

BUDGET DOCUMENT | TOWN OF MERRIMAC

A COMMUNITY COMPACT CABINET INITIATIVE

FEBRUARY 2019



DLS
DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

DLS | Technical Assistance Bureau

100 Cambridge Street, Boston, MA 02114

www.mass.gov/dls



Christopher C. Harding
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

February 4, 2019

Board of Selectmen
Town of Merrimac
2 School Street
Merrimac, MA 01860

Dear Board Members,

I am pleased to present the enclosed report on budget document best practices for the Town of Merrimac as part of the Baker-Polito Administration's Community Compact Cabinet initiative. I hope that this report provides guidance on creating a transparent, thorough, and accessible budget document, as together we seek to build better government for our citizens.

If you have any questions regarding the report, please contact Zack Blake, Technical Assistance Bureau Chief, at (617) 626-2358 or blakez@dor.state.ma.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean R. Cronin".

Sean R. Cronin
Senior Deputy Commissioner

Supporting a Commonwealth of Communities

www.mass.gov/orgs/division-of-local-services | P.O. Box 9569 Boston, MA 02114-9569 | (617) 626-2300

INTRODUCTION

At the request of the board of selectmen, the Division of Local Services (DLS) Technical Assistance Bureau (TAB) developed a budget document framework and guide for the Town of Merrimac. A comprehensive budget document allows local officials to show expenditure allocations in the context of available revenues, highlight community priorities, and explain plans for delivering services and meeting goals in the upcoming year.

Merrimac (population 6,800) is governed by a three-member board of selectmen and open town meeting. The elected town moderator annually appoints a nine-member finance committee who is responsible for preparing and publishing Merrimac's annual operating budget (\$19.5 million in FY2019). A separate committee appointed by the board of selectmen is responsible for developing and presenting a capital budget and five-year capital plan. The finance director is defined as the administrator of budgeting responsible for financial reporting, accountability, and control, as well as providing guidance on policies for both financial and personnel issues to the board of selectmen.

Article III of the town's general bylaws establish the annual budget process. On or before January 1, department heads submit budget requests to the finance committee. The committee meets with each department to prepare a consolidated budget for town meeting consideration. The finance director works closely with all town departments and the finance committee throughout this process to ensure that financial records accurately reflect the needs and activities of the town. Any action to appropriate or expend money, issue debt, or dispose of town property must be referred to the finance committee in detail at least 15 days prior to town meeting.

With a dedicated finance committee and finance director, Merrimac successfully submits balanced budgets annually. However, having presented basically the same budget format and information at town meeting for several years, officials recognize that there is significant room to improve the budget document. At present, it consists only of revenue estimates and summaries of departmental salary and expense line items for the general fund, along with a five-year capital plan and financing strategy. Lacking is any comprehensive message from the board of selectmen detailing annual priorities, descriptions of Merrimac's organizational structure, departmental overviews, including enterprise fund information, or formal financial policies.

BUDGET DOCUMENT FRAMEWORK

To be most effective, a budget document should serve four purposes, by functioning as:

1. A policy document identifying the town's financial goals, objectives, and guiding policies
2. A financial plan presenting the town's current financial condition, forecast assumptions, and expected results
3. An operational overview describing municipal services and assessing their efficiencies and effectiveness
4. A communication tool articulating the town's challenges, priorities, goals, and objectives

As a model budget document, we relied heavily on standards developed and promoted by the [Government Financial Officers Association](#) (GFOA) and published on its website. Accordingly, the framework we created for Merrimac outlines the GFOA's [14 essential criteria](#) and recommends the supplemental material.

GFOA Essential Criteria:

1. Table of contents
2. Budget message stating priorities and issues for the upcoming year
3. Budget overview expanding on the budget message
4. Town-wide organization chart
5. Adopted financial planning policies
6. Description of the process for developing the town's initial budget proposal
7. Summary of major revenues, expenditures, and other financing sources and uses to provide an overview of the town's total budgeted resources
8. Summaries of revenues and other financing sources, and of expenditures and other financing uses for the prior year actual, the current year budget and/or estimated current year actual, and the proposed budget year
9. Projected changes in fund balances for appropriated governmental funds included in the budget presentation
10. Description of major revenue sources explaining the underlying assumptions for the revenue estimates and discussing significant revenue trends
11. Budgeted capital expenditures, whether authorized in the operating budget or in a separate capital budget

12. Financial data on current debt obligations, describing the relationship between current debt levels and legal debt limits and explaining the effects of existing debt levels on current operations
13. Summary table of personnel or position counts for prior, current and budgeted years
14. Description of activities, services or functions carried out by individual departments

Supplemental Information:

- Statement of town-wide strategic goals and strategies that address long-term concerns and issues
- Description of short-term factors influencing the decisions made in the developing the forthcoming year's budget.
- Description of all funds that are subject to appropriation
- Narrative and graphics showing the relationship between departments and funds
- Explanation of the basis of budgeting for all funds
- Long-range financial forecast
- Description of the extent to which significant nonrecurring capital expenditures will impact the town's current and future operating budget
- Department goals and objectives
- Performance measures evaluating departmental goals and objectives
- Community profiles providing statistical and supplemental information describing the town and community
- Glossary of all terminology, abbreviations, and acronyms not readily understandable
- Charts and graphs highlighting financial and statistical information

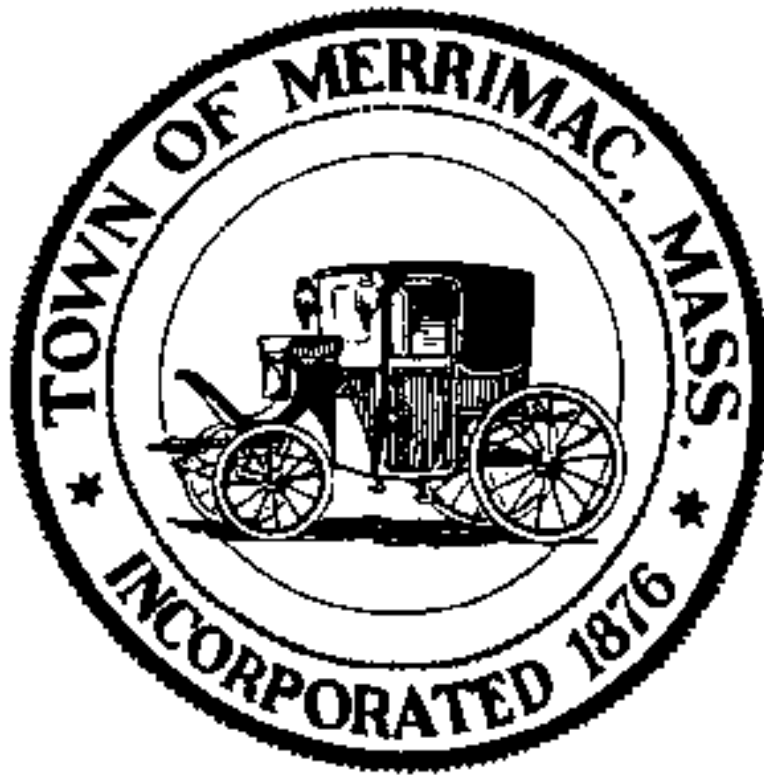
The budget document design should be simple and easy to understand with sufficient information and detail to communicate town priorities, but not so excessive that readers get lost or overwhelmed. Overall, the document should be formatted in an attractive, consistent, and reader oriented manner.

We recommend an incremental approach in which town officials agree upon priority schedule to develop such a document.

- Designate a point person or team
- Start standardizing information, especially personnel tables and organizational charts
- Create coherent "Budget Message," "Revenue Summary" and "Expenditure Summary" sections for the budget document

- Work with departments to standardize their individual budget submissions

The accompanying budget document template consists of a Word document supported by an Excel workbook. Detailed instructions for each section are included in a box after the heading followed by readily available community information to begin the process of completing the document. The 14 essential criteria are all addressed, embedded with much of the supplemental information. Data provided by the charts and graphs from the workbook comes from the DLS [Municipal Finance Trend Dashboard](#) and [Gateway](#).



Town of Merrimac

**FY 2020 Proposed Budget
July 1, 2019 - June 30, 2020
Merrimac Finance Committee
[Date]**

Town of Merrimac

FY2020 Proposed Budget

Table of Contents

Introduction	1
A Guide to the Budget Document	3
The Annual Budget Process	4
Budget Calendar	5
Community Profile	7
Community Profile	9
Community Statistics	10
Government Structure	11
Town Organization Chart	15
Boards, Committees, and Elected Officials	16
Personnel Summary	17
Budget Message	19
Board of Selectmen’s Budget Message	21
Budget Overview	23
General Fund Revenue/Expenditure Summary	25
General Fund Appropriation Summary	26
Five-Year Financial Projection	33
Revenues	39
Revenue Summary	41
Property Tax Levy	42
State Aid	45
Local Receipts	48
Free Cash	50
Other Available Funds	52
Enterprise Funds	53
Departmental Budgets	55
Departmental Budgets	57
Other Financial Information	67
Capital Planning	69
Debt Analysis	71
Changes in Fund Balance	72

Financial Policies	73
Capital Planning.....	76
Financial Reserves	79
Forecasting	82
Municipal Financial Glossary.....	85

Introduction

Guide to the Budget Document
Annual Budget Process
Budget Calendar

A Guide to the Budget Document

The budget document should begin with a concise narrative description of the budget process, from the internal process to prepare the budget, the opportunities for public input, and the actual adoption of the budget. A budget calendar should be included noting key dates for operating and capital budgets, public hearings, and town meeting.

The purpose of the annual budget document is to communicate the Town of Merrimac's fiscal year (FY) 2020 recommended budget in a useful format for citizens, elected officials, staff, and any other interested parties. As one of the most important documents produced by the town, it is a reflection of our community's values, priorities, and goals. The budget document serves as a policy document, a financial guide, and a communications device to its residents. The information is presented in a user-friendly format with Revenue and Expenditure Summaries to assist readers with understanding the major aspects of the budget.

Document Organization

This budget document describes how the town attempts to identify the community's needs for public services and the strategies by which it tries to meet those needs. We have organized this document so that the readers can obtain essential information in a quick, accessible, and digestible format. For those who wish to inquire in greater depth, we have provided further detail.

Readers can find general information regarding the community and government structure, budget adoption process, and timeline. The board of selectmen's message encapsulates town goals, priorities, and challenges being addressed, as well as major milestones and accomplishments of the current year. Financial summaries are presented to reflect all sources and uses of funds. With the explanations of all appropriated funds, the reader can identify where all monies come from and how those dollars are used by each fund.

The Department Budget section contains a narrative description of each department, including mission statement, goals, accomplishments, and challenges, as well as an organization chart and detailed budget and fiscal plan.

The Other Financial Information section includes capital planning with information on capital projects and their financing methods, debt analysis on the status of existing debt obligations, and a discussion on the level of fund balance maintained and the annual impact of the budget to those balances. Finally, the last two sections include the town's adopted financial policies and a glossary of municipal terms.

How to Read Financial Data

Most data within this document is presented in fiscal year terms. The Town of Merrimac operates on a fiscal year that runs July 1 through June 30. Therefore, FY2020 is the period from July 1, 2019 through June 30, 2020. All information is presented using a three year comparison, that includes

FY2017 actual revenues and expenditures and FY2018 and FY2019 budgeted revenues and expenditures. Additional information concerning the Town of Merrimac's budget can be found on the town's website at <http://www.merrimac01860.info/>.

The Annual Budget Process

Overview of the Budget Process: The overview includes the form of government that provides for the budget process and a description of the town meeting process to both adopt and amend the annual budget.

The executive powers of the Town of Merrimac are vested in the elected three-member board of selectmen, deemed as the executive office of the town with the responsibility for the daily operation of the town. The town's legislative body is an open town meeting comprised of all registered voters. Through its bylaws, the town has established a department of finance, budget and personnel, led by the finance director. In accordance with Article III Section 3.4 and 3.8 of the general bylaws, the finance committee must annually prepare and recommend a detailed annual budget to the board of selectmen and town meeting. Town meeting has the sole authority to appropriate funds for the annual budget and capital projects except for specific instances where statutes or regulations do not require appropriation. Any amendments to appropriations require a town meeting vote at either an annual or special town meeting. Town meeting procedures are specified in Article I of the general bylaws, declaring that annual town meeting shall be held each year on the last Monday in April at 7:30 pm.

It is important to note that the financial and budgetary information presented in the annual budget document are projections and are subject to change prior to town meeting. The final budget vote of town meeting constitutes the legal budget authority which ultimately governs the manner and amount of local funding expended during the fiscal year.

For definitions of terms used in the annual budget, see the Glossary at the end of this document. Readers should also obtain a copy of the annual town meeting warrant book which contains the actual budget articles to be voted upon.

Budget Calendar

***Budget Calendar:** The most effective budget process follows a formal calendar that begins in the fall of each year with the board of selectmen discussions of budget priorities, goals, and objectives and continues with major milestones through to town meeting. The calendar should include dates for:*

- *Joint meetings of the selectmen, finance committee, and school committee to review revenue projections and reach consensus on overall expenditure levels, use of reserves, and allocation of resources*
- *Financial trends and forecast updates*
- *Formulation of the capital budget*
- *Distribution of budget guidelines to department managers so they can begin to prepare their appropriation requests*
- *Deadlines for submission of departmental appropriation requests and for preparation of a working, or draft, budget document*
- *Completion of meetings with department managers to review requests*
- *Formulation of the initial budget recommendation by the board of selectmen, finance committee, and finance director*
- *Budget approval by the board of selectmen in its capacity as the town's chief policymaker*
- *Finance committee budget hearings*
- *Public hearings*
- *Printing and distribution of the town meeting warrant*

The Town of Merrimac operates on a fiscal year period of July 1st to June 30th each year. The process of preparing the annual budget takes place over a period of seven months each year as established in Article III of the general bylaws. On or before January 1, department heads submit budget requests for consideration. The finance committee meets with each department, reviews requests, and prepares a consolidated budget for town meeting approval. The finance director works closely with all town departments, boards and committees throughout this process.

July

- Fiscal Year begins July 1st

October

- Policymakers meet to discuss budget priorities, goals, and objectives
Include capital budget process
- Capital Planning Committee distribute capital request forms to all departments

November

- Finance Director develops preliminary revenue estimates and presents them to Board of Selectmen and Finance Committee
- Budget instructions issued to all Departments, Boards, and committees

December

- Department heads and Board chairs submit budget requests to Finance Committee (before January 1st)

January

- School Superintendent presents budget to School Committee
- School holds public budget hearing
- Joint Board of Selectmen, Finance Committee, and School Committee meeting
- Department heads submit 5-year capital requests to Capital Planning Committee (before February 1st)

February

- Capital Planning Committee and Finance Director meet with Department Heads
- School Committee votes the school budget

March

- Department Heads submit annual reports to the Board of Selectmen
- Capital Planning Committee presents recommendations and report to Board of Selectmen and Finance Committee

April

- Finance Committee vote recommendations for warrant articles Board of Selectmen adopt operating and capital budgets, vote recommendations for warrant articles
- Board of Selectmen sign the warrant
- Warrant and Finance Committee Report made available to the public (at least 7 days prior to town meeting)
- Town Meeting adopts operating and capital budgets (last Monday in April)

May

- Annual town election (first Monday in May)

June

- Fiscal Year ends June 30th

Community Profile

Community Profile
Community Statistics
Government Structure
Town Organization Chart
Boards, Committees, and Elected Officials
Personnel Summary

Community Profile

The Community Profile provides statistical and supplemental data that describes the town, community, and population. The goal is to provide a context for understanding the decisions incorporated into the budget document. The presentation should include factors that will affect current or future levels of service (e.g., population growth, economic strength in the region, or a change in the size of the school age population).

- *Background information related to the services provided (e.g., population, composition of population, land area, and average household income)*
- *Supplemental information on the local economy included in the document (e.g., major industries, top taxpayers, employment levels, and comparisons to other local communities)*
- *Other pertinent community information (e.g., local history, location, public safety, education, culture, recreation, transportation, healthcare, utilities, and governmental structure)*

A small Merrimack River Valley community, Merrimac is located 37 miles north of Boston with the New Hampshire border to the north and the Merrimack River to the south. Its 8.8 square mile area includes serene views of the Merrimack River, more than 900 acres of farmland and a classic 19th century industrial village, Merrimac Square. Over time, the town has transformed from a rural village community focused on agriculture and the carriage industry to a largely residential one offering a greater variety of housing choices, along with easy access to I-495 and proximity to major employment centers.



For FY2019, town meeting approved an operating budget of close to \$19.5 million funded through the property tax levy, state aid, local receipts, and other available revenue sources. The annual budget provides for a wide range of municipal services including police and fire protection, disposal of garbage and rubbish, street maintenance, library, parks and recreational facilities. The town's water department supplies water to 80% of the town, the sewer department serves about 70%, and the municipal light department powers the entire town. The Pentucket Regional School District, supported by Merrimac and the neighboring towns of Groveland and West Newbury, provides education to students in grades prekindergarten through 12 to most of Merrimac's school-age residents. Merrimac residents account for approximately 35% of the district's students, which is governed by a district school committee, composed of representatives of all three member towns. In addition, along with Haverhill, Newburyport,

Amesbury, Georgetown, Ipswich, Groveland, West Newbury, Newbury, Rowley and Salisbury, Merrimac is a member of the Whittier Regional Vocational Technical High School providing education in grades seven through 12.

Community Statistics

Name: Town of Merrimac

County: Essex

Incorporated: April 11, 1876

Form of Government: Open Town Meeting, Three-member Board of Selectmen

Annual Town Meeting: Last Monday in April

Total Area: 8.84 square miles

- Land 8.46 square miles
- Water 0.38 square miles

Public Roads: 48.29 miles

2015 Population: 6,800

2018 Registered Voters: 5,185

2016 Labor Force: 3,957

2017 Unemployment Rate: 2.4

2019 Statistics:

- Tax Rate: \$15.81 per \$1,000
- Average Single Family Home Value: \$385,690
- Average Single Family Tax Bill: \$6,098
- Average Single Family Tax Bill as Percent of Value: 1.58%
- DOR Per Capita Income: \$33,902
- Average Tax Bill as Percent of Income: 17.99%

School District: Pentucket Regional

Credit Rating: Moody's A1

Town Website: www.merrimac01860.info

Government Structure

The Government Structure introduces the reader to the town's form of government. Important components of this section include the town-wide organization chart and personnel summary, but is informative to include applicable bylaws and authorizing statutes.

Selected bylaws for town governance and the budget process:

Bylaws Article II – Town Officers

2.1 Board of Selectmen

The Board of Selectmen shall have the following powers and authorities, in addition to those set forth in any applicable state or federal law, special act of the Legislature, elsewhere in these bylaws, or by vote of the Town:

- 2.1.1 The executive powers of the Town shall be vested in the Board of Selectmen which shall be deemed to be the chief executive office of the Town. The Board of Selectmen shall have all of the executive powers it is possible for a Board of Selectmen to have and to exercise. The Selectmen shall have the general direction and management of the property and affairs of the town in all matters not otherwise provided for by law or these by-laws.
- 2.1.2 The Selectmen shall serve as the chief policy making agency of the Town. The Board of Selectmen shall be responsible for the formulation and promulgation of policy directives and guidelines to be followed by all town agencies serving under it and, in conjunction with other elected Town officers and multiple member bodies to develop and promulgate policy guidelines designed to bring the operation of all town agencies into harmony.

Bylaws Article III – Finance Committee and Capital Planning Committee

3.1 The Moderator shall

In accordance with G.L. Chapter 39, Section 16, at the Annual Town Meeting appoint a Finance Committee annually, to consist of not more than nine (9) citizens of the Town. A majority of members appointed shall constitute a quorum.

3.2 The heads of the Boards and Departments of the Town shall

Not later than January 1 prior to the next Annual Town Meeting, submit to the Finance Committee, their budget estimates for the ensuing year, on forms approved by the Finance Committee.

3.3 The Finance Committee shall

Meet with each Department or Board and review their budgetary requests.

- 3.4 The Finance Committee's recommendations
Shall be prepared in the form of a uniform budget and published prior to the Annual Town Meeting.
- 3.5 No one shall be eligible
For the appointment to the Finance Committee or shall serve as a member of the Finance Committee who is an elected or appointed official of the Town.
- 3.6 If a member, during his term,
Becomes ineligible to serve on the Finance Committee, his place shall become vacant.
- 3.7 If a vacancy occurs of the Finance Committee,
Either by reason of death, resignation, as described in **Section VI** of this article, or in any other way or fashion, said vacancy shall be filled by appointment of the Moderator.
- 3.8 No action shall be taken
At any meeting appropriating or involving the expenditure of money, the creation of a debt, or disposal of property of the Town, until the proposition has been referred to the Finance Committee with a specific money amount included at least fifteen (15) days prior to Town Meeting
- 3.9 Members absent from one-third
Of the regular meetings in any calendar year may be removed by a two-thirds vote of the other members, present and voting. Said Committee shall choose its own officers. The members of said Committee shall serve without salary.
- 3.10 In the discharge of its duty
Said Committee shall have free access to all books or records and accounts having to do with the financial affairs of the Town, including bills and vouchers on which money has been or may be paid from the Town treasury. Requests for information from the Committee shall be responded to by Town officers, boards, committees or departments in a reasonable manner, and in a reasonable time frame. However, the provision of such access (including requests for information) shall not unduly interfere with the conduct of official Town business, or the ability of Town employees to perform the functions of their positions.
- 3.11 The Board of Selectmen shall establish and appoint a committee to be called The Capital Planning Committee.
- 3.11.1 The Committee shall be composed of one member of the Board of Selectmen, one member from and appointed by the Finance Committee, the Finance Director and three members at large.
- 3.11.2 The representatives from the Board of Selectmen and Finance Committee shall serve one year terms.
- 3.11.3 The Finance Director shall serve as an ex officio member with voting authority limited to administrative and procedural questions and during discussions prior to final votes.

- 3.11.4 The members at large shall serve a three-year rotating term. The Committee shall elect its own officers to annual posts.
- 3.12 The purpose of the Capital Planning Committee
Is to evaluate the financial effect of proposed capital projects and make recommendations including necessary guidelines for the procurement, improvement and maintenance of these major assets and projects. Only assets which have a useful life greater than five years, costing over ten thousand dollars and/or for which the Town is authorized to borrow funds are items which fall under the purview of the Capital Planning Committee.
- 3.13 All department heads, boards and committees, school committee included
- 3.13.1 Shall submit their anticipated capital requests for the next fiscal year and subsequent five years on the forms supplied to them by the Capital Planning Committee, on or before February first prior to the next fiscal year, or 45 (forty five) days before a Special Town Meeting.
- 3.13.2 The Capital Planning Committee shall decide on emergency requests as deemed necessary. All properly submitted capital requests shall be evaluated.
- 3.14 The Capital Planning Committee shall
Prepare and submit to the Selectmen and Finance Committee by March 15th, an annual Budget Report for the ensuing fiscal year.
- 3.14.1 This budget report shall cover all capital assets and projects that have already received funding as well as any capital items considered in the next five years.
- 3.14.2 The Selectmen shall request clarification or make any recommendations and requests within 30 days.
- 3.14.3 The Annual Budget Report shall be submitted to the Annual Town Meeting and any Special Town Meetings.
- 3.15 The Capital Planning Committee Annual Budget Report
Shall be printed, included and distributed with the report of the Finance Committee. An official copy of the Committee's Annual Budget Report shall be on file with the Town Clerk.

Bylaws Article IIIA – The Department of Finance, Budget, and Personnel

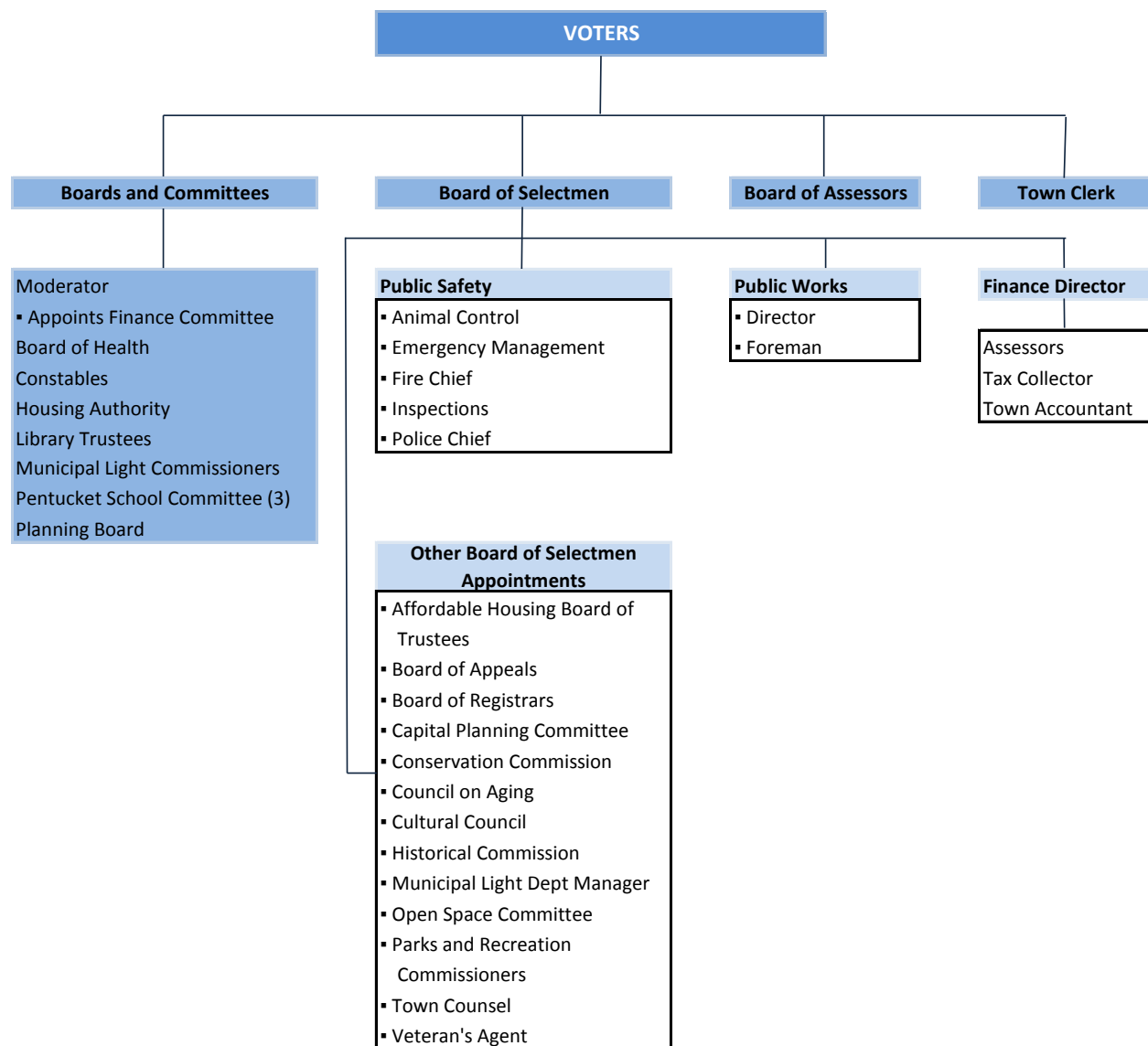
- 3a.1 There is hereby established in the Town of Merrimac
- 3a.1.1 A department of finance, budget and personnel.
- 3a.1.2 Said department shall have all the powers and duties presently exercised by the offices of town treasurer, town accountant and tax collector including supervision of budgets and the director of purchasing by the various town boards and departments as may be assigned from time to time by the Board of Selectmen.
- 3a.1.3 Said department shall be comprised of the divisions of treasurer, tax collector, assessors, accountant and other such divisions as the Board of Selectmen may from time to time assign.

- 3a.1.4 Said department shall be under the direction of a full time Finance Director appointed by the Board of Selectmen.
- 3a.2 In accordance with Section 2 of Chapter 76 of the Acts of 1997
Upon appointment of a Finance Director the office of Town Treasurer and Tax Collector shall be transferred to the Department of Finance, Budget and Personnel. The incumbents in said offices shall be transferred to said department for the remainder of their current term and may be retained as employees thereafter. There shall be a Finance Director, who shall exercise the powers and duties of town treasurer and tax collector and shall, subject to the approval of the Board of Selectmen, appoint a person or persons to direct divisions of accounting and assessing.
- 3a.3 The Finance Director, as Treasurer and Budget Officer
- 3a.3.1 Shall be responsible for coordinating the fiscal management practices of the Treasurer's Department, Collector of Taxes, Town Accountant, Assessor's Department and be administrator of budgeting including financial reporting, accountability and control as well as rendering advice on personnel issues/policies, financial and programmatic implications of current and future policies to all town departments and the Board of Selectmen.
- 3a.3.2 The director shall be responsible for coordinating all financial tasks upon the dates specified in the Massachusetts Department Revenue Municipal Calendar as amended.
- 3a.3.3 The director shall oversee and develop guidelines to be followed by all town departments for purchasing supplies and equipment subject to applicable laws.
- 3a.3.4 The Board of Selectmen shall enter into a formal written contract with the director detailing responsibilities, goals and objectives for performance evaluation criteria, salary, fringe benefits and term of contract, and any other items permitted by law. (STM 10/28/96)

Source: Town of Merrimac [General Bylaws](#)

Town Organization Chart

To define the operations, a comprehensive organizational chart of the entire town governmental structure should be presented, including all elected and appointed positions and all boards and committees. Providing the appointing authority of the boards and committees is helpful. Organizational charts for the individual departments should underscore the link between the department and the overall organization.



Boards, Committees, and Elected Officials

Merrimac Voters Elect:

Board of Selectmen
Board of Assessors
Board of Health
Constables
Housing Authority
Library Trustees
Municipal Light Commissioners
Pentucket Regional School Committee (3
members from each of the 3 towns)
Planning Board
Town Clerk
Town Moderator

Finance Director Appoints:

Town Accountant
Tax Collector
Assessor

Moderator Appoints:

Finance Committee

Board of Selectmen Appoints:

Affordable Housing Board of Trustees
Animal Care & Control Officer
Board of Appeals
Board of Registrars
Capital Planning Committee
Conservation Commission
Council on Aging
Cultural Council
Director of Public Works
Emergency Management Director
Finance Director/Treasurer
Fire Chief
Highway Department Foreman
Historical Commission
Local Inspectors (Building, Plumbing, Gas, and
Wiring)
Municipal Light Department General Manager
Open Space Committee
Parks and Recreation Commissioners
Playground Committee
Police Chief
Selectmen's Executive Assistant
Town Counsel
Town Nurse
Veteran's Agent

Personnel Summary

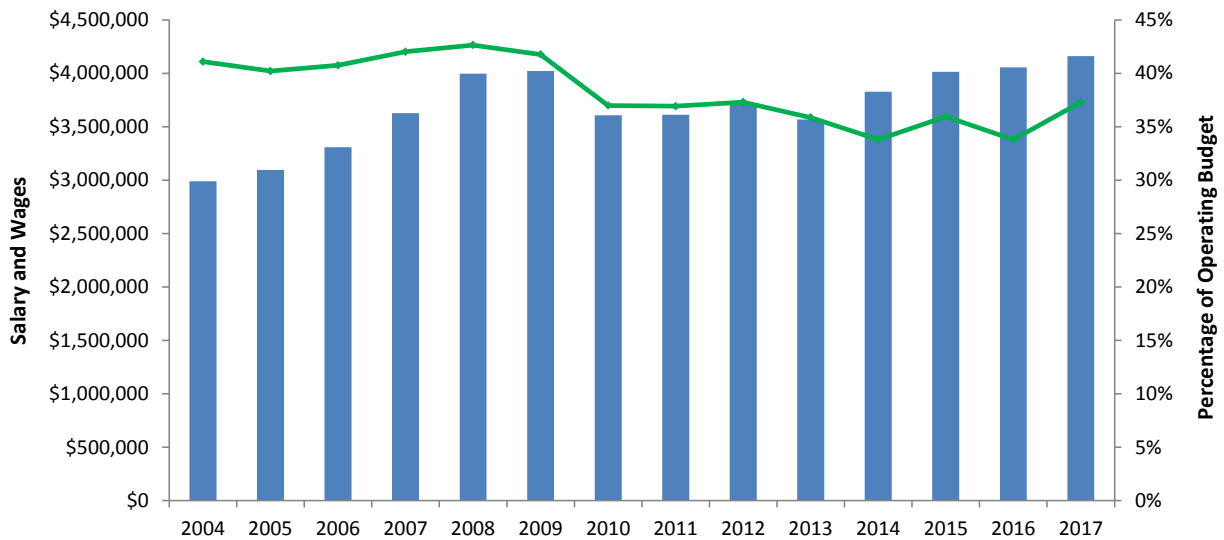
The personnel summary is a discussion of the current state of personnel, along with a summary chart of full time equivalents (FTEs) for the prior, current, and budgeted years is important to be included. Topics to include are:

- *Percentage the personnel wages and benefits represent approximately of the Town's operating budget*
- *Strategy for when vacancies occur*
- *A table with at least the prior, current, and budgeted year history of Full-time Equivalent (FTE) positions by department*
- *Proposed staffing levels (changes or level staffing) for the budget year*
- *Specific staffing changes by function or department*

The personnel summary can be a component of the introduction section or incorporated in the budget message.

Position summaries within individual departments may supplement the consolidated schedule. When this is done, the tables should be consistent with the individual tables linked to the master summary.

**Town Personnel Trends
FY2003 – FY2017 FTEs**



Source: Schedule A, Part 2 / Operating Budget net of school assessment
File: Merrimac CCC Budget Master Workbook – Personnel Total

Personnel Summary						
	FY2016 FTE	FY2017 FTE	FY2018 FTE	FY2019 FTE	FY2020 FTE	Change FY19 - FY20
Executive Office	1.00	1.00	1.00	1.00	1.00	0.00
Finance Offices	5.00	5.00	5.00	5.00	5.00	0.00
Town Clerk's Office						
Land Use (Conservation, Planning, Zoning)						
Police Department						
Fire Department						
Ambulance						
Inspectional Services						
Emergency Management						
Animal Control						
Department of Public Works						
Public Health Department						
Council on Aging						
Veterans Benefits						
Library						
Recreation						
Total FTEs	6.00	6.00	6.00	6.00	6.00	0.00

Data is linked from each department's personnel sheet. All offices should be represented on the master organization chart.

File: Merrimac CCC Budget Master Workbook – Personnel Total

Board of Selectmen's
Budget Message

Board of Selectmen's Budget Message

The board of selectmen's budget message is a comprehensive policy statement addressing the goals, priorities, and issues for the upcoming year. It should highlight the principal issues facing the governing body in developing the budget (e.g., policy issues, economic factors, regulatory, and legislative challenges) along with the plan to address them. The message should also recap the current year accomplishments and describe any significant changes in priorities going forward, detailing the factors leading to those changes.

A comprehensive budget message includes:

- *Introduction*
- *Current year town-wide strategic goals, objectives, and strategies*
- *Recent town developments*
- *Proposed budget and budget highlights (budget in brief)*
- *Current financial condition and outlook, both short-and long-term*
- *Personnel summary*
- *Capital budget*
- *Prior year goals and accomplishments*
- *Major upcoming issues or projects*
- *Conclusion*

Budget Overview

General Fund Revenue/Expenditure Summary
General Fund Appropriation Summary
Five-Year Financial Projection

General Fund Revenue/Expenditure Summary

The budget overview expands on the information provided in the budget message. In an easy to read format for a quick understanding (charts and graphs), the overview describes the significant budgetary items and trends in revenues, expenditures, and capital.

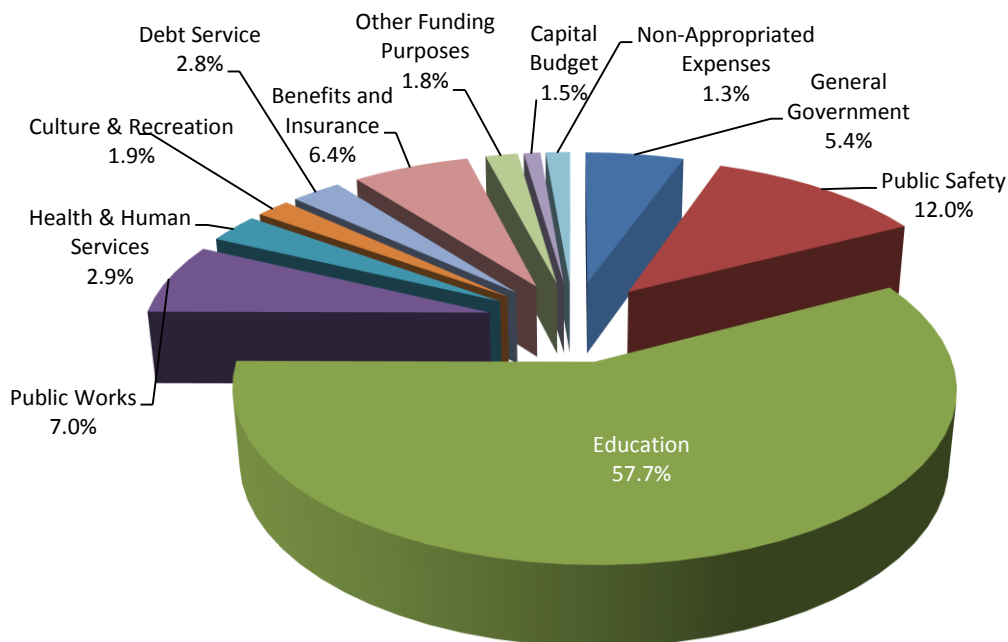
Overview of Revenues and Expenditures						
	FY2017 Actual	FY2018 Actual	FY2019 Recap	FY2020 Proposed Budget	Dollar Change	Percent Change
General Fund						
Revenues/Sources						
Total Property Tax Levy (to be raised)	\$12,036,794	\$12,491,445	\$13,062,328	\$13,515,133	\$570,883	4.37%
State Aid	924,270	957,135	1,007,096	1,021,962	49,961	4.96%
Local Receipts	1,772,107	1,845,490	1,740,200	1,660,050	(105,290)	-6.05%
Free Cash	439,506	798,737	358,257	0	(440,480)	-122.95%
Available Funds	457,270	221,607	650,065	0	428,458	65.91%
Other Funds	0	10,085	10,000	191,760	(85)	-0.85%
Transfer from Enterprise Funds	0	0	0	0	0	0.00%
General Fund Revenues Total	\$15,629,947	\$16,324,499	\$16,827,946	\$16,388,905	\$503,447	3.1%
Expenditures						
Municipal Departments	\$4,195,845	\$4,546,059	\$4,712,345	\$4,800,874	\$88,529	1.88%
Education	8,514,924	8,879,179	9,189,854	9,527,575	337,721	3.67%
Debt Service	517,478	470,362	543,832	455,144	(88,688)	-16.31%
Benefits and Insurance	803,969	929,003	999,932	1,060,796	60,864	6.09%
Other Funding Purposes	0	60,000	431,922	293,000	(138,922)	-32.16%
Capital	0	0	720,000	150,000	(570,000)	-79.17%
Non-Appropriated Expenses	203,793	210,264	230,061	221,432	(8,629)	-3.75%
General Fund Expenditures Total	\$14,236,009	\$15,094,867	\$16,827,946	\$16,508,821	(\$319,125)	-2.1%
General Fund Surplus/(Deficit)	\$1,393,938	\$1,229,632	\$0	(\$119,916)		
Enterprise Funds						
Water	\$1,060,186	\$1,489,914	\$1,251,623	\$2,455,506	(\$238,291)	-19.04%
Waste Water	1,236,026	1,148,331	1,391,224	1,305,478	242,893	17.46%

File: Merrimac CCC Budget Master Workbook - Overview of Rev & Exp

General Fund Appropriation Summary

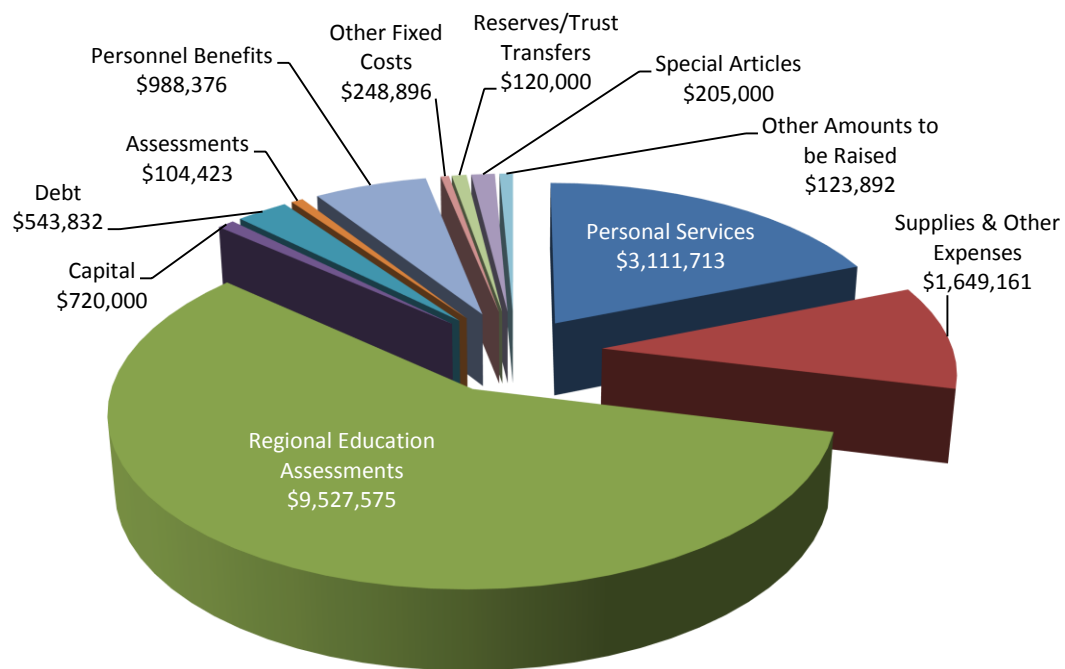
Operating Budget						
	FY2017 Actual	FY2018 Budget	FY2019 Budget	FY2020 Proposed Budget	Dollar Change	Percent Change
General Fund						
General Government	719,284	839,199	880,607	891,810	11,203	1.27%
Public Safety	1,716,495	1,867,216	1,918,599	1,976,518	57,919	3.02%
Education	8,514,924	8,879,179	9,189,854	9,527,575	337,721	3.67%
Public Works	1,062,438	1,124,868	1,141,291	1,151,554	10,263	0.90%
Health & Human Services	408,776	415,187	466,491	470,849	4,358	0.93%
Culture & Recreation	288,852	299,589	305,357	310,144	4,787	1.57%
Debt Service	517,478	470,362	543,832	455,144	(88,688)	-16.31%
Benefits and Insurance	803,969	929,003	999,932	1,060,796	60,864	6.09%
Other Funding Purposes	0	60,000	431,922	293,000	(138,922)	-32.16%
Capital Budget	0	0	720,000	150,000	(570,000)	-79.17%
Non-Appropriated Expenses	203,793	210,264	230,061	221,432	(8,629)	-3.75%
General Fund Total	14,236,009	15,094,867	16,827,946	16,508,821	(319,125)	-1.90%
Other Funds						
Enterprise Funds	1,661,532	1,569,471	2,642,847	2,455,506	(187,341)	-7.09%
Other Funds Total	1,661,532	1,569,471	2,642,847	2,455,506	(187,341)	-7.09%
Grand Total	\$15,897,541	\$16,664,338	\$19,470,793	\$18,964,327	(\$506,466)	-2.60%

**Proposed FY2020 General Fund Budget
General Fund Expenditures by Department**



General Fund Budget by Category	
Personnel Expenses	3,111,713
Supplies & Other Expenses	1,649,161
Regional Education Assessments	9,527,575
Capital	150,000
Debt	455,144
Assessments	104,423
Employee Benefits	988,376
Other Fixed Costs	72,420
Reserves/Trust Transfers	128,000
Special Articles	205,000
Other Amounts to be Raised	117,009
General Fund Total	16,508,821

**Proposed FY2020 General Fund Budget
General Fund Expenditures by Type**



Operating Budget - Summary

	FY2016 Actuals	FY2017 Actuals	FY2018 Budget	FY2019 Budget	FY2020 Proposed	FY19/FY20 Budget Variance \$	Variance %
General Government							
122 <i>Selectmen</i>							
Personnel Expenses	33,872.24	41,887.88	50,455	53,181	53,181	-	0.0%
Operating Expense	20,720.49	20,090.28	21,790	23,430	23,899	469	2.0%
<i>Total Selectmen</i>	54,592.73	61,978.16	72,245	76,611	77,080	469	0.6%
130 <i>Capital Plan</i>							
Operating Expense	31.25	70.00	100	100	110	10	10.0%
<i>Total Capital Plan Expenses</i>	31.25	70.00	100	100	110	10	10.0%
131 <i>Finance Committee</i>							
Personnel Expenses	-	-	800	800	800	-	0.0%
Operating Expense	405.76	496.33	500	500	505	5	1.0%
132 <i>Reserve Fund</i>	-	-	40,000	40,000	40,000	-	0.0%
<i>Total Finance Committee</i>	405.76	496.33	41,300	41,300	41,305	5	0.0%
135 <i>Town Accountant</i>							
Personnel Expenses	68,413.92	69,786.40	73,244	76,900	76,900	-	0.0%
Operating Expense	7,404.28	8,372.00	8,372	19,504	19,894	390	2.0%
<i>Total Town Accountant</i>	75,818.20	78,158.40	81,616	96,404	96,794	390	0.5%
141 <i>Assessor</i>							
Personnel Expenses	37,871.36	34,898.72	38,260	45,930	45,930	-	0.0%
Operating Expense	27,442.53	25,286.43	29,716	30,596	30,723	127	0.4%
<i>Total Assessor</i>	65,313.89	60,185.15	67,976	76,526	76,653	127	0.2%
145 <i>Finance Director/Treasurer</i>							
Personnel Expenses	139,634.97	136,466.63	139,348	144,635	144,635	-	0.0%
Operating Expense	14,590.57	14,670.05	15,390	15,990	16,310	320	2.0%
<i>Total Finance Director/Treasurer</i>	154,225.54	151,136.68	154,738	160,625	160,945	320	0.2%
146 <i>Tax Collector</i>							
Personnel Expenses	38,514.31	50,002.00	54,045	57,210	57,210	-	0.0%
Operating Expense	19,624.30	19,152.78	20,893	13,248	13,513	265	2.0%
<i>Total Tax Collector</i>	58,138.61	69,154.78	74,938	70,458	70,723	265	0.4%
149 <i>Town Officials Bond</i>							
Bonding Expenses	1,084.00	894.00	1,100	1,100	1,122	22	2.0%
<i>Total Town Officials Bond</i>	1,084.00	894.00	1,100	1,100	1,122	22	2.0%
151 <i>Legal</i>							
Expenses	28,110.45	33,658.72	49,000	50,000	55,000	5,000	10.0%
<i>Total Legal</i>	28,110.45	33,658.72	49,000	50,000	55,000	5,000	10.2%
155 <i>Information Technology</i>							
Personnel Expenses	1,272.96	1,300.00	1,333	1,360	1,360	-	0.0%
Operating Expense	12,917.63	14,487.60	16,419	16,419	16,747	328	2.0%
<i>Total Information Technology</i>	14,190.59	15,787.60	17,752	17,779	18,107	328	1.8%
160 <i>Census</i>							
Expenses	1,427.84	1,660.53	2,122	2,322	2,561	239	10.3%
<i>Total Census</i>	1,427.84	1,660.53	2,122	2,322	2,561	239	11.3%

Operating Budget - Summary

	FY2016 Actuals	FY2017 Actuals	FY2018 Budget	FY2019 Budget	FY2020 Proposed	FY19/FY20 Budget Variance \$	Variance %
161 Town Clerk							
Personnel Expenses	45,608.28	43,941.96	52,545	58,399	58,399	-	0.0%
Operating Expense	-	1,353.71	1,775	4,060	4,060	-	0.0%
Total Town Clerk	45,608.28	45,295.67	54,320	62,459	62,459	-	0.0%
162 Elections							
Personnel Expenses	805.00	6,763.53	2,605	8,008	8,008	-	0.0%
Operating Expense	-	5,863.06	6,823	7,273	7,273	-	0.0%
Total Elections	805.00	12,626.59	9,428	15,281	15,281	-	0.0%
163 Registrations							
Personnel Expenses	250.00	250.00	250	250	250	-	0.0%
Operating Expense	622.37	2,127.38	2,045	2,045	2,556	511	25.0%
Total Registrations	872.37	2,377.38	2,295	2,295	2,806	511	22.3%
164 Vital Statistics							
Personnel Expenses	-	150.00	150	545	545	-	0.0%
Operating Expense	-	-	-	-	-	-	0.0%
Total Vital Statistics	-	150.00	150	545	545	-	0.0%
171 Conservation							
Personnel Expenses	13,451.00	13,764.00	14,584	14,918	14,918	-	0.0%
Operating Expense	800.00	799.96	800	800	808	8	1.0%
Total Conservation	14,251.00	14,563.96	15,384	15,718	15,726	8	0.1%
172 Open Space							
Personnel Expenses	-	-	-	-	-	-	0.0%
Operating Expense	-	263.25	630	630	630	-	0.0%
Total Open Space	-	263.25	630	630	630	-	0.0%
175 Planning Board							
Personnel Expenses	3,728.07	5,420.00	6,977	7,124	7,124	-	0.0%
Operating Expense	1,298.62	1,257.78	2,150	2,150	2,193	43	2.0%
Total Registrations	5,026.69	6,677.78	9,127	9,274	9,317	43	0.5%
176 Zoning Board of Appeals							
Personnel Expenses	4,037.00	4,066.92	4,656	4,750	4,750	-	0.0%
Operating Expense	202.84	277.42	425	425	434	9	2.0%
Total Zoning Board of Appeals	4,239.84	4,344.34	5,081	5,175	5,184	9	0.2%
Other General Government Expenses							
177 MVPC	2,201.19	2,256.00	2,312	2,370	2,370	-	0.0%
185 Rent Control	-	-	200	200	200	-	0.0%
192 Public Building	148,058.87	156,548.84	176,285	172,335	175,782	3,447	2.0%
194 Town Garden	600.00	600.00	600	600	600	-	0.0%
195 Town Report	406.70	400.00	500	500	510	10	2.0%
Total Other Government Expenses	151,266.76	159,804.84	179,897	176,005	179,462	3,457	1.9%
Subtotal General Government	675,408.80	719,284.16	839,199	880,607	891,810	11,203	1.3%

Operating Budget - Summary

	FY2016 Actuals	FY2017 Actuals	FY2018 Budget	FY2019 Budget	FY2020 Proposed	FY19/FY20 Budget Variance \$	Variance %
PUBLIC SAFETY							
210 Police Department							
Personnel Expenses	933,728.87	941,697.18	1,050,915	1,084,789	1,105,673	20,884	1.9%
Operating Expense	99,210.09	100,402.02	105,577	112,106	117,052	4,946	4.4%
Total Police Department	1,032,938.96	1,042,099.20	1,156,492	1,196,895	1,222,725	25,830	2.2%
220 Fire Department							
Personnel Expenses	411,248.06	305,133.63	325,087	330,739	350,860	20,121	6.1%
Operating Expense	133,746.96	88,003.17	79,411	85,911	87,629	1,718	2.0%
Total Fire Department	544,995.02	393,136.80	404,498	416,650	438,490	21,840	5.2%
220 Ambulance							
Personnel Expenses	-	116,153.01	120,069	122,470	124,307	1,837	1.5%
Operating Expense	-	47,180.00	46,930	46,930	47,869	939	2.0%
Total Ambulance	-	163,333.01	166,999	169,400	172,176	2,776	1.6%
241 Inspectional Services							
Personnel Expenses	65,632.00	65,136.02	76,814	72,592	79,182	6,590	9.1%
Operating Expense	7,886.59	5,490.54	9,470	9,470	9,659	189	2.0%
Total Inspectional Services	73,518.59	70,626.56	86,284	82,062	88,842	6,780	8.3%
241 Sealer							
Personnel Expenses	1,699.20	1,740.00	1,788	1,824	1,844	20	1.1%
Operating Expense	-	119.00	250	250	253	3	1.0%
Total Sealer	1,699.20	1,859.00	2,038	2,074	2,097	23	1.1%
233 Emergency Management							
Personnel Expenses	14,873.59	15,676.77	16,118	16,441	16,539	98	0.6%
Operating Expense	10,008.63	8,713.26	12,141	12,141	12,384	243	2.0%
Total Emergency Management	24,882.22	24,390.03	28,259	28,582	28,923	341	1.2%
233 Animal Control							
Personnel Expenses	16,703.82	17,268.56	18,390	18,656	18,909	253	1.4%
Operating Expense	2,464.08	2,437.13	2,500	2,500	2,550	50	2.0%
Total Animal Control	19,167.90	19,705.69	20,890	21,156	21,459	303	1.4%
233 Parking Clerk							
Personnel Expenses	1,224.00	1,260.00	1,296	1,320	1,337	17	1.3%
Operating Expense	50.44	84.76	460	460	469	9	2.0%
Total Parking Clerk	1,274.44	1,344.76	1,756	1,780	1,806	26	1.5%
Subtotal Public Safety	1,698,476.33	1,716,495.05	1,867,216	1,918,599	1,976,518	57,919	3.0%
SCHOOLS							
Schools							
301 Whittier Assessment	791,257.00	900,127.00	885,563	966,730	1,071,068	104,338	10.8%
301 Whittier Capital	18,134.00	16,478.00	19,262	25,311	26,222	911	3.6%
302 Pentucket Assessment	7,047,248.00	7,290,538.00	7,637,936	7,841,302	8,086,321	245,019	3.1%
302 Pentucket Capital	150,718.00	211,339.00	213,824	220,239	206,428	(13,811)	-6.3%
303 Essex North Shore	78,894.00	96,442.00	122,594	136,272	137,535	1,263	0.9%
Subtotal Schools	8,086,251.00	8,514,924.00	8,879,179	9,189,854	9,527,575	337,721	3.7%

Operating Budget - Summary

	FY2016 Actuals	FY2017 Actuals	FY2018 Budget	FY2019 Budget	FY2020 Proposed	FY19/FY20 Budget Variance \$	Variance %
DEPARTMENT OF PUBLIC WORKS							
422 Highway							
Personnel Expenses	326,018.85	320,064.65	366,859	374,511	379,957	5,446	1.5%
Operating Expense	273,753.12	320,870.15	323,790	341,290	345,106	3,816	1.1%
Total Highway	599,771.97	640,934.80	690,649	715,801	725,063	9,262	1.3%
423 Landfill							
Operating Expense	410,000.00	375,000.00	380,000	365,000	365,300	300	0.1%
Total Landfill	410,000.00	375,000.00	380,000	365,000	365,300	300	0.1%
429 Cemetery							
Personnel Expenses	44,535.60	42,782.40	49,419	50,490	51,192	702	1.4%
Operating Expense	2,816.97	3,720.41	4,800	10,000	10,000	-	0.0%
Total Cemetery	47,352.57	46,502.81	54,219	60,490	61,192	702	1.2%
Subtotal Public Works	1,057,124.54	1,062,437.61	1,124,868	1,141,291	1,151,554	10,263	0.9%
HEALTH & HUMAN SERVICES							
511 Board of Health Department							
Personnel Expenses	59,748.43	60,993.36	56,194	80,867	80,867	-	0.0%
Operating Expense	2,628.93	2,946.46	3,700	4,450	4,495	45	1.0%
Total Board of Health	62,377.36	63,939.82	59,894	85,317	85,362	45	0.1%
541 Council on Aging							
Personnel Expenses	204,345.38	217,760.42	230,642	224,143	226,886	2,743	1.2%
Operating Expense	28,548.00	28,378.20	29,629	28,439	28,723	284	1.0%
Total Council on Aging	232,893.38	246,138.62	260,271	252,582	255,609	3,027	1.2%
543 Veterans Benefits							
Personnel Expenses	-	-	-	-	-	-	0.0%
Operating Expense	87,593.70	98,697.84	95,022	128,592	129,878	1,286	1.0%
Total Veterans Benefits	87,593.70	98,697.84	95,022	128,592	129,878	1,286	1.0%
Subtotal Health & Human Services	382,864.44	408,776.28	415,187	466,491	470,849	4,358	0.9%
CULTURE & RECREATION							
610 Library							
Personnel Expenses	184,462.40	186,773.02	193,107	196,451	200,149	3,698	1.9%
Operating Expense	90,481.61	92,581.84	94,182	96,606	97,572	966	1.0%
Total Library	274,944.01	279,354.86	287,289	293,057	297,721	4,664	1.6%
630 Recreation							
Personnel Expenses	-	-	-	-	-	-	0.0%
Operating Expense	8,270.28	9,497.13	12,300	12,300	12,423	123	1.0%
Total Recreation	8,270.28	9,497.13	12,300	12,300	12,423	123	1.0%
Subtotal Culture & Recreation	283,214.29	288,851.99	299,589	305,357	310,144	4,787	1.6%

Operating Budget - Summary

		FY2016	FY2017	FY2018	FY2019	FY2020	FY19/FY20 Budget	
		Actuals	Actuals	Budget	Budget	Proposed	Variance \$	Variance %
DEBT SERVICE								
710	Maturing Debt Principal	369,850.40	366,589.80	326,777	326,816	321,855	(4,961)	-1.5%
720	Lease Principal	52,997.21	55,648.35	58,401	61,357	70,324	8,967	14.6%
750	Maturing Debt Interest	64,222.35	56,444.76	47,805	39,827	30,818	(9,009)	-22.6%
750	Short Term Interest	21,923.28	21,923.28	22,000	102,000	20,000	(82,000)	-80.4%
760	Lease Interest	18,293.50	16,871.64	15,379	13,832	12,147	(1,685)	-12.2%
Subtotal Debt Service		527,286.74	517,477.83	470,362	543,832	455,144	(88,688)	-16.3%
BENEFITS & INSURANCE								
911	Retirement	423,206.00	474,044.00	517,003	536,032	575,752	39,720	7.4%
913	Unemployment	4,064.30	4,385.03	6,400	6,400	6,464	64	1.0%
914	Health & Life Insurance	231,296.75	247,038.50	312,000	342,000	365,050	23,050	6.7%
916	Other Benefits	-	-	-	10,000	10,000	-	0.0%
917	Medicare Tax	37,691.84	37,754.17	38,500	43,500	44,370	870	2.0%
945	Workers Compensation	33,032.95	37,492.94	35,000	35,000	35,700	700	2.0%
945	Property/Liability Insurance	41,270.34	48,506.05	65,000	75,000	72,420	(2,580)	-3.4%
900	Reimbursement Offset (Enterp	(50,148.00)	(45,252.00)	(44,900)	(48,000)	(48,960)	(960)	2.0%
Subtotal Benefits & Insurance		720,414.18	803,968.69	929,003	999,932	1,060,796	60,864	6.1%
UNCLASSIFIED								
992	Transfer to Stabilization	-	-	-	-	-	-	0.0%
995	Transfer to Enterprise	-	-	-	-	-	-	0.0%
996	Transfer to OPEB	40,000.00	-	60,000	80,000	88,000	8,000	10.0%
	Special Articles	-	-	-	351,922	205,000	(146,922)	-41.7%
	Capital Projects	-	-	-	720,000	150,000	(570,000)	-79.2%
820	State Assessments	81,533.00	93,477.00	97,694	106,169	104,423	(1,746)	-1.6%
Subtotal Unclassified		121,533.00	93,477.00	157,694	1,258,091	547,423	(710,668)	-56.5%
TOTAL APPROPRIATED GENERAL FUND		13,552,573.32	14,125,692.61	14,982,297	16,704,054	16,391,812	(312,242.08)	
NON-APPROPRIATED								
	Cherry Sheet Offsets	9,595.00	9,107.00	9,359	10,066	9,628	(438)	-4.4%
	Snow & Ice Deficits	-	-	-	36,562	-	(36,562)	-100.0%
	Exemptions & Abatements	101,020.00	101,209.00	103,211	77,264	107,381	30,117	39.0%
	Other	-	-	-	-	-	-	0.0%
Subtotal Non-Appropriated		110,615.00	110,316.00	112,570.00	123,891.86	117,009.00	(6,882.86)	-5.6%
TOTAL GENERAL FUND		13,663,188.32	14,236,008.61	15,094,867	16,827,946	16,508,821	(319,125)	-1.9%

File: Merrimac CCC Budget Master Workbook - Expenditures

Five-Year Financial Projection

Forecasting helps local officials understand the long-range implications of pending near-term decisions. This process projects revenues and expenditures over a long-term period, using assumptions about economic conditions, future spending scenarios, and other community driven variables. This discussion should include a financial outlook, projected revenues and expenditures, and the impact the projections will have on the budget.

The following pages contain the five-year financial forecast of revenue and expenditures along with a projected financial outlook for the Town of Merrimac.

A revenue driven model was the methodology used to prepare the financial projections. The projections began with FY2018 as the base and were calculated out five years using the Proposition 2½ allowable annual budget growth. The projections focused on the top three revenue sources, which are real estate taxes, state aid and local receipts. Together these sources consistently represent over 90% of the town's total revenue.

The revenue projections were calculated with the following assumptions:

- The town's current level of services will provide the baseline for projections.
- Property taxes (absent overrides) will grow at the limits of Proposition 2½.
- New growth will be projected conservatively, taking into account the town's three- to five-year average by property class.
- Local receipts and state aid will reflect economic cycles.
- Historical trends in the growth of specific operating expenses and employee benefits will prevail.
- Debt service on existing debt will be paid, and the town's Capital Planning and Debt Management policies will be followed.
- Annual pension contributions and appropriations to amortize other postemployment benefit liabilities will continue.
- Reserves will be built and maintained in compliance with the town's Financial Reserves policy.
- The Water and Sewer Departments will reimburse the general fund for indirect costs.

The following forecast information is from the five-year financial forecast DLS delivered to Merrimac in August 2018. This was prior to fall town meeting and setting the FY2019 tax rate; therefore the forecast as shown does not include actual FY2019 budgeted amounts.

Five Year Revenue and Expenditure Projection Summary

GENERAL FUND	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Revenues	Budget	Budget	Projected	Projected	Projected	Projected	Projected
Property Tax Levy	12,036,795	12,491,445	12,977,954	13,383,885	13,799,734	14,226,424	14,668,536
State Aid Cherry Sheet	924,270	957,135	1,007,096	1,028,946	1,051,340	1,074,293	1,097,818
Estimated Local Receipts	1,632,500	1,636,200	1,658,100	1,680,360	1,702,987	1,726,089	1,749,573
Free Cash	439,506	798,737	0	0	0	0	0
Available Funds/Other Financing	457,270	231,692	10,000	10,000	10,000	10,000	10,000
Total Revenues	15,490,341	16,115,209	15,653,150	16,103,190	16,564,061	17,036,806	17,525,927
Expenditures							
General Government	719,284	839,197	869,868	869,945	882,233	895,377	909,477
Public Safety	1,716,495	1,867,216	1,927,675	1,976,518	1,984,896	1,993,566	2,002,540
Education	8,514,924	8,879,179	9,204,854	9,626,537	10,058,496	10,531,781	11,007,677
Public Works/Cemetery	1,062,438	1,124,868	651,391	661,710	665,962	670,295	674,711
Health and Human Services	408,776	415,187	457,415	462,822	464,453	466,100	467,764
Culture & Recreation	288,852	299,589	305,357	310,144	311,244	312,355	313,477
Retirement of Debt	517,478	470,362	511,418	455,144	388,470	377,975	367,021
Employee Benefits	795,463	924,003	994,932	1,076,376	1,164,874	1,261,052	1,365,597
Risk Management	48,506	65,000	71,000	72,420	73,868	75,346	76,853
State Assessments	90,878	97,694	106,169	114,132	122,692	131,893	141,785
Transfers/Other Uses	891,776	1,020,344	338,500	355,000	373,150	393,115	415,077
Other Amounts Raised	110,316	112,570	115,342	117,548	119,797	122,090	124,428
Total Expenditures	15,165,186	16,115,209	15,553,920	16,098,295	16,610,135	17,230,947	17,866,407
GENERAL FUND Surplus/(Deficit)	325,155	0	99,230	4,896	(46,074)	(194,141)	(340,481)
COLA Impact							
GF Financial Impact of COLA Increase					46,061	108,396	171,978
Total Surplus/(Deficit) after COLA			99,230	4,896	(92,134)	(302,536)	(512,458)
ENTERPRISE FUNDS							
Enterprise Funds: Revenues	2,505,745	2,509,026	2,597,160	2,632,250	2,667,911	2,704,154	2,740,990
Enterprise Funds: Expenditures	2,255,441	2,509,026	2,446,413	2,477,515	2,485,943	2,509,361	2,504,813
ENTERPRISE Surplus/(Deficit)	250,304	0	150,747	154,735	181,968	194,793	236,177

Five Year Revenue Projections

	FY2017 Budget	FY2018 Budget	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
PROPERTY TAX LEVY							
Property Tax Levy	11,767,675	12,282,175	12,689,229	13,106,460	13,534,121	13,972,474	14,421,786
Debt Exclusion(s)	309,025	293,825	288,725	277,425	265,613	253,950	246,750
Capital Expenditure Exclusion(s)	-	-	-	-	-	-	-
Other Adjustment	-	-	-	-	-	-	-
TOTAL Maximum Allowable Levy	12,076,700	12,576,000	12,977,954	13,383,885	13,799,734	14,226,424	14,668,536
LESS Excess Tax Levy Capacity	(39,905)	(84,555)	-	-	-	-	-
TOTAL Tax Levy	12,036,795	12,491,445	12,977,954	13,383,885	13,799,734	14,226,424	14,668,536
% Incr (Decr) over prior year	5.0%	3.8%	3.9%	3.1%	3.1%	3.1%	3.1%
STATE AID CHERRY SHEET - FINAL ESTIMATED							
Education Aid	39,015	39,015	39,015	39,015	39,015	39,015	39,015
General Government Aid	808,989	840,540	869,959	891,708	914,001	936,851	960,272
Other Aid	67,159	68,221	88,056	88,056	88,056	88,056	88,056
Offsets	9,107	9,359	10,066	10,167	10,268	10,371	10,475
TOTAL Cherry Sheet	924,270	957,135	1,007,096	1,028,946	1,051,340	1,074,293	1,097,818
% Incr (Decr) over prior year	3.5%	3.6%	5.2%	2.2%	2.2%	2.2%	2.2%
LOCAL RECEIPTS							
Estimated Local Receipts	1,632,500	1,636,200	1,658,100	1,680,360	1,702,987	1,726,089	1,749,573
TOTAL Local Receipts	1,632,500	1,636,200	1,658,100	1,680,360	1,702,987	1,726,089	1,749,573
% Incr (Decr) over prior year	1.6%	0.2%	1.3%	1.3%	1.3%	1.4%	1.4%
AVAILABLE FUNDS							
Free Cash	439,506	798,737	-	-	-	-	-
MSBA	-	-	-	-	-	-	-
Other Available Funds	457,270	231,692	10,000	10,000	10,000	10,000	10,000
TOTAL Available Funds	896,776	1,030,429	10,000	10,000	10,000	10,000	10,000
TOTAL GENERAL FUND REVENUES	15,490,341	16,115,209	15,653,150	16,103,190	16,564,061	17,036,806	17,525,927
% Incr (Decr) over prior year	6.5%	4.0%	(2.9%)	2.9%	2.9%	2.9%	2.9%
ENTERPRISE FUNDS							
Water Enterprise Revenue	987,950	1,112,097	1,219,516	1,243,807	1,268,583	1,293,855	1,319,632
Water Retained Earnings	225,000	185,000	186,850	188,719	190,606	192,512	194,437
Sewer Enterprise Revenue	1,292,795	1,181,929	1,190,793	1,199,724	1,208,722	1,217,788	1,226,921
Sewer Retained Earnings	-	30,000	-	-	-	-	-
TOTAL Enterprise Funds	2,505,745	2,509,026	2,597,160	2,632,250	2,667,911	2,704,154	2,740,990
GRAND TOTAL REVENUES	17,996,086	18,624,235	18,250,310	18,735,440	19,231,972	19,740,960	20,266,916
% Incr (Decr) over prior year	5.6%	3.5%	(2.0%)	2.7%	2.7%	2.6%	2.7%
Ties to Tax Recap Total	17,996,085	18,624,235					
Variance	1	(0)					
REVENUE DISTRIBUTION							
Property Tax	77.7%	77.5%	82.9%	83.1%	83.3%	83.5%	83.7%
State Aid	6.0%	5.9%	6.4%	6.4%	6.3%	6.3%	6.3%
Local Receipts	10.5%	10.2%	10.6%	10.4%	10.3%	10.1%	10.0%
Available Funds	5.8%	6.4%	0.1%	0.1%	0.1%	0.1%	0.1%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Projection
Percent/Notes

[Levy Wksh](#)

[See Debt](#)

[State Aid](#)

[State Aid](#)

[State Aid](#)

[State Aid](#)

[Local Receipts](#)

[Available Funds](#)

[Available Funds](#)

[Enterprise Funds](#)

[Enterprise Funds](#)

[Enterprise Funds](#)

[Enterprise Funds](#)

Source: Town of Merrimac Five-Year Forecast

Five Year Expense Projections

	FY2017 Actuals	FY2018 Budget	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
Town Expenses							
Personnel Services							
General Government	408,698	479,250	514,011	502,568	502,568	502,568	502,568
Public Safety	1,464,065	1,610,477	1,657,907	1,698,653	1,698,653	1,698,653	1,698,653
Public Works	362,847	416,278	425,001	431,149	431,149	431,149	431,149
Health & Human Services	278,754	286,836	295,934	299,726	299,726	299,726	299,726
Culture & Recreation	186,773	193,107	196,451	200,149	200,149	200,149	200,149
Total Personnel Services	2,701,137	2,985,948	3,089,304	3,132,244	3,132,244	3,132,244	3,132,244
Operating Expenses							
General Government	310,586	359,947	355,857	367,377	379,666	392,810	406,909
Public Safety	252,430	256,739	269,768	277,865	286,243	294,913	303,887
Public Works	699,591	708,590	726,390	730,562	734,813	739,147	743,563
Health & Human Services	130,023	128,351	161,481	163,096	164,727	166,374	168,038
Culture & Recreation	102,079	106,482	108,906	109,995	111,095	112,206	113,328
Risk Management	48,506	65,000	71,000	72,420	73,868	75,346	76,853
Employee Benefits	795,463	924,003	994,932	1,076,376	1,164,874	1,261,052	1,365,597
State Assessments	90,878	97,694	106,169	114,132	122,692	131,893	141,785
Total Operating Expenses	2,429,555	2,646,806	2,294,503	2,411,822	2,537,977	2,673,741	2,819,960
Total Town Expenses	5,130,692	5,632,754	5,383,807	5,544,066	5,670,221	5,805,985	5,952,204
School Expenses							
Whittier Tech Assessment	900,127	885,563	991,730	1,071,068	1,156,754	1,249,294	1,349,238
Pentucket Regional Assessment	7,290,538	7,637,936	7,841,302	8,154,954	8,481,152	8,820,398	9,173,214
Essex Technical	96,442	122,594	126,272	137,535	138,910	160,342	161,946
Essex Technical Transportation	0	0	0	0	0	0	0
Total School Expenses	8,287,107	8,646,093	8,959,304	9,363,557	9,776,816	10,230,035	10,684,398
Debt Expenses							
Town Debt Service	517,478	470,362	511,418	455,144	388,470	377,975	367,021
School Debt Service	227,817	233,086	245,550	262,979	281,680	301,746	323,280
Total Debt Expenses	745,295	703,448	756,968	718,123	670,150	679,722	690,301
Total General Fund Operating	14,163,094	14,982,295	15,100,079	15,625,747	16,117,188	16,715,741	17,326,903
Other Expenses							
Other Amounts to be raised	110,316	112,570	115,342	117,548	119,797	122,090	124,428
Capital Projects	177,000	307,000	150,000	150,000	150,000	150,000	150,000
Other Financing Uses	714,776	713,344	188,500	205,000	223,150	243,115	265,077
Total Other Expenses	1,002,092	1,132,914	453,842	472,548	492,947	515,205	539,505
Total General Fund Operating	15,165,186	16,115,209	15,553,920	16,098,295	16,610,135	17,230,947	17,866,407
Enterprise Funds							
Water	1,114,905	1,297,097	1,159,728	1,172,037	1,169,102	1,182,801	1,162,365
Sewer	1,140,536	1,211,930	1,286,685	1,305,479	1,316,840	1,326,560	1,342,448
Total Enterprise Funds	2,255,441	2,509,027	2,446,413	2,477,515	2,485,943	2,509,361	2,504,813
GRAND TOTAL Expenditures	17,420,627	18,624,236	18,000,333	18,575,810	19,096,077	19,740,308	20,371,221

File: Merrimac CCC Budget Master Workbook – Expenditure Summary

Financial Impact

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
	Budget	Budget	Projected	Projected	Projected	Projected	Projected
Property Tax Levy	12,036,795	12,491,445	12,977,954	13,383,885	13,799,734	14,226,424	14,668,536

No Change in Assessed Values

Total Assessed Value	736,645,911	792,604,366	826,206,705	826,206,705	826,206,705	826,206,705	826,206,705
Estimated Tax Rate	16.34	15.76	15.71	16.20	16.70	17.22	17.75
Average Single Home Value	348,594	372,513	385,690	385,690	385,690	385,690	385,690
Average Single Home Tax Bill	5,696	5,871	6,058	6,248	6,442	6,641	6,848

Assessed Values Change by Growth Factor

Total Assessed Value	736,645,911	792,604,366	826,206,705	834,468,772	842,813,460	851,241,594	859,754,010
Estimated Tax Rate	16.34	15.76	15.71	16.04	16.37	16.71	17.06
Average Single Home Value	348,594	372,513	385,690	389,547	393,442	397,377	401,351
Average Single Home Tax Bill	5,696	5,871	6,058	6,248	6,442	6,641	6,848

Growth Factor

1.0%

1.0%

File: Merrimac CCC Budget Master Workbook - Impact

Revenues

Revenue Summary
Property Tax Levy
State Aid
Local Receipts
Free Cash
Other Available Funds
Enterprise Funds

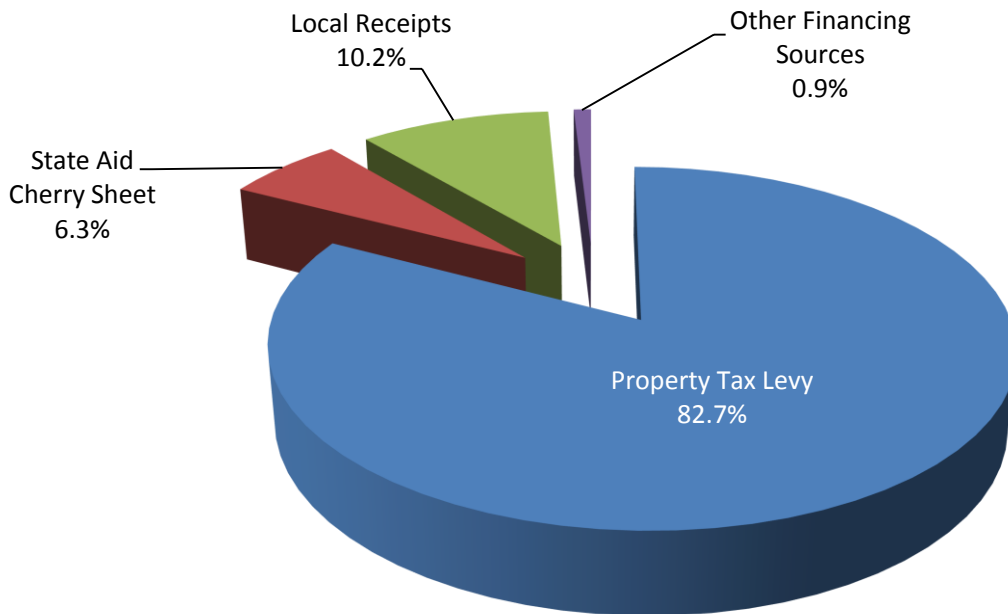
Revenue Summary

This section expands on the information in the revenue and expenditure overview. It details the major revenue sources and includes an explanation of the underlying assumptions for the revenue estimate and discussion of any significant revenue trends. If the revenues are based on trend information, the trends and the underlying assumptions should be adequately described. Each type of revenue reported in the overview should be detailed in this section.

Total revenue for FY2020 operating budget is projected at \$18,203,006 a decrease of \$667,787 or 3.43%. Of this total, \$16,347,500 is from four major categories of revenue dedicated to support the general fund, including \$277,425 from debt exclusion overrides to support borrowing for the library construction and town hall renovation projects. The total general fund decrease of \$480,446 or 2.86% is due to no free cash or other one-time revenue (such as stabilization funds or overlay surplus) being used as was in FY2019. The remaining source of revenue funding the self-supporting component of the budget is from the two enterprise funds (decreasing \$187,341).

Revenue Summary						
	FY2017 Actual	FY2018 Actual	FY2019 Budget	FY2020 Proposed Budget	Dollar Change	Percent Change
General Fund						
Property Tax Levy	\$ 12,036,794	\$ 12,491,445	\$ 13,062,328	\$ 13,515,133	\$ 452,805	3.47%
State Aid Cherry Sheet	924,270	957,135	1,007,096	1,021,962	14,866	1.48%
Local Receipts	1,772,107	1,845,490	1,740,200	1,660,050	(80,150)	-4.61%
General Fund Revenues	14,733,171	15,294,070	15,809,624	16,197,145	387,521	2.45%
Other Financing Sources						
Free Cash	439,506	798,737	358,257	-	(358,257)	-100.00%
Available Funds	457,270	221,607	650,065	140,355	(509,710)	-78.41%
Other Funds	-	10,085	10,000	10,000	-	0.00%
Transfer from Enterprise Funds	-	-	-	-	-	0.00%
Total General Fund	\$ 15,629,947	\$ 16,324,499	\$ 16,827,946	\$ 16,347,500	\$ (480,446)	-2.86%
Enterprise Funds						
Water	1,060,186	1,016,643	1,251,623	1,150,027	(101,596)	-8.12%
Waste Water	1,236,026	1,148,331	1,391,224	1,305,478	(85,746)	-6.16%
Enterprise Fund Revenues	\$ 2,296,212	\$ 2,164,974	\$ 2,642,847	\$ 2,455,506	\$ (187,341)	-7.09%
Total Revenue	\$ 17,926,159	\$ 18,489,473	\$ 19,470,793	\$ 18,803,006	\$ (667,787)	-3.43%

Estimated FY2020 General Fund Revenue Sources



File: Merrimac CCC Budget Master Workbook – Revenue Summary

Property Tax Levy

The property tax levy is revenue a community can raise through real and personal property taxes. This is the primary source of revenue for virtually every Massachusetts municipality. In Merrimac, property taxes average approximately 80% of the annual operating revenues. Property taxes are levied on real property (land and buildings) and personal property (equipment). State law mandates that communities update the property values every five years and obtain certification from the Department of Revenue that such values represent full and fair cash value. The town completed this process in FY2016.

Under the Provisions of Proposition 2½, property taxes, in the aggregate, may not exceed 2½% of their full and fair cash value. This limit is known as the levy ceiling. Annual levy increases may not exceed 2½% of the previous year's levy plus the taxes added from any new or renovated property added to the tax rolls (known as new growth). The levy limit can be equal to or less than the levy ceiling. Any Proposition 2½ override or debt exclusion amounts approved by voters are added to the levy limit.

Property values and new growth for FY2020 are preliminary estimates used to project the levy limit. The FY2019 levy limit was \$12,817,276. The 2½% increase allowed for FY2020 is \$320,432. New growth from construction not previously on the tax rolls is conservatively estimated to add \$100,000 to the FY2019 levy. An additional \$277,425 is added to the tax levy to cover the cost of debt service for projects approved by the voters as Proposition 2½ debt exclusion overrides.

Property Tax Levy						
	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Projected	Dollar Change	Percent Change
Prior Year Levy Limit	\$11,187,782	\$11,767,675	\$12,282,175	\$12,817,276	\$ 535,101	4.36%
Amended New Growth	-	-	-	-	-	0.00%
2.5% increase	279,695	294,192	307,054	320,432	13,378	4.36%
New Growth	200,198	220,308	228,047	100,000	(128,047)	-56.15%
Prop 2.5% Override	100,000	-	-	-	-	0.00%
Tax Levy Limit Total	\$11,767,675	\$12,282,175	\$12,817,276	\$13,237,708	\$420,432	3.28%

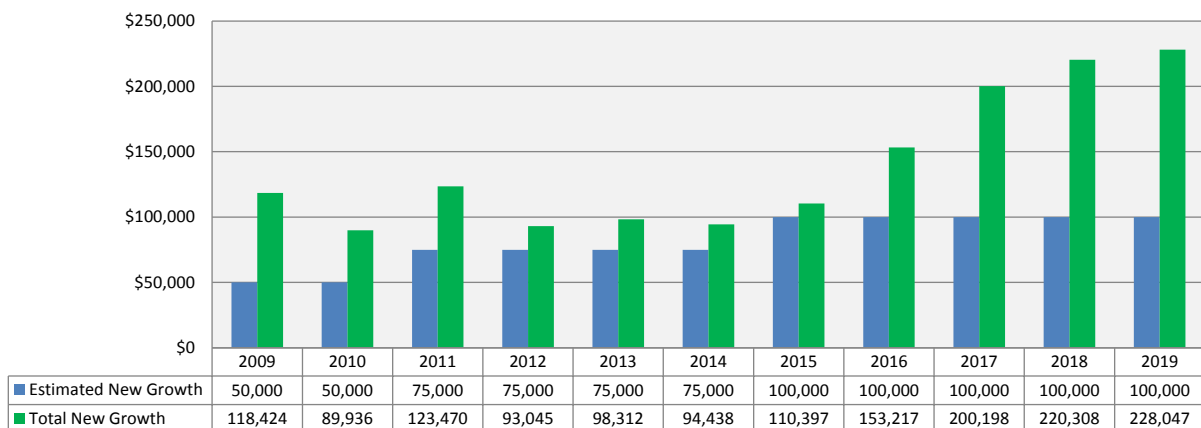
Excluded Debt	309,025	293,825	288,725	277,425	(11,300)	-3.91%
Capital Expenditure Exclusion(s)	-	-	-	-	-	0.00%
Stabilization Fund Override	-	-	-	-	-	0.00%
Other Adjustment	-	-	-	-	-	0.00%
Maximum Allowable Levy	\$ 12,076,700	\$ 12,576,000	\$ 13,106,001	\$ 13,515,133	\$ 409,132	3.12%

Excess Levy Capacity	39,906	84,555	43,673	-	(43,673)	-100.00%
Tax Levy Total	\$ 12,036,794	\$ 12,491,445	\$ 13,062,328	\$ 13,515,133	\$ 570,883	4.37%

File: Merrimac CCC Budget Master Workbook – Revenue

New growth includes increases in a property's assessed value since the prior year due to development or improvements, exempt real property returning to the tax roll, new personal property and new subdivision parcels and condominium conversions. The value of the new growth is calculated by multiplying the increase in the assessed valuation of qualifying property by the prior year's tax rate. It has been the town's practice to conservatively estimate new growth during the development of estimated revenues. The table below shows the amounts used in the budgeted process versus the amount of new growth certified by the Department of Revenue for the last ten years.

Estimated and Actual New Growth



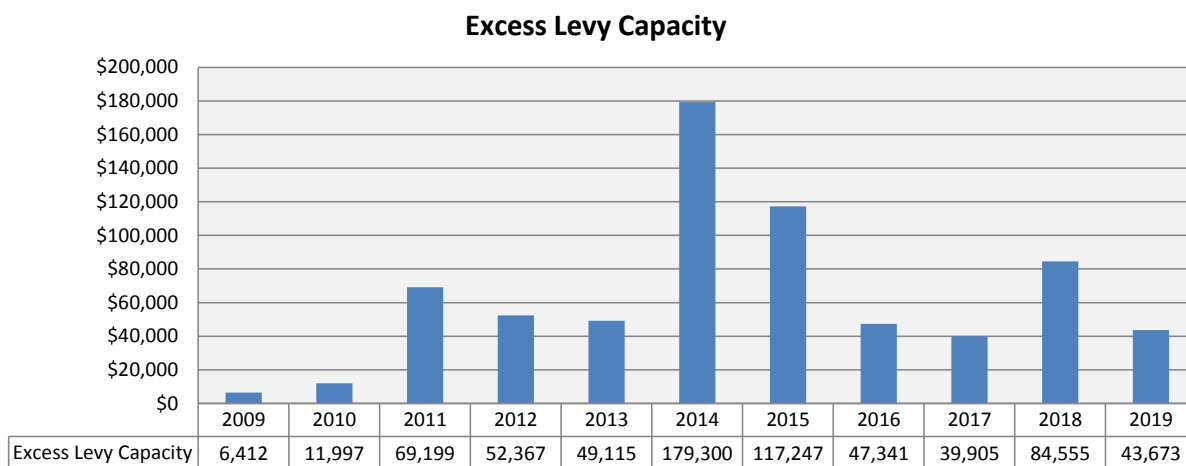
File: Merrimac CCC Budget Master Workbook – New Growth

A debt exclusion assesses additional taxes in excess of the levy limit for the payment of specific debt service costs related to capital projects. This exclusion requires a two-thirds vote of the board of selectmen in order to be presented to the voters, where a majority vote is required. The ballot must state the purpose or purposes in which the monies from the debt issue will be used. The additional amount for the payment of debt service is added to the levy limit for the life of the debt only and therefore is considered temporary. The exclusions do not become part of the levy limit for which future years are calculated.

Excluded Debt							
Date of Ballot Vote	Purpose of Exclusion Vote	Date of Original Note/Bond	Original Issue Amount	Town or School	2019		
					Gross Debt Service Excludable	Reimbursement/ Adjustments	Net Excluded Debt
05/07/2001	Construction of new Public Library	11/15/2003*	2,351,000	T	132,100	0	132,100
05/06/2002	Town Hall Renovations	10/15/2002*	2,850,000	T	156,625	0	156,625
*Bonds refunded December 3, 2013					288,725	0	288,725

File: Merrimac CCC Budget Master Workbook – Excluded Debt

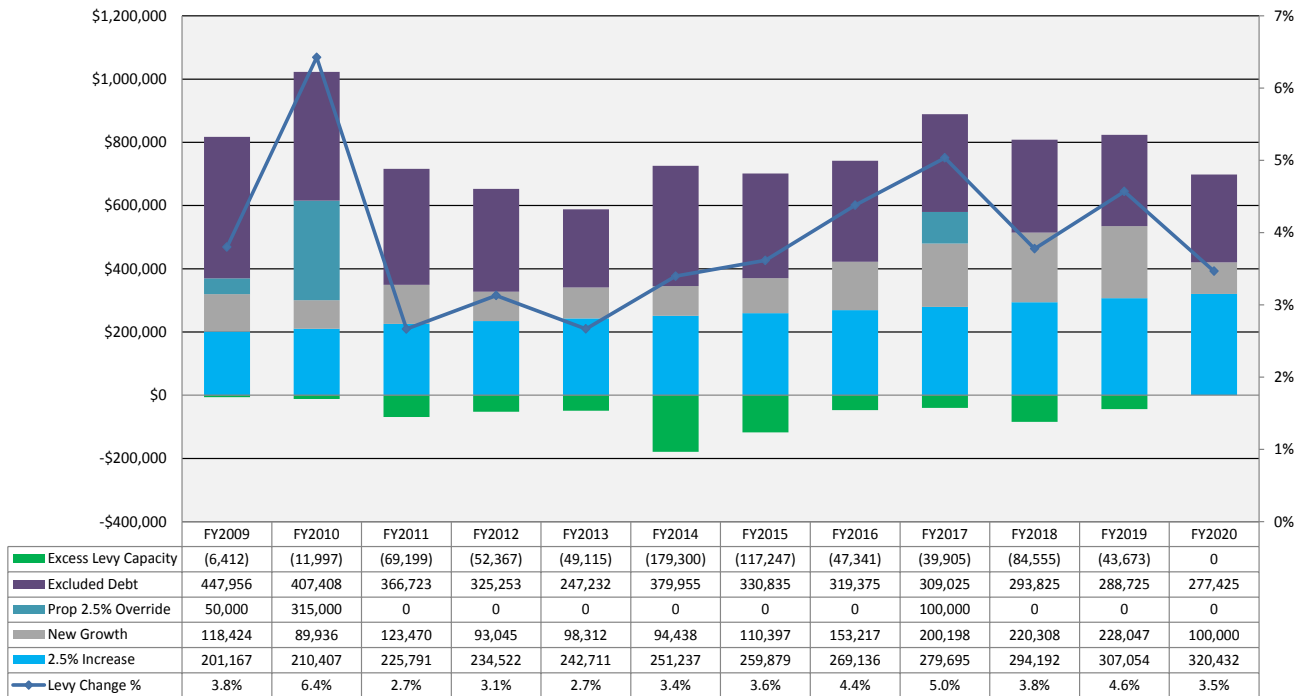
As stated, the levy limit may be less than or equal to the levy ceiling. If the amount appropriated by the community is less than the levy limit, there is excess levy capacity. This is an additional amount that could have been raised in taxes but was not. In the last few years, Merrimac has consistently levied close to the limit, ranging from less than 0.1% in FY2009 to 1.7% in FY2014. In FY2019, the town could have raised an additional \$43,310, increasing the tax rate by \$0.05. Not levying to the maximum in a given year does not affect the levy limit in subsequent years.



File: Merrimac CCC Budget Master Workbook – Levy Capacity

The annual change in tax levy is the accumulation of the increases: automatic 2½%, new growth, any proposition 2½ overrides, and the current year excluded debt service, less the excess capacity, or the amount not raised. The average tax levy increase over the last 12 years is just under 4%, including three proposition 2 ½ overrides.

Tax Levy Change Components



File: Merrimac CCC Budget Master Workbook – Levy Change

State Aid

State aid is the combination of program revenues and reimbursements a community receives from the state as reported on the cherry sheet, which is the official notification of estimated aid to be paid and charges to be assessed. Aid proposals begin with the Governor's budget to the legislature in late January and continue through the spring into June, when the House and Senate approve the final budget. Therefore the amounts provided in this document are subject to change prior to the annual town meeting. Merrimac's total state aid receipts are steadily increasing since the low point in FY2007, but the Governor's proposed amounts for FY2020 remain just 88% of the FY2005 high.

Chapter 70

The Department of Elementary and Secondary Education annually determines the total school foundation budget, minimum local contributions, and allocation of foundation budget between local and regional school districts, from which they calculate the distribution of Chapter 70 educational aid. For many communities, Chapter 70 is the largest component of local aid, but not so in Merrimac since the state sends aid for the Pentucket Regional School District directly to the district. Merrimac does however receive some Chapter 70 aid to offset the tuition of the few students attending Essex North Shore Agricultural & Technical School (Essex Tech). The proposed Chapter 70 amount for FY2020 is \$41,857.

Unrestricted General Government Aid (UGGA)

By far Merrimac's largest source of state aid, UGGA is based on equalized property valuation and population and is funded from lottery and gaming revenue to provide general purpose assistance. In FY2020 UGGA is expected to increase \$23,489, or 2.7% to \$893,448. This increase conforms to Governor Baker's policy of having UGGA increase at the same rate that projected State revenues increase each year.

Veterans Benefits

Under M.G.L. Chapter 115, Section 6, calls for the reimbursement to cities and towns of the costs of providing assistance to veterans and their dependents. Benefits (i.e., financial, medical, and burial) paid out in accordance with state guidelines are eligible for 75% reimbursement in the following year. For FY2020 the preliminary Cherry Sheet estimate is \$65,832, a slight increase over the previous year.

State Owned Land

A portion of state aid reimburses municipalities for foregone tax revenue due to certain types of tax exempt state-owned land. Merrimac receives reimbursement for the 6.4 acre area at Lake Attitash. The FY2020 the estimate is \$2,947, an 11% increase from FY2019.

Tax Exemption Aid

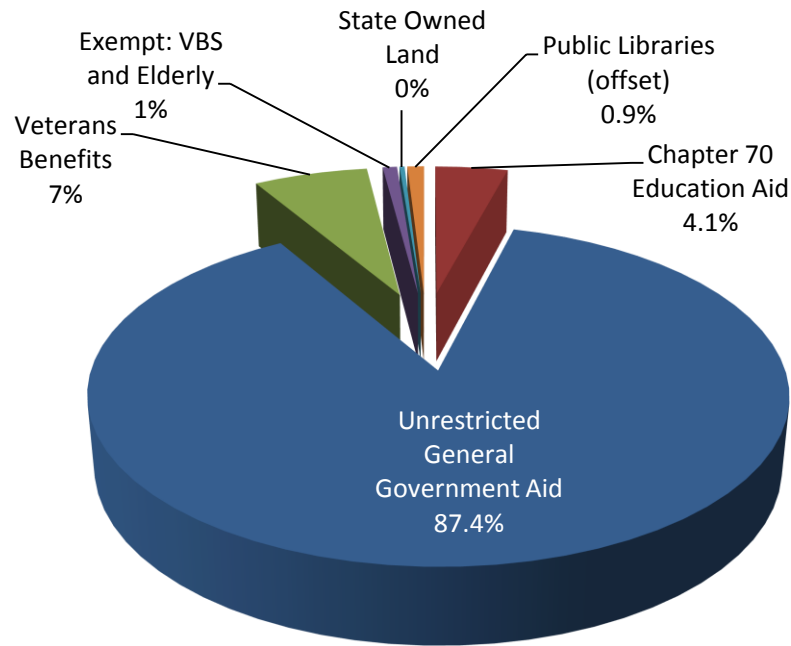
There are several categories of property tax exemptions for which the State provides reimbursement to municipalities subject to appropriation and completion of the property tax reimbursement forms. Veterans, blind persons, surviving spouses, and elderly who meet exemption requirements are eligible. The estimated FY2020 reimbursement amount of \$8,250 is \$11,684 less than the reimbursement expected in FY2019. *[This is based on the information submitted in Gateway as of the date of the Governor's budget. When the assessor updates the FY2018 information, the reimbursement amount will increase.]*

Cherry Sheet Offsets

Included in the estimated amount of aid to be received from the State are grant funds for the library. These grants are reserved for direct expenditure by the library department and cannot be counted as general available revenues. Consequently, as part of the tax rate preparation process, whatever amount is included within the state aid estimate is also included in the non-appropriated expense section as an offsetting debit.

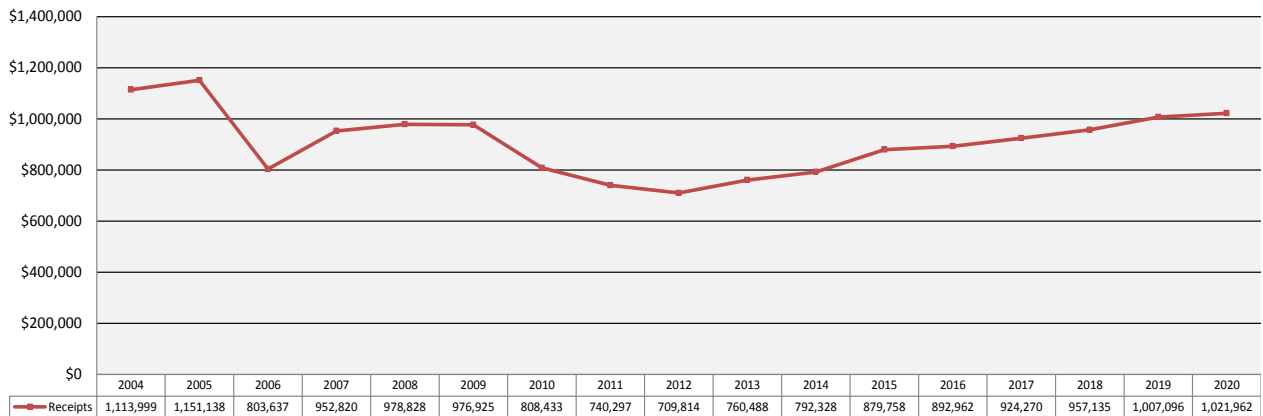
State Aid						
	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Projected	Dollar Change	Percent Change
Chapter 70 Education Aid	\$ 39,015	\$ 39,015	\$ 39,015	\$ 41,857	\$ 2,842	7.28%
Unrestricted General Government	808,989	840,540	869,959	893,448	23,489	2.70%
Veterans Benefits	48,384	65,680	65,467	65,832	365	0.56%
Exempt: VBS and Elderly	16,232	-	19,934	8,250	(11,684)	-58.61%
State Owned Land	2,543	2,541	2,655	2,947	292	11.00%
Public Libraries (offset)	9,107	9,359	10,066	9,628	(438)	-4.35%
State Aid Total	\$ 924,270	\$ 957,135	\$ 1,007,096	\$ 1,021,962	\$ 14,866	1.48%

Estimated FY2020 State Aid



File: Merrimac CCC Budget Master Workbook – Revenue

State Aid History Fiscal Years 2004 through 2020



File: Merrimac CCC Budget Master Workbook – State Aid

Local Receipts

Local receipts are locally generated revenues other than real and personal property taxes, such as motor vehicle excise, penalties and interest, investment income, departmental revenue, charges, and fees. Local receipts generally reflect the health of the local economy and can significantly impact free cash. Collections in excess of estimates are a source of free cash.

Detail the town's methodology for determining each year's estimated receipts such as the following example.

[During the development of the estimated revenue for the ensuing year, each of these groupings is reviewed. The analysis includes comparing the actual amounts collected over the last three completed years, the amount calculated as the five year average, the amount calculated at 85% of the last completed year's collections, and highlighting any receipts that have fluctuation over the years or that appear to be not on target for the current fiscal year.]

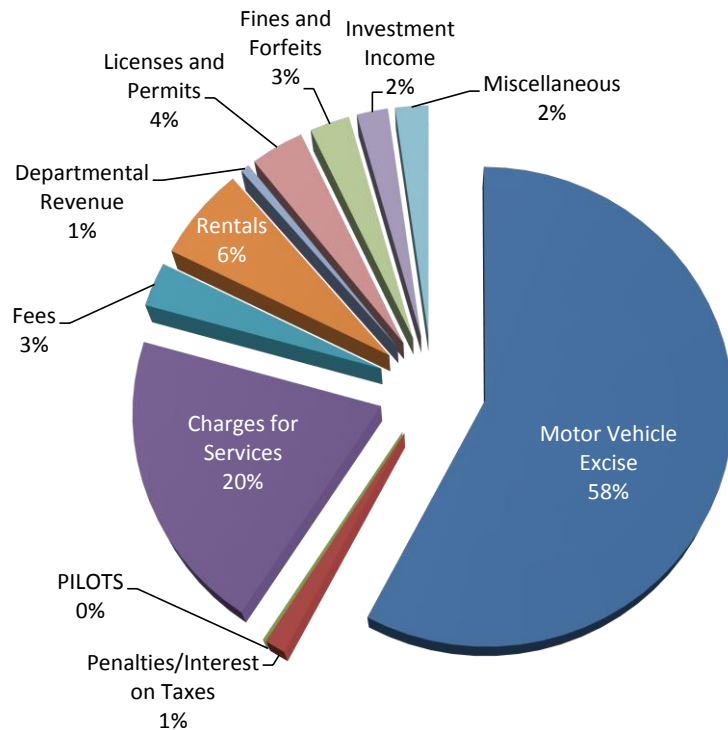
Motor vehicle excise tax provides close to 60% of total local receipts. Authorized by Massachusetts General Law, the excise rate is \$25 per thousand and is assessed on 90% of the vehicle's value in the first year, 60% in the second year, 40% in the third year, 25% in the fourth year and 10% for all remaining years. The value is determined by the Registry of Motor Vehicles (RMV) using a formula based on a manufacturer's list price and year of manufacture. The town in which a vehicle is principally garaged at the time of registration is entitled to the motor vehicle excise tax. Because the RMV utilizes a tracking system that helps to ensure payment of the motor vehicle excise tax and individuals that do not pay the excise tax will not be allowed to renew registrations and driver's licenses until the tax has been paid, this revenue is dependable in its collection and for this budget.

For FY2020, local receipts are projected to decrease due to conservatively projecting 2% growth in motor vehicle excise, but not anticipating any miscellaneous nonrecurring revenue as was done in FY2019. Historically, actual local receipts have exceeded estimates by almost 10%.

Local Receipts						
	FY2017 Actual	FY2018 Actual	FY2019 Recap	FY2020 Projected	Dollar Change	Percent Change
Motor Vehicle Excise	934,416	977,240	940,000	958,800	18,800	2.00%
Meals Excise	-	-	-	-	-	-
Room Excise	-	-	-	-	-	-
Other Excise	-	-	-	-	-	-
Penalties and Interest on Taxes	21,693	22,376	22,000	22,000	-	-
PILOTS	3,730	78	1,200	1,200	-	-
Charges for Services (all)	334,050	341,690	335,000	335,000	-	-
Fees	51,070	51,478	50,000	50,000	-	-
Rentals	102,884	106,617	105,000	106,050	1,050	1.00%
Departmental Revenue (all)	21,600	9,950	10,000	10,000	-	-
Licenses and Permits	60,125	102,797	60,000	60,000	-	-
Fines and Forfeits	53,064	45,159	45,000	45,000	-	-
Investment Income	23,906	36,440	35,000	35,000	-	-
Medicaid Reimbursement	-	-	-	-	-	-
Misc Recurring	165,569	36,887	37,000	37,000	-	-
Misc Non-Recurring	-	114,778	100,000	-	(100,000)	-100.00%
Local Receipts Total	\$ 1,772,107	\$ 1,845,490	\$ 1,740,200	\$ 1,660,050	\$ (80,150)	-4.61%
	1.4%	4.1%	-5.7%	-4.6%		

File: Merrimac CCC Budget Master Workbook – Revenue

Estimated FY2020 Local Receipts



Local Receipt Estimates and Actuals



File: Merrimac CCC Budget Master Workbook – Local Receipts

Free Cash

Free cash, which is certified as of July 1 each year by the Department of Revenue's Division of Local Services, represents the portion of general fund surplus revenue that is unrestricted and available for appropriation. These funds, once certified, may be used to support supplemental appropriations during the year, to support the ensuing fiscal year's budget, to reduce the tax levy, or to serve as emergency reserves. Free cash is generated when the actual operating results compare favorably with the budget, such as when actual revenues exceed the original estimates and/ or when actual expenditures are less than appropriated. It is also affected by increases or decreases in uncollected property taxes, non- general fund deficit balances, and any other legally incurred operating deficits, such as snow removal overdrafts.

The town's free cash balance as of June 30, 2018 was \$XXX,XXX or X.X% of the operating budget. Historically, the town appropriates the full amount of certified cash in the spring special town meeting, funding capital projects, other postemployment obligations, and building stabilization reserves.

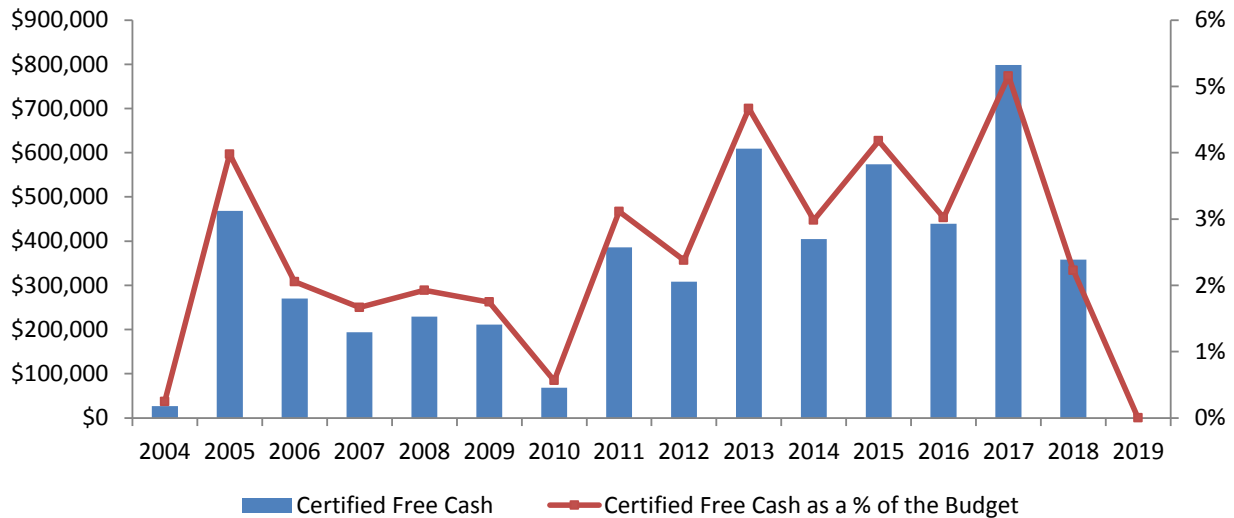
Upon adoption of a financial reserves policy (a sample is found in the Financial Policies section of this document), detail how the level of free cash and the subsequent usage thereof is conforming to the policy such as stated below.

[The annual certified free cash goal of 3 to 5% has been met only 6 times in the last 15 years with free cash ranging from less than 1% to a high of just over 5%. The primary reason for falling short of the goal is due to fully appropriating the balance in the spring town meeting to building reserves. Once the reserve levels are within the policy goals, remaining free cash will be used as a foundation for subsequent certification.]

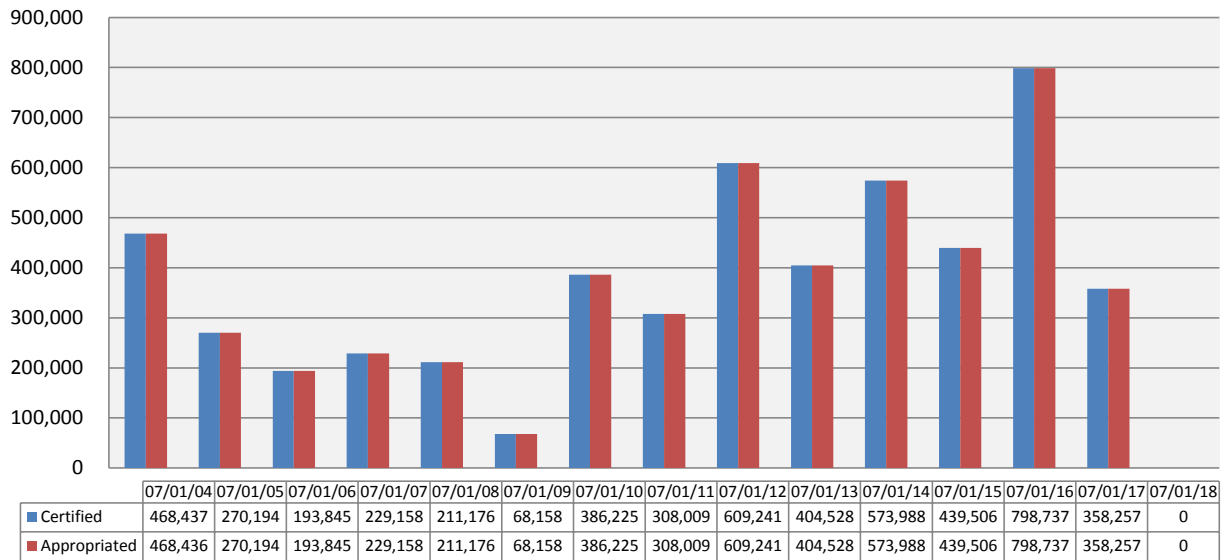
Free Cash Usage						
	FY2017 Actual	FY2018 Actual	FY2019 Recap	FY2020 Projected	Dollar Change	Percent Change
Snow & Ice Deficit	\$ -	\$ 40,000	\$ 25,000	\$ -	\$ (25,000)	-100.00%
General Stabilization Fund	-	60,000	-	-	-	-
Capital Stabilization Fund	51,506	82,024	-	-	-	-
Ambulance Stabilization Fund	20,000	20,000	-	-	-	-
Capital Projects (5 yr, \$10k+)	181,500	295,000	252,000	-	(252,000)	-100.00%
Articles - Current Year	61,500	27,000	-	-	-	-
Current FY Operating Budget	-	54,000	27,000	-	(27,000)	-100.00%
Prior FY Operating Budget	-	27,443	-	-	-	-
OPEB Fund	125,000	150,000	54,257	-	(54,257)	-100.00%
Other	-	43,270	-	-	-	-
Appropriated Free Cash	\$ 439,506	\$ 798,737	\$ 358,257	\$ -	\$ (358,257)	-100.00%

File: Merrimac CCC Budget Master Workbook – Revenue

Certified Free Cash as a Percentage of the Operating Budget



Free Cash Certification and Usage



File: Merrimac CCC Budget Master Workbook – Free Cash

Other Available Funds

Available funds are balances in the various fund types that represent non-recurring revenue sources. As a matter of sound practice, they are frequently appropriated to meet unforeseen expenses, for capital expenditures or other onetime costs. Examples of available funds include stabilization funds, overlay surplus, water surplus, and enterprise retained earnings.

The town also requests reimbursement from the municipal light department each year to offset general government services directly supporting light plant operations. When received, this offset is used to reduce the tax rate.

Appropriated Available Funds						
	FY2017 Actual	FY2018 Actual	FY2019 Recap	FY2020 Projected	Dollar Change	Percent Change
General Fund Purposes						
General Stabilization Fund	\$ -	\$ -	\$ -	\$ -	\$ -	-
Overlay Surplus	-	-	-	-	-	-
Sale of Lots and Graves	7,600	6,000	4,400	-	(4,400)	-100.00%
WPAT Receipts Reserved	5,000	-	-	-	-	-
Inspection Sevice Revolving Fund	120,000	-	65,000	-	(65,000)	-100.00%
Transfer from Water Enterprise	42,000	-	-	-	-	-
Previous Articles	-	57,288	30,310	-	-	-
Miscellaneous	47,277	6,740	10,000	-	(10,000)	-100.00%
Available Funds General Fund	\$ 221,877	\$ 70,028	\$ 109,710	\$ -	\$ (79,400)	-72.37%
Other Purposes						
Cable Television	\$ 235,393	\$ 151,579	\$ 140,355	\$ 140,355	\$ -	0.00%
Capital Stabilization	-	-	50,000	-	(50,000)	-100.00%
Ambulance Stabilization	-	-	50,000	-	(50,000)	-100.00%
Overlay Surplus	-	-	300,000	-	(300,000)	-100.00%
Miscellaneous	-	-	-	-	-	0.00%
Available Funds Other Purposes	\$ 235,393	\$ 151,579	\$ 540,355	\$ 140,355	\$ (400,000)	-74.03%
Available Funds Total	\$ 457,270	\$ 221,607	\$ 650,065	\$ 140,355	\$ (479,400)	-73.75%

Other Funds						
	FY2017 Actual	FY2018 Actual	FY2019 Recap	FY2020 Projected	Dollar Change	Percent Change
Free Cash to Reduce the Tax Rate	\$ -	\$ -	\$ -	\$ -	\$ -	-
Municipal Light Plant	-	10,085	10,000	10,000	-	-
Other	-	-	-	-	-	-
Total Other Funds	\$ -	\$ 10,085	\$ 10,000	\$ 10,000	\$ -	0.00%

File: Merrimac CCC Budget Master Workbook – Revenue

Enterprise Funds

Authorized by MGL c. 44 § 53F½, an enterprise fund 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 a service's total costs recovered through user charges and the portion 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 retained earnings by the operation of the enterprise rather than closing it out to the general fund at year-end.

Presently Merrimac operates enterprise funds for the water and sewer departments. Both are budgeted directly for personal services, operating and capital expenditures, and employee benefits (such as retirement, and insurances). Historically, both utilities have recovered most of their operating expenses through user charges, other departmental revenue, and investment income while covering their capital spending through retained earnings.

A policy that specifies indirect cost recovery methods is best budgeting practice for fair, consistent, and predictable annual payments to the town. Upon adoption of an indirect cost policy, state how the enterprise funds are reimbursing the town. Conversely, state if the general funds are subsidizing any town provided services such as insurances or legal.

The enterprise fund reimburses the general fund for costs associated with a variety of the town services, including those offered by the finance director and supporting staff. Additionally, the enterprise fund provides reimbursement for employee benefits costs, retirement costs, property and casualty insurance, and workers compensation costs.

Enterprise Funds						
	FY2017 Actual	FY2018 Actual	FY2019 Recap	FY2020 Projected	Dollar Change	Percent Change
Usage and Service Charges	\$971,837	\$942,481	\$955,223	\$ 964,775	\$ 9,552	1.00%
Other Department Revenue	86,806	72,746	72,000	72,720	720	1.00%
Investment Income	1,543	1,416	1,400	1,414	14	1.00%
Miscellaneous	-	-	-	-	-	0.00%
Water Privilege	-	-	68,000	-	(68,000)	-100.00%
Retained Earnings	-	-	155,000	111,118	(43,882)	-28.31%
Total Water Revenue	\$1,060,186	\$1,016,643	\$1,251,623	\$1,150,027	\$ (101,596)	-8.12%
Usage and Service Charges	\$955,800	\$942,983	\$940,524	\$ 959,334	\$ 18,810	2.00%
Other Department Revenue	276,781	199,566	199,000	202,980	3,980	2.00%
Investment Income	3,445	5,782	5,700	5,814	114	2.00%
Miscellaneous	-	-	-	-	-	0.00%
Retained Earnings	-	-	246,000	137,350	(108,650)	-44.17%
Total Waste Water Revenue	\$1,236,026	\$1,148,331	\$1,391,224	\$1,305,478	(\$85,746)	-6.16%
Total Enterprise Revenues	\$2,296,212	\$2,164,974	\$2,642,847	\$2,455,506	(\$187,341)	-7.09%

File: Merrimac CCC Budget Master Workbook – Revenue

Departmental Budgets

General Government
Public Safety
Public Works
Health & Human Services
Culture & Recreation
Water Enterprise Fund
Sewer Enterprise Fund

Departmental Budgets

This section requires a clear presentation of the departments within the budget document. This includes a narrative description of the services, functions, and activities of the department.

The board of selectmen, with the finance director, should review each mission statement with the department head to make sure it is current, clearly explains what the department does and whom it serves, and articulates the benefits of the service or operation. The board of selectmen should work with department heads to annually develop goals and objectives by which to assess their achievements. Goals are broad statements of purpose, while objectives are the specific, measurable steps necessary to accomplish goals. These should be annually reviewed and updated.

Departmental presentations should be consistent between departments with each department using a standard format (e.g., font size and type, margins, paragraph alignment and spacing, bullet points, indentation, orientation) While meant to be comprehensive, the discussions should be focused and concise and the financial information clearly reported.

The key sections to provide context to each department's budget request are:

1. Department Overview
2. Personnel Summary
3. Department Budget: Overview, Personal Services, Expenditures

Department Overview: This section of the budget document is where the department goes beyond the detailed financial reports and describes its programs or services, what it needs to deliver those programs or services, and how it plans to meet the objectives. It should also include the department's accomplishments, challenges, and any future initiatives.

Mission Statement: The mission statement is an overarching communication of the department's values and role in serving the community. This is unlikely to change from one year to the next.

Description of Programs and Services: An overview of the department's responsibilities, services, and structure, including any divisions. This can include:

- Hours of operation, address, phone number, and contact information
- Identify any changes in services levels (increase or reduction)

- Activities required by law
- Services that are provided by an outside consultant or vendor

Prior Year Major Accomplishments: A recap of the three to five most important prior-year goals and objectives that have been accomplished should be reported.

Current Year Goals and Objectives: Based on discussion with the board of selectmen, outline three to five of the department's most important policy-driven goals and objectives. Goals are broad statements of purpose, while objectives are the specific plans of action accomplish the goals. Goals may span a few fiscal years, but objectives should be updated and completed annually. Challenges, issues, and opportunities should be discusses with a focus on the future, key decision points, and solutions.

Performance Measures: Typically included in the respective departmental section of the budget document, each department is encouraged to present performance measures that link with the goals of both the overall town and the department. Performance measures should include input, output, efficiency, and effectiveness measures and their relationship to achieving desired outcomes Include measures for the prior, current, and upcoming budget year

Personnel Summary

Organization Chart: Use the organization chart to show the department's internal structure, as well as any indirect reporting relationships to committees or other town bodies. Omit employee names in favor of official position titles, so that the chart can be reused year to year.

Staffing Schedule: Summarize the departmental headcount over a period of time, including the upcoming budget year, by position or official title. All positions or titles must correspond to the organization chart and to the town-wide organization chart, along with the overall personnel summary.

Department Budget

Budget Overview: Provide an actual summary by core function (i.e., Personal Services, Operating Expenses, and Capital) for the last three years, plus the budgeted amount for the current year, and the requested amount for the budget year Include the number of full- and part-time personnel for the same period.

For each category, explain any major changes in the current year's request from the previous year's appropriation. Also identify specific cost drivers and describe how they factor into proposed increases, distinguishing between one-time costs and permanent additions to the department's operating budget. This includes any contractual agreements for union personnel and wages determined by a wage schedule. When appropriate, provide the rationale for any budget enhancements and explain the need they address and how this will impact the department's ability to provide services, meet its objectives, and fulfill its mission.

General Government

Finance Department *Example*

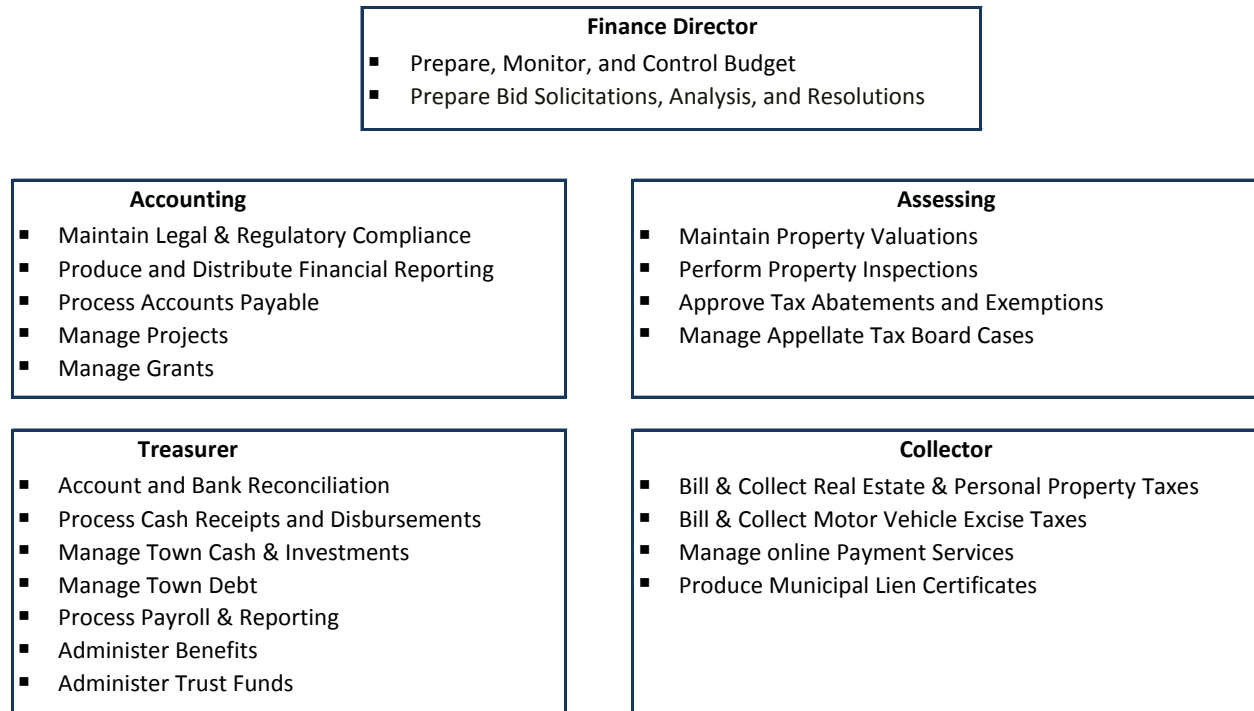
Mission

The mission of the Finance Department is to support the Town of Merrimac and its departments by providing high quality financial, accounting, and administrative services, so that they can perform their missions more efficiently, effectively, and innovatively, both now and in the future.

The Finance Department is responsible for the maintenance of all financial records to ensure compliance with federal, state and local laws. This includes recording all town revenues and expenditures, and oversight of all departmental appropriations. Other responsibilities of the Finance Department include, but not limited to, processing accounts payable, preparing 1099 forms, personnel including assisting with employee benefits information, overseeing payroll processing, and W-2 forms, fulfilling state reporting requirements, such as: Schedule A (detailed statement of revenues and expenditures), preparing annual balance sheet for free cash certification and assisting with the Tax Recapitulation preparation.

The finance director shall direct the activities of the other finance related offices, consisting of: Accounting, Assessing, and Collections.

Programs and Services



Finance Department Goals and Objectives

- Develop financial policies to improve financial procedures and expand internal controls to efficiently manage the town's financial resources.
- Deliver exceptional customer service to town residents and departments.
- Provide cross training for all positions within all the Finance Department offices to assist during peak times.

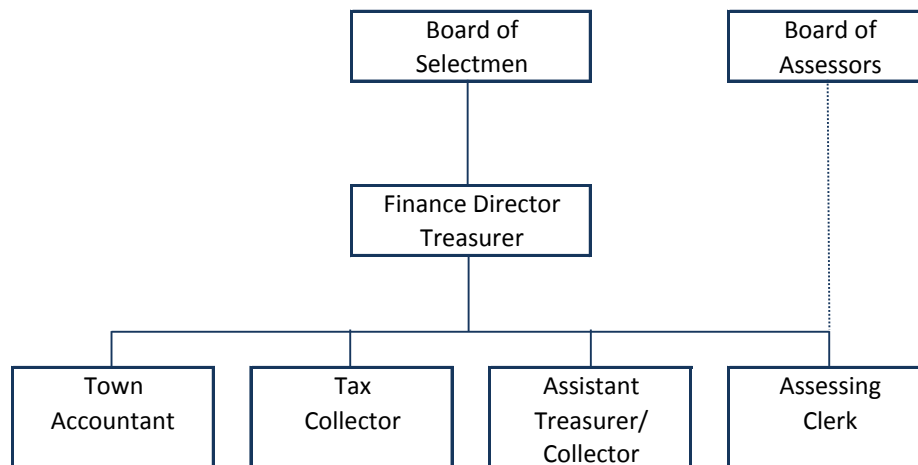
Accomplishments

- Submitted and had tax rate approved by November 30.
- Institute a five-year forecast

Significant Budget Changes or Initiatives

- Conversion to Vadar

Organizational Chart



File: Merrimac CCC Budget Master Workbook – Finance Programs

Personnel Summary

Finance Offices					
Personnel Summary					
Position	FY2016 FTE	FY2017 FTE	FY2018 FTE	FY2019 FTE	FY2020 FTE
Finance Director/Treasurer	1.00	1.00	1.00	1.00	1.00
Town Accountant	1.00	1.00	1.00	1.00	1.00
Tax Collector	1.00	1.00	1.00	1.00	1.00
Assistant Treasurer/Collector	1.00	1.00	1.00	1.00	1.00
Assessor Clerk	1.00	1.00	1.00	1.00	1.00
Total Full-Time Equivalent	5.00	5.00	5.00	5.00	5.00

File: Merrimac CCC Budget Master Workbook – Finance Offices

Personnel Notes

Accounting

Goals

- Close the books and submit Free Cash documents to the DOR by September each year
- Meet other external reporting deadlines as needed during the fiscal year (e.g., Schedule A)
- Ensure that external audit requirements are met
- Strive toward setting the tax rate by the middle of November and improving timeliness of state required reporting.

Budget Overview:

- I. Purpose of the Department
- II. Recent Developments
- III. Current Challenges

Narrative

Assessors

Goals

- Strive toward setting the tax rate by the middle of November and improving timeliness of state required reporting.

Budget Overview:

- I. Purpose of the Department
- II. Recent Developments
- III. Current Challenges

Narrative

Tax Collector

Goals

- Strive toward setting the tax rate by the middle of November and improving timeliness of state required reporting.

Budget Overview:

- IV. Purpose of the Department
- V. Recent Developments
- VI. Current Challenges

Narrative

Recommended Operating Budget

Finance Department						
Account	Description	FY2016 Actual	FY2017 Actual	FY2018 Budget	FY2019 Budget	FY2020 Budget
Accounting						
	Personal Services					
001-1350-5110	SALARIES	68,414	69,786	73,244	76,900	-
	Total Personal Services	68,414	69,786	73,244	76,900	-
	Expenses					
001-1350-5244	REPAIRS/MAINT	40	325	300	300	-
001-1350-5306	IT EXPENSE/SOFTWARE	5,876	6,221	5,958	17,090	-
001-1350-5308	PROFESSIONAL DEV	-	-	-	450	-
001-1350-5309	EDUCATION	805	827	900	-	-
001-1350-5381	MISC/OTHR PURCH SVCS	113	226	440	440	-
001-1350-5420	OFFICE SUPPLIES	398	577	492	514	-
001-1350-5580	POSTAGE	36	45	60	60	-
001-1350-5710	TRAVEL	-	-	-	450	-
001-1350-5736	DUES/FEES	137	150	222	200	-
	Total Expenses	7,404	8,372	8,372	19,504	-
Total Accounting		75,818	78,158	81,616	96,404	-
Assessor						
	Personal Services					
001-1410-5110	SALARIES	5,000	4,550	6,000	6,000	-
001-1410-5111	SUPPORT & CLERICAL	32,871	30,349	32,260	39,930	-
	Total Personal Services	37,871	34,899	38,260	45,930	-
	Expenses					
001-1410-5306	IT EXPENSE/SOFTWARE	-	9,160	9,520	9,900	-
001-1410-5309	EDUCATION/TRNG	-	288	1,141	1,141	-
001-1410-5381	OTH PURCH SVCS	-	3,668	6,000	6,500	-
001-1410-5420	OFFICE SUPPLIES	-	957	1,000	1,000	-
001-1410-5580	POSTAGE	-	370	700	700	-
001-1410-5700	OTHER EXPENSES	16,703	104	615	615	-
001-1410-5721	ASSESSOR INDEP REVAL	10,740	10,740	10,740	10,740	-
	Total Expenses	27,443	25,286	29,716	30,596	-
Total Assessor		65,314	60,185	67,976	76,526	-

Finance Department Continued

Account Number	Description	FY2016 Actual	FY2017 Actual	FY2018 Budget	FY2019 Budget	FY2020 Budget
Finance Director/Treasurer						
	Personal Services					
001-1450-5110	SALARIES	97,003	106,577	109,408	112,510	-
001-1450-5111	SUPPORT & CLERICAL	40,167	28,675	26,622	28,535	-
001-1450-5112	PT/OTHER	2,464	1,214	3,318	3,590	-
	Total Personal Services	139,635	136,467	139,348	144,635	-
	Expenses					
001-1450-5305	PAYROLL SERVICE	5,762	7,489	7,400	8,000	-
001-1450-5309	EDUCATION	1,120	798	1,390	1,390	-
001-1450-5420	OFFICE SUPPLIES	963	1,123	1,000	1,000	-
001-1450-5580	POSTAGE	1,368	1,358	1,800	1,800	-
001-1450-5700	OTHER EXPENSES	671	1,402	800	800	-
001-1450-5701	BOND ISSUE AND ADMIN. CO	1,568	1,500	2,000	2,000	-
001-1450-5703	TAX TITLE EXPENSE	3,140	1,000	1,000	1,000	-
001-1450-5711	ACTUARIAL STUDY	-	-	-	-	-
001-1450-5736	DUES/FEES	-	-	-	-	-
001-1490-5700	OTHER EXPENSES	1,084	894	1,100	1,100	-
	Total Expenses	15,675	15,564	16,490	17,090	-
Total Finance Director/Treasurer		155,310	152,031	155,838	161,725	-
Tax Collector						
	Personal Services					
001-1460-5110	SALARIES	38,514	50,002	54,045	57,210	-
	Total Personal Services	38,514	50,002	54,045	57,210	-
	Expenses					
001-1460-5306	IT EXPENSE	7,167	7,498	7,903	-	-
001-1460-5309	EDUCATION	100	602	800	800	-
001-1460-5420	OFFICE SUPPLIES	3,909	3,385	3,915	3,915	-
001-1460-5580	POSTAGE	8,449	7,668	8,275	8,533	-
	Total Expenses	19,624	19,153	20,893	13,248	-
Total Tax Collector		58,139	69,155	74,938	70,458	-
Grand Total Finance Department		354,580	359,529	380,368	405,113	-

Source: Town of Merrimac – KVS Expenditure Reports

File: Merrimac CCC Budget Master Workbook – Finance Budget

Other Financial Information

Capital Planning
Debt Analysis
Changes in Fund Balance

Capital Planning

This section presents an overview of the community's capital financing strategy and identifies the community-driven priorities. As with the operating budget, the current year capital expenditure amounts and funding sources should be included in the capital budget, including a breakdown of cash versus debt-financed projects and the town's framework for managing that balance. Merrimac already has a capital plan showing projects by funding source and department. We recommend including the tables both in summary and project detail sheets only for projects intended for the upcoming year's capital budget.

Topics to include in this section:

- *Definition of a Capital Improvement Program*
- *Definition of Capital Assets and Capital Projects*
- *The Capital Improvement Program and the Capital Budget*
- *How the Operating Budget relates to the Capital Budget*
- *Financing for Capital Projects*
- *How the CIP is developed with milestones that coincide with the budget calendar*

Capital Planning Committee

As in past years, town departments were requested to submit documentation supporting capital items for consideration for fiscal year 2019 and anticipated capital items through fiscal year 2023. Capital item requests must have an anticipated life duration of at least five years and an initial cost of \$10,000 or more in order to be included in the multi-year capital improvement program. Requests not meeting this threshold are considered in the annual one-time purchases article. The capital program continues to invest in improvements to infrastructure, including buildings and roads, as well as vehicles, equipment, and other projects that support our services.

During the months of February/March, 2018 the committee met with department heads to review supporting documentation. Generally, the criteria applied in developing recommendations in order of priority are:

- a) necessary to respond to State or Federal mandates
- b) public health and/or safety consideration
- c) operational necessity

General Fund Capital Plan Fiscal Years 2019 through 2013

Description	Amount					Funding Source	Recommendation
	FY19	FY20	FY21	FY22	FY23		
Police							
Police Cruiser	45,000	45,000	45,000	45,000	45,000	Free Cash	Yes 5-0
Police Building*	5,500,000	-	-	-	-	Borrowing/Debt Exclusion	N/A
Sub-total Police	5,545,000	45,000	45,000	45,000	45,000		
Fire							
Ambulance	200,000	-	-	-	-	\$100K Free Cash/\$50K Amb	Yes 4-0
Pumper	900,000	-	-	-	-	Stab/\$50K Capital Stab	No 0-5
Sub-total Fire	1,100,000	-	-	-	-	Borrowing/Lease	
COA							
Building Addition	-	-	-	-	-	Borrowing/Grants	N/A
Sub-total COA	-	-	-	-	-		
Highway							
Front End Loader	-	177,764	-	-	-	Borrowing/Lease	N/A
Culvert Repair Engineering	107,000	-	-	-	-	Free Cash	Yes 5-0
6 Wheel Dump/Plow	188,280	-	-	-	-	Borrowing/Lease	Yes 5-0
Sub-total Highway	295,280	177,764	-	-	-		
Library							
Metal Roof Replacement	470,000	-	-	-	-	Borrowing	Yes 5-0
Sub-total Library	470,000	-	-	-	-		
Town Hall							
Slate Roof	402,000	-	-	-	-	Borrowing/Grants	Yes 5-0
Replacement Windows	405,000	-	-	-	-	Borrowing/Grants	Yes 5-0
Repainting Bricks	338,000	-	-	-	-	Borrowing/Grants	Yes 5-0
Sub-total Town Hall	1,145,000	-	-	-	-		
Sweetsir							
Remove Asbestos Tiles	-	150,000	-	-	-	Free Cash/Borrowing	N/A
Replace Lights with LED	-	20,000	-	-	-		N/A
Replace Sewer Pump	-	15,000	-	-	-		N/A
Replace Fire Alarm System	50,000	-	-	-	-		No 0-5
Misc. Painting	-	-	150,000	-	-		N/A
Replace PA System	-	-	100,000	-	-		N/A
Renovate Restrooms	-	-	200,000	-	-		N/A
Repair/Seal Coat	-	-	75,000	-	-		N/A
Sub-total Sweetsir	50,000	185,000	525,000	-	-		
Donaghue							
Replace Fire Alarm System	50,000	-	-	-	-	Free Cash/Borrowing	No 0-5
Replace Stairwell Treads	-	40,000	-	-	-		N/A
Facility Wide Infrared Scan	-	-	10,000	-	-		N/A
Classroom Electrical Upgrade	-	30,000	-	-	-		N/A
Replace PA System	-	-	100,000	-	-		N/A
Renovate Restrooms	-	-	100,000	-	-		N/A
Repair/Seal Coat	-	-	75,000	-	-		N/A
Sub-total Donaghue	50,000	70,000	285,000	-	-		
Middle/High School							
New/Renovation*	15,000,000	-	-	-	-	Borrowing/Debt Exclusion	N/A
Sub-total Middle/High	15,000,000	-	-	-	-		
Playground							
Equipment	25,000	-	-	-	-	Free Cash	No 0-4
Sub-total Playground	25,000	-	-	-	-		
Open Space Committee							
Land	10,000	-	-	-	-	Open Space Account	Yes 4-0
Sub-total Open Space	10,000	-	-	-	-		
Total General Fund Requests	23,690,280	477,764	855,000	45,000	45,000		

*projects listed for informational estimates only at this time

Source: [Town of Merrimac Capital Plan](#)

Debt Analysis

Financial data on current debt obligations, the relationship between current debt levels and legal debt limits, and the effects of existing debt levels on current operations comprise this section. Both the legal and policy debt limits should be described in terms of percentage of assessed value or general fund revenues.

Topic to discuss:

- *Type and Purpose of Debt*
- *Current Debt Position*
- *Projected Debt Payments by Project and Fund*
- *General Obligation Debt – Credit Ratings, Limitations, Affordability*

Changes in Fund Balance

This requires that beginning and ending fund balances, as defined in the budget document, be shown for the budget year, as well as revenues, expenditures, and other financing sources/uses for all funds. Most easily presented in chart form, this provides summary financial results of the proposed budgets. Changes in fund balance that exceed 10% and any deficits that require the use of reserves should be discussed.

Financial Policies

Capital Planning
Debt Management
Financial Reserves
Forecasting
Investments
OPEB Liability

Financial Policies

The budget document should include adopted long-term financial policies for financial planning, revenues, and expenditures.

Policies to include at a minimum are:

- *Capital Planning*
- *Debt Management*
- *Financial Reserves*
- *Forecasting*
- *Investments*
- *OPEB Liability*

The Town of Merrimac is committed to safeguarding public funds, protecting local assets, and complying with financial standards and regulations. The town, through its Board of Selectmen, Finance Committee, and employees, commits to:

- Sustaining a consistent level of service and value for residents and businesses
- Safeguarding financial integrity and minimizing risk through a system of internal controls
- Ensuring the quality and maintenance of capital assets
- Conforming to general law, uniform professional standards, and municipal best practices
- Protecting and enhancing the town's credit rating
- Promoting transparency and public disclosure
- Ensuring accurate and timely reporting

Three sample policies modified for Merrimac are provided for review and adoption by the board of selectmen.

Capital Planning

PURPOSE

To effectively maintain the Town's infrastructure and protect the value of its capital assets, this policy outlines guidance for planning, reviewing, and coordinating capital improvements. Adherence to this policy will help the Town meet its capital needs despite limited resources.

APPLICABILITY

This policy applies to all current and proposed capital projects in the Town. It establishes a framework for long-term capital improvements, sets guidelines and expectations for all Town departments in planning for and requesting capital projects, and outlines consensus budgetary goals for the Board of Selectmen and Finance Committee. It also applies to related job duties of the Finance Director/Treasurer.

POLICY

The Town will maintain its physical assets by providing funding in the operating budget to protect its capital investments and minimize future maintenance and replacement costs. To provide and preserve the infrastructure needed for achieving the highest levels of public services and quality of life possible within available financial resources, the Town will maintain an annually updated, five-year plan for capital improvements. The Town will emphasize preventive maintenance as a cost-effective approach to capital reinvestment and replace exhausted goods as necessary.

The Capital Planning Committee (CPC) is charged to oversee Merrimac's capital improvement program. This involves identifying and prioritizing projects, analyzing funding, and creating a long-term financial plan achievable within the Town's budget limitations.

A. Definition of a Capital Improvement

A capital improvement is a tangible asset or project estimated to cost over \$10,000 and to have or to extend five or more years of useful life. These include:

- Real property acquisitions, construction, and long-life capital equipment
- Major improvements to physical infrastructure, including streets, sidewalks, stormwater drains, and water distribution systems
- Major renovations of existing capital items that extend their useful lifespans, as distinguished from normal operating expenditures
- Planning, feasibility studies, and designs for potential capital projects
- Items obtained under a long-term capital lease
- Bulk purchases of similar items, like software or furniture, with expected useful lifespans of five or more years that, when aggregated, have total costs exceeding the capital threshold

B. Inventory

To support a systematic acquisition and replacement schedule, the Finance Director will annually update and maintain a detailed inventory of all capital assets, which shall include dates built,

acquired or last improved, original costs, current conditions, expected and remaining useful lifespans, depreciated values, extent of use, and any scheduled replacement or expansion dates.

C. Evaluation of Capital Projects

As part of the annual budget process, the CPC will solicit capital project requests from department heads and then evaluate and prioritize them using the criteria below:

1. Eliminates a hazard to public health and safety
2. Required by state or federal laws or regulations
3. Uses outside financing sources, such as grants
4. Supports adopted plans, goals, objectives, and policies
5. Stabilizes or reduces operating costs
6. Makes better use of a facility or replaces a clearly obsolete one
7. Maintains or improves productivity or existing standards of service
8. Directly benefits the Town's economic base by increasing property values
9. Provides new programs having social, cultural, historic, economic, or aesthetic value
10. Increases operational or personnel costs

D. Multiyear Capital Improvement Plan

Annually by March 15th, the CPC will prepare and submit to the Board of Selectmen and Finance Committee a five-year capital improvement plan (CIP), including the upcoming fiscal year's capital budget and a four-year projection of capital needs and expenditures that details their estimated costs, descriptions, and anticipated funding sources.

Throughout the year, the Finance Director will monitor active capital projects to ensure they remain properly funded and will report any issues to the Board of Selectmen.

E. Capital Financing

As a reserve for the CIP, the Town will maintain a capital stabilization fund to provide the flexibility to pay outright for moderate-range capital expenditures while preserving debt capacity for major, higher-dollar purchases or projects. In accordance with the Town's Financial Reserves policy, the target maintenance level for this reserve shall be [two to four] percent of the Town's annual operating budget.

Annually, the Town will strive to maintain [three to five] percent of the general fund operating budget, net of debt, on capital investment allocations. Funding shall be derived from a combination of property taxes and the general and capital improvement stabilization funds. Long-term debt is an appropriate funding source for certain types of projects, while short-term debt and current revenues should be used for assets with short useful lifespans.

The CIP shall be prepared and financed in accordance with the following principles:

- Special revenue sources (e.g., grants, revolving funds) shall be evaluated as funding options whenever practical.
- The annual operating costs of each proposed capital project, as well its debt service costs, shall be identified before any long-term, bonded capital project is recommended.
- Short-term debt may be used to fully finance purchases with useful lifespans of less than 10 years.
- Major capital projects, such as new construction or major renovations to existing facilities, may be accomplished through capital or debt exclusions.
- Infrastructure or facility maintenance budgets built into the general operating budget will not be reduced to fund other departmental budgets.
- To the extent feasible, all capital projects associated with the Town's two enterprise operations (i.e., Water and Sewer) shall be financed from user fees.

F. Capital Project Closeouts

The Town will endeavor to close out all capital projects within six months of completion or discontinuation. When closing out any project with a residual balance, the Finance Director will do one of the following:

- If the project was funded by available revenue (tax levy or reserves), reallocate the balance to another capital project(s) or close it to the appropriate fund surplus.
- If the project was bond-funded and has a balance under \$50,000, propose that the Board of Selectmen apply the balance to debt service.
- If the project was bond-funded and has a balance over \$50,000, propose that the Board of Selectmen apply the balance to another capital project(s) for which the Town may borrow for an equal or greater term than the originally issued loan.

REFERENCES

[M.G.L. c. 44, § 20](#)

[M.G.L. c. 44, § 33B](#)

Merrimac policies on Debt Management and Financial Reserves

Merrimac Bylaws: [Article III, Sections 3.11 – 3.15 – Capital Planning Committee](#)

Division of Local Services (DLS) Best Practices: [Presenting and Funding Major Capital Projects](#) and [Special Purpose Stabilization Funds](#)

DLS Financial Management Guidance: [Capital Improvement Planning Manual](#) and [Capital Improvement Planning Guide – Developing a Comprehensive Community Program](#)

EFFECTIVE DATE

This policy was adopted on [date].

Financial Reserves

PURPOSE

To help the Town stabilize finances and maintain operations during difficult economic periods, this policy establishes prudent practices for appropriating to and expending reserve funds. With well-planned sustainability, Merrimac can use its reserves to finance emergencies and other unforeseen needs, to hold money for specific future purposes, or in limited instances, to serve as revenue sources for the annual budget. Reserve balances and policies can also positively impact the Town's credit rating and consequently its long-term cost to fund major projects.

APPLICABILITY

This policy pertains to the short- and long-range budget decision-making duties of the Board of Selectmen and Finance Committee. It also applies to the related job duties of the Finance Director and Board of Assessors.

POLICY

The Town is committed to building and maintaining its reserves so as to have budgetary flexibility for unexpected events and significant disruptions in revenue-expenditure patterns and to provide a source of available funds for future capital expenditures. The Town will strive to maintain overall general fund reserves in the level of [10 to 14] percent of the annual operating budget. Adherence to this policy will help the Town withstand periods of decreased revenues and control spending during periods of increased revenues. There are multiple types of reserves, including free cash, stabilization funds, retained earnings, and overlay surplus.

A. Free Cash

The Division of Local Services (DLS) defines free cash as "the remaining, unrestricted funds from operations of the previous fiscal year, including unexpended free cash from the previous year." DLS must certify free cash before the Town can appropriate it.

To generate free cash, the Finance Committee will propose budgets with conservative revenue projections, and department heads will carefully manage their appropriations to produce excess income and budget turn backs. As much as practicable, the Town will limit its use of free cash to funding one-time expenditures (such as capital projects, snow and ice deficits, or emergencies). Further, budget decision makers will avoid fully depleting the Town's free cash in any year, so that the succeeding year's calculation can begin with a positive balance.

The Town shall set a goal of maintaining its year-end unappropriated free cash balance in the range of [three to five] percent of the annual general fund budget. The Town will appropriate the excess above this target range to build reserves or to offset unfunded liabilities.

B. Stabilization Funds

A stabilization fund is a reserve account allowed by state law to set aside monies to be available for future spending purposes, including emergencies or capital expenditures, although it may be appropriated for any lawful purpose. As detailed below, the Town has established three

stabilization funds, each of which is accounted for and reported as a trust fund, regardless of authorized use.

General Stabilization: The Town will endeavor to maintain a minimum balance of [five] percent of the current operating budget in its general stabilization fund. Withdrawals from general stabilization should only be used to mitigate emergencies or other unanticipated events that cannot be supported by current general fund appropriations. When possible, withdrawals of funds should be limited to the amount available above the [five] percent minimum reserve target level. If any necessary withdrawal drives the balance below the minimum level, the withdrawal should be limited to one-third of the general stabilization fund balance. Further, the Finance Director will develop a detailed plan to replenish the fund to the minimum level within the next two fiscal years.

Special Purpose Stabilization Funds: Merrimac has two special purpose stabilization funds: capital and ambulance. The Town will appropriate annually to these funds so that over time they achieve target balances sufficient to cover cash outlays for capital needs, with a minimum of [one] percent of general fund operating revenues directed to the capital stabilization fund. Subsequently, the ongoing fund balance target shall be [two to four] percent of the general fund operating budget. By sustaining funding in these reserves, the Town can balance debt with pay-as-you-go practices and protect against unforeseen costs.

C. Retained Earnings

The Water Department's and Sewer Departments' finances each are managed as enterprise funds. Accounting for the revenues and expenditures of these operations separately from the general fund allows the Town to effectively identify each utility's true service delivery costs—direct, indirect, and capital— and set user fees at a level sufficient to recover them. Under this accounting, the Town may reserve each operation's generated surplus (referred to as retained earnings).

For each enterprise fund, the Town will maintain a reserve amount at [20] percent of the operation's total budget, at minimum, but any reserve may be significantly higher if major infrastructure improvements are necessary. These reserves shall be used to provide rate stabilization and to fund major, future capital projects. To maintain the target reserve levels for each enterprise requires the Board of Selectmen to periodically review, and when necessary, adjust user rates.

D. Overlay Surplus

The purpose of the overlay reserve is to offset unrealized revenue resulting from uncollected property taxes, abatements, and exemptions. Each year as part of the budget process, the Board of Assessors will vote to authorize a contribution to the overlay account, which the Town will raise on the annual tax recapitulation sheet. The amount to be added to the overlay account shall be based on the following:

- Current balance in the overlay account
- Three-year average of granted abatements and exemptions

- Potential abatement liability in cases pending before, or on appeal from, the Appellate Tax Board (ATB)
- Timing of the next DLS certification review (scheduled every five years)

At the conclusion of each fiscal year, the Board of Assessors will submit to the Finance Director an update of the overlay reserve with data that includes, but is not limited to, the gross balance, potential abatement liabilities, and any transfers to surplus. If the balance exceeds the amount of potential liabilities, the Board of Selectmen may request that the Board of Assessors vote to declare those balances surplus and available for use in the Town's capital improvement plan or for any other one-time expense.

REFERENCES

[M.G.L. c. 40 §5B](#)

[M.G.L. c. 59 §25](#)

[M.G.L. c. 44 §53F½](#)

Merrimac Capital Planning policy

DLS Best Practices: [Free Cash](#) and [Special Purpose Stabilization Funds](#)

DLS Informational Guideline Releases 08-101: [Enterprise Funds](#), 17-20: [Stabilization Funds](#) and 17-23: [Overlay and Overlay Surplus](#)

Government Finance Officers Association Best Practices: [Fund Balance Guidelines for the General Fund](#) and [Working Capital Targets for Enterprise Funds](#)

EFFECTIVE DATE

This policy was adopted on [date].

Forecasting

PURPOSE

To assess the range of choices available to budget decision makers when determining how to allocate resources, this policy establishes guidelines for evaluating revenue sources and the requirement to determine an expenditure strategy as part of the annual budget process and longer range fiscal planning. Forecasting helps local officials understand the long-range implications of pending near-term decisions.

APPLICABILITY

This policy applies to the Board of Selectmen and Finance Committee in their budget analysis and decision-making responsibilities. It also applies to the job duties of the Finance Director and to the managers of all revenue-generating departments, including the Water and Sewer Departments.

POLICY

A. Revenue Guidelines

The Town will continuously seek to diversify its revenue to improve the equity and stability of sources. Each year and whenever appropriate, the Town will reexamine existing revenues and explore potential new sources. A balance will be sought between elastic and inelastic revenues to minimize any adverse effects caused by inflation or other economic changes. Additionally, intergovernmental revenues (e.g., local aid, grants) will be reviewed annually to determine their short- and long-term stability in order to minimize detrimental impacts.

The Town will avoid using one-time revenues to fund ongoing or recurring operating expenditures. These one-time revenue sources can include, but are not limited to, free cash, overlay surplus, sale of municipal assets, legal settlements, insurance proceeds, and gifts. Additionally, the Town hereby establishes the following priority order when appropriating one-time revenues:

- [Snow and ice deficit]
- [General stabilization fund]
- [Capital stabilization fund]
- [Cash capital budget]
- [OPEB Trust Fund]
- [Other]

Economic downturns or unanticipated fiscal stresses may compel reasonable exceptions to the use of one-time revenue. In such cases, the Finance Committee, in consultation with the Finance Director, can recommend to the Board of Selectmen its use for operational appropriations. Such use will trigger the Finance Director to develop an action plan to avoid continued reliance on one-time revenues.

State laws impose further restrictions on how certain types of one-time revenues may be used. The Town will consult the following General Laws when the revenue source is:

- Sale of real estate: [M.G.L. c. 44, § 63](#) and [M.G.L. c. 44, § 63A](#)
- Gifts and grants: [M.G.L. c. 44, § 53A](#) and [M.G.L. c. 44, § 53A½](#)

This policy further entails the following expectations regarding revenues:

- The Assessing Department will maintain property assessments for the purpose of taxation at full and fair cash value as prescribed by state law.
- Town departments that charge fees will by [October 31] each year review their fee schedules and propose adjustments when needed to ensure coverage of service costs.
- The Building Inspector will notify the Finance Committee of any moderate-to-large developments that could impact building permit volume.
- Department heads will seek out all available grants and other aid and will carefully consider any related restrictive covenants or matching requirements (both dollar and level-of-effort) to determine the cost-benefit of pursuing them.
- Revenue estimates will be adjusted throughout the budget cycle as more information becomes available.
- By [January 31], to the extent feasible, the Board of Selectmen will set water and sewer rates sufficient to cover all fiscal year operating and capital improvement costs so as to minimize any general fund subsidies.

B. Expenditure Guidelines

Annually, the Town will determine a particular budget approach for forecasting expenditures, either maintenance (level service), level funded, or one that adjusts expenditures by specified increase or decrease percentages (either across the board or by department). A maintenance budget projects the costs needed to maintain the current staffing level and mix of services into the future. A level-funded budget appropriates the same amount of money to each municipal department as in the prior year and is tantamount to a budget cut because inflation in mandated costs and other fixed expenses still must be covered.

Under any chosen approach, potential cost-of-living adjustments to account for the impact of future contract settlements and compensation plan increases will be independent from expenditure projections.

C. Financial Forecast Guidelines

To determine the Town's operating capacity for each forthcoming fiscal year, the Finance Committee, with the Finance Director's assistance, will annually create a detailed budget forecast, including a five-year projection of revenues and expenditures for all operating funds. These forecasts will be used as planning tools in developing the following year's operating budget and the five-year capital improvement plan. The Finance Committee will provide the forecasts to the Board of Selectmen for use in their budget decision making no later than [the third week of January].

To ensure the Town's revenues are balanced and capable of supporting desired levels of services, forecasts for property taxes, local receipts, and state aid will be conservatively based on historical trend analyses and will use generally accepted forecasting techniques and appropriate data. To

avoid potential revenue deficits, estimates for local receipts (e.g., inspection fees, investment income, license fees) should generally not exceed [90] percent of the prior year's actual collections without firm evidence that higher revenues are achievable.

Additionally, the Town's forecast model should assume that:

- The Town's current level of services will provide the baseline for projections.
- Property taxes (absent overrides) will grow at the limits of Proposition 2½.
- New growth will be projected conservatively, taking into account the Town's three- to five-year average by property class.
- Local receipts and state aid will reflect economic cycles.
- Historical trends in the growth of specific operating expenses and employee benefits will prevail.
- Debt service on existing debt will be paid, and the Town's Capital Planning and Debt Management policies will be followed.
- Annual pension contributions and appropriations to amortize other postemployment benefit liabilities will continue.
- Reserves will be built and maintained in compliance with the Town's Financial Reserves policy.
- The Water and Sewer Departments will reimburse the general fund for indirect costs.

REFERENCES

[M.G.L. c. 44, § 20](#)

[M.G.L. c. 44, § 53A](#)

[M.G.L. c. 44, § 53A½](#)

[M.G.L. c. 44, § 63](#)

[M.G.L. c. 44, § 63A](#)

Merrimac policies on Capital Planning, Debt Management, Financial Reserves, Grant Management, and Indirect Cost Allocation

DLS Best Practice: [Revenue and Expenditure Forecasting](#)

DLS Informational Guideline Release 17-21: [Borrowing](#)

Government Finance Officers Association article: [Structuring the Revenue Forecasting Process](#)

EFFECTIVE DATE

This policy was adopted on [date].

Municipal Financial Glossary

Municipal Financial Glossary

Abatement – A reduction or elimination of a real or personal property tax, motor vehicle excise, fee, charge, or special assessment imposed by a governmental unit. Granted only on application of the person seeking the abatement and only by the committing governmental unit.

Agency Fund – One of the four types of fiduciary funds. It is used to report resources in a purely custodial capacity by a governmental unit. Agency funds generally involve only the receipt, temporary investment, and periodic transfer of money to fulfill legal obligations to individuals, private organizations, or other governments. For example, certain employee payroll withholdings typically accumulate in an agency fund until due and subsequently forwarded to the federal government, health care provider, and so forth.

Appellate Tax Board (ATB) – Appointed by the governor, the ATB has jurisdiction to decide appeals from local decisions relating to property taxes, motor vehicle excises, state-owned land valuations, exemption eligibility, property classification, and equalized valuations.

Appropriation – An authorization granted by a town meeting, city council or other legislative body to expend money and incur obligations for specific public purposes. An appropriation is usually limited in amount and as to the time period within which it may be expended.

Assessed Valuation – A value assigned to real estate or other property by a government as the basis for levying taxes. In Massachusetts, assessed valuation is based on the property's full and fair cash value as set by the Assessors. (See Full And Fair Cash Value)

Assessment Date – The date property tax liability is fixed. In Massachusetts, property taxes are assessed as of the January 1 prior to the fiscal year. Assessors determine the physical status of taxable real and personal property, its ownership, fair cash value, and usage classification as of that date. By local option (MGL c. 59 § 2D), the physical status of real property on June 30 is deemed to be its condition on the previous January 1.

Audit – An examination of a community's financial systems, procedures, and data by a certified public accountant (independent auditor) resulting in a report on the fairness of financial statements and local compliance with statutes and regulations. The audit serves as a valuable management tool for evaluating a community's fiscal performance.

Audit Management Letter – An independent auditor's written communication to government officials, separate from the community's audit. It generally identifies deficient areas, if any, and presents recommendations for improving accounting procedures and other internal controls.

Audit Report – Prepared by an independent auditor, an audit report includes: (a) a statement of the audit's scope; (b) explanatory comments as to the application of auditing procedures; (c) findings and opinions; (d) financial statements and schedules; and (e) supplementary comments, recommendations and statistical tables. It is very often accompanied by a management letter.

Available Funds – Balances in the various fund types that represent nonrecurring revenue sources. As a matter of sound practice, they are frequently appropriated for unforeseen expenses, capital expenditures, or other one-time costs. Examples of available funds include free cash, stabilization funds,

overlay surplus, water surplus, and retained earnings.

Balance Sheet – A statement that discloses the assets, liabilities, reserves, and equities of a fund or governmental unit as of a specified date.

Betterments (Special Assessments) – Whenever part of a community benefits from a public improvement or betterment (e.g., water, sewer, sidewalks, etc.), special property taxes may be assessed to that area's property owners to reimburse the governmental entity for all or part of the costs it incurred to complete the project. Each property parcel receiving the benefit is assessed a proportionate share of the cost, which may be paid in full or apportioned over a period of up to 20 years. If spread over the years, the community adds one year's apportionment along with one year's committed interest computed from October 1 to October 1 to the associated tax bills until the betterment has been paid.

Block Grant – A federal grant of money awarded by formula under very general guidelines that allow grantees broad latitude in spending activities.

Boat Excise – In accordance with MGL c. 60B, this is an amount levied on boats and ships in lieu of a personal property tax for the privilege of using the state's waterways. Assessed annually as of July 1, the excise is paid to the community where the boat or ship is usually moored or docked.

Bond – A means to raise money through the issuance of debt. A bond issuer/borrower promises in writing to repay a specified sum of money, alternately referred to as face value, par value or bond principal, to the buyer of the bond on a specified future date (maturity date), together with periodic

interest at a specified rate. The term of a bond is always greater than one year.

Bond Anticipation Note (BAN) – Short-term debt instrument used to generate cash for initial project costs with the expectation the debt will be replaced later by permanent bonding. Typically issued for a term of less than one year, BANs may be reissued for up to 10 years, provided principal repayment begins after two years (MGL c. 44 § 17).

Bond Authorization – The action of town meeting or a city council authorizing the executive branch to raise money through the sale of bonds in a specific amount and for a specific purpose. Once authorized, issuance is by the treasurer upon the signature of the mayor or the board of selectmen. (See Bond Issue)

Bond Counsel – An attorney or law firm engaged to review and submit an opinion on the legal aspects of a municipal bond or note issue.

Bond Issue – The actual sale of the entire, or portion of, the bond amount authorized by a town meeting or city council.

Bond Premium – The difference between the market price of a bond and its face value (when the market price is higher). A premium occurs when the bond's stated interest rate is set higher than its true interest cost (the market rate). Premiums received at the time of sale must be used to pay project costs and reduce the amount borrowed by the same amount or be reserved for appropriation for purposes for which debt has or may be authorized for an equal or longer period than the original loan. Additions to the levy limit for a Proposition 2 ½ debt exclusion are restricted to the true interest cost incurred to finance the excluded project. If the premium is not used to pay project costs and reduce the amount of a debt-excluded borrowing,

the annual debt exclusion must be adjusted to reflect the true interest rate.

Bond Rating (Municipal) – A credit rating assigned to a municipality to help investors assess the future ability, legal obligation, and willingness of the municipality (bond issuer) to make timely debt service payments. Stated otherwise, a rating helps prospective investors determine the level of risk associated with a given fixed-income investment. Rating agencies, such as Moody's and Standard & Poor's, use rating systems that designate a letter or a combination of letters and numerals, where AAA is the highest rating and C1 is very low.

Bonds Authorized and Unissued – Balance of a bond authorization not yet sold. Upon completion or abandonment of a project, any remaining balance of authorized and unissued bonds may not be used for other purposes but must be rescinded by town meeting or the city council to be removed from community's books.

Capital Asset – Any tangible property used in the operation of government that is not easily converted into cash and that has an initial useful life extending beyond a single financial reporting period. Capital assets include land and land improvements; infrastructure, such as roads, bridges, water and sewer lines; easements; buildings and building improvements; vehicles, machinery and equipment. Communities typically define capital assets in terms of a minimum useful life and minimum initial cost.

Capital Budget – An appropriation or spending plan that uses borrowing or direct outlay for capital or fixed asset improvements. Among other information, a capital budget should identify the method to finance each recommended expenditure (e.g., tax levy or rates) and identify those items that were not recommended.

Capital Improvement Program – A blueprint for planning a community's capital expenditures that comprises an annual capital budget and a five-year capital plan. It coordinates community planning, fiscal capacity, and physical development. While all the community's needs should be identified in the program, there is a set of criteria that prioritize the expenditures.

Capital Outlay – The exchange of one asset (cash) for another (capital asset) with no ultimate effect on net assets. Also known as "pay as you go," it is the appropriation and use of available cash to fund a capital improvement, as opposed to incurring debt to cover the cost.

Capital Outlay Expenditure Exclusion – A temporary increase in the tax levy to fund a capital project or to make a capital acquisition. Such an exclusion requires a two-thirds vote of the selectmen or city council (sometimes with the mayor's approval) and a majority vote in a communitywide referendum. The exclusion is added to the tax levy only during the year in which the project is being funded and may increase the tax levy above the levy ceiling.

Cash Book – A source book of original entry that a treasurer is required to maintain for the purpose of recording municipal receipts, adjustments to balances, deposits to municipal accounts, and disbursements through warrants.

Chapter 70 School Aid – Chapter 70 refers to the school funding formula created under the Education Reform Act of 1993 by which state aid is distributed through the Cherry Sheet to help establish educational equity among municipal and regional school districts.

Chapter 90 Highway Funds – State funds derived from periodic transportation bond authorizations and apportioned to

communities for highway projects (MGL c. 90 § 34).

Chapter Land – Forest, agricultural/horticultural, and recreational lands classified, valued, and taxed according to MGL c. 61, 61A, and 61B. Land is valued at its current use rather than the full and fair cash value. The commercial property tax rate is applicable for land defined under these chapters, unless the community adopts a local option provision within each chapter to apply the open space rate.

Cherry Sheet – Named for the cherry-colored paper on which they were originally printed, the Cherry Sheet is the official notification to cities, towns, and regional school districts of the next fiscal year's state aid and assessments. The aid is in the form of distributions, which provide funds based on formulas and reimbursements that provide funds for costs incurred during a prior period for certain programs or services.

Cherry Sheet Assessments – Estimates of annual charges to cover the costs of certain state and county programs.

Cherry Sheet Offset Items – Local aid that may be spent without appropriation in the budget but which must be spent for specific municipal and regional school district programs. Current offset items include racial equality grants, school lunch grants, and public library grants. (See Offset Receipts)

Classification of Real Property – Assessors are required to classify all real property according to use into one of four classes: residential, open space, commercial, and industrial. Having classified the real property, local officials are permitted to determine locally, within limits established by statute and the Commissioner of Revenue, what percentage of the tax burden is to be borne

by each class of real property and by personal property owners.

Classification of the Tax Rate – Each year, the select board or city council vote whether to exercise certain tax rate options. Those options include choosing a residential factor (MGL c. 40 § 56), and determining whether to offer an open space discount, a residential exemption (c. 59, § 5C), and/or a small commercial exemption (c. 59, § 5I) to property owners.

Commitment – This establishes the liability for individual taxpayers. For example, the assessors' commitment of real estate taxes fixes the amount the collector will bill and collect from property owners.

Community Preservation Act (CPA) – Enacted as MGL c. 44B in 2000, the CPA permits cities and towns accepting its provisions to establish a restricted fund from which monies can be appropriated only for a) the acquisition, creation and preservation of open space; b) the acquisition, preservation, rehabilitation, and restoration of historic resources; c) the acquisition, creation, preservation, rehabilitation, and restoration of land for recreational use; d) the acquisition, creation, preservation and support of community housing; e) the rehabilitation and restoration of open space or community housing that is acquired or created using monies from the fund; and (f) a municipal affordable housing trust. Acceptance requires town meeting or city council approval or a citizen petition, together with referendum approval by majority vote. The local program is funded by a local surcharge up to 3 percent on real property tax bills and matching dollars from the state generated from registry of deeds fees.

Community Preservation Fund – A special revenue fund established pursuant to MGL c.

44B to receive all monies collected to support a CPA program, including but not limited to, tax surcharge receipts, proceeds from borrowings, funds received from the state, and proceeds from the sale of certain real estate.

Computer Assisted Mass Appraisal (CAMA) System – An automated system for maintaining property data, valuing property, and ensuring tax equity through uniform valuations.

Debt Authorization – Formal approval by a two-thirds vote of town meeting or city council to incur debt, in accordance with procedures stated in MGL c. 44 §§ 1, 2, 3, 4a, 6-15.

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 of 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.

Debt Limit – The maximum amount of debt a municipality may authorize for qualified purposes under state law. Under MGL c. 44 § 10, debt limits are set at 5 percent of EQV. By petition to the Municipal Finance Oversight Board, a community can receive approval to increase its debt limit to 10 percent of EQV.

Debt Service – The repayment cost, usually stated in annual terms and based on an amortization schedule, of the principal and interest on any particular bond issue.

Debt Statement – A report that local treasurers are required to file with DLS

showing the authorized and issued debt, retired debt, and interest paid by a community during the prior fiscal year, as well as authorized but unissued debt at year-end. Also known as the "Statement of Indebtedness."

Deferred Revenue – Amounts that do not meet the criteria for revenue recognition. Also, earned amounts that are not yet available to liquidate liabilities of a current period.

Deficit – The excess of expenditures over revenues during an accounting period. Also refers to the excess of the liabilities of a fund over its assets.

Demand Notice – When a tax bill becomes past due, the collector sends a demand notice requesting payment. The collector is required to issue a demand before initiating a tax taking.

Deputy Collector – A vendor empowered to take enforcement and collection actions on behalf of a community's collector.

Designated Unreserved Fund Balance – A limitation on the use of all or part of the expendable balance in a governmental fund.

DLS – The Department of Revenue's Division of Local Services

Emergency Spending – MGL c. 44 § 31 allows a community to spend in excess of appropriation in cases of major disasters that pose immediate threats to the health or safety of people or property, following an emergency declaration by the Governor or two-thirds vote of the council or select board and the approval of the Director of Accounts.

Encumbrance – A reservation of funds to cover an obligation arising from a purchase order, contract, or salary commitment

chargeable to, but not yet paid from, a specific appropriation account.

Enterprise Fund – Authorized by MGL c. 44 § 53F½, an enterprise fund 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 a service's total costs recovered through user charges and the portion subsidized by the tax levy, if any. With an enterprise fund, all costs of service delivery--direct, indirect, and capital --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 retained earnings, generated by the enterprise operation rather than closing this 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.

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

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 select board or city council must be informed of excess levy capacity and their acknowledgment must be submitted to DLS when setting the tax rate.

Exemption – A discharge, established by statute, from the obligation to pay all or a portion of a property tax. The exemption is available to particular categories of property or persons upon the timely submission and approval of an application to the assessors. Properties exempt from taxation include hospitals, schools, houses of worship, and cultural institutions. Persons who may qualify for exemptions include disabled veterans, blind individuals, surviving spouses, and seniors.

Expenditure – An outlay of money made by a municipality to provide the programs and services within its approved budget.

Fiduciary Funds – Repository of money held by a municipality in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds. These include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Financial Advisor – An individual or institution that assists municipalities in the issuance of tax exempt bonds and notes. The public finance department of a commercial bank or a non-bank advisor usually provides this service.

Financial Statement – A presentation of the assets and liabilities of a community as of a particular date, most often after the close of the fiscal year.

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

Fixed Assets – Long-lived, tangible assets, such as buildings, equipment and land, obtained or controlled as a result of past transactions or circumstances.

Fixed Costs – Costs legally or contractually mandated, such as retirement, FICA/Social Security, insurance, debt service, or interest on loans.

Foundation Budget – The spending target imposed by DESE for each school district at the level necessary to provide an adequate education for all students.

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 estimated 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 June 30 balance sheet, 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. (See Available Funds)

Full and Fair Cash Value – The Massachusetts Supreme Judicial Court defines fair cash value as the "fair market value, which is the price an owner willing but not under compulsion to sell ought to receive from one willing but not under compulsion to buy. It means the highest price that a normal purchaser not under peculiar compulsion will pay at the time, and cannot exceed the sum that the owner after reasonable effort could obtain for his property. A valuation limited to what the property is worth to the purchaser is not market value. The fair cash value is the value the property would have on January 1 of any taxable year in the hands of any owner, including the present owner." (Boston Gas Co.

v. Assessors of Boston, 334 Mass. 549, 566 (1956))

Fund – An accounting entity with a self-balancing set of accounts that is segregated for the purpose of carrying on identified activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. Within a fund, financial resources and activity (assets, liabilities, fund balances, revenues, and expenditures) are accounted for independently. Examples of funds include the general fund and enterprise funds.

Fund Accounting – Organizing the financial records of a municipality into multiple, segregated locations for money. Communities whose accounts are organized according to the Uniform Municipal Accounting System (UMAS) use multiple funds.

Fund Balance – The difference between assets and liabilities reported in a governmental fund. Also known as fund equity.

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

General Ledger (GL) – The accountant's record of original entry, a general ledger is a set of numbered accounts used to track financial transactions and prepare financial reports. Each account is a distinct record summarizing each type of asset, liability, equity, revenue and expense. A chart of accounts lists all the accounts in the general ledger.

General Obligation Bonds – Bonds issued by a municipality that are backed by the full faith and credit of its taxing authority.

Governmental Accounting Standards Board (GASB) – The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments.

Governmental Funds – Funds generally used to account for tax-supported activities. There are five different types of governmental funds: general, special revenue, capital project, debt service, and permanent.

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

Inside Debt – Municipal debt incurred for purposes enumerated in MGL c. 44, § 7 and within the community's debt limit, which is an amount no higher than five percent of the community's equalized valuation. Because this type of borrowing is below the debt limit, it is referred to as inside debt. (See Outside Debt)

Investments – Securities and real estate held for the production of income in the form of interest, dividends, rentals, or lease payments. The term does not include fixed assets used in governmental operations.

Legal Opinion (re: debt issuance) – An opinion by an attorney or law firm that bonds have been legally issued by a public body, and, usually, that the bonds are exempt from federal income taxes and some Massachusetts taxes under existing laws, regulations, and rulings.

Levy – The amount a community raises through the property tax. The levy can be any

amount up to the levy limit, which is reestablished every year in accordance with Proposition 2½ provisions.

Levy Ceiling – A levy ceiling is one of two types of levy (tax) restrictions imposed by MGL c. 59 § 21C (Proposition 2½). It states that, in any year, the real and personal property taxes imposed may not exceed 2½ percent of the total full and fair cash value of all taxable property. Property taxes levied may exceed this limit only if the community passes a capital exclusion, debt exclusion, or special exclusion.

Levy Limit – A levy limit is one of two types of levy (tax) restrictions imposed by MGL c. 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.

Lien – A legal claim against real or personal property to protect the interest of a party (e.g., a city or town) to whom a debt is owed (e.g., taxes). In the case of real property, the lien in favor of a municipality automatically arises each January 1, but it must be secured through other action.

Line-item Budget – A budget that stratifies spending into categories of greater detail, such as supplies, equipment, maintenance, or salaries, as opposed to a program budget.

Line-item Transfer – The reallocation of a budget appropriation between two line items within an expenditure category (e.g., salaries, expenses). Employed as a management tool, line-item transfer authority allows department heads to move money where a need arises for a similar purpose without altering the bottom line. Whether or not line-

item transfers are permitted depends on how the budget is presented (i.e., its format) and what level of budget detail town meeting approves.

Local Aid – Revenue allocated by the state 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.

Long-term Debt – Community borrowing, or outstanding balance at any given time, involving loans with a maturity date of 12 months or more.

Maturity Date – The date that the principal of a bond becomes due and payable in full.

MGL – Massachusetts General Laws

Minimum Required Local Contribution – The minimum that a city or town must appropriate from property taxes and other local revenues for the support of schools (Education Reform Act of 1993).

Minimum Residential Factor (MRF) – Massachusetts' law allows for a shift of the tax burden from the residential and open space classes of property to the commercial, industrial and personal property classes (CIP). The MRF, established by the Commissioner of Revenue, is used to make certain the tax burden shift complies with the law. If the MRF would be less than .65, the community cannot make the maximum shift and must use a CIP factor less than 1.50 percent. Under

specified conditions, some communities may use a CIP factor of up to 1.75 percent.

Motor Vehicle Excise – A locally imposed annual tax assessed to owners of motor vehicles registered to addresses within the community (MGL c. 60A). The excise tax rate is set by statute at \$25.00 per \$1,000 of vehicle value.

Municipal Charges Lien – For delinquent water (MGL c. 40 §§ 42A-F), sewer (MGL c. 83 §§ 16A-F), and trash (MGL c. 44 § 28C(f)) charges, a community may lien these amounts on the property tax, provided the enabling legislation is accepted and a certificate of acceptance is on file at the Registry of Deeds. For other unpaid local charges and fees, a community may adopt MGL c. 40 § 58 separately for each purpose in order to lien each upon the property tax. The lien is created by recording a listing of a particular type of charge or fee (by parcel of land and by name) at the Registry of Deeds.

Municipal Revenue Growth Factor (MRGF) – An estimate of the percentage change in a municipality's revenue growth for a fiscal year. It represents the combined percentage increase in the following revenue components: automatic 2½ percent increase in the levy limit, estimated new growth, change in selected unrestricted state aid categories, and the change in selected unrestricted local receipts (Education Reform Act of 1993).

Net School Spending (NSS) – School budget and municipal budget amounts attributable to education, excluding long-term debt service, student transportation, school lunches, and certain other specified school expenditures. A community's NSS funding must equal or exceed the NSS Requirement established annually by the Department of Elementary and Secondary Education (Education Reform Act of 1993).

New Growth – The additional tax revenue generated by new construction, renovations and other increases in the property tax base during a calendar year. It does not include value increases caused by normal market forces or revaluations.

Nonrecurring Revenue Source – A one-time source of money available to a city or town. By its nature, a nonrecurring revenue source cannot be relied upon in future years, and therefore, such funds should not be used for operating or other expenses that continue from year to year. **Note** – A short-term loan, typically with a maturity date of a year or less.

Official Statement – A document prepared for potential investors containing information about a prospective bond or note issue and the issuer. The official statement is typically published with the notice of sale and sometimes called an offering circular or prospectus.

Offset Receipts – A local option that allows a particular department's estimated receipts to be earmarked for the department's use and appropriated to offset its annual operating budget. If accepted, MGL c. 44 § 53E limits the amount of offset receipts appropriated to no more than the actual receipts collected for the prior fiscal year. The Director of Accounts must approve any use of a higher amount before appropriation. Actual collections that are greater than the amount appropriated close to the general fund at year-end. If actual collections are less, the deficit must be raised in the next year's tax rate.

OPEB (Other Postemployment Benefits) – Many public employees earn benefits over their years of service that they do not receive until after their government employment ends. While pensions are the most common of these, other postemployment benefits generally include combinations of health, dental, vision, and life insurances. These are

provided to eligible retirees and sometime to their beneficiaries, and as a group, are referred to as OPEB.

Operating Budget – The plan of proposed expenditures for personnel, supplies, and other expenses for the coming fiscal year.

Other Amounts to be Raised (as detailed on the Tax Recap) – Amounts not appropriated but raised through taxation. Generally, these are locally generated expenditures (e.g., overlay, teacher pay deferrals, deficits), as well as state, county, and other special district charges. Because they must be funded in the annual budget, special consideration should be given to them when finalizing budget recommendations to the city council or town meeting.

Outside Debt – Municipal borrowing for purposes enumerated in MGL c. 44, § 8. Since this debt is not measured against a community's debt limit per c. 10, the borrowing is outside the debt limit and therefore referred to as outside debt. (See Inside Debt)

Overlay (Overlay Reserve, or Allowance for Abatements and Exemptions) – An account that funds anticipated property tax abatements, exemptions, and uncollected taxes. Additions to the overlay reserve need not be funded by the normal appropriation process but instead raised on the tax rate recapitulation sheet.

Overlay Surplus – Any balance in the overlay account in excess of the amount remaining to be collected or abated can be transferred to this account. Within 10 days of a written request by the community's chief executive officer, the assessors must provide a certification of the excess amount of overlay available to transfer, if any. Overlay surplus may be appropriated for any lawful purpose. At the end of each fiscal year, unused overlay

surplus is closed to surplus revenue; in other words, it becomes a part of free cash.

Override – A vote by a community at an election to permanently increase the levy limit. An override vote may increase the levy limit no higher than the levy ceiling. The override question on the election ballot must state a purpose for the override and the dollar amount.

Override Capacity – The difference between a community's levy ceiling and its levy limit. It is the maximum amount by which a community may override its levy limit.

Payment in Lieu of Taxes (PILOT) – An agreement between a municipality and an entity not subject to taxation, such as a charitable or educational organization, whereby 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.

Pension (or other employee benefit) Trust Funds – A fiduciary fund type used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit (OPEB) plans, or other employee benefit plans.

Pension Cost – A measure of the periodic cost of an employer's participation in a defined benefit pension plan.

Permanent Funds – A fiduciary fund type used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (that is, for the benefit of the government for its citizenry). An example is a cemetery perpetual care fund.

Personal Property – Movable items not permanently affixed to, or part of, the real estate. It is assessed separately from real estate to certain businesses, public utilities, and owners of homes that are not their primary residences.

Preliminary Tax – The tax bill for the first two quarters of the fiscal year, sent by communities on quarterly tax billing cycles or on annual preliminary billing systems. The tax bill is sent by July 1 and can generally be no greater than 50% of the amount due in the previous fiscal year.

Private-purpose Trust Funds – A fiduciary trust fund type used to report all trust arrangements (other than those properly reported in pension trust funds or investment trust funds), under which the principal and income benefits individuals, private organizations, or other governments. An example is a scholarship fund.

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.

Purchase Order – An official document or form authorizing the purchase of products and services.

Qualified Bond – A program unique to Massachusetts for municipalities with marginal credit ratings, in which the State Treasurer pays the debt service directly from a community's local aid, thereby reinforcing the security of the bond and improving its marketability. The Municipal Finance Oversight Board authorizes issuance of these bonds under c. 44A.

Five-year Certification – The Commissioner of Revenue, through BLA, is required to review

local assessed values every five years to certify that they represent full and fair cash value. Refer to MGL c. 40 § 56 and c. 59 § 2A(c).

Raise and Appropriate – A phrase used to identify an expenditure's funding source as money generated by the tax levy or other local receipt.

Real Property – Land, buildings, and the rights and benefits inherent in owning them.

Receipts Reserved for Appropriation – Proceeds earmarked by law and placed in separate accounts for appropriation for particular purposes. For example, ambulance charges may be appropriated to offset expenses in providing ambulance services.

Receivables – An expectation of payment of an amount certain accruing to the benefit of a city or town.

Records Disposition Schedule – Published by the Secretary of State's Records Management Division and pursuant to MGL c. 66, these guidelines on municipal records inform local officials as to how long and in what form records must be maintained and identifies those that may be lawfully disposed.

Recurring Revenue Source – A source of money used to support municipal expenditures, which by its nature can be relied on, at some level, in future years. (See Nonrecurring Revenue Source)

Refunding of Debt – Transaction whereby one bond issue is redeemed and replaced by a new bond issue under conditions generally more favorable to the issuer.

Reserve Fund – An amount (not to exceed 5 percent of the tax levy for the preceding year) set aside annually within a community's budget to provide a funding source for

extraordinary or unforeseen expenditures. In a town, the finance committee can authorize transfers from this fund for "extraordinary or unforeseen" expenditures. Other uses of the fund require budgetary transfers by town meeting. In a city, transfers from this fund may be voted by the city council upon recommendation of the mayor.

Residential Exemption – A municipality can grant a residential exemption of a dollar amount that cannot exceed 35 percent of the average assessed value of all residential class properties. The exemption reduces, by the adopted percentage, the taxable valuation of each residential parcel that is a taxpayer's principal residence. Granting the exemption raises the residential tax rate and shifts the residential tax burden from moderately valued homes to apartments, summer homes, and higher valued homes.

Retained Earnings – An equity account reflecting the accumulated earnings of an enterprise fund, which may be used to fund capital improvements, reimburse the general fund for prior-year subsidies, reduce user charges, or provide for enterprise revenue deficits (operating losses).

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. The nature and extent of that program depends on the assessors' analyses and consideration of many factors, including, but not limited to, the status of the existing valuation system, results of an in-depth sales ratio study, and accuracy of existing property record information. Every five years, assessors must submit property values to DLS 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 property they own. (See five-year Certification)

Revenue Deficit – The amount by which actual revenues at year-end fall short of projected revenues and appropriation turnbacks and are insufficient to fund the amount appropriated. Unless otherwise funded, a revenue deficit must be raised in the following year's tax rate.

Revolving Fund – A fund that allows a community to raise revenues from a specific service and use those revenues without appropriation to support the service.

Rollback Taxes – Back taxes that become due when land valued, assessed and taxed under MGL c. 61, 61A or 61B no longer qualifies as actively devoted to the purposes specified in each chapter.

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 UMAS manual.

Short-term Debt – The outstanding balance, at any given time, on amounts borrowed with maturity dates of 12 months or less.

Single Audit Act – For any community that expends \$750,000 or more per year in federal grant awards, the Single Audit Act establishes audit guidelines that reduce to only one the number of annual audits to be completed to satisfy the requirements of the various federal agencies from which grants have been received.

Special Assessment Exemption – Full discharge from the payment of betterments

and special exemptions, granted only to government properties occupied for public purposes.

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 c. 40 § 5B). Communities may establish one or more stabilization funds for different purposes and may appropriate any amounts into them. A two-thirds vote of town meeting or city council is required to establish, amend the purpose of, or appropriate money from a stabilization fund. A majority vote of town meeting or city council is required to appropriate money into a stabilization fund.

State House Notes – Debt instruments for cities, towns, counties, and districts certified by the Director of Accounts. Payable annually, they are usually limited to maturities of five years and principal amounts of \$2,250,000. The notes are particularly attractive to smaller communities because certification fees are low, they require neither full disclosure nor official statements, and they are issued in a short period of time.

Surety Bond – A performance bond that protects a municipality against financial loss arising from a breach of public trust by an employee who collects money on its behalf.

Surplus Revenue – The amount by which cash, accounts receivable, and other assets exceed liabilities and reserves.

Tailings – Unclaimed municipal funds in the custody of a municipality, which are retained in a repository (referred to as a tailings account) until eventual disposition (MGL c. 200A). Tailings include unclaimed tax refunds, uncashed payroll checks, vendor payments yet to clear, etc.

Tax Increment Financing Exemption (TIF) – In accordance with MGL c. 59 § 5(51), a property tax exemption negotiated between a community and a private developer, typically implemented over a period up to 20 years, and intended to encourage industrial/commercial development.

Tax Rate – The amount of property tax stated in terms of a unit of the municipal tax base; for example, \$14.80 per \$1,000 of assessed valuation of taxable real and personal property.

Tax Rate Recapitulation Sheet (the Tax Recap) – The document a city or town submits to DLS to set a property tax rate, the recap shows all estimated revenues and actual appropriations that affect the property tax rate. It should be submitted to DLS by September 1 (in order to issue the first-half semiannual property tax bills before October 1) or by December 1 (to issue actual tax bills on or before December 31 in a quarterly community or a semiannual community issuing annual preliminary tax bills).

Tax Title (or Tax Taking) – A collection procedure that secures a municipality's lien on real property and protects its right to payment of overdue property taxes. Without a taking, the lien expires if five years elapse from the January 1 assessment date and the property has been transferred to another owner.

Tax Title Foreclosure – The procedure initiated by a city or town treasurer in Land Court, or through the land of low value

process, to obtain legal title to real property already in tax title and on which property taxes are overdue. The treasurer must wait at least six months from the date of a tax taking to initiate Land Court foreclosure proceedings (MGL c. 60 § 65).

Tax Title Redemption – The payment by a property owner of all overdue taxes, fees, charges, other costs, and interest on real property that the municipality had placed in tax title. The taxpayer's right to redeem terminates when the treasurer receives a Land Court decree or land of low value affidavit, records the affidavit, and holds an auction.

Temporary Debt – Borrowing by a community in the form of notes and for a term of one year or less. (See Short-term Debt)

Trust Fund – In general, a fund for money donated or transferred to a municipality with specific instructions on its use. As custodian of trust funds, the treasurer invests and expends such funds as stipulated by trust agreements, as directed by the commissioners of trust funds, or by town meeting. Both principal and interest may be used if the trust is established as an expendable trust. For nonexpendable trust funds, only interest (not principal) may be expended as directed.

Underride – A vote by a community to permanently decrease the tax levy limit. It is the exact opposite of an override.

Undesignated Fund Balance – Monies in the various government funds as of June 30 that are neither encumbered nor reserved and are therefore available for expenditure once certified as part of free cash. (See Designated Fund Balance)

Unfunded OPEB Liability – This is the difference between the value assigned to the

benefits (other than retirement) already earned by a municipality's employees and the assets the local government will have on hand to meet these obligations. (See OPEB)

Unfunded Pension Liability – This is the difference between the value assigned to the retirement benefits already earned by a municipality's employees and the assets the local retirement system will have on hand to meet these obligations. The dollar value of the unfunded pension liability is redetermined every three years and driven by assumptions about the interest rates at which a retirement system's assets will grow and the rate of the pensioners' future costs of living increases. (See Pension Plan)

Uniform Municipal Accounting System (UMAS) – UMAS succeeded the statutory accounting system (STAT) and is regarded as the professional standard for municipal accounting in Massachusetts. As a uniform system for local governments, it conforms to Generally Accepted Accounting Principles (GAAP), offers increased consistency in reporting and recordkeeping, and enhances the comparability of data among cities and towns.

Uniform Procurement Act – MGL c. 30B establishes uniform procedures for local government to use when contracting for supplies, equipment, services, and real estate.

Unreserved Fund Balance (Surplus Revenue Account) – The amount by which cash, accounts receivable, and other assets exceed liabilities and restricted reserves. It is akin to a "stockholders' equity" account on a corporate balance sheet. It is not, however, available for appropriation in full because a portion of the assets listed as "accounts receivable" may be taxes receivable and uncollected. (See Free Cash)

Warrant – An authorization for an action. For example, a town meeting warrant establishes the matters that may be acted on by that town meeting. A treasury warrant authorizes the treasurer to pay specific bills. The assessors' warrant authorizes the tax collector to collect taxes in the amounts and from the persons listed.

Source: [DLS Municipal Finance Glossary](#)