budget resulting in an assessment to Rehoboth equal to the current \$19.36m amount voted by the District, this would leave the Town a mere \$74,748 to fund its fixed-cost increases for FY20. Given our Bristol County Pension System assessment alone increased by over \$150,000, such a decision by DESE would translate into the Town making a real reduction in the meager level of services it currently provides to its remaining 10,000 residents.

[Table 9](#) contains detail on the actual recommendations made by the FINCOM for our ATM and how they were arrived at mathematically based on the May 2019 District assessment.

For the Town budget, the requested increase of \$433,313 fell under the targeted maximum increase of \$510,914 as show in [Table 7](#). Hence the FINCOM voted to fund the year-over-year increase as requested by Town departments.

The fact the Town's budget requests came in under the targeted amount meant there was a portion of the additional revenue we would not need to fund Town operations, and these funds (\$77,601) could be generously reallocated to education rather than funneled to other Town projects.

A small amount (\$3,132) was needed to fund a projected increase in the Bristol County Agricultural High School. We pay tuition on a per-student basis, and do not know the exact number of students until after the start of school, so for budgetary purposes we level-fund the tuition at the same amount as the previous fiscal year, and make any necessary adjustments at our Fall STM.

The remainder of the projected additional revenue, \$74,534, the FINCOM voted to recommend appropriating towards the District's assessment. Thus, rather than only funding the District assessment at 63.44% of projected additional revenue (\$937,534), we voted to use 68.49% (\$1,012,068) of the Town's additional revenue. This results in a year over year increase of 5.64% on the District's assessment compared to FY19.

It is true the recommended appropriation of \$18.9m was \$559k less than the District's May 2019 voted assessment of \$19.5m (or \$390,932 less than the current voted assessment of \$19.36m), but it was simply the best the Town could do without impacting the bare-bones budget allocated for other municipal services.

While any reduction in the District budget would have an impact on the assessment, how does the appropriation amount as recommended by the FINCOM actually reflect upon the details behind the assessment?

To understand this, we must look at the detailed assessment detail categories shown in [Table 10](#). These figures are based upon the assessment data provided for the ATM in May, and do not reflect the minimum contribution changes subsequently made by the State.

In the first category, our state-mandated minimum contribution, the District requested an increase of \$470,648, reflecting the increase communicated to them at that point in time by the State. The FINCOM funded this category in its entirety, as we are obligated by law to do. This component was a 3.69% increase over FY19.

Our regional agreement with the District states we are responsible for the actual transportation charges for the Town. This figure was \$1,525,132, an increase of \$26,413 (1.76%) over FY19's actual amount of \$1,498,719. Again, the FINCOM recommended funding this requirement fully, as we are contractually obligated to pay this expense.

For capital projects in FY20, we saw a substantial increase (97.11%) in our capital assessment due to two new debt exclusions passed in 2018 coming on to the assessment. The regional agreement states the Town is responsible for the capital costs associated with our K-8 buildings, and we share the expense of the high school with other member communities. This increase, from \$408,931 to \$806,052, was an additional \$397,121 the FINCOM recommended funding in its entirety, as again, we are contractually obligated to do so.

This leaves the final component, our "Above minimum required contribution" portion of the assessment. The District defines this category as those "funds needed above the Town's minimum contribution to pay for operational costs of the District".

The School Committee voted an increase, based on the assessment in effect in May 2019, of \$676,683 (20.59%) in this category, from \$3,286,829 to \$3,963,512. In short, the District was seeking just shy of

\$4 million in additional revenue to fund its operations above our State-mandated and contractually-obligated expenses.

Unfortunately, the Town does not have the revenue stream to support this increase. Nonetheless, the FINCOM did vote to recommend an appropriation which increased the year-over-year "Above minimum required contribution" amount from the FY19 appropriation of \$3,286,829 to \$3,404,715, an increase of \$117,886.

These figures are important to illustrate that, while the FINCOM's recommendation did not equal to the amount requested by the District, the recommendation did reflect a real increase in each and every underlying category in the District's assessment.

We can extend this analysis to [Table 11](#), which uses the latest District assessment figure of \$19.36m. Although this data was not available for our ATM, it would not have substantially changed our analysis nor had an impact on our recommendation, as the requested amount from the District is still excessive and unrealistic for the Town to fund in its entirety.

The District's assessment change from the May figure translates to a "reduction" of their year-over-year "above required minimum contribution" increase from \$676,683 to \$336,134. This "reduction" actually consists of a real reduction of \$167,865 in the assessment, while the balance (\$142,684) was actually shifted as an increase into our "Minimum Required Contribution" category when the State adjusted our minimum contribution in early August from \$13,234,960 to \$13,337,644. The \$336,134 requested increase still represents an 11.14% increase from \$3,286,826 to \$3,652,963.

Even with this latest change, the FINCOM recommendation of \$18.9m still virtually level-funds the "above minimum required contribution" category at FY19's \$3.2m amount while providing all contractually-obligated and a rather significant state-mandated minimum contribution increase.

The central inquiry DESE should be conducting relates to the necessity for the proposed above required minimum contribution amount of just shy of \$3.65m from the Town of Rehoboth alone. The FINCOM has not been provided with sufficient information to fully evaluate this number and it is incumbent for DESE to perform a proper analysis of the District's budget, including reviewing the historical accounting data (general ledger, prior year journal entries, etc.) as well as the background data and financial assumptions used to craft the current fiscal years' budget. While our

budget recommendation does not fully fund this item, we are confident that DESE will conclude that the Town's approved appropriation is adequate to provide essential educational services to the District's students.

4. Town Meeting Actions and Votes

The residents of the Town have taken action on the District assessment on three separate occasions: on May 13th (extending to May 28th), July 16th, and October 29th. At each session, Town residents overwhelmingly supported the recommendation of the FINCOM to fund the District's appropriation at \$18.9m.

At the first session of our May ATM¹³, the Moderator initially allowed Dr. Arrigo of the School Committee to enter a motion (duly seconded and discussion allowed to take place) to increase the appropriation for the District from the \$18.9m figure printed in the warrant to the \$19.5m assessment figure currently approved by the School Committee with the additional funds to come from the Town's stabilization account.

The Moderator allowed this amended motion by Dr. Arrigo, but was challenged under a point of order raised by a resident as being outside the scope of the article at the second session of the May ATM¹⁴ on the 28th.

Of the 639 voters in attendance, 461, or 72.14%, agreed the motion to modify the amount recommended by the FINCOM from \$18.9m to \$19.5m was out of order. This vote was taken by hand count and announced by the Moderator.

With the amount of the appropriation for the article returned to the original dollar amount recommended by the FINCOM, the moderator then proceeded to call a voice vote on the article as written. The voice vote was overwhelmingly in favor of the FINCOM recommendation.

After the failure of the assessment to pass at the May ATM, the School Committee immediately at their next meeting¹⁵ opted to send the same exact assessment back to the Town. There was no reconsideration or

¹³<https://www.rehobothtv.org/ondemandPlayer?ShowID=3349>

¹⁴<https://www.rehobothtv.org/ondemandPlayer?ShowID=3356>

¹⁵<https://www.rehobothtv.org/ondemandPlayer?ShowID=3359>

amendment “on the basis of the issues raised” by Town residents at the ATM as outlined in MGL Chapter 71 Section 16B Paragraph 6.

The BOS scheduled another STM¹⁶ on July 16th where the issue of the District assessment in the amount of \$19.5m was once again considered. Over 11.58% of the 8,850 registered voters in the Town attended this STM – 1,025 residents – attendance never before seen in the annals of Rehoboth’s 375-year history at a town meeting. These residents came to the STM to let their voice be heard.

On July 16th, 1025 votes were cast on the article appropriating funds for the District assessment. The motion placed before the voters called for an appropriation of \$18.9m, the FINCOM recommended amount, from the Town’s tax levy, with the additional \$558,798 contingent on passage of a Proposition 2 ½ override election. Of those 1025 voters, 838 – 81.85% -- agreed with the FINCOM recommendation and any amount above the \$18.9m recommendation should be contingent on a Proposition 2 ½ override.

After the July 16th STM, rather than proceed to an override vote, the BOS worked with members of the School Committee to bring a “compromise agreement” to the voters at the October 29th STM. This agreement in principle was solidified in a letter from the BOS to the School Committee on August 6, 2019. DESE has a copy of this letter on file.

The Selectmen proposed to use a series of budget cuts in the Town budget, additional state aid, and augmented revenue estimates to meet a new “compromise” assessment figure of \$19,301,264 the School Committee was supposed to vote for prior to the October STM.

At the October 3rd, 2019 meeting of the FINCOM¹⁷, in preparation for making our recommendations on the articles contained in the October 29th, 2019 STM warrant, BOS Chairman Gerald Schwall presented background information on the compromise agreement to the members of the FINCOM.

However, on September 3rd, 2019, the School Committee unilaterally voted a new assessment which was \$61,000 higher than the compromise agreement¹⁸. Furthermore, this amended assessment was never

¹⁶<https://www.rehobothtv.org/ondemandPlayer?ShowID=3379>

¹⁷<https://www.rehobothtv.org/ondemandPlayer?ShowID=3410>

¹⁸the assessment date shown at the top of Page 11 of the STM warrant at https://www.town.rehoboth.ma.us/sites/rehobothma/files/uploads/10-29-2019-rehoboth_stm_warrant.pdf indicates “9.3.19 Approved”

forwarded to either the BOS or the FINCOM as presumably required by law.

Ultimately, the FINCOM voted to recommend *disapproval* of the compromise agreement by a vote of 4 to 1. We disagreed with the use of \$214,000 in budget cuts to the Town budget, 40% of which came from the Town's facility maintenance account, to fund the District assessment. Town buildings are in such a state of disrepair they could almost be condemned¹⁹ and the FINCOM felt reducing what little facilities maintenance monies we have available to maintain our Town buildings was not in the best financial interest of the Town.

We also disagreed with the Selectmen's use of additional unrestricted State Aid to fund the increase in the District assessment. As DESE is aware State Aid can fluctuate significantly from year to year, and it is not financially prudent to use this year's one-time increase in State Aid to fund what will become a permanent increase in the District assessment, as we cannot rely on that State Aid being there next year to fund the recurring expense.

Also, one member of the FINCOM who also serves as a member of the School Committee stated he felt the District could make additional budget cuts based on an analysis he performed.

Despite the discrepancy in the voted District assessment and the "compromise" amount, the amended "compromise" amount of \$19,301,264 was placed before the voters at the October 29th STM²⁰ without support of the FINCOM.

Attendees were asked via the motion made by the BOS to rescind the previous \$18.9m appropriation and to approve a new appropriation to fund the compromise amount. It was explained a "yes" vote would support the compromise while a "no" vote would leave the current appropriation, made in support of the FINCOM's recommendation at previous town meetings, intact²¹.

At one point, Dr. Arrigo, speaking for the School Committee, stated we were arguing over ".66% of the budget". I submit: Is it not easier to find .66% of reductions in the District's \$45 million dollar budget, as opposed

¹⁹See copy of a facilities study report showing the deplorable condition of Rehoboth buildings at https://drive.google.com/file/d/1q_xXP_5AQ6zDPCFvc56ZuWMH4fZ-wOL/view?usp=sharing

²⁰<https://www.rehobothtv.org/ondemandPlayer?ShowID=3424>

²¹<https://www.rehobothtv.org/ondemandPlayer?ShowID=3417>

to the Town's \$10 million budget where those same reductions would represent 2.97% of the Town's budget?

A voice vote was held on the Selectmen's "compromise" article by the Moderator of the 507 town residents in attendance at the October 29th STM. The Moderator called the vote "overwhelmingly" against the Selectmen's compromise agreement, in favor of the FINCOM's previously-approved appropriation of \$18.9m.

It is also notable that there has been no commensurate interest on the part of Dighton's residents in the District budget and assessment process. Only 115 town residents, according to the Dighton Town Clerk, attended their ATM in June when the District's assessment was voted on. Compare that to the 1,025 Town residents from Rehoboth who sat in a sweltering, non-air-conditioned auditorium in the middle of July to vote on an appropriation for the District assessment.

5. Conclusion

The Town of Rehoboth is a rural community without significant public infrastructure to support a large commercial or industrial base. For example, the Town does not have a public water system nor does it offer a public sewer service. The Town provides extremely limited services to its residents on a shoestring budget. The bulk of the Town's revenue goes to support education.

The lack of the public infrastructure and services found in larger communities means the types of businesses which may locate in Rehoboth are limited to those which can operate on private septic systems and private well water. This makes it extremely difficult for, say, a larger business which requires a fire suppression system under Massachusetts Fire Codes to locate in Rehoboth, it requires a substantial capital investment not required in those communities where a public water supply exists.

As previously indicated in this document, the Town's tax base is 92% residential with the remaining 8% spread across commercial, industrial and personal property. Rehoboth's history as a rural community in Southeastern Massachusetts means many of those businesses on the tax rolls which are classified as "commercial" property are in fact agriculture in nature. A substantial number of these are family farms. This is especially true for those commercially-classified businesses which are not

located on two of the main thoroughfares through the Town, Route 44 (5.6 miles) and Route 6 (1 mile).

While the Town does have an economic development committee²² charged with identifying new sources of revenue for the Town (Dr. Anthony Azar, the District Superintendent, is a member of this committee), it appears unlikely given the current state of the Town's demographics and its public infrastructure that over the next decade it will see any substantial growth in its tax base beyond the addition of single-family homes as agricultural land is subdivided into property developments. The value of large subdivide-able lots is too great and the appeal of the Town as a residential community remains strong.

Unfortunately, while the addition of single-family homes to the Town's tax rolls does contribute to new growth, they generally have a net negative affect on the Town's financial picture due to the corresponding increase in educational expenses. Rehoboth's popularity with families, principally due to us having the reputation of having a very good school system in the area and the "rural charm" of the community means, while we gain additional tax revenue from that 'average single family home', we also incur almost 4 times the cost in per-pupil expenses added to our assessment in the regional school system.

For example, we may add approximately \$5,178 (the tax paid by an average single family home in Town, according to the latest DOR data²³), but will we incur \$21,740 in additional educational expenses to the District (based upon a per-pupil assessment of \$11,442 for FY20 with the average American household having 1.9 children under the age of 18, according to the US Census Bureau²⁴).

Without a tremendous influx of commercial businesses or another source of substantial revenue which does not stress the demands placed on the Town by increasing enrollment in the District, the only "recurring" source of additional revenue the Town will see grow in the years to come is its annual property tax levy limit increase allowed under Massachusetts General Law.

Other sources of revenue, such as local receipts and meals tax are fairly level and fluctuate based on local economic conditions, but based on our

²²<https://www.town.rehoboth.ma.us/economic-development-committee>

²³https://dls.gateway.dor.state.ma.us/DLSReports/DLSReportViewer.aspx?ReportName=At_A_Glance

²⁴<https://www.census.gov/content/dam/Census/library/visualizations/time-series/demo/families-and-households/fm-3.pdf>

current environment within the Town will not grow substantially to support the increasing assessment demands of the District.

Motor Vehicle Excise taxes are too volatile due to the method by which they are computed and collected to budget with a higher level of precision with any degree of accuracy. Increasing this revenue source places the Town at substantial financial risk should its revenue estimates not be met.

Finally, other sources like State Aid are given at the whim of other entities and any windfall the Town may realize one year may not reappear the next. New growth, while fairly consistent, is only so due to the fact we continue to grow the number of single-family residences in Town as agricultural land is converted into residential homes – no substantial commercial development exists within the Town. There is a finite date in the future where the number of buildable homesteads will be exhausted, at which time the Town can expect to see its annual new growth number decline substantially.

Unfortunately, the amount of additional revenue the Town realizes from new growth and its annual levy limit increase are current insufficient to support the annual increases in the District assessment. Rehoboth's payment of nearly 2/3rds of the District budget, after reimbursements and Chapter 70 aid, places an unsustainable financial burden on the Town.

To illustrate, the current budget of the District is 45 million dollars annually for FY20. Even a modest 3% annual increase in this budget next year represents a year-over-year increase of \$1.35m. Rehoboth's share of that increase, excluding any additional Chapter 70 monies the District may receive, is over \$900,000.

However, if we look at our revenue streams, the only "recurring" revenue stream the Town can expect to grow annually is its tax levy, limited by Proposition 2 ½. For FY21, that amount would be approximately \$630,000, leaving a systemic deficit of \$270,000. Furthermore, this assumes the Town does not have any increases in its fixed costs, or any increases in its two other school systems, and can level-fund Town government without a reduction in services.

In short, Town government and the District are no longer financially sustainable to the Town of Rehoboth.

The FINCOM has warned the citizens of the Town repeatedly about this over the past six years. In the May 2014 ATM warrant, the FINCOM's report stated "We continue our struggle to maintain a balance between providing services to our residents with the ever-increasing demands of the Dighton-Rehoboth Regional School District (DRRSD). [...] This year (FY15) the DRRSD assessment to Rehoboth totals \$15,275,292; a \$1.98 million (year over year) increase. [...] The existing Regional School Agreement is outdated and places an untenable and unsustainable burden on the citizens of Rehoboth."²⁵

Rehoboth was faced with the same scenario in FY20. As previously indicated the initial assessment from the District, voted on March 26th and received in early April as printed in the ATM warrant, was \$19,779,700²⁶, a massive \$1,820,909 increase (to Rehoboth alone, not including the Dighton component) over the FY19 appropriation.

Although this amount was later amended down by the School Committee by \$250,000, to the \$19,529,656 figure later in play at our ATM, it still represented a year-over-year increase of \$1,570,865 -- \$93,117 more than the Town expects to collect in additional revenue over last fiscal year. Their latest assessment of \$19.36m, if fully funded, would leave the Town a mere \$74,748 to fund any necessary budget increases in all other areas of Town government and our other two school systems.

As I close, in your letter of November 4th, you ask for "any information [...] your constituents wish to consider in setting this budget".

It is my belief the desires, as expressed by their vote, of the 639 constituents in attendance at the May 28th ATM, the 1025 constituents present at the July 16th STM, and the 507 constituents present at the October 29th STM, should be adhered to. Those constituents voted – not by unsubstantial margins – in favor of the FINCOM's recommended appropriation of \$18.9 million dollars.

DESE should set a budget for the District which results in an assessment to the Town equaling that appropriation, as determined by the will of the people at our ATM and STMs. A budget and resulting assessment any higher disenfranchises the voters, and demeans the value of the sacrifices they

²⁵ https://www.town.rehoboth.ma.us/sites/rehobothma/files/uploads/5-12-14_atm_stm_warrant.pdf, page 2.

²⁶ <https://www.town.rehoboth.ma.us/sites/rehobothma/files/uploads/5-13-2019-rehoboth-stm-atm-final.pdf>, page 32.

made to attend our Town meetings and their participation in our democratic process.

Sincerely,

Michael P. Deignan

Michael P. Deignan, BSBA, MAcc, MBA
Chairman
Rehoboth Finance Committee
cell: 1.401.556.5062
e-mail: Michael.P.Deignan@gmail.com

Appendix

Exhibit A

Office of Town Clerk

Laura L. Schwall, CMC/CMMC
 Town Clerk
 148 Peck Street
 Rehoboth, MA 02769



May 22, 2018

I hereby certify that at the Adjourned Session of the Annual Town meeting of the Town of Rehoboth held on Monday, May 21, 2018 at 7:00 p.m., in the Dighton-Rehoboth Regional High School, 2700 Regional Road, North Dighton, MA, with a quorum present the following was voted:

ARTICLE 3: FISCAL YEAR 2019 DIGHTON REHOBOTH REGIONAL SCHOOL DISTRICT BUDGET AND ASSESSMENT
SUBMITTED BY: FINANCE COMMITTEE

VOTED TO ACCEPT THE REPORT OF THE FINANCE COMMITTEE FOR THE FISCAL YEAR 2019 DIGHTON REHOBOTH REGIONAL SCHOOL BUDGET AND ASSESSMENT AND APPROPRIATE THE SUM OF \$15,842,799 AS RECOMMENDED BY THE FINANCE COMMITTEE set forth therein to defray the expenses of the Dighton Rehoboth Regional School District for the ensuing fiscal year as specified, and as funding thereof, TO APPROPRIATE FROM TAXATION THE SUM OF \$15,842,799 AND FURTHER TO APPROPRIATE AN ADDITIONAL \$2,115,992 SUCH ADDITIONAL AMOUNT BEING CONTINGENT UPON PASSAGE OF A PROPOSITION 2 ½ OVERRIDE.

APPENDIX B					
DR REGIONAL SCHOOL VOTED ASSESSMENT FOR FY19					
		Town Meeting Votes			
Acct #	Account Name	Tax Levy	Override	Total	
1 391	Minimum Net School Spending	\$ 12,764,312	\$ -	\$ 12,764,312	
2 391	Above Required NSS	\$ 1,170,837	\$ 2,115,992	\$ 3,286,829	
3 391	Transportation	\$ 1,498,719	\$ -	\$ 1,498,719	
4 391	High School Septic Debt Service	\$ 22,247	\$ -	\$ 22,247	
5 391	BMS Roof	\$ 73,325	\$ -	\$ 73,325	
6 391	BMS/PRS Roof/Windows	\$ 46,488	\$ -	\$ 46,488	
7 391	High School Roof	\$ 29,226	\$ -	\$ 29,226	
8 391	D-R-H-S Debt Service	\$ 237,645	\$ -	\$ 237,645	
TOTAL DR REGIONAL SCHOOL DEPARTMENT:		\$ 15,842,799	\$ 2,115,992	\$ 17,958,791	
	DR Operating Assessment	\$ 15,433,868	\$ 2,115,992	\$ 17,549,860	
	DR Capital Assessment	\$ 408,931	\$ -	\$ 408,931	
TOTAL DR REGIONAL SCHOOL DEPARTMENT:		\$ 15,842,799	\$ 2,115,992	\$ 17,958,791	

Attest:


 Laura L. Schwall, CMC/CMMC
 Town Clerk

Phone - 508-252-6502
 X-3110

Fax - 508-252-5342

E-Mail Address:
 lSchwall@town.rehoboth.ma.us

Rehoboth, MA - Town Clerk's Website:
<https://www.town.rehoboth.ma.us/town-clerk>

Table 1: District Assessment, Town Budget and Town Revenue since 2010

Fiscal Year	Town Budget	YOY +/- \$	YOY +/- %	% of Town Revenue	District Assessment (10)	YOY +/- \$	YOY +/- %	% of Town Revenue	Town Revenue	YOY +/- \$	YOY +/- %	Note
2010	\$7,518,668			38.66%	\$11,928,113			61.34%	\$19,446,781			
2011	\$7,596,835	\$78,167	1.04%	37.75%	\$12,529,012	\$600,899	5.04%	62.25%	\$20,125,847	\$679,066	3.49%	
2012	\$7,513,273	-\$83,562	-1.10%	36.16%	\$12,913,378	\$384,366	3.07%	62.15%	\$20,778,099	\$652,252	3.24%	
2013	\$7,689,118	\$175,845	2.34%	35.97%	\$13,296,003	\$382,625	2.96%	62.20%	\$21,375,835	\$597,736	2.88%	
2014	\$7,888,048	\$198,930	2.59%	35.87%	\$13,319,963	\$23,960	0.18%	60.57%	\$21,992,800	\$616,965	2.89%	
2015	\$7,610,612	-\$277,436	-3.52%	33.14%	\$14,998,966	\$1,679,003	12.61%	65.31%	\$22,966,035	\$973,235	4.43%	1
2016	\$7,775,004	\$164,392	2.16%	32.71%	\$15,311,241	\$312,275	2.08%	64.41%	\$23,770,946	\$804,911	3.50%	2
2017	\$8,106,372	\$331,368	4.26%	33.19%	\$16,099,889	\$788,648	5.15%	65.91%	\$24,426,376	\$655,430	2.76%	3
2018	\$9,046,030	\$939,658	11.59%	35.61%	\$16,641,216	\$541,327	3.36%	65.52%	\$25,400,474	\$974,098	3.99%	4
2019	\$9,712,643	\$666,613	7.37%	34.41%	\$17,958,791	\$1,317,575	7.92%	63.63%	\$28,222,706	\$2,822,232	11.11%	5
10-Year Increase:		\$2,193,975	29.18%	-4.25%		\$6,030,678	50.56%	2.30%		\$8,775,925	45.13%	
10-Year Average:		\$243,775	2.98%	35.58%		\$670,075	4.71%	63.33%		\$665,993	4.25%	
2020					\$19,779,700	\$1,820,909	10.14%	66.41%				6
2020					\$19,529,656	\$1,570,865	8.75%	65.57%				7
2020					\$19,361,791	\$1,403,000	7.81%	65.01%				8
2020	\$10,220,050	\$433,313	4.46%	34.31%	\$18,970,859	\$1,012,068	5.64%	63.69%	\$29,784,526	\$1,561,821	5.53%	9
1. use of 385k of overlay reserve with town budget cuts to balance												
2. use of 400k in free cash to balance Town/District budget												
3. use of 390k in free cash to balance Town/District budgets												
4. use of 922k in free cash to balance Town/District budgets												
5. \$2.1m override required to compensate for lack of \$922k in free cash from FY18 plus YOY District increase of \$1.3m												
6. Proposed Regional District Assessment April 2019												
7. Proposed Regional District Assessment May 2019												
8. Proposed Regional District Assessment September 2019												
9. Town meeting voted Town Budget and Regional District Assessment May 2019												
10. NOTE: Not reflected this table is spending are Bristol Aggie and Bristol Plymouth VocTech spending after FY13												

Table 2: Growth in Regional Assessment and Above Net Minimum Contribution

Fiscal Year	Min. Required Contribution	Above Min. Required Contribution	Transportation	Capital Assessment	Total Assessment
2010	\$11,928,113				\$11,928,113
2011	\$10,823,597		\$1,198,592	\$506,823	\$12,529,012
2012	\$11,096,275		\$1,327,895	\$489,208	\$12,913,378
2013	\$11,526,692		\$1,340,335	\$299,817	\$13,166,844
2014	\$11,743,112		\$1,266,010	\$310,841	\$13,319,963
2015	\$11,845,469	\$1,749,422	\$1,117,408	\$286,667	\$14,998,966
2016	\$11,992,004	\$1,780,787	\$1,221,135	\$317,315	\$15,311,241
2017	\$11,937,445	\$2,383,835	\$1,381,073	\$397,536	\$16,099,889
2018	\$12,305,216	\$2,649,734	\$1,311,533	\$374,733	\$16,641,216
2019	\$12,764,312	\$3,286,829	\$1,498,719	\$408,931	\$17,958,791
Sch.Com. 4/2020	\$13,234,960	\$4,213,556	\$1,525,132	\$806,052	\$19,779,700
Sch.Com. 5/2020	\$13,234,960	\$3,963,512	\$1,525,132	\$806,052	\$19,529,656
Sch.Com. 9/2020	\$13,234,960	\$3,795,647	\$1,525,132	\$806,052	\$19,361,791
FINCOM 5/2020	\$13,234,960	\$3,404,715	\$1,525,132	\$806,052	\$18,970,859

Table 3: Cash Reserves used to fund increases in District Assessment

Fiscal Year	Amount	Source
2015	\$504,000	Overlay reserve, et al.
2016	\$400,000	Free cash
2017	\$390,000	Free cash
2018	\$922,000	Free cash
2019	\$10,000	Override of \$2.1m was source of additional District funding
2020	\$385,000	Motioned by School Committee from Town Stabilization Fund at May ATM. Motion ruled out of order by hand-counted vote of the assembly.

Table 4: Town Revenue Estimates For FY 2020 vs 2019

Source	FY2020	FY2019	+/-	%
Local Taxes Levy Limit (Per Recap)	\$24,305,568	\$21,311,598	\$2,993,970	14.05%
Solar PILOTS	\$116,342	\$116,342	\$0	0.00%
New Growth	\$190,000	\$190,000	\$0	0.00%
2 1/2 Tax Increase	\$610,548	\$535,699	\$74,849	13.97%
Debt Exclusions	\$783,671	\$386,684	\$396,987	102.66%
Proposition 2 1/2 Override		\$2,115,992	-\$2,115,992	-100.00%
Motor Vehicle Excise	\$2,000,000	\$1,850,000	\$150,000	8.11%
Local Receipts	\$1,123,200	\$1,175,000	-\$51,800	-4.41%
State Aid Local	\$1,339,398	\$1,282,368	\$57,030	4.45%
Meal Tax	\$89,800	\$85,000	\$4,800	5.65%
Free Cash		\$9,978	-\$9,978	-100.00%
Fall STM Supplemental Appropriation		\$74,094	-\$74,094	-100.00%
Subtotal	\$30,558,527	\$29,132,755	\$1,425,772	4.89%
Less: State/County Charges, etc.	-\$774,001	-\$825,977	\$51,976	-6.29%
Available For Appropriation	\$29,784,526	\$28,306,778	\$1,477,748	5.22%

Table 5: District capital projects currently funded by the Town of Rehoboth

Project Description	Date Passed	Total Amount	FY 20 Debt Service	FY19 - FY20 YOY \$ Change	FY19 - FY20 YOY % Change
High School Septic	07/08/2010	\$573,816	\$22,381	\$134	0.60%
Middle School Roof	06/16/2016	\$810,259	\$71,675	-\$1,650	-2.25%
K-8 Roof/Windows	06/16/2016	\$1,314,600	\$310,538	\$264,050	568.00%
High School Roof	08/01/2018	\$2,985,000	\$169,328	\$140,102	479.37%
DRRSD High School	06/01/2006	\$5,675,000	\$232,130	-\$5,515	-2.32%

Note: High School Septic capital project is shown for reference purposes. It is not funded via a debt exclusion, but is paid as part of the capital assessment from the District.

Table 6: FY20 Mandatory reductions from gross revenue estimates

Description	Amount
Abatements/Overlay Reserve	\$200,000
Solar PILOT Capital Account	\$116,342
State & County Charges	\$407,659
FY19 Snow & Ice Deficit	\$50,000

Table 7: FY20 Revenue Distribution, Part 1, Target/Projected (Based on May 2019 Assessment from District)

DESCRIPTION	FY 19 ATM APPROP	% TOTAL FY19 BUDGET	TARGET ADDL REV.	FY 20 REQUESTED	\$ CHANGE FROM FY19	% CHANGE FROM FY19	% OF ADDL REV.
TOWN GOVERNMENT	\$9,786,737	34.57%	\$510,914	\$10,220,050	\$433,313	4.43%	29.32%
DR REGIONAL	\$17,958,791	63.44%	\$937,534	\$19,529,657	\$1,570,866	8.75%	106.30%
B.P. VOCTECH	\$487,155	1.72%	\$25,432	\$512,522	\$25,367	5.21%	1.72%
BRISTOL AGGIE	\$74,095	0.26%	\$3,868	\$81,095	\$7,000	9.45%	0.47%
GRAND TOTAL	\$28,306,778	100.00%	\$1,477,748	\$30,343,324	\$2,036,546	7.19%	137.81%

Table 8: FY20 Revenue Distribution (All 3 DR assessments)

Description	FY 19 ATM APPROP	% TOTAL FY19 BUDGET	TARGET ADDL REV.	FY 20 REQUESTED	\$ CHANGE FROM FY19	% CHANGE FROM FY19	% OF ADDL REV.
DR REGIONAL APR 2019	\$17,958,791	63.44%	\$937,534	\$19,779,700	\$1,820,909	10.14%	123.22%
DR REGIONAL MAY 2019	\$17,958,791	63.44%	\$937,534	\$19,529,657	\$1,570,866	8.75%	106.30%
DR REGIONAL SEPT 2019	\$17,958,791	63.44%	\$937,534	\$19,361,791	\$1,403,000	7.81%	94.94%

Table 9: FY20 Revenue Distribution, Part 2, Actual (Based on May 2019 Assessment from District)

DESCRIPTION	FY 20 FINCOM RECOMMEND	\$ CHANGE FROM FY19	% CHANGE FROM FY19	% ADDL REV	AMT ADDL +/- TARGET	+/- OF REQUESTED
TOWN GOVERNMENT	\$10,220,050	\$433,313	4.43%	29.32%	-\$77,601	\$0
DR REGIONAL	\$18,970,859	\$1,012,068	5.64%	68.49%	\$74,534	-\$558,798
B.P. VOCTECH	\$512,522	\$25,367	5.21%	1.72%	-\$65	\$0
BRISTOL AGGIE	\$81,095	\$7,000	9.45%	0.47%	\$3,132	\$0
GRAND TOTAL	\$29,784,526	\$1,477,748	5.22%	100.00%	\$0	-\$558,798

**Table 10: District Assessment Components FY19 Actual vs 2020 Voted/Recommended
Based on May 2019 District Assessment**

	FY19 Actual Appropriation	FY20 District Voted Assessment (May 2019)	YOY +/- \$	YOY +/- %	FY20 FINCOM Recommended Appropriation	YOY +/- \$	YOY +/- %
Minimum Required Contribution	\$12,764,312	\$13,234,960	\$470,648	3.69%	\$13,234,960	\$470,648	3.69%
Funds above Min Contribution	\$3,286,829	\$3,963,512	\$676,683	20.59%	\$3,404,715	\$117,886	3.59%
Transportation	\$1,498,719	\$1,525,132	\$26,413	1.76%	\$1,525,132	\$26,413	1.76%
Capital Projects	\$408,931	\$806,052	\$397,121	97.11%	\$806,052	\$397,121	97.11%
Total Assessment	\$17,958,791	\$19,529,656	\$1,570,865	8.75%	\$18,970,859	\$1,012,068	5.64%

**Table 11: District Assessment Components FY19 Actual vs 2020 Voted/Recommended
Based on September 2019 District Assessment**

	FY19 Actual Appropriation	FY20 District Voted Assessment (Sept. 2019)	YOY +/- \$	YOY +/- %	FY20 FINCOM Recommended Appropriation	YOY +/- \$	YOY +/- %
Minimum Required Contribution	\$12,764,312	\$13,377,644	\$613,332	4.81%	\$13,377,644	\$613,332	4.81%
Funds above Min Contribution	\$3,286,829	\$3,652,963	\$366,134	11.14%	\$3,262,031	(\$24,798)	-0.75%
Transportation	\$1,498,719	\$1,525,132	\$26,413	1.76%	\$1,525,132	\$26,413	1.76%
Capital Projects	\$408,931	\$806,052	\$397,121	97.11%	\$806,052	\$397,121	97.11%
Total Assessment	\$17,958,791	\$19,361,791	\$1,403,000	7.81%	\$18,970,859	\$1,012,068	5.64%

Chart #1: Motor Vehicle Excise Tax Collections: Historical Actual vs. Budgeted Collections

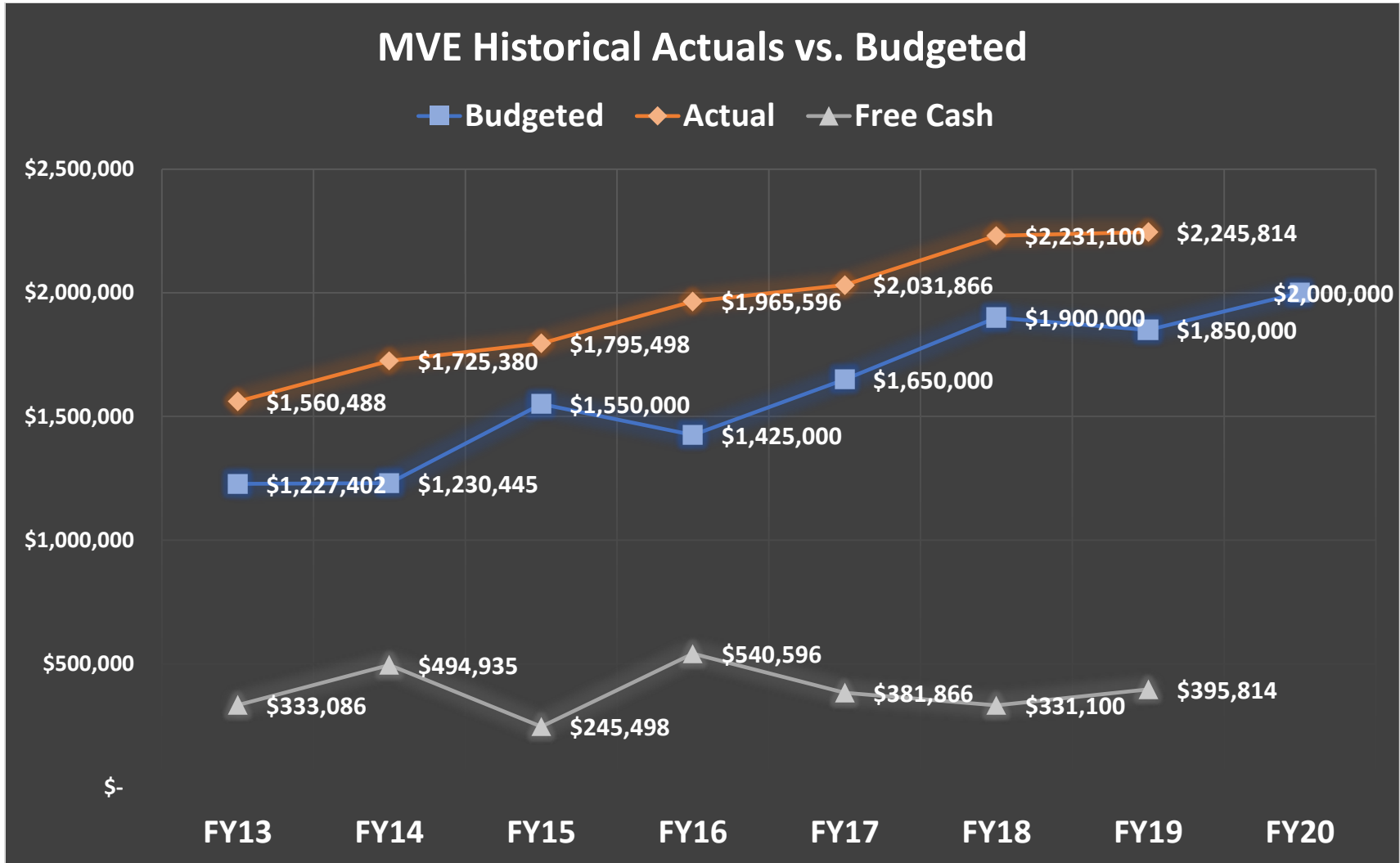


Chart #2: Local Receipts: Historical Actual vs. Budgeted Collections

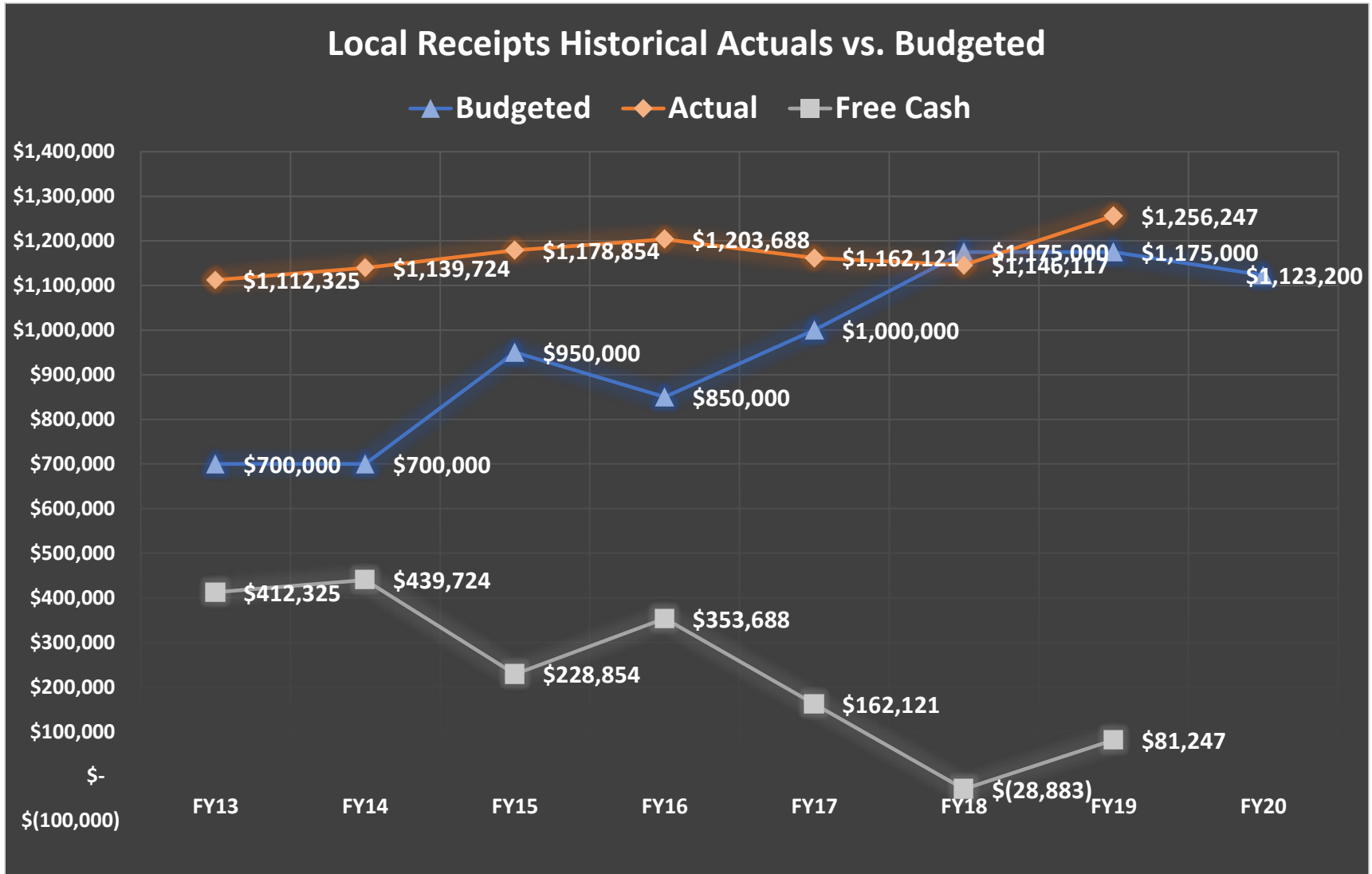


Chart #3: Meals Tax: Historical Actual vs. Budgeted Collections

