

**Townsend, Massachusetts
Annual Budget Book
FY18**



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Town Administrator
April 2017

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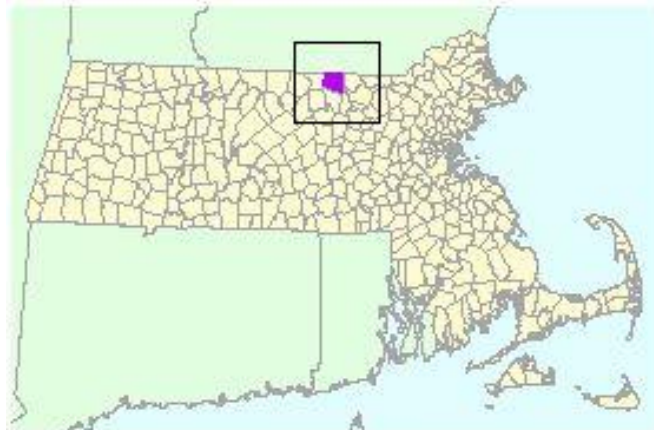
Town of Townsend, Massachusetts Community Profile

Brief History

What is today the Town of Townsend was settled in the late several decades, several boundaries changed and the Town's Townshend became Townsend, since Townshend honored an Industry developed during the 19th century, including the and tanning. The Town also had substantial agricultural land. the 20th century, manufacturing and agricultural were in manufacturer in Townsend: Sterilite, which produces plastic residents highly value the small-town, rural aesthetic.



1600s and incorporated as the Town of Townshend in 1732. Over the ensuing existing boundaries were established. During the American Revolution, English politician which was in opposition to the patriotic sentiments of the times. production of textiles, cooperage (production of wooden vessels such as barrels), A railroad allowed industry and agriculture to develop. However, by the middle of decline, as was common across the Commonwealth. Today, there is one major housewares. Overall, the Town is considered a residential community and



State of New Hampshire. It is bordered by Mason and Brookline, NH to the north, Pepperell to the east, Groton and Shirley to the southeast, Lunenburg to the south, and Ashby to the west. The closest major cities are Worcester, Boston, Nashua, NH, and Manchester, NH.

The Town consists of approximately 33 square miles, with significant natural resources, including rivers, ponds, wetlands, swamps, and other wildlife areas. A substantial portion of Town land is protected and residents and visitors can enjoy ample opportunities for passive recreation activities such as hiking, biking, fishing, and swimming. For example, two popular amenities are Townsend State Forest and Willard Brook State Forest.

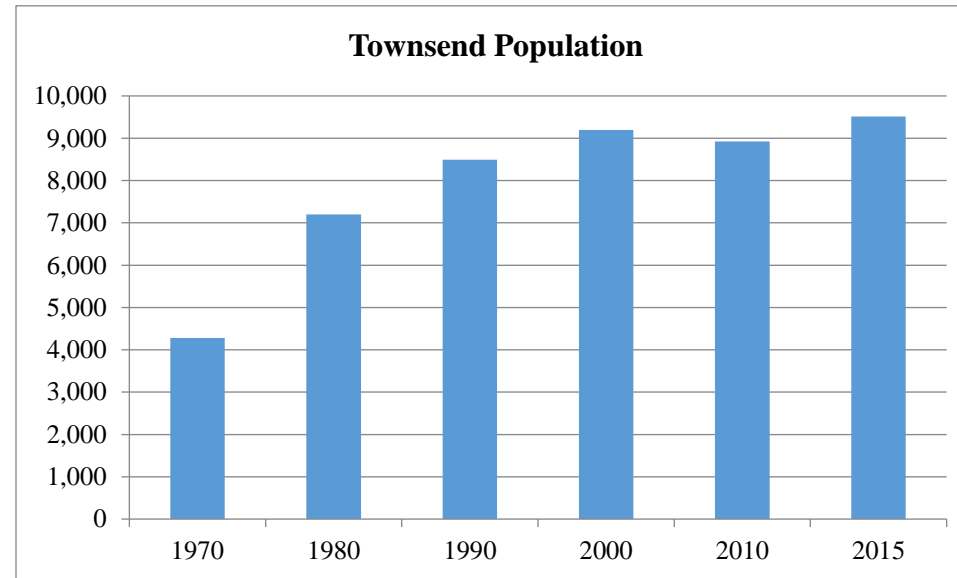
Location and Geography

Townsend is located in the extreme north of Central Massachusetts, bordering the

Demographics and Local Businesses¹

The Town of Townsend had approximately 9,282 residents living in 3,504 households in 2015, according to the American Community Survey. The population grew steadily between 1970 and 2000, but has been relatively stable since then.

¹ https://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml



According to the 2012 Economic Census of the U.S., which provides the most recent available data, there are 108 business establishments in Townsend. They range from small businesses serving local residents and a regional audience, such as attorneys, accountants, plumbers, daycare providers, restaurants, and small retailers, to regional and national businesses, such as banks/credit unions, grocery stores, and Sterilite Corporation.

Government

The Town is governed by the Townsend Home Rule Charter. Under the Charter, the Town’s executive powers are vested in a three-member Board of Selectmen, which appoints a Town Administrator to handle day-to-day management of the Town. The Board is the licensing authority for the Town and has substantial personnel-appointing powers according to the Town Charter. Town Meeting is the legislative body in Townsend. The Town has an open Town Meeting, which means that any registered voter in Town may participate.

Residents are served by various elected and appointed boards and commissions, in addition to employees of the Town’s various departments and agencies.

Elected Boards/Commissions/Committees/Positions:	Appointed Boards/Commissions/Committees
<p>Amanda Dwight Entertainment Committee Board of Assessors Board of Health Board of Selectmen Board of Water Commissioners Cemetery & Parks Commission Democratic Town Committee Library Trustees Town Moderator NMRSD School Committee Planning Board Republican Town Committee Town Clerk Townsend Housing Authority Trust Fund Commission Trustee of Soldier's Memorial</p>	<p>Abram S. French Fund Committee Agriculture Committee Board of Registrars Capital Planning Committee Charter Review Committee Conservation Commission Council on Aging Energy Committee Finance Committee Historic District Commission James H. Tucker Fund Licensing Authority Meeting Hall Gallery Committee Townsend Emergency Management Authority Townsend Cultural Council West Townsend Reading Room Zoning Board of Appeals</p>

REVENUE AND EXPENDITURE FORECAST INTRODUCTION

The object of the Town of Townsend's financial forecast² is to conservatively project revenues and expenditures five years into the future (FY2018-FY2022). The forecast is intended to provide policymakers with the information they need to make informed decisions around the Town's financial strategies and policies, long-term financial and capital planning, and long-term contracts or obligations.

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

The approach used in the forecast model for the Town of Townsend assumes that current service levels will be maintained in the future years of the forecast. The model also assumes that existing Massachusetts General Laws and regulations will remain unchanged over the forecast period. However, as new information becomes available here forward, the assumptions and estimates used in the current projections will need to be regularly re-evaluated by Town officials to determine if they are still appropriate and reasonable.

The forecast is structured as a series of Excel worksheets. The totals from the detailed Revenue Projections and Expenditure Projections worksheets flow into a "Summary" worksheet which reveals projected future operating surpluses or deficits. A series of worksheets calculate the impacts of cost-of-living and step increases (COLA and Wages), employee benefits (Benefits), and labor, benefit, and operating expenses for the water enterprise fund (Enterprise Funds), all of which tie to the projections worksheets. In addition, static prior year or current data is available for more in-depth analysis of issues like new growth (Growth), debt service (Debt and Debt Detail), and local receipts (Revenue History).

² The town thanks and acknowledges the Baker-Polito Administration for the invaluable assistance provided through the Community Compact grant through which this financial forecasting tool was developed. Additional acknowledgement goes to the Edward J. Collins, Jr. Center for Public management at UMass Boston for their efforts in working with the towns elected and appointed personnel to create the document.

REVENUE PROJECTIONS

PROPERTY TAX LEVY

Annual tax levy growth is constrained by Proposition 2 ½ %, the Massachusetts General Law that limits the annual growth in a municipality's total tax levy to 2 ½ % percent, plus an allowance for certain new construction and other additions to the tax rolls. The law also allows a city or town to increase taxes beyond this levy limit with voter approval. An override of this limit by voters becomes a permanent part of the tax levy calculation in future years and is best used for recurring expenses in the regular operating budget. A debt exclusion may also be approved by voters to increase the levy limit temporarily to fund capital projects. Generally, these projects are financed by borrowing and the annual debt service is added to the levy limit each year until the project is paid off.

The FY2018-FY2022 forecast projects new growth of \$116,000 over the years of the forecast. The projection is based upon a conservative average of New Growth over the previous five-year period. There is no special development other than normal anticipated during the forecast period. Generally, tax rates will rise slightly each year as the levy limit grows and property valuations are stable. New growth is reported to the State each year on Form LA-13 which is typically submitted in late summer or early fall prior to setting a tax rate.

The forecast anticipates that the Town will fully utilize its taxing capacity throughout the forecast period. However, based on the Town's recently approved budget for FY2017, the Town's unused levy capacity is \$12,620.

Also, taken into account in these calculations are debt exclusions for a series of projects including Building Improvements, Land Acquisition, Landfill Closure, Memorial Hall, and a fire truck. It is anticipated that a Sub-Station project with a debt exclusion will begin in FY 2019. These current excluded projects will be included in the property tax levy through FY2028. However, a significant decrease in excluded debt service begins in FY2019. (See Debt and Debt Detail tabs for specifics.)

The Northern Middlesex Regional School District (NMRSD) borrowed \$12.5 million over a 25-year period. Recently, the borrowing was expanded to \$20 million. Townsend is responsible for 39.2% of the annual assessment. As the project was approved as a debt exclusion, the annual debt service is also added to the levy. In addition, the Nashoba Valley Technical School District (NVTSD) also has debt which has been exempt from the annual levy limit.

Debt costs for projects approved via debt exclusion will be covered by property tax dollars outside the limits of proposition 2 ½ and are therefore reflected in both the Revenue Projections and the Expenditure Projections tabs.

Levy limit information is published each year by the Division of Local Services (<https://dls.gateway.dor.state.ma.us/gateway/Login>) and should be reviewed by Town officials periodically in late summer and early fall as growth is certified.

STATE AID CHERRY SHEET

Chapter 70 – The Town of Townsend is a member of the Northern Middlesex Regional School District and the Nashoba Valley Technical School District. As such, the Town receives no Chapter 70 or other education-related State aid.

Unrestricted General Government Aid (UGGA) –UGGA represents the largest portion (80%) of State aid to the Town of Townsend. It is projected to increase by a conservative 1% per year throughout the period of the forecast. In recent years, when new aid has been added to this account, it has been distributed based on the proportion of existing aid received by a community relative to the total amount of aid to all communities. For example, if a community’s existing UGGA represents 2 percent of the total amount statewide, any new distribution to this community will be 2 percent of the amount added to the state total.

To keep UGGA and the other cherry sheet accounts up to date, Town officials will need to monitor the local aid estimates published by the Division of Local Services at each juncture of the State budget process: <http://www.mass.gov/dor/local-officials/municipal-databank-and-local-aid-unit/cherry-sheets/>. The first of these estimates will come after the release of the Governor’s FY2018 budget in late January of 2017 (House 1) followed by the House Ways and Means Committee budget in mid-April, the final House budget in late April, the Senate Ways and Means budget in mid-May, and final Senate budget in late May. The Conference Committee’s budget, which resolves differences in the two legislative versions of the budget, is typically issued in late June. Final cherry sheets reflect any vetoes by the Governor and/or any legislative overrides of these vetoes.

Veterans Benefits and Exemptions for Veterans and Elderly – These accounts consist of reimbursements for veterans’ benefits and certain local property exemptions for qualified individuals. In FY2017, the Town will receive \$69,285 in reimbursements. This forecast conservatively anticipates no increase over the five-year period.

State-Owned Land – This item is for payment-in-lieu-of-taxes (PILOT) for State-owned land. In FY2017, the Town will receive \$184,589 for State-owned land. The forecast assumes level funding.

Aid to Public Libraries -- This item is a Cherry Sheet offset and may be spent without an appropriation by the Town’s library. This account has no real impact on the forecast since it is also raised on the expenditure side, essentially pulling these revenues out of the general revenue mix for direct use by the library department without appropriation.

LOCAL ESTIMATED RECEIPTS

Local estimated receipts are locally generated revenues, other than real and personal property taxes. Examples include motor vehicle excise, investment income, payments in lieu of taxes, penalties and interest on taxes, departmental revenue, fines, and permit fees. Projected growth in local receipts is shown in the Revenue Projections tab while prior year information can be found in the Revenue History tab.

The forecast uses the FY 2016 actual local receipts, as reflected in the FY 2017 RECAP sheet, for the first year of the forecast, excluding any non-recurring revenue. Motor vehicle excise revenue (\$1.126 million in FY2016) is the Town’s largest local receipt constituting about 68 percent of the total estimated receipts. It is anticipated that this revenue will grow to \$1.2 million in FY2018

(based upon the FY2016 actuals) and then grow by approximately 1% per year during the remaining years of the forecast.

Revenue from the meals tax increased by 14% between FY2015 and FY2016, from \$85,300 to \$97,300. This revenue source is projected to reach \$100,000 in FY2018 and then grow by 1% thereafter. In the forecast, Licenses and Permits is expected to grow modestly at 1% per year.

Other significant local receipts include penalties and interest on taxes, Investment Income, PILOT's, fees, rentals, fines and forfeits, and departmental revenue. Together these receipts total \$261,752 of the Town's FY2017 budget estimates. No growth is conservatively estimated from these revenues sources.

Going forward, Town officials will need to closely monitor actual receipts as compared to budget estimates and update the forecast accordingly.

ENTERPRISE FUNDS

The Town receives revenue from enterprise funds in order cover the cost of the operation and capture overhead expenses.

Water Enterprise Fund - Water revenue is anticipated to be \$904,575, in FY2018. During the period of the forecast, personnel costs are increased by 0.5% to account for steps and 1% on most non-personnel costs. Approximately \$233,340 of the water revenue is used to fund employee benefits and the water fund's share of various insurances and a percentage of the town's financial and MIS offices. The remaining \$671,236 supports direct Water Department services, including salaries, operating expenses, and debt service. Personnel costs are projected to increase by 2.5% between FY2017 and FY2018, and by 2.5% thereafter, while 1% growth is projected in operating expenses for each year in the forecast.

OTHER AVAILABLE FUNDS

Other available receipts include Wetland Protections Funds, WTRR Receipts Reserved, Cemetery revenue, Comcast receipts, recreation receipts, and ambulance receipts. These combined sources represent a total of \$561,776 in FY2018. These sources, with the exception of the premiums, are recognized as revenues, and are level-funded during the period of the forecast.

All data and assumptions are based on information gathered from the Town Accountant's records.

FREE CASH

In recent years, Free Cash has been used by Townsend as a source of funding for special warrant articles, snow deficits and other minor issues. As a best practice, since FY15, the Town has not used free cash for ongoing operations. It is projected that the Town will use approximately \$600,000 in free cash each year for general stabilization, capital stabilization, and snow and ice reserves.

EXPENDITURE PROJECTIONS

Detailed expenditure projections are contained in six “Expenditures” worksheets, including Expenditure Projections, COLA and Wages, Enterprise Funds, Benefits, Debt, and Debt Detail.

MUNICIPAL DEPARTMENTS

In the forecast, Town departments have been grouped by two major categories, salaries and non-personnel, consistent with town and state expenditure reporting. Additional detail is provided separating expenditures in the general categories of General Government, Public Safety, Public Works, Human Services and Culture & Recreation and Other.

For projection purposes, the forecast utilizes a 2 ½ % wage adjustment, but this is intended as an example of cost impact moving forward and not a recommendation for any wage settlements. As the Town’s detailed budget is prepared, this cost factor will be modified based on the actual employees eligible for a step increase. Cost impacts have been included in the Expenditure Projections worksheet within each Salary and Wages line item. The COLA and Wages worksheet allows for simulation of other wage agreements and step amounts.

Expenses have been projected to increase by 1 percent per year, reflective of recent relatively low inflation rates, although the forecast does allow for different rates of growth for different departments.

EDUCATION

Townsend participates in two regional school districts. The first and largest of these districts is the Northern Middlesex Regional School District (NMRSD). The Town’s operating assessment for FY2018 is \$10,272,028, or 39.2% of the total assessment. This amount is further broken down in to three categories: General Assessment (\$9,102,269), Transportation Assessment (\$969,759). Additionally, the town has a Debt Assessment (\$828,717). In the forecast, the General and Transportation Assessments have been combined and are projected to increase by 3.5% per year during the period under consideration. The Debt service is based upon a twenty-five-year term for borrowing and detail has been added to differentiate between general debt and septic debt.

The second regional school district is the Nashoba Valley Technical High School (NVTHS). The Town’s assessment for FY2018 is \$1,152,994, or 15.01% of the total assessment. The amount is further broken down into three categories: General Assessment including transportation (\$1,059,134) and Debt Service Assessment (\$93,860). The General and Transportation Assessments have been combined and projected to increase by 3.5% during the period of this forecast. The Debt service is based upon twenty-five-year term borrowing. Funding for Bond Anticipation Notes (BANs) are projected in FY2018-FY2020 based upon future capital projects.

EMPLOYEE BENEFITS

Retirement - Town pension costs are projected based on the estimated appropriations issued by the Public Employee Retirement Administration Commission (PERAC) for Middlesex County. The appropriation letter from PERAC breaks down the assessments to the member towns, school districts, and housing authorities and shows the percentage of the total borne by each entity. The forecast applies this percentage to the future appropriation amounts identified by PERAC as necessary to maintain the pension funding schedule going forward. Though this is the best information available at this time, Town officials should be aware that the Middlesex County appropriation needs are due to be updated in FY2018. The prior year actuary included an inflation factor of 6.5% through FY 2020 and a 4% increase thereafter. There will likely result in changes to these projected pension costs for Townsend and should be monitored in future years to reflect any revisions in the necessary funding. Pension costs for FY 2018 are \$764,434, or 37.9% of the overall personnel benefits cost.

Health Insurance – The Town receives its health insurance through the Massachusetts Interlocal Insurance Association (MIIA) a health insurance program representing many Massachusetts communities. Based on a recent communication from the Town administration, the Town may consider a change if better pricing is available. Actual health insurance expenses are down for FY18. Even though the town experienced a 6% rate increase the town’s cost went down as a result of a negotiated change in the percentage split between the employees and the town from 85%-15% to 75%-25%. The forecasted health insurance expenses have been projected to grow each year, but by a declining percentage each year (e.g., 9% for FY2019, 8% for FY2020, 7% for FY2021, and 6% for FY2022). Health insurance for FY2017 is \$1.065 million, or 58.4% of the overall personnel benefits cost.

Medicare – Medicare has been forecast to increase to \$52,000 in FY2017, or 2.9% of the overall personnel benefits cost. This is projected to increase by 2.5% annually.

Unemployment/Life Insurance – Unemployment is funded at \$25,000 for FY18 based upon expected claims. It will be funded at its historic \$15,000 each year of the forecast thereafter, reflecting the fact that the Town has not incurred significant unemployment costs as a result of layoffs in recent years. Life Insurance is level funded at \$450 each year of the forecast.

DEBT SERVICE

General Fund Non- Excluded - Debt Service costs in this category are funded within the limits of Proposition 2 ½, i.e., they are funded within the Town’s annual operating budget. Projects funded from non-excluded resources include the landfill closure and part of a fire truck (see Debt Detail tab.) At present, existing non-excluded debt service will increase modestly until FY2021, when it will total \$160,008. After this, debt service for these projects will decline annual until they are fully paid in FY2029.

There is currently a \$200,000 BAN for a Sub-Station that the Town plans to roll forward as long-term debt, beginning in FY19. The FY2018 projection includes the BAN interest. The forecast assumes that the \$1,000,000 borrowing will have a ten-year term at 4.25% interest. The first and last year interest is split between two fiscal years.

General Fund Prop 2 ½ Excluded - Debt Service costs in this category are approved by the voters and are funded outside the limits of Proposition 2½ via a debt exclusion. Approved projects include land acquisition, landfill closure, Memorial Hall, and part of a fire truck. Excluded debt is raised via an increase in property tax and is acknowledged on the Revenue Projections and Expenditure Projections tabs. (see also Debt Detail tab.)

School debt service, including excluded and non-excluded are grouped with the Education Services appropriation category.

Water debt service is grouped within the Water Enterprise appropriation category.

ENTERPRISE FUNDS

The Town has established an enterprise fund for all Water Department activities. This full cost recovery program is estimated to be \$904,575 for FY2018. The costs associated with this revenue are broken down into two categories: Water-Only expenses and Transfer to Town for employee benefits and overhead charges. Direct service costs include personnel, contractual, supplies, other, capital and debt service. These cost centers equal \$671,236, or 78% of the overall expenses. The forecast includes a 2.5% increase in personnel to account for steps, COLA, and other related personnel costs. Contractual services, supplies, and other are inflated by 1% annually. Capital is level funded at \$10,000 annually while debt service is matched against a specific debt service schedule.

Overhead charges are costs assumed by the Town on behalf of the Enterprise Fund, and then reimbursed to the Town. These charges include Retirement, Health Insurance, Medicare, and Workers Compensation, general insurance and a percentage of the town's finance and MIS offices.

STATE AND COUNTY ASSESSMENTS

All State assessments included in the forecast are based on the Cherry Sheet estimates in the Governor's House 1 version of the FY2018 budget. This cost center represents an extremely small 0.4% of the overall budget. The most significant of the State assessments in Townsend are Regional School Transportation, the MBTA, RMV Non-Removal, and Air Pollution.

Similar to the Cherry Sheet state aid accounts on the revenue side, Town officials will need to monitor the State budget process for FY2017 and follow the release of local assessment estimates until the State budget process concludes with the issuance of final FY2017 Cherry Sheets and local assessments. All assessments other than the RMV expense are forecast to increase by 2.5% annually.

MISCELLANEOUS EXPENSES

Workers Compensation- Townsend includes its Workers Compensation costs in its Liability Insurance line item. It is anticipated that \$42,410 will be expended in FY 2018 and increase by 2.5% thereafter.

Property/Liability Insurance - This insurance covers municipal buildings and contents, motor vehicles and public official liability insurance. A \$17,000 increase in liability insurance was reported after the FY2017 budget was adopted and will be funded by the General Reserve this year. The FY2018 projection has been increased to take the \$17,000 into account and to grow modestly at 4.5% thereafter.

Cherry Sheet Offset - The cherry sheet offset in Townsend is for Library services is forecast to remain stable. As an offset, however, any change has no impact on the budget as these receipts are earmarked for library spending without appropriation. As such, any growth in this revenue is offset on the expenditure side of the forecast to essentially remove this aid from the Town's general revenues.

RESERVES/OTHER

Overlay – Reserves/Other includes the annual allowance for abatements and exemptions (Overlay). The overlay has been projected as 0.75% of the annual tax levy per year. However, in a revaluation year, a community typically has more abatement requests, so a good practice is to increase the overlay to reflect the risk of additional abatements.

General and Capital Stabilization – The forecast anticipates that \$200,000 will be deposited each year in the Town's General Stabilization Fund and Capital Stabilization Fund, for a total of \$400,000, from free cash generated in the prior fiscal year. This practice will allow the Town to increase both reserve funds – the first to be used in the event of an emergency and the second to be used to establish an annual allocation of funding to address capital needs.

Snow and Ice Deficit – The forecast anticipates that the Town will deposit \$200,000 from free cash into a snow and ice deficit fund that will provide funding for unanticipated expenses in the Town's response to snow and ice conditions.

PROCESS TO UPDATE FORECAST

Description of Worksheets

The Townsend Revenue/Expenditure Forecast file has a number of interconnected worksheets. The following describes the worksheets which include:

- Summary
- Revenue Projections
- Revenue History
- Growth
- Expenditure Projections
- COLA and Wages
- Benefits
- Enterprise Funds
- Debt
- Debt Detail

Summary – This worksheet rolls up from the Revenue and Expenditure forecast details to provide a quick overview of the five-year plan.

Revenue Projections – This worksheet is used to list the details of the various revenue categories and the assumptions that are used in the projections. The Final Recap column will require manual data entry each year to input actual revenues collected. Future year projections are calculated utilizing the straight-line percentage change column on the far right. If no growth is expected, a 0 should be input in the “percentage projection” column. If a revenue is not projected to grow linearly, the revenue expectations should be input manually into the forecast. Once the final tax recap is approved, any changes in the revenue detail must be made in this worksheet.

Growth – This worksheet is a summary of the new growth taxes that the Town has raised in the past 10 years and is used, in part, to estimate new growth in future years. After the final growth amount is calculated by the Assessors each year, the Selectmen set the tax rate, and the tax recap is approved by the State. At this point, the final amounts will need to be added to the worksheet. When updating the forecast each year, the Financial Team should discuss any changes in the growth projections.

Expenditure Projections – This worksheet lists the details of the various departments and other expenses categories that are in the Town budget warrant article. In addition, it lists all the financial appropriation warrant articles for Town Meeting. Finally, it lists other expenditure categories that do not require Town Meeting approval but that are expenses that must be included in the tax rate setting process. The wage line for each department is automatically changed when the user enters information into the COLA and Wages worksheet. The user must also enter manually or use the cost increase straight-line factor for the other cost items listed.

COLA and Wages – This worksheet provides the user with multiple “what if” scenarios on COLA and step increases. Factors entered into the COLA and/or step cells automatically update the department wage line in the Expenditure Projections detail.

Benefits – This worksheet allows the user to calculate the cost of a variety of employee benefits including county retirement, health insurance, unemployment compensation, etc. Given the volatility of some of these benefits, the forecast allows for different growth factors to be input in different years.

Enterprise Funds – This worksheet projects the salary, operating, debt, and benefit costs for the Water Enterprise fund.

Debt and Debt Detail – These worksheets summarize the Town’s debt service by fiscal year for debt that is funded by the General Fund within the limits of Proposition 2 /12 (Non-exempt) or approved by the voters via a debt exclusion (Exempt). The cost information includes existing and anticipated debt. The Debt Detail worksheet must be updated whenever the Town issues permanent debt and/or adds new debt authorizations approved by Town Meeting.

Steps to Update

The process for updating the forecasting spreadsheet to reflect a new base year is fairly straightforward, but it must be done systematically and with care to update formulas as necessary. Consequently, it is strongly recommended that users save a separate back-up file of the spreadsheet before any changes are saved in the spreadsheet they are updating.

Generally, the updating of the Revenue and Expenditure spreadsheets should occur after the end of the current fiscal year, and after the Town’s budget for next year has been adopted by Town Meeting and final cherry sheets are issued. Both spreadsheets must be updated one final time when the tax recap approved by the State.

When all the data for the first projection year is finalized on the expenditure side by Town Meeting action and most revenues are close to final (final new growth will not be certified at this point), the data can be copied and pasted into a newly inserted column to the left of “Projection Percent” column such that it becomes the base year going forward.

Data for what was previously the base year of the forecast must also be updated with actuals. For the FY2018-FY2022 forecast, the base year was FY2017 and included revenues and expenditure expectations approved in the Town’s adopted budget. These must now be replaced with actual revenues and expenditures. The new base year (i.e., FY2018 during the first update) will then need to be updated using that year’s approved budget. The first update will change the forecast to FY2019-FY2023 and FY2018 will become the base year.

The next step will be to update the structure of the forecast to make room for a new Year 5. To do this, insert a column to the right of the last FYXXX Projection year in both the Revenue and Expenditure spreadsheets and copy the data and formulas from the prior column. This step will add the data for the last year of the five-year forecast. This same process should be followed for all tabs of the worksheet.

After the base year has been updated and the new 5th year added, the user is now ready to prepare the five-year forecasts working with the appropriate individual worksheets. To forecast the first-year revenues or expenditures, a percent change is applied to the base year to yield the projected amount. To project the second year, the percent change is applied to the first forecast

year as the base. In other words, the selected percent change is applied to each year of the forecast. This is accomplished by modifying, if appropriate, the percentage change column to reflect recent experience and new information/expectations

In some instances, the user may find that it is easier to simply enter values for certain items. This is fine as long as the user remembers to replace the formulas later if they want to determine the projections based on percent change in other years.

Specific details include:

The formula used to project the first future forecast year is rendered as follows: $=E29*(1+F29)$. Column E refers to the FY2017 base revenue or expenditure amount and column F is the "Projection Percent" column. The formula takes the base FY2017 amount (E29 in this example) and applies a percentage increase to this base (1+F29) where F29 is the percent increase. In other words, if the user wants to increase this item by 5 percent, the user simply plugs in "5" into the Projection Percent column (highlighted in yellow). This cell is formatted as a percentage and when added to 1 in the equation totals 1.05 which is then multiplied by the base amount. The second and subsequent forecast years are calculated in the same manner, but the formula is slightly different to reflect a new base year; for example, FY2018 will now be the base year for the FY2019 projection. This formula is as follows: $=G29*(1+F29)$, where the FY2018 value (Column G) is the base year to which the percentage increase (Column F) is applied to yield the FY2019 projection in Column H.

In general, most sheets (other than prior year or reference sheets) should be updated by inserting a new column to the left of the "Projection Percent" column. After this is completed, cell references in the first forecast year should be updated. Specific processes for each sheet are described below.

Revenues – Add a column to the left of the Projection Percent column that is shaded in yellow. This will be the column into which the new budget data will be copied or entered based on the budget approved by town meeting. The easiest way to do this is to simply cut and paste the FY2018 projected revenues into the newly created column. Since most of these values are determined by formula, the user should do a "paste special" so that the values are copied rather than the formulas. Next, the formulas in the first projection year will need to be updated to reference the new column that was added to the left of the Projection Percent column. Formulas in subsequent years of the forecast should be updated, but care should be taken to make sure that they are working as expected. Finally, the fiscal year labels for the projection years will have to be updated (for example, as FY2018 becomes the base year of the forecast, FY2019 will become the first forecast year). A new column is then added at the far right for a fifth forecast year and formulas can be copied as appropriate from the adjacent, prior year column.

Expenditures – Similar to the Revenue worksheet update, a new column must be added to the left of the Projection Percent column. Then, the FY2018 expenditure data as approved by Town Meeting should be input into the newly created column. Cell references in the first projection year will then need to be updated so that they refer to the appropriate cells in the new column with the budget data. Labels on the column headings of the projection years will also need to be updated and a column added at the far right so that the model continues to be a five- year forecast. Formulas can be copied into this column from the adjacent column to the left.

Summary – In the Summary worksheet, cell references should be updated to reflect the new base year (e.g., FY2018 rather than FY2017) and a new column (with formulas) added to the right for a fifth forecast year.

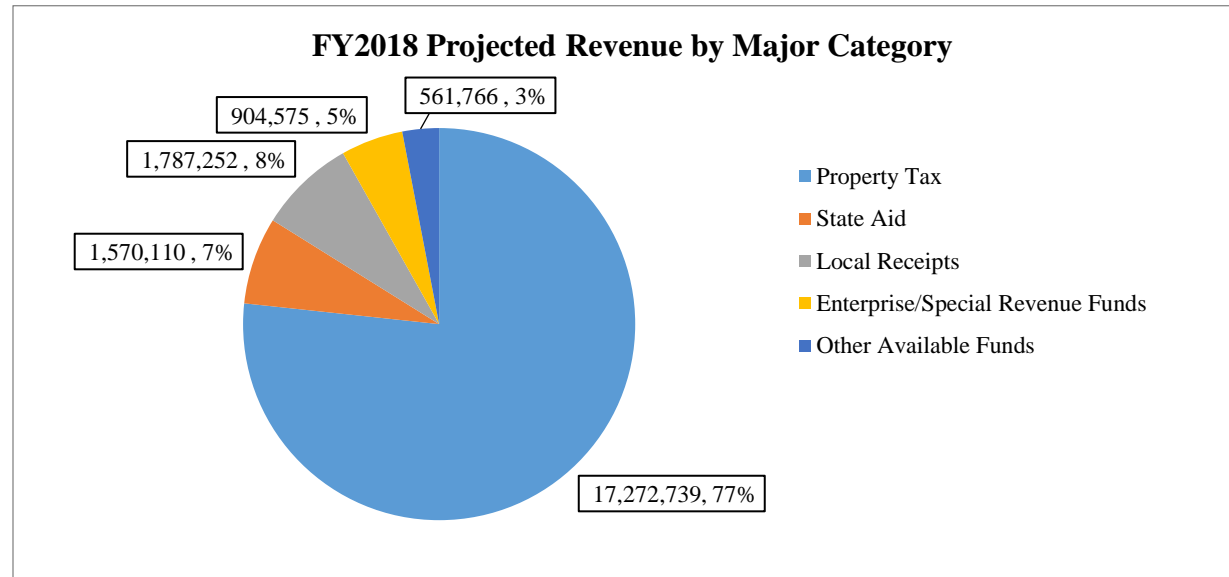
Debt - The debt sheet contains projections of the Town's debt exclusions. These forecast exclusion amounts are then brought forward for use in the tax levy calculations in the Revenues Projection worksheet.

Growth – The new growth sheet provides a ten- year history of prior certified new levy growth for the town. Updating this sheet merely requires adding the actual certified growth as this occurs each year.

COLA – The COLA worksheet allows users to estimate the impact of future salary increase. To do this the worksheet estimates total salaries by major category (e.g., Public Safety) based on the most current budget year. If the employees are part of a collective bargaining unit and cost of living increases have been negotiated, these increases should be reflected in the forecast. If the contracts are expired or will in a year, the subsequent impact of a given percent increase can be estimated in this sheet. To update, new salary information will need to be entered based on FY2018 appropriations and formulas adjusted to capture the impact of potential salary increase.

TOWNSEND SPECIFIC MUNICIPAL REVENUE- Overview and General Underlying Assumptions

The Town of Townsend receives revenue from a variety of sources, including taxes, user fees and charges, licenses and permits, and the State government. In FY2017, through a grant from the State, the Town retained a consultant to craft a formal five-year financial forecast. That forecast provides the basis for the revenue projections contained within the FY2018 budget. Generally, the financial forecast takes a conservative approach to projecting revenues and is designed using reasonable assumptions about a wide variety of future events. The approach used in the forecast model assumes that current service levels will be maintained. The model also assumes that existing Massachusetts General Laws and regulations will remain unchanged.



Revenue Category	FY2015 Actual	FY2016 Actual	FY2017 Actual	% of Total (FY17)	FY2018 Proj.	FY2019 Proj.
Property Tax			16,204,000	74.3%	17,272,739	17,975,125
State Aid	1,433,806	1,490,574	1,587,721	7.3%	1,570,110	1,583,239
Local Receipts	1,818,272	1,796,431	1,658,152	7.6%	1,787,252	1,802,102
Enterprise/Special Revenue Funds			1,449,147	6.6%	904,575	929,073
Other Available Funds			910,827	4.2%	561,776	672,459
Total Revenue			21,809,847	100.0%	22,096,543	22,851,366

Major Revenue Sources

Property Taxes

In FY2017, property taxes comprised approximately three-quarters of the Town's annual revenue, making it the most significant revenue source by far. This is typical of many cities and towns in Massachusetts. Property taxes are assessed on real property (e.g. land and buildings) as well as personal property (e.g. merchandise and machinery). An individual's personal effects are exempt from the personal property tax. The Board of Assessors and assessing staff are responsible for assessing the full and fair cash value of real and personal property in Townsend. Every three years, a full revaluation must be performed in accordance with State law. Townsend's next revaluation is 2020.

The FY2018 property tax projection is made using the following calculation:

FY2018 Property Tax Levy Calculation	
FY2017 Tax Levy Limit	15,554,980.85
ADD 2.5% Increase	388,874.52
ADD Prop 2 1/2 Override	-
ADD Estimated Certified New Growth	123,256.00
<i>Levy Limit Total</i>	16,067,111
ADD Debt Exclusions	358,458.00
ADD Portion of NMRSD Debt Exclusion	776,230.00
ADD Portion of NVTHS Debt Exclusion	70,940.00
<i>Maximum Allowable Levy</i>	<i>17,272,739</i>

The financial forecast anticipates that the Town will fully utilize its taxing capacity throughout the forecast period. Based on the Town's FY2017 approved budget, the Town's unused levy capacity is \$12,620. The property tax levy projection for FY2018 is \$17,272,739.00, which is also the maximum allowable levy.

Explanation of Above Calculation:

Annual tax levy growth is constrained by Proposition 2 ½, the Massachusetts General Law that limits the annual growth in a municipality's total tax levy to 2.5%, plus an allowance for certain new construction and other additions to the tax rolls.

The law also allows a city or town to increase taxes beyond this levy limit with voter approval. An override of this limit by voters becomes a permanent part of the tax levy calculation in future years and is best used for recurring expenses in the regular operating budget. The Town does not anticipate any Prop 2 ½ overrides. A debt exclusion may

also be approved by voters to increase the levy limit temporarily to fund capital projects. Generally, these projects are financed by borrowing and the annual debt service is added to the levy limit each year until the project is paid off. Debt-excluded projects taken into account in the above calculation include building improvements, land acquisition, landfill closure, Memorial Hall, and a fire truck. It is anticipated that a sub-station project with a debt exclusion will begin in FY2018. These current excluded projects will be included in the property tax levy through FY2028.

The Town is also responsible for a portion of debt exclusions for the regional school districts. The North Middlesex Regional School District (NMRSD) borrowed \$12.5 million over a 25-year period. Recently, the borrowing was expanded to \$20 million. Townsend is responsible for 39.2% of the annual assessment. As the project was approved as a debt exemption, the annual debt service is also added to the levy. In addition, the Nashoba Valley Technical High School (NVTHS) also has debt which has to be exempt from the annual levy limit.

The FY2018 property tax revenue projection is made using a conservative five-year historical average of new growth. New growth is new development in Town or changes to properties that result in higher assessed value; it does not include increased value due to revaluation. New growth is heavily influenced by economic factors, and the Town does not anticipate any special development other than normal in FY2018. New growth is projected to add approximately \$123,256 to the tax levy in FY2018. This projection is the 10-year average new growth figures.

New Growth by Property Class						
Fiscal Year	Residential	Open Space	Commercial	Industrial	Personal Property	Total
2007	186,029	-	8,539	0	25,335	219,903
2008	170,298	-	11,151	1,368	12,078	194,895
2009	105,241	-	4,476	-	53,686	163,403
2010	62,428	-	2,905	396	11,135	76,864
2011	64,141	-	906	-	36,833	101,880
2012	22,673	-	1,070	-	33,281	57,024
2013	45,059	-	1,041	527	23,100	69,727
2014	49,987	-	-	-	50,981	100,968
2015	84,936	-	6,323	-	16,783	108,042
2016	120,808	-	5,169	-	13,874	139,851
10 year avg.	91,160	-	4,158	229	27,709	123,256

Local Receipts

Local receipts are locally-generated revenues, other than real and personal property taxes. These made up approximately 7.6% of revenue in FY2017. Examples include motor vehicle excise, investment income, payments in lieu of taxes, penalties and interest on taxes, departmental revenue, fines, and license and permit fees. The forecast uses the FY2016 actual local receipts for the first year of the forecast, excluding any non-recurring revenue.

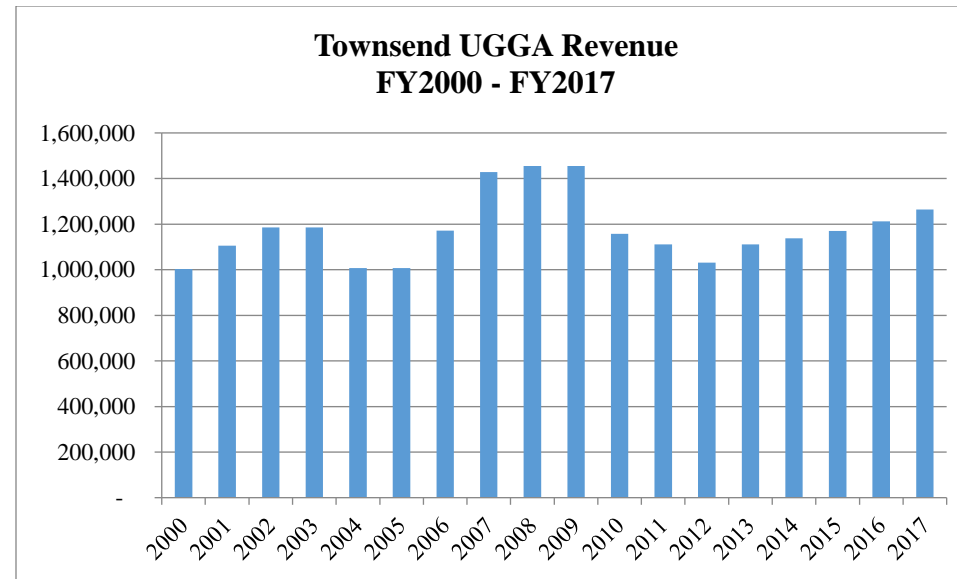
For the major sub-categories of local receipts, the following projections are made:

- Motor vehicle excise revenue (\$1.126 million in FY2017) is the Town's largest local receipt category, constituting about 68% of the total estimated receipts. This revenue stream is dependent upon the value of vehicles owned by Town residents. The value is set according to the vehicle's make, model, and year of manufacture. When economic times are good, people tend to buy newer cars more often, which results in higher receipts. Conversely, when economic times are challenging, such as during the Recession, receipts may fall if people wait to replace their vehicles. Taking a conservative approach, it is anticipated that this revenue will grow to \$1.2 million in FY2018 and then grow by approximately 1% per year during the remaining years of the forecast.
- Revenue from the meals tax increased by 14% between FY2015 and FY2016, from \$85,300 to \$97,300. This revenue source is projected to reach \$100,000 in FY2018 and then grow by 1% thereafter.
- Revenue from licenses and permits represents nearly 11% of local receipts. Licenses and permits are issued for various reasons, such as electrical permits, liquor licenses, common victualler license (for preparing/selling food), building permits, dog licenses, and firearms permits. This revenue is expected to grow modestly at 1% per year.
- Penalties & Interest on Taxes are expected to raise approximately \$140,000 annually based on historical trends.
- Other significant local receipts include investment income, Payments in Lieu of Taxes or PILOTs, fees, rentals, fines and forfeits, and departmental revenue. Together these receipts total \$261,752 of the Town's FY2017 total revenue. Taking a conservative approach, no growth estimated in these revenues streams.
 - PILOTs: Payments in Lieu of Taxes are collected from Atwood Acres and Townsend Elderly Residences.
 - Rentals: This category of revenue consists of rental fees from the Town's Cell Tower Lease, Townsend residents and businesses use of the West Townsend Reading Room for events, etc.
 - Fees: Recouped Tax Title fees.
 - Fines and Forfeits: This would include fines for parking and moving violations, among others.
 - Other Departmental Revenue: This category includes miscellaneous department revenue such as photocopying fees and recreation fees.

Local Receipt Category	FY2015 Actual	FY2016 Actual	FY2017 Recap	% of Total (FY17)	FY2018 Proj.	FY2019 Proj.
Motor Vehicle Excise Tax	1,208,372	1,171,028	1,126,400	67.9%	1,200,000	1,212,000
Meals Excise Tax	85,301	97,330	90,000	5.4%	100,000	101,000
Penalties & Interest on Taxes	111,377	165,445	110,000	6.6%	140,000	140,000
Payments in Lieu of Taxes	10,000	10,000	10,000	0.6%	10,000	10,000
Fees	26,157	20,408	20,057	1.2%	20,057	20,057
Rentals	32,332	33,302	32,332	1.9%	32,332	32,332
Other Departmental Revenue	73,334	61,791	62,000	3.7%	70,000	70,000
Licenses & Permits	179,059	188,245	180,000	10.9%	185,000	186,850
Fines & Forfeits	18,990	20,704	15,000	0.9%	17,500	17,500
Investment Income	11,737	12,716	10,000	0.6%	10,000	10,000
Misc. Recurring	5,216	3,784	2,363	0.1%	2,363	2,363
Misc. Non-Recurring	56,397	11,678		0.0%		
TOTAL	1,818,272	1,796,431	1,658,152	100.0%	1,787,252	1,802,102

State Aid

State aid represented approximately 7% of the Town's annual revenue in FY2018. State aid is broken down into several categories, the largest of which (for Townsend) is Unrestricted General Government Aid (UGGA). It is approximately 80% of all state aid. Unfortunately, UGGA has yet to recover to pre-recession levels and inflation has further eroded the value of this revenue source. UGGA has been forecast to grow at a conservative 1% per year.



Note: FY2009 UGGA Aid includes General Fund Supplement to Hold Harmless Lottery Aid

The state aid categories of Veterans Benefits, Exemptions for Veterans and Elderly, Aid to Public Libraries and State-Owned Land are projected to be level-funded from the previous year.

- Veterans Benefits: The State reimburses municipalities for 75% of authorized amounts spent for veterans’ financial, medical, and burial benefits.
- Exemptions for Veterans, Elderly, Etc.: The State reimburses property tax exemptions for qualifying veterans, seniors, surviving spouses, and the blind.
- Aid to Public Libraries: The State provides a certain amount of money which can only be used for the Townsend Public Library.
- State-Owned Land: The State reimburses the Town for foregone tax revenue due to certain types of tax exempt state-owned land.

State Aid Category	FY2015 Actual	FY2016 Actual	FY2017 RECAP	% of Total (FY17)	FY2018 Proj.	FY2019 Proj.
Unrestricted General Government Aid	1,169,456	1,211,556	1,266,556	79.8%	1,312,935	1,292,014
Veteran's Benefits	39,534	46,642	69,285	4.4%	44,688	69,285
Exemptions for Veterans and Elderly	45,966	52,832	52,971	3.3%	13,560	52,971
Aid to Public Libraries	13,567	14,261	14,320	0.9%	15,028	14,320
State-Owned Land	165,283	165,283	184,589	11.6%	183,899	184,589
Total	1,433,806	1,490,574	1,587,721	100.0%	1,570,110	1,613,179

Note: The Town does not receive Chapter 70 Education Aid or Charter Tuition Reimbursement because it is a member of a regional school district. The aid is received directly by the district.

Enterprise and Special Revenue Funds

Townsend operates an enterprise fund for its potable water system. An enterprise fund is an accounting and financial reporting mechanism whereby all expenditures and revenues for a particular business-type activity (in this case, the provision of potable water) are segregated into a special fund. However, the enterprise fund does not establish a separate, autonomous entity from the municipal government. The principal revenues for the enterprise fund are customer charges for water sales and related services. In Townsend, these revenues are forecasted to cover the cost of operating the water department.

Water Enterprise Fund	FY2017 Recap	Projection Percent	FY2018 Projected	FY2019 Projected
Water Revenue	971,813		904,575	928,724
Water Expenditures				
Personnel	317,052	2.50%	318,878	326,850
Contractual	152,200	1.00%	157,200	158,722
Supplies	75,500	1.00%	75,500	76,255
Other	5,700	1.00%	5,700	5,757
Raise & Appropriate Articles	115,000			
Capital	10,000		10,000	10,000
Debt	107,290		103,958	103,957
Total Direct Costs	782,742		671,236	681,591
Indirect Costs (Transfer to Town)	189,071		233,340	247,133
TOTAL	971,813		904,575	928,724

PEGG access and ambulance warrant articles revenue were one-time revenue in FY2017 and are not expected to continue during the period of the forecast.

Category	FY2015 Actual	FY2016 Actual	FY2017 Recap		FY2018 Projection	FY2019 Projection
Water Enterprise Fund			971,814		904,236	929,073
PEGG Access			130,000		0	0
TOTAL			1,449,147		904,575	929,073

Other Available Funds

In recent years, Free Cash has been used by Townsend as a source of funding for special warrant articles, snow deficits and other minor issues. Free cash is the remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax recapitulation sheet, and unspent amounts in budget line-items. As a best practice, since FY16, the Town has not used free cash for ongoing operations.

It is projected that the Town will use approximately \$600,000 in free cash each year for general stabilization, capital stabilization, and snow and ice reserves.

Other available receipts include various sources totaling \$561,766 in FY2018. These sources are level-funded during the period of the forecast. There were several one-time revenues in FY2017 that are not forecast to continue in the following fiscal years. FY2018 sources include:

- Wetlands protection fund: The Conservation Commission is authorized by the Wetlands Protection Act and State regulations to collect and retain filing fees for permit and certain other applications to offset the costs of administering the Wetlands Protection Act. This revenue may not revert to the general fund.
- WTRR receipts reserved. These are receipts from the rental of the West Townsend Reading Room.
- Townsend also collects receipts from the operation of its ambulance service in a special revenue fund. These revenues are reserved for offsetting the expense of running the ambulance and for the purchase of ambulance related capital items. Ambulance revenue has been budgeted at \$300,000 in FY2018.
- Sale of cemetery lots.
- Cable access license receipts: The Town collects revenue as part of the public access cable license agreement that it grants.
- Septic Title 5 Loan: The State offers 0% loans to communities, which in turn provide low-interest betterment loans to eligible homeowners with failed septic systems through the local Board of Health.

Other Available Funds Revenue Category	FY2015 Actual	FY2016 Actual	FY2017 Recap	% of Total (FY17)	FY2018 Proj.	FY2019 Proj.
Free Cash	1,002,967		680,468	74.7%		
Other-School Resource Officer			12,619	1.4%	80,000	80,000
Stabilization Fund			132,780	14.6%		
Wetlands Protection Fund			5,721	0.6%	5,721	5,721
WTRR receipts reserved			2,900	0.3%	2,900	2,900
Ambulance Receipts Reserved			12,500	1.4%	300,000	300,000
Sale of Cemetery Lots			6,300	0.7%	6,300	6,300
Recreation Receipts Reserved					14,317	14,317
PEG Access Receipts Reserved			30,000	3.3%	125,000	125,000
Septic Title 5 Loan			27,538	3.0%	27,538	27,538
TOTAL			910,827	100.0%	561,776	561,776

Glossary/Acronym List

CMR: The Code of Massachusetts Regulations; Massachusetts state agencies issue regulations, which are compiled in the Code of Massachusetts Regulations (CMR).

Debt Exclusion: An action taken by a community through a referendum vote to raise the funds necessary to pay debt service costs for a particular project from the property tax levy, but outside the limits under Proposition 2½. By approving a debt exclusion, a community calculates its annual levy limit under Proposition 2½, then adds the excluded debt service cost. The amount is added to the levy limit for the life of the debt only and may increase the levy above the levy ceiling.

Enterprise Fund: An enterprise fund, authorized by MGL Ch. 44 §53F½, is a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. It allows a community to demonstrate to the public the portion of total costs of a service that is recovered through user charges and the portion that is subsidized by the tax levy, if any. With an enterprise fund, all costs of service delivery--direct, indirect, and capital costs--are identified. This allows the community to recover total service costs through user fees if it chooses. Enterprise accounting also enables communities to reserve the "surplus" or net assets unrestricted generated by the operation of the enterprise rather than closing it out to the general fund at year-end. Services that may be treated as enterprises include, but are not limited to, water, sewer, hospital, and airport services. See DOR IGR 08-101

Excess Levy Capacity: The difference between the levy limit and the amount of real and personal property taxes actually levied in a given year. Annually, the board of selectmen or city council must be informed of excess levy capacity and their acknowledgment must be submitted to DOR when setting the tax rate.

Equalized Valuation/EQV: The determination of an estimate of the full and fair cash value (FFCV) of all property in the Commonwealth as of a certain taxable date. EQVs have historically been used as a variable in distributing some state aid accounts and for determining county assessments and other costs. The Commissioner of Revenue, in accordance with MGL Ch. 58 §10C, is charged with the responsibility of biannually determining an equalized valuation for each city and town in the Commonwealth.

Fiscal Year (FY): Since 1974, the Commonwealth and municipalities have operated on a budget cycle that begins July 1 and ends June 30. The designation of the fiscal year is that of the calendar year in which the fiscal year ends. Since 1976, the federal government fiscal year has begun on October 1 and ended September 30.

Free Cash: Remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax recapitulation sheet, and unspent amounts in budget line-items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. The calculation of free cash is based on the balance sheet as of June 30, which is submitted by the community's auditor, accountant, or comptroller. Free cash is not available for appropriation until certified by the Director of Accounts.

General Fund: The fund used to account for most financial resources and activities governed by the normal town meeting/city council appropriation process.

Indirect Costs: Costs of a service not reflected in the operating budget of the entity providing the service. An example of an indirect cost of providing water service would be the value of time spent by non-water department employees processing water bills. A determination of these costs is necessary to analyze the total cost of service delivery. The matter of indirect costs arises most often in the context of enterprise funds.

Levy: The amount a community raises through the property tax. The levy can be any amount up to the levy limit, which is re-established every year in accordance with Proposition 2½ provisions.

Levy Limit: A levy limit is one of two types of levy (tax) restrictions imposed by MGL Ch. 59 §21C (Proposition 2½). It states that the real and personal property taxes imposed by a city or town may only grow each year by 2½ percent of the prior year's levy limit, plus new growth and any overrides or exclusions. The levy limit can exceed the levy ceiling only if the community passes a capital expenditure exclusion, debt exclusion, or special exclusion.

Local Aid: Revenue allocated by the Commonwealth to cities, towns, and regional school districts. Estimates of local aid are transmitted to cities, towns, and districts annually by the "Cherry Sheets." Most Cherry Sheet aid programs are considered general fund revenues and may be spent for any purpose, subject to appropriation.

Local Receipts: Locally-generated revenues, other than real and personal property taxes. Examples include motor vehicle excise, investment income, hotel/motel tax, fees, rentals, and charges. Annual estimates of local receipts are shown on the tax rate recapitulation sheet.

Motor Vehicle Excise (MVE): A locally-imposed annual tax assessed to owners of motor vehicles registered to an address within the community, in accordance with MGL Chapter 60A. The excise tax rate is set by statute at \$25.00 per \$1000 of vehicle value. Owner registration and billing information is maintained by the State Registry of Motor Vehicles and is made available to a city or town, or to the Deputy Collector who represents it.

New Growth: The additional tax revenue generated by new construction, renovations and other increases in the property tax base during a calendar year. It does not include value increases caused by normal market forces or by revaluations. New growth is calculated by multiplying the assessed value associated with new construction, renovations and other increases by the prior year tax rate. The additional tax revenue is then incorporated into the calculation of the next year's levy limit.

PILOT/ Payment in Lieu of Taxes: An agreement between a municipality and an entity not subject to taxation, such as charitable or educational organizations, in which the organization agrees to make a voluntary payment to the municipality. By law, a city or town must make such a payment to any other community in which it owns land used for public purposes.

Proposition 2½: A state law enacted in 1980, Proposition 2½ regulates local property tax administration and limits the amount of revenue a city or town may raise from local property taxes each year to fund municipal operations.

Revaluation: The assessors of each community are responsible for developing a reasonable and realistic program to achieve the fair cash valuation of property in accordance with constitutional and statutory requirements. Every three years, assessors must submit property values to the DOR for certification. Assessors must also maintain fair cash values in the years between certifications so that each taxpayer in the community pays his or her share of the cost of local government in proportion to the value of his property.

Recap Sheet/Recap/Tax Rate Recapitulation Sheet: A document submitted by a city or town to the Massachusetts Department of Revenue (DOR) in order to set a property tax rate. The recap sheet shows all estimated revenues and actual appropriations that affect the property tax rate. The recap sheet should be submitted to the DOR by September 1 (in order to issue the first-half semiannual property tax bills before October 1) or by December 1 (in order to issue the third quarterly property tax bills before January 1).

Schedule A: A statement of revenues, expenditures and other financing sources, uses, changes in fund balance and certain balance sheet account information prepared annually by the accountant or auditor at the end of the fiscal year. This report is based on the fund account numbers and classifications contained in the Uniform Massachusetts Accounting System (UMAS) manual.

Special Revenue Fund: Funds, established by statute only, containing revenues that are earmarked for and restricted to expenditures for specific purposes. Special revenue funds include receipts reserved for appropriation, revolving funds, grants from governmental entities, and gifts from private individuals or organizations.

Stabilization Fund: A fund designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose (MGL Ch. 40 §5B). Communities may establish one or more stabilization funds for different purposes and may appropriate into them in any year an amount not to exceed ten percent of the prior year's tax levy. The total of all stabilization fund balances shall not exceed ten percent of the community's equalized value, and any interest shall be added to and become a part of the funds. A two-thirds vote of town meeting or city council is required to establish, amend the purpose of, or appropriate money into or from the stabilization fund. (See DOR IGR 04-201)

Senior Work-Off Program: The board of selectmen, town council or mayor with the approval of the city council in a community that has accepted G.L. Ch. 59 §5K may establish a property tax work-off program for taxpayers over 60 years old. Under the program, participating taxpayers volunteer their services to the municipality in exchange for a reduction in their tax bills.

User Charges / Fees: A municipal funding source where payment is collected from the user of a service to help defray the cost of providing the service. Any increases in the fees must satisfy the three tests set forth in the so called Emerson case. (See Emerson College v. Boston, 391 Mass. 415 (1984))

Many definitions were adapted from the Massachusetts Department of Revenue's Municipal Finance Glossary (May 2008). For additional definitions, please see: <http://www.mass.gov/dor/docs/dls/publ/misc/dlsmfgl>

