



TOWN OF REHOBOTH

TOWN FINANCES 101

<https://bit.ly/TownFinances101>



DISCUSSION POINTS

- **EXPLAIN THE ROLE OF THE FINANCE COMMITTEE IN TOWN GOVERNMENT**
- **PROVIDE OVERVIEW OF THE TOWN'S ANNUAL BUDGET PROCESS AND YOUR ROLE AS A CITIZEN IN THE PROCESS**
- **SUMMARIZE FUNDING SOURCES AVAILABLE AT ANNUAL AND SPECIAL TOWN MEETINGS, WHERE THEY ORIGINATE FROM, BEST PRACTICES RECOMMENDED BY THE MASSACHUSETTS DEPARTMENT OF REVENUE, AND THE PROS AND CONS OF USING EACH SPECIFIC FUNDING SOURCE**

ROLE OF THE FINANCE COMMITTEE



ROLE OF THE FINANCE COMMITTEE



Elected Officials



Finance Committee

ROLE OF THE FINANCE COMMITTEE

- **THE DUTIES OF THE REHOBOTH FINANCE COMMITTEE ARE DEFINED IN TOWN BYLAWS AND MASSACHUSETTS GENERAL LAW**
- **TOWN BYLAWS: CHAPTER A, ARTICLE IV, SECTION A, SUB-SECTION 2, PARAGRAPH C**
- **MASS. GENERAL LAW: CHAPTER 39, SECTION 16 (ET AL)**

ROLE OF THE FINANCE COMMITTEE

TOWN BYLAWS

CHAPTER A, ARTICLE IV, SECTION A, SUB-SECTION 2, PARAGRAPH C

THE FINANCE COMMITTEE SHALL CONSIDER ALL ARTICLES TO BE INSERTED IN THE WARRANT FOR THE ANNUAL TOWN MEETING OR ANY SPECIAL TOWN MEETING AND, BEFORE SAID TOWN MEETING, SHALL MAKE A WRITTEN REPORT THEREON TO THE BOARD OF SELECTMEN AND WHEN THE WARRANT FOR A TOWN MEETING CONTAINS ANY ARTICLE OR ARTICLES UNDER WHICH AN APPROPRIATION OR EXPENDITURE OF MONEY OR THE DISPOSITION OF ANY PROPERTY OF THE TOWN MAY BE MADE, THE FINANCE COMMITTEE SHALL CONSIDER SAID ARTICLES AND MAY, IF IT DEEMS ADVISABLE, GIVE A PUBLIC HEARING THEREON AND SHALL REPORT IN WRITING ITS RECOMMENDATIONS TO THE SAID TOWN MEETING.

ROLE OF THE FINANCE COMMITTEE

MASS. GENERAL LAW CHAPTER 39, SECTION 16

ONCE DEVELOPED BY THE SELECTMEN, THE TOWN BUDGET IS PRESENTED TO THE FINANCE COMMITTEE, REPRESENTING THE LEGISLATIVE BRANCH, THE TOWN MEETING. IN EFFECT, THE LOCAL FINANCE COMMITTEE HAS THE SAME ROLE AS THE HOUSE WAYS AND MEANS COMMITTEE IN THE STATE LEGISLATURE. IT IS THE FINANCE COMMITTEE'S RESPONSIBILITY TO RECEIVE THE BUDGETS FROM THE EXECUTIVE BRANCH (EITHER AS A COLLECTIVE WHOLE OR INDIVIDUALLY BY DEPARTMENT), ANALYZE THEM, HAVE HEARINGS WHERE THE DEPARTMENT HEADS AND THE PUBLIC CAN TESTIFY, AND PRESENT A BALANCED BUDGET TO TOWN MEETING.



ROLE OF THE FINANCE COMMITTEE

- **HOW DOES THE FINANCE COMMITTEE MAKE A DECISION?**
 - **STATE LAWS**
 - **DEPT. OF REVENUE POLICIES/GUIDELINES**
 - **GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
 - **OTHER FINANCIAL BEST PRACTICES**
- **ALTHOUGH THE FINANCE COMMITTEE ITSELF DOES NOT TAKE CARE OF THE FUNDS OR ASSETS OF THE TOWN, IT DOES HAVE A LEGAL/ETHICAL RELATIONSHIP OF TRUST WITH THE COMMUNITY, AND THUS COULD BE CONSIDERED TO HAVE A FIDUCIARY RESPONSIBILITY TO THE RESIDENTS**
- **THE FINANCE COMMITTEE'S DECISIONS ARE BASED UPON THEIR BEST JUDGMENT OF THE ISSUES AND FINANCES OF THE TOWN**

ROLE OF THE FINANCE COMMITTEE

- IT IS NOT WITHIN THE PURVIEW OF THE FINANCE COMMITTEE TO PROPOSE AND/OR ADVOCATE FOR A PROPOSITION 2 ½ OVERRIDE TO FUND THE BUDGET**
- THE FINANCE COMMITTEE'S ROLE IS TO ADVISE PEOPLE ON THE PROS AND CONS OF EITHER A YES OR NO VOTE (ON ALL ISSUES)**
- INDIVIDUAL MEMBERS OF THE FINANCE COMMITTEE MAY EXPRESS THEIR PERSONAL OPINIONS ON ISSUES, WHICH MAY DIFFER FROM THE FINANCE COMMITTEE'S VOTED RECOMMENDATIONS**
- THE ROLE OF THE CHAIR (OR DESIGNEE) IS TO PRESENT AND DEFEND THE DECISION MADE BY THE COMMITTEE AS A WHOLE**



TOWN BUDGET PROCESS



TOWN BUDGET PROCESS

- **STARTS IN EARLY/MID JANUARY**
- **CONTINUES THROUGH APRIL/MAY**
- **CULMINATES IN MAY AT TOWN MEETING**

TOWN BUDGET PROCESS

- TOWN BUDGETS FOR A “FISCAL” (NOT “CALENDAR” YEAR)
- FISCAL YEAR RUNS FROM JULY 1ST THROUGH JUNE 30TH
- FISCAL YEAR NUMBERING INDICATES THE YEAR END DATE (E.G. FY20 = 07/01/2019 - 06/30/2020)
- MUNICIPALITIES ARE REQUIRED BY LAW TO HAVE A BALANCED BUDGET – THEY ARE NOT ALLOWED TO DEFICIT SPEND LIKE THE FEDERAL GOVERNMENT

TOWN BUDGET TIMELINE JANUARY

- **TOWN ACCOUNTANT PREPARES A SERIES OF EXCEL WORKBOOK “SHEETS” FOR EACH DEPARTMENT HEAD**
- **EACH “SHEET” CONTAINS HISTORICAL APPROPRIATION AND EXPENDITURE DATA FOR ALL ACCOUNTS UNDER CONTROL OF THE DEPARTMENT HEAD**
- **ACCOUNTS ARE CLASSIFIED AS SALARY, WAGE, EXPENSE, CAPITAL, AND “OTHER”**

TOWN BUDGET TIMELINE FEBRUARY

- **EACH TOWN DEPARTMENT HEAD IS ASSIGNED A “LIAISON” TO THE FINANCE COMMITTEE. THE ROLE OF THE FINCOM LIAISON IS TO AID THE DEPARTMENT HEAD IN PREPARATION OF THEIR BUDGET FOR THE COMING FISCAL YEAR, ALONG WITH ANY WARRANT ARTICLES THE DEPARTMENT HEAD MAY PROPOSE FOR TOWN MEETING**
- **THE DEPARTMENT HEAD MAY ALSO HAVE A LIAISON ASSIGNED TO HIM/HER BY THE BOARD OF SELECTMEN IF HE/SHE REPORTS TO THE BOS**

TOWN BUDGET TIMELINE FEBRUARY

- **DEPARTMENT HEADS RECEIVE THEIR BUDGET WORK SHEETS FROM THE TOWN ACCOUNTANT**
- **FINCOM LIAISONS, BOS LIAISONS (IF APPLICABLE) AND DEPARTMENT HEADS MEET TO WORK TOGETHER TO CRAFT THE DEPARTMENT HEADS' "REQUEST"**
- **"REDUCTIONS" ARE MADE BEFORE AMOUNTS EVEN APPEAR IN THE BUDGET WORK SHEETS**

TOWN BUDGET TIMELINE FEBRUARY

- **DEPARTMENT HEADS ARE ADVISED TO USE A “ZERO BASED BUDGETING” APPROACH TO CRAFTING THEIR REQUESTS**
- **ZERO-BASED BUDGETING MEANS EACH YEAR, THE BUDGET REQUEST STARTS AT ZERO, AND EACH EXPENSE MUST HAVE A FACTUAL BASIS (HISTORICAL DATA, QUOTES, ESTIMATES, ETC.) TO SUBSTANTIATE THE REQUEST**
- **THIS DIFFERS FROM “TRADITIONAL BUDGETING” TECHNIQUES WHICH TAKE LAST YEARS’ REQUEST AND ADDS A FIXED PERCENTAGE TO IT**

TOWN BUDGET TIMELINE MARCH

- **TOWN ACCOUNTANT RECEIVES COMPLETED WORK SHEET REQUESTS BACK FROM DEPARTMENT HEADS AND CONSOLIDATES THEM INTO A BUDGET WORKBOOK**
- **SOME EXPENSES MAY STILL BE UNKNOWN (E.G. REGIONAL SCHOOL SYSTEM ASSESSMENTS)**
- **BUDGET WORKBOOK IS FORWARDED TO THE BOARD OF SELECTMEN AS A COLLECTIVE BOARD FOR FURTHER REVIEW AND APPROVAL OVER THE DEPARTMENT REQUESTS THEY CONTROL**

TOWN BUDGET TIMELINE MARCH

- **BOARD OF SELECTMEN HOLD BUDGET HEARINGS WITH DEPARTMENT HEADS UNDER THEIR JURISDICTION. FINCOM LIAISONS WILL OFTEN PARTICIPATE AS WELL**
- **THE BOARD COLLECTIVELY DECIDES TO APPROVE OR MODIFY THE REQUESTS THEY RECEIVE VIA A MAJORITY VOTE**
- **THE SELECTMEN'S VOTED RECOMMENDATIONS ARE PLACED ON EACH WORK SHEET UNDER THE "BOS RECOMMEND" COLUMN**

TOWN BUDGET TIMELINE

MARCH

- **THE SELECTMEN DO NOT REVIEW THE BUDGETS OF OTHER ELECTED OFFICIALS. EACH ELECTED OFFICIAL HAS SOVEREIGNTY OVER THEIR OWN BUDGET REQUEST**
- **WHY?**
- **ELECTED OFFICIALS REPORT TO THE PEOPLE WHO ELECTED THEM – E.G. THE TOWN TREASURER OR TOWN CLERK DOES NOT REPORT TO THE SELECTMEN AS THEIR “SUPERVISOR” – THEIR “BOSS” IS YOU, THE PEOPLE WHO ELECTED THEM**

TOWN BUDGET TIMELINE

MARCH

- **THE TOWN ACCOUNTANT RECEIVES THE VOTED RECOMMENDATIONS FROM THE BOARD OF SELECTMEN AND INCORPORATES THEM INTO THE BUDGET WORKBOOK**
- **ONCE COMPLETE, THE SELECTMEN VOTE TO SEND THE ASSEMBLED BUDGET TO THE FINANCE COMMITTEE FOR ITS CONSIDERATION AND RECOMMENDATION**
- **THIS USUALLY OCCURS IN MID TO LATE MARCH**

TOWN BUDGET TIMELINE APRIL

- **AT THIS POINT, THE BUDGET WORKBOOK CONTAINS THE “EXPENSES” THE TOWN EXPECTS TO INCUR TO OPERATE THE FORTHCOMING FISCAL YEAR**
- **REVENUE IS NEEDED TO FUND THOSE EXPENSES**
- **WHERE/HOW DOES THAT ENTER THE PICTURE? HOW DOES THE TOWN MAKE MONEY? MORE ON THIS IN A MOMENT!**

TOWN BUDGET TIMELINE

APRIL

- **TOWN ACCOUNTANT RECEIVES/COLLECTS REVENUE DATA TO INCLUDE IN THE BUDGET WORKBOOK**
- **DATA COMES FROM SEVERAL SOURCES, INCLUDING THE TOWN'S BOARD OF ASSESSORS AND THE STATE (CHERRY SHEET)**
- **THE TOWN ACCOUNTANT ALSO PREPARES AS ESTIMATE BASED ON HISTORICAL DATA ON WHAT THE TOWN SHOULD USE AS FIGURES FOR SEVERAL REVENUE SOURCES (MVE, LOCAL RECEIPTS AND MEALS TAX)**

TOWN BUDGET TIMELINE APRIL

- **ASSEMBLED BUDGET WORKBOOK, WITH BOTH EXPENSE AND REVENUE DATA, IS FORWARDED TO THE FINANCE COMMITTEE**
- **MEMBERS ARE ASKED TO REVIEW ALL THE DATA AND TO FORWARD ANY QUESTIONS, OR REQUESTS FOR DEPARTMENT HEADS TO COME TO DISCUSS THEIR BUDGETS, TO THE CHAIR**
- **THE FINANCE COMMITTEE MEETS TO REVIEW THE BUDGET WORKBOOK. THESE MEETINGS ARE POSTED IN ACCORDANCE WITH OPEN MEETING LAWS AND ARE OPEN TO THE PUBLIC TO ATTEND**

TOWN BUDGET TIMELINE APRIL

- **ONE OR MORE DEPARTMENT HEADS MAY BE PRESENT TO ANSWER QUESTIONS, IF SO ASKED BY MEMBERS OF THE COMMITTEE**
- **ABSENCE OF A DEPARTMENT HEAD MEANS EACH COMMITTEE MEMBER FEELS HE/SHE IS ADEQUATELY SCHOOLED TO CONSIDER THE DEPARTMENT'S REQUEST AND TO DEBATE ADJUSTMENTS THERETO**
- **THE FINCOM LIAISON TO THAT DEPARTMENT ACTS AS THE DEPARTMENT'S ADVOCATE DURING THE MEETING**
- **PUBLIC INPUT IS OFTEN TAKEN (BUT IS NOT REQUIRED UNDER OML)**

TOWN BUDGET TIMELINE

APRIL

- **STEP ONE IS TO REVIEW THE REVENUE ESTIMATES PROVIDED IN THE WORKBOOK. SEVERAL ESTIMATES ARE CONSIDERED “HARD” ESTIMATES (TAX LEVY, ETC. – MORE ON THIS LATER) WHILE OTHERS ARE “SOFT” ESTIMATES**
- **FINCOM REVIEWS THE HISTORICAL DATA PROVIDED WITH THE “SOFT” ESTIMATES, AS WELL AS THE PROFESSIONAL OPINIONS PROVIDED BY THE “SUBJECT MATTER EXPERTS” ON THOSE FIGURES, TO DECIDE WHETHER TO ACCEPT THE ESTIMATES AS IS, OR TO ADJUST THE FIGURES HIGHER OR LOWER**

TOWN BUDGET TIMELINE

APRIL

- **ONCE THIS REVIEW IS COMPLETE, WE HAVE AN ESTIMATE OF HOW MUCH MONEY THE TOWN IS GOING TO HAVE NEXT FISCAL YEAR**
- **NEXT STEP IS TO REVIEW ALL THE DEPARTMENT BUDGET REQUESTS**
- **ADJUSTMENTS ARE MADE UP OR DOWN, AS NECESSARY, OR REQUEST IS ACCEPTED WITHOUT MODIFICATION**
- **THESE AMOUNTS ARE PLACED IN THE “FINCOM RECOMMEND” COLUMN**

TOWN BUDGET TIMELINE APRIL

- **IF THE TOTAL EXPENSES DO NOT EXCEED EXPECTED REVENUE, FINCOM'S JOB IS FINISHED AT THIS POINT**
- **THIS RARELY HAPPENS.... SO.....**
- **FINCOM HAS TO GO BACK AND MAKE THE UNPOPULAR DECISION ON WHICH ACCOUNTS CANNOT BE FUNDED AT THEIR REQUESTED AMOUNT, AND REDUCE THE RECOMMENDED FUNDING**

TOWN BUDGET TIMELINE

APRIL

- **FINCOM MUST PRESENT A BALANCED BUDGET TO TOWN MEETING BY LAW**
- **REVENUE ESTIMATES FINCOM USES TO CREATE A BALANCED BUDGET MUST BE REASONABLE AND CUSTOMARY AND STAND THE REVIEW/SCRUTINY OF MA DOR**
- **FINCOM CANNOT BASE ITS BUDGET ON NON-EXISTENT REVENUE (E.G. REVENUE THE TOWN MIGHT RECEIVE FROM A PROPOSITION 2 1/2 OVERRIDE VOTE)**

TOWN BUDGET TIMELINE

APRIL

- **FINCOM** MAKES ADJUSTMENTS TO BALANCE THE BUDGET AND ITS FINAL RECOMMENDATIONS ARE THEN VOTED FOR THE (CURRENTLY) 4 BUDGETS PRESENTED IN THE TOWN MEETING WARRANT
- **FINCOM** PROVIDES A SERIES OF APPENDICES TO SUPPORT THE BASIS OF THE RECOMMENDATIONS, WHICH APPEAR IN THE TOWN MEETING WARRANT AS THE FINANCE COMMITTEE'S REPORT
- **THE CHAIR (OR DESIGNEE)** PREPARES A LETTER FROM **FINCOM** WHICH IS ALSO PUBLISHED IN THE WARRANT

TOWN BUDGET TIMELINE APRIL

- **FINCOM'S RECOMMENDATIONS, LETTER AND SUPPORTING DOCUMENTS ARE FORWARDED BACK TO THE BOARD OF SELECTMEN FOR INCLUSION IN THE WARRANT**
- **THE BOARD OF SELECTMEN PREPARE THE PRINTED WARRANT WITH THE TOWN CLERK AND MAIL A PRINTED WARRANT CONTAINING THE BUDGET RECOMMENDATIONS TO ALL TOWN RESIDENTS AT LEAST TWO WEEKS PRIOR TO TOWN MEETING BEING HELD (TOWN BYLAW)**

TOWN BUDGET TIMELINE

MAY

- **BOARD OF SELECTMEN HOSTS A “FINANCIAL SUMMIT” FOR RESIDENTS TO ATTEND, WHICH REVIEWS THE FINANCIAL HEALTH OF THE TOWN (LATE APRIL/EARLY MAY)**
- **RESIDENTS MEET AT TOWN MEETING 2ND WEEK IN MAY TO VOTE ON BUDGET RECOMMENDATIONS FROM FINANCE COMMITTEE**
- **RESIDENTS CAN AMEND RECOMMENDATIONS UP, DOWN, OR ACCEPT AS PRESENTED. YOU MAKE THE DECISION! YOUR TAXES!**
- **VOTER-APPROVED BUDGET TAKES EFFECT JULY 1ST**

TOWN BUDGET TIMELINE

MAY

- **IF VOTERS DECIDE TO SPEND MORE THAN THE TOWN ANTICIPATES IT WILL RECEIVE IN REVENUE, THE BUDGET IS “OUT OF BALANCE” AND A PROPOSITION 2 1/2 OPERATIONAL OVERRIDE IS NECESSARY TO RAISE THE ADDITIONAL REVENUE NEEDED TO BALANCE THE BUDGET**
- **ONLY TOWN RESIDENTS CAN DECIDE WHETHER OR NOT TO INCREASE THEIR TAXES – THIS IS NOT A DECISION EITHER THE BOARD OF SELECTMEN OR THE FINANCE COMMITTEE MAKES**

TOWN BUDGET TIMELINE JUNE/JULY

- **AN OVERRIDE ELECTION HAS TO TAKE PLACE BY SEPTEMBER 15TH**
- **ONCE THE SELECTMEN AUTHORIZE AN OVERRIDE ELECTION, THE TOWN CLERK NEEDS A MINIMUM OF 35 DAYS TO PREPARE (ORDER BALLOTS, VOTING SUPPLIES, ETC.)**
- **AUTHORIZATION TAKES PLACE (EARLIEST) THE MEETING FOLLOWING ADJOURNMENT OF TOWN MEETING**
- **THIS USUALLY MEANS ANY OVERRIDE VOTE WILL TAKE PLACE AT THE VERY EARLIEST IN MID JULY**
- **APPROVED BUDGET TAKES EFFECT JULY 1ST (PENDING ANY OVERRIDE)**

TOWN REVENUE SOURCES



TOWN REVENUE SOURCES

**BEFORE WE CAN SPEND MONEY WE NEED TO KNOW
HOW MUCH WE HAVE AND WHERE IT COMES FROM**

TOWN REVENUE SOURCES

THREE WAYS A TOWN GENERATES REVENUE:

- **TAXES**
- **FEES**
- **OTHER**

TOWN REVENUE SOURCES

- **OVERLAY SURPLUS**
- **STABILIZATION**
- **CAPITAL STABILIZATION**
- **SPECIAL REVENUE ACCOUNTS**
 - **PUBLIC SAFETY BUILDING FUND**
 - **COMMUNITY PRESERVATION ACCOUNT**
 - **AGRICULTURAL & NATURAL RESOURCES TRUST FUND**
- **FREE CASH**
- **RAISE & APPROPRIATE**
 - **REAL ESTATE & PERSONAL PROPERTY TAXES**
 - **NEW GROWTH**
 - **ANNUAL PROP 2 1/2 INCREASE**
 - **DEBT EXCLUSIONS**
 - **STATE AID**
 - **SOLAR PILOTS**
 - **MEALS TAX**
 - **LOCAL RECEIPTS**
 - **MOTOR VEHICLE EXCISE**

OVERLAY SURPLUS

- **UNUSED FUNDS RELEASED FROM THE TOWN'S OVERLAY RESERVE ACCOUNT BY THE ASSESSORS**
- **OVERLAY RESERVE IS AN ACCOUNT ESTABLISHED ANNUALLY TO FUND ANTICIPATED PROPERTY TAX ABATEMENTS, EXEMPTIONS AND UNCOLLECTED TAXES IN THAT YEAR**
- **THE OVERLAY RESERVE IS NOT ESTABLISHED BY THE NORMAL APPROPRIATION PROCESS, BUT RATHER IS RAISED ON THE TAX RATE "RECAP" SHEET – E.G. YOU DO NOT SEE THIS IN THE ANNUAL WARRANT ARTICLES**
- **GOOD OPPORTUNITY TO VIEW OUR "PROPERTY TAXES 101" VIDEO/ POWERPOINT PRESENTATION FOR MORE INFORMATION ON REHOBOTHTV**

OVERLAY SURPLUS

- REHOBOTH BUDGETS MONIES ANNUALLY INTO OVERLAY RESERVE BASED ON A VOTE OF THE BOARD OF ASSESSORS. EACH FISCAL YEAR HAS AN OVERLAY RESERVE
- PRIOR TO TOWN MEETING, THE ASSESSORS EVALUATE THE STATUS OF EACH YEARS' OVERLAY RESERVE TO DETERMINE IF THERE ARE ANY FUNDS WHICH MAY BE REVERTED BACK TO THE TOWN FOR OTHER USES
- THE SUM OF THESE AMOUNTS FROM PRIOR YEARS' IS REFERRED TO AS 'OVERLAY SURPLUS'
- AT THE END OF EACH FISCAL YEAR, UNUSED OVERLAY SURPLUS IS "CLOSED" TO SURPLUS REVENUE, OR "FREE CASH" – SO WE GENERALLY USE THIS REVENUE SOURCE FIRST AT SPECIAL TOWN MEETING

FUNDING SOURCES

STABILIZATION & CAPITAL STABILIZATION

- **A STABILIZATION ACCOUNT IS A SPECIAL RESERVE FUND INTO WHICH MONIES MAY BE APPROPRIATED AND RESERVED FOR LATER APPROPRIATION ACROSS FISCAL YEARS FOR ANY LAWFUL MUNICIPAL PURPOSE**
- **CAPITAL STABILIZATION IS A STABILIZATION FUND INTENDED FOR LARGE CAPITAL EQUIPMENT AND BUILDING PURCHASE/RENOVATIONS**
- **LENDING AGENCIES LOOK FAVORABLY ON MUNICIPALITIES THAT MAINTAIN STABILIZATION FUNDS WHEN THE MUNICIPALITY SEEKS FINANCING**

FUNDING SOURCES STABILIZATION & CAPITAL STABILIZATION

- **A MAJORITY VOTE AT TOWN MEETING IS REQUIRED TO APPROPRIATE INTO A STABILIZATION ACCOUNT**
- **A TWO-THIRDS VOTE IS NEEDED TO APPROPRIATE FROM STABILIZATION**
- **THINK OF THESE ACCOUNTS AS THE TOWN'S "EMERGENCY SAVINGS ACCOUNTS"**
- **USING FUNDS FROM EITHER OF THESE SOURCES SHOULD BE CONSIDERED A "FUNDING SOURCE OF LAST RESORT" AT TOWN MEETING**

FUNDING SOURCES SPECIAL REVENUE ACCOUNTS

- **ESTABLISHED BY TOWN MEETING**
- **FUNDED VIA A VARIETY OF METHODS, SUCH AS AN APPROPRIATION AT TOWN MEETING**
- **USUALLY ESTABLISHED FOR A SPECIFIC PURPOSE**

FUNDING SOURCES PUBLIC SAFETY BUILDING FUND

- **ESTABLISHED BY TOWN MEETING VOTE IN MAY 2007**
- **FUNDED BY SALE OF TOWN-OWNED REAL-ESTATE, SUCH AS NORTH SCHOOL**
- **INTENDED TO FUND RENOVATION OR BUILDING A NEW PUBLIC SAFETY COMPLEX**
- **A MAJORITY VOTE OF TOWN MEETING IS REQUIRED TO APPROPRIATE FROM THIS FUND**

FUNDING SOURCES

COMMUNITY PRESERVATION FUND

- **ADOPTED BY TOWN MEETING VOTE IN APRIL 2009**
- **ADDS A 1% SURCHARGE TO YOUR PROPERTY TAX BILL**
- **SERVES A VARIETY OF PURPOSES SUCH AS HISTORICAL AND OPEN SPACE PRESERVATION**
- **RECOMMENDATIONS FOR EXPENDITURES FROM THIS FUND ARE PROVIDED BY THE COMMUNITY PRESERVATION COMMITTEE**
- **A MAJORITY VOTE OF TOWN MEETING IS REQUIRED TO APPROPRIATE FROM THIS FUND**

FUNDING SOURCES AGRICULTURAL AND NATURAL RESOURCES TRUST FUND

- **ESTABLISHED BY TOWN MEETING VOTE IN 2007**
- **EXPENDITURES RECOMMENDED BY THE AGRICULTURAL & NATURAL RESOURCES PRESERVATION COUNCIL**
- **WAS FUNDED MANY YEARS BY AN APPROPRIATION ANNUALLY AT TOWN MEETING VIA A WARRANT ARTICLE. WALT MUNROE WAS A HUGE ADVOCATE**
- **INTENDED TO FUND PRESERVATION OF OPEN SPACE**
- **SOMEWHAT REDUNDANT/UNNECESSARY WITH ADOPTION OF THE CPA**
- **MAJORITY VOTE NEEDED TO APPROPRIATE INTO/OUT OF THIS FUND**

FUNDING SOURCES

TAXATION / “RAISE AND APPROPRIATE”

- **THE MAJOR REVENUE SOURCE TO FUND TOWN OPERATIONS**
- **USUALLY ONLY AVAILABLE IN THE ANNUAL TOWN MEETING**
- **COMPONENTS INCLUDE:**
 - **PROPERTY TAX LEVY**
 - **PROPOSITION 2½ INCREASE**
 - **NEW GROWTH**
 - **DEBT EXCLUSIONS**
 - **STATE AID**
 - **SOLAR PILOTS**
 - **MEALS TAX**
 - **LOCAL RECEIPTS**
 - **MOTOR VEHICLE EXCISE TAX**

FUNDING SOURCES

PROPERTY TAX LEVY

- **CALCULATED BY THE BOARD OF ASSESSORS**
- **LEVIED ON:**
 - **ALL REAL ESTATE (RESIDENTIAL, COMMERCIAL AND INDUSTRIAL)**
 - **PERSONAL PROPERTY (PRINCIPALLY ON BUSINESS AND IS BASED UPON THE NON-REAL ESTATE, TANGIBLE ASSETS OF THE BUSINESS)**
- **IS EQUAL TO (APPROXIMATELY) LAST YEAR'S TAX LEVY, LAST YEAR'S ANNUAL PROPOSITION 2 1/2 INCREASE, AND NEW GROWTH COMBINED. ALSO INCLUDES ANY OVERRIDES PASSED IN THE PREVIOUS YEAR**
- **SHAMELESS PLUG: WATCH OUR "PROPERTY TAXES 101" VIDEO!**

FUNDING SOURCES

ANNUAL PROP 2½ INCREASE

- **THE ONLY “PREDICTABLE” SOURCE OF NEW REVENUE FOR THE TOWN IS THIS INCREASE**
- **THE OTHER REVENUE SOURCES AVAILABLE TO THE TOWN ARE LESS PREDICTABLE, TO VARIED DEGREES**
- **UNDER STATE LAW, THE TOWN’S PROPERTY TAX LEVY CAN ONLY INCREASE BY 2.5% OVER LAST YEAR’S LEVY**
- **IF LAST YEAR’S TAX LEVY WAS \$20 MILLION, THE INCREASE WOULD BE \$500K**
- **THIS INCREASE IS CALCULATED BY THE BOARD OF ASSESSORS**

FUNDING SOURCES

NEW GROWTH

- REFLECTS CERTAIN INCREASES IN THE TAX BASE
- BECOMES A PERMANENT PART OF THE LEVY LIMIT BASE
- THREE BASIC CATEGORIES:
 - PROPERTIES THAT HAVE INCREASED IN ASSESSED VALUATION SINCE THE PRIOR YEAR BECAUSE OF DEVELOPMENT OR OTHER CHANGES
 - EXEMPT REAL PROPERTY RETURNED TO THE TAX ROLL
 - NEW PERSONAL PROPERTY
 - NEW SUBDIVISIONS
- NEW GROWTH DOES NOT INCLUDE MARKET VALUE INCREASES
- CALCULATED ANNUALLY BY THE BOARD OF ASSESSORS

FUNDING SOURCES DEBT EXCLUSIONS

- **CREATES A TEMPORARY INCREASE IN THE LEVY LIMIT TO FUND THE PAYMENT OF DEBT SERVICE COSTS FOR CAPITAL PROJECTS FUNDED BY BORROWING (E.G. SENIOR CENTER, NEW SCHOOL ROOFS)**
- **THEY ARE FOR A SET TERM (10-20 YEARS) AFTER WHICH THEY COME OFF THE TAX BILL**
- **DEBT EXCLUSIONS REQUIRE A TWO STEP APPROVAL PROCESS: A MAJORITY VOTE AT TOWN MEETING, THEN A MAJORITY VOTE IN A TOWN ELECTION**
- **THIS AMOUNT IS CALCULATED BY THE TREASURER WHO MAINTAINS THE DEBT SERVICE SCHEDULES FOR THE TOWN**

FUNDING SOURCES

STATE AID

- **COLLECTIVELY REFERS TO MONIES GIVEN BY THE STATE TO THE TOWN (E.G. CHAPTER 70 FUNDS, VET'S BENEFITS, UNRESTRICTED STATE AID)**
- **REPORTED TO THE TOWN ANNUALLY ON THE "CHERRY SHEET"**
- **VARIABLE AND DEPENDENT ON THE STATE BUDGET**
- **"HOUSE 1", "SENATE 1", AND THE GOVERNOR'S BUDGET**
- **CAN ONLY USE AN ESTIMATE DURING THE TOWN'S BUDGETING PROCESS – AMOUNT OFTEN NOT KNOWN UNTIL AFTER ATM**
- **TOWN BUDGETS ON THE CONSERVATIVE SIDE (LESSER OF ALL NUMBERS) SO WE DO NOT FIND OUR REVENUE ESTIMATES SHORT**

FUNDING SOURCES

SOLAR PILOTS

- **SOLAR PILOT (PAYMENT IN LIEU OF TAXES) ARE AGREEMENTS NEGOTIATED BETWEEN THE TOWN OF REHOBOTH AND SOLAR FARM OWNER/OPERATORS**
- **IN MAY 2014 TOWN MEETING ESTABLISHED A SOLAR CAPITAL ACCOUNT WAS ESTABLISHED TO RECEIVE FUNDS FROM THESE AGREEMENTS**
- **REQUIRED AN ACT OF THE GENERAL COURT TO ESTABLISH ONCE APPROVED AT TOWN MEETING**
- **THIS ACCOUNT, AS ESTABLISHED BY THE GENERAL COURT, MAY ONLY BE USED TO PURCHASE/REPAIR LAND AND FACILITIES FOR MUNICIPAL USE. IT CANNOT BE USED TO SUPPLEMENT THE TOWN'S OPERATING BUDGET**
- **ANNUAL GROWTH DEPENDENT ON AGREEMENTS**

FUNDING SOURCES

MEALS TAX

- **THE LOCAL OPTION EXCISE OF .75 PERCENT ON THE SALE OF RESTAURANT MEALS ORIGINATING WITHIN A MUNICIPALITY WAS CREATED BY THE STATE AND ADOPTED BY REHOBOTH STARTING 1/1/2010**
- **ON A \$100 TAB, THE TAX AMOUNTS TO 75 CENTS. EVERY \$133,333 IN GROSS SALES GENERATES \$1,000 IN REVENUE**
- **THE TAX IS LEVIED ON “ANY FOOD AND/OR BEVERAGE THAT HAS BEEN PREPARED FOR IMMEDIATE HUMAN CONSUMPTION” AND PROVIDED BY A RESTAURANT OR RESTAURANT PART OF A STORE**
- **CURRENTLY ACCOUNTS FOR LESS THAN 1/2 OF 1% OF THE TOWN’S TOTAL REVENUES**
- **DOES NOT HAVE SIGNIFICANT GROWTH POTENTIAL DUE TO RATE AND THE MARKET**
- **SOMEWHAT DEPENDENT ON LOCAL ECONOMIC CONDITIONS**

FUNDING SOURCES

LOCAL RECEIPTS

- **LOCAL RECEIPTS IS A TERM USED TO REFER TO ALL GENERATED REVENUES, OTHER THAN REAL, PERSONAL PROPERTY, AND EXCISE TAXES, A MUNICIPALITY COLLECTS AS PART OF ITS ANNUAL OPERATIONS.**
- **SOME OF THESE REVENUE STREAMS ARE VARIABLE WHILE OTHERS ARE FAIRLY STATIC. OVERALL, THESE REVENUE STREAMS DO NOT VARY SUBSTANTIALLY YEAR OVER YEAR, UNLESS INFLUENCED BY OUTSIDE FACTORS**

FUNDING SOURCES

LOCAL RECEIPTS

EXAMPLES OF REVENUE SOURCES CLASSIFIED AS “LOCAL RECEIPTS” INCLUDE:

- OTHER EXCISE TAXES (FARM EXCISE)
- PENALTIES & INTEREST (TAX TITLE)
- FEES (POLICE DETAILS)
- RENTALS (CELL TOWERS)
- OTHER DEPT. REVENUE (TOWN CLERK)
- LICENSES AND PERMITS (BUILDING)
- FINES AND FORFEITURES (NSF)
- INVESTMENT INCOME (INTEREST ON INVESTMENTS)

FUNDING SOURCES MOTOR VEHICLE EXCISE TAX

- **EXCISE TAX LEVIED ON ALL REGISTERED VEHICLES OWNED BY RESIDENTS**
- **BASED ON A CALENDAR YEAR – BILLS ARE SENT IN THE FIRST QUARTER OF THE NEW YEAR**
- **VEHICLE VALUE IS DETERMINED BY THE COMMISSIONER OF REVENUE. THE VALUE IS NOT BASED ON THE ACTUAL PURCHASE PRICE OR "BOOK VALUE" OF THE VEHICLE. THIS VALUE REMAINS CONSTANT THROUGHOUT THE LIFE OF THE VEHICLE**
- **TAX RATE FIXED AT \$25 PER \$1,000 OF ASSESSED VALUE**

FUNDING SOURCES

MOTOR VEHICLE EXCISE TAX

- **ASSESSED VALUE FOLLOWS FIXED DEPRECIATION SCHEDULE:**
 - **IN THE YEAR PRECEDING THE YEAR OF MANUFACTURE** **50%**
 - **IN THE YEAR OF MANUFACTURE** **90%**
 - **IN THE SECOND YEAR** **60%**
 - **IN THE THIRD YEAR** **40%**
 - **IN THE FOURTH YEAR** **25%**
 - **IN THE FIFTH AND SUCCEEDING YEARS** **10%**
- **YOUR TAX = \$VALUE X DEPRECIATION FACTOR ÷ 1000 x \$25**

FUNDING SOURCES

MOTOR VEHICLE EXCISE TAX EXAMPLE

- IN 2018 YOU PURCHASE A BRAND NEW 2019 TOYOTA COROLLA VALUED AT \$22,000. YOUR ANNUAL MVE TAX ON THIS VEHICLE WILL BE:

• 2018	\$275	$\$22,000 \times .50 \div 1000 \times \25
• 2019	\$495	$\$22,000 \times .90 \div 1000 \times \25
• 2020	\$330	$\$22,000 \times .60 \div 1000 \times \25
• 2021	\$220	$\$22,000 \times .40 \div 1000 \times \25
• 2022	\$138	$\$22,000 \times .25 \div 1000 \times \25
• 2023+	\$ 55	$\$22,000 \times .10 \div 1000 \times \25

FUNDING SOURCES

MOTOR VEHICLE EXCISE TAX EXAMPLE

- **AS IS ILLUSTRATED IN THE EXAMPLE, ANY “LEVEL FUNDING” OR “GROWTH” IN THE ANNUAL MVE TAXES THE TOWN GENERATES IS DEPENDENT ON RESIDENTS PURCHASING OR LEASING NEW VEHICLES ON A CONTINUOUS BASIS. IF THE RATE STARTS TO DECREASE, OUR ANNUAL MVE TAX COLLECTION WILL SUFFER**
- **THIS PROBLEM WOULD BE COMPOUNDED SIGNIFICANTLY AS THE BUDGET PREPARATION PROCESS FOR THE NEXT FISCAL YEAR OCCURS PRIOR TO THE TWO MAJOR MVE TAX COMMITMENTS THE TOWN RECEIVES – WHICH MEANS THE FINANCE COMMITTEE DOES NOT HAVE THE “CURRENT YEAR” TAX COLLECTION NUMBERS – ONLY NUMBERS FROM THE PRIOR FISCAL YEAR – TO BASE ITS REVENUE ESTIMATES FOR NEXT YEAR**

FUNDING SOURCES

FREE CASH

- **FREE CASH IS A REVENUE SOURCE WHICH RESULTS FROM THE CALCULATION, AS OF JULY 1, OF A COMMUNITY'S REMAINING, UNRESTRICTED FUNDS FROM OPERATIONS OF THE PREVIOUS FISCAL YEAR BASED ON THE BALANCE SHEET AS OF JUNE 30**
- **FANCY WAY OF SAYING “IT IS ALL THE MONEY LEFT OVER FROM THE MONIES THE TOWN COLLECTED DURING THE PAST (FISCAL) YEAR LESS ITS OPERATING EXPENSES”**
- **CERTIFIED BY THE DEPARTMENT OF REVENUE IN THE FALL (USUALLY OCTOBER)**

FUNDING SOURCES

FREE CASH

- **HOW DOES FREE CASH GET GENERATED?**
 - **ACTUAL RECEIPTS IN EXCESS OF REVENUE ESTIMATES (HIGHER THAN EXPECTED LOCAL RECEIPTS/MVE)**
 - **UNSPENT AMOUNTS IN DEPARTMENTAL BUDGET LINE-ITEMS FOR THE YEAR JUST ENDING (RESERVE FUND)**
 - **UNANTICIPATED REVENUE (TAXES UNEXPECTEDLY PAID FROM PREV FYs)**
 - **ONE-TIME REVENUE SOURCES (SALE OF TOWN-OWNED PROPERTY)**
 - **UNEXPENDED FUNDS FROM THE PREVIOUS YEAR**

FREE CASH DOR POLICIES

- **DOR RECOMMENDS THAT FREE CASH NOT BE AVAILABLE TO SUPPLEMENT CURRENT YEAR DEPARTMENTAL OPERATIONS**
- **AS A NON-RECURRING REVENUE SOURCE, DOR STATES A PRUDENT USE OF FREE CASH WOULD BE TO FUND ONE-TIME EXPENDITURES (ACCEPTANCES), CAPITAL PURPOSES (POLICE CRUISERS) OR TO REPLENISH OTHER RESERVES (STABILIZATION)**
- **IF PROJECTED AS A REVENUE SOURCE TO SUPPORT THE ENSUING YEAR'S OPERATIONS, DOR RECOMMENDS THE AMOUNT USED WOULD BE RESTRICTED TO A PERCENTAGE OF TOTAL FREE CASH**

FREE CASH DOR POLICIES

- **UNDER SOUND FINANCIAL POLICIES, DOR RECOMMENDS A COMMUNITY STRIVE TO GENERATE FREE CASH IN AN AMOUNT EQUAL TO 3 TO 5 PERCENT OF ITS ANNUAL BUDGET.**
- **FREE CASH SHOULD NOT BE DEPLETED IN ANY YEAR, SO THAT THE FOLLOWING YEAR'S CALCULATION WOULD BEGIN WITH A POSITIVE BALANCE**
- **CONSERVATIVE REVENUE PROJECTIONS SHOULD BE USED AND DEPARTMENTAL APPROPRIATIONS SHOULD BE ORCHESTRATED TO PRODUCE EXCESS INCOME AND DEPARTMENTAL TURN BACKS**

QUESTIONS?

Topic	Who to Contact?	Phone # / eMail
Town Budget & Finances	Michael P. Deignan Fincom Chair	401-556-5062 Michael.P.Deignan@gmail.com
General question/ Not sure?	Town Administrator's Office	508-252-3758

FURTHER READING/ACKNOWLEDGEMENTS

<https://www.mass.gov/files/documents/2016/08/oq/levylimits.pdf>

<https://docs.digital.mass.gov/node/3021041/download>

<HTTPS://WWW.REHOBOTHTV.ORG/ONDEMANDPLAYER?SHOWID=3190>

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TOWN OF REHOBOTH

TOWN FINANCES 101

<https://bit.ly/TownFinances101>

