

TOWN OF PRINCETON

MEMO

To: Board of Selectmen, Advisory Board and CIP Committee
From: John Lebeaux, Town Administrator
Date: December 4, 2009
Re: FY10 & FY11 Revenue Projection Report

It is important to note that any revenue projections contained herein are extremely preliminary. They are subject to change as information becomes available and should be viewed in the following context.

FY10 Property Tax Levy: The property tax levy is the revenue a community actually raises through real and personal property taxes in a given year. The property tax levy is the largest source of revenue for the Town of Princeton. The FY10 tax levy is **\$7,273,305**.

Levy Limit: The levy limit is the maximum amount a community can levy in a given year. The FY10 levy limit is **\$6,891,210**. With a FY10 debt exclusion of **\$386,139** for a maximum allowable levy limit of **\$7,277,349**. FY11 levy limit is estimated at **\$7,111,490**.

2.5%: The annual increase in the levy limit in any given year is limited to 2.5%. The allowable increase for FY10 is **\$166,895**. Estimated FY11 2.5% is **\$172,280**.

New Growth: New growth is generated by a substantial improvement to a property or an increase in a property's values independent of market inflation. New growth is calculated by multiplying the allowable new valuation times the prior year's tax rate. It directly increases the levy limit of a community in the year of calculation. FY10 new growth is **\$48,535**. FY11 new growth is estimated to be **\$48,000**.

Excess Levy Capacity: When a community sets its levy below the levy limit, the difference between the levy and the levy limit is commonly referred to as excess levy capacity. This is an additional amount of money a community can raise. Historically speaking, Princeton has not used its excess levy capacity ability. The FY10 excess levy capacity is **\$4,043**. This amount is **\$779 more** than the FY09 excess capacity (\$3,264) which was the lowest Excess Levy Capacity amount in the town's history.

State Aid (Cherry Sheet): The Cherry Sheet is the official notification from the Commissioner of Revenue of the next fiscal year's state aid and assessments to communities.

Note: FY10 Cherry Sheet revenue is **\$404,214 as of 11/24/09**. As of this writing the Governor has proposed an additional reduction of \$49,398, most if not all of which I expect will occur. The net result of the total proposed cut would be total Cherry Sheet Revenue of \$354,816, a 34% reduction from FY 09 Cherry Sheet aid. My inclination at this point in time is to believe that we have not hit bottom relative to state aid and to project a further 10% reduction to Unrestricted General Government Aid for FY 11 from the anticipated FY 10 value. That amount, \$326,603 represents a 40% reduction from FY 09.

State Charges: FY10 state and county charges total **\$29,968** of which **\$18,474** is earmarked for the MBTA.

Local Receipts: Revenues generated at the local level are derived from a variety of sources. Motor vehicle excise (100% town revenue), fines, licenses, investment income and permit charges for services are a few examples of local receipts.

Note #3: It is estimated that FY10 local receipts will be **\$735,572**. FY11 local receipts estimated at **\$675,000**.

PILOT State & Municipal Owned Land: We receive payments for DCR state owned land on the cherry sheet. For watershed land owned by the MDC and other PILOT programs, we receive a direct payment. The state now revalues all state owned land every three years during the host community scheduled revaluation of town property. State owned land values in Princeton climbed by \$8,069,900, a 31% increase in the FY09 revaluation. Note: It is estimated MDC watershed revenue for FY11 will be \$172,112. Fitchburg and Worcester PILOT revenue totals \$34,457 and McLean Hospital PILOT is \$12,112.

Overlay: is an account established by the assessors to fund anticipated property tax abatements, exemptions and the senior work-off program in that year. For FY10 the town has set aside **\$49,648** for the overlay.

Overlay Surplus: is when there is a balance in the overlay account. These funds may be appropriated at town meeting for any legal purpose for which a town expends funds.

Note: The town accountant has determined that the FY10 overlay surplus account has a balance of **\$48,693** compared to the FY 09 balance of \$402.00. To date this amount has not been certified by the Board of Assessors. The overlay surplus available to apply to the FY11 budget is **\$48,291** greater than what was available from this account in FY 10.

For several years overlay surplus was used to fund the annual snow and ice deficit. Previous Revenue Projections have contained language indicating an inclination that the overlay surplus account be earmarked for use by the Board of Assessors to do the town's triennial valuation, though no Special Fund currently exists for that purpose.

Free Cash (undesignated fund balance) are funds remaining from the operations of the previous fiscal year, which are certified by DOR's Director of Accounts as available for appropriation. Remaining funds include unexpended free cash from the previous year, receipts in excess of estimates shown on the tax recapitulation sheet and unspent amounts in budget line items. Unpaid property taxes and certain deficits reduce the amount of remaining funds, which can be certified as free cash.

Note: Estimated free cash for FY10 is **\$217,154**.

Stabilization Fund: An account from which amounts may be appropriated for any lawful purpose. Towns may appropriate into this fund in any year an amount not to exceed 10% of the prior year's levy or a larger amount with the approval of the emergency finance board. The aggregate of the stabilization fund shall not exceed 10% of the town's equalized value and any interest shall be added to and become a part of the fund. A 2/3

vote of town meeting is required to appropriate money from the stabilization fund. The town now has two stabilization funds.

Note: As of 11/23/09 the balance in stabilization fund #1 generally used for emergency purposes is **\$50,968** and Stabilization fund #2 used for planned capital purchases and/or projects is **\$469,820**. The Board of Selectmen adopted a policy that requires a minimum of **\$25,000** shall be deposited into the stabilization account annually from free cash.

Chapter 90 Road Money: In FY10, the town will receive **\$264,150** in chapter 90 road money. In FY10,, the town again budgeted **\$175,000** for road reconstruction. In addition and for the past few years, the town has annually budgeted **\$50,000** for road repairs and maintenance.

Other: In past fiscal years, funds from the operating budgets have become available by annual town meeting time in May to deal with anticipated operating shortfalls i.e., legal, health insurance, snow & ice. Through FY12, I anticipate that those funds will not be as readily available as in past years.

FY11 Selectmen Budget Guideline Letter is included with this revenue report.