

FY 2011 REVENUES

The following are the highlights of the estimated revenues for FY11:

Property Taxes – The FY 2011 tax levy includes a 2.5% increase over the combined FY 2010 tax levy and new growth. In FY 2004 the voters approved a \$4.5 million Prop 2 ½ general operating override which increased the base upon which the 2.50% levy limit is figured. In FY 2005, the first bond payment on the High School construction project was included in the tax levy. All subsequent years Tax levy reflects the debt exclusion for the High School project. We have already bonded \$35 million for the High School project. The portion of the tax bill that pays for the RMHS debt exclusion was reduced in FY 2010, and will continue to be reduced for all future years debt payments, by a proration of the amount paid to us by the Massachusetts School Building Authority.

We are projecting \$250,000 in new growth based on the assessors estimate taking into consideration historical new growth plus new growth from ongoing development activity in the community.

In 2009, we had an increase in new growth for the personal property value of telecommunications equipment. We are no longer required to hold reserves for the potential abatement of these taxes so the provision for abatements and exemptions will decrease.

Back in Fiscal 2006, the Board of Assessors requested an increase in the budgeted amount of “provisions for abatements and exemptions”, or Overlay Reserve, to a level of \$500,000. This account needs to be able to accommodate any potential abatement that may arise from all the new commercial development. Our intent is to increase this base amount by 2 ½ % of the previously budgeted amount each year. The actual amount may vary from the budgeted amount when the final

calculation of the tax rate is made in November. If the provision is not used for abatements, it is released in future years and used to support the budget. (See” Operating transfers/Available Funds” below.)

New Growth (\$ 000s)

2011	2010	2009	2008	2007	2006	2005
250	553	556	549	843	732	495

Local Revenues from sources other than property taxes – In the past, we used extremely conservative estimates for increasing local receipts and then transitioned into an approach that would be more realistic by using a long-term average. The Finance Committee agreed that in the years that this method causes a revenue deficit, the difference would be made up with an appropriation of Free Cash.

In light of current economic conditions, last year we made adjustments to this approach to several categories, and we will do the same type of adjustments this year. So far, our actual revenues under this method have been fairly close to those predicted. We hope to avoid revenue deficits that many other communities are experiencing by being conservative.

MOTOR VEHICLE EXCISE – We will forecast a slight drop to excise taxes in FY11 as new car purchases – aside from federal stimulus programs – have remained at lower levels. A few years ago we were looking forward to over \$3 million, but next year we see only \$2.4 million in our forecast.

INTEREST – The town earns interest on the cash it is holding until it has to pay the bills for the town. From 2005 through 2008, we held the funds for large construction projects that earned us considerable interest. We did not use the interest on these excess funds in developing the operating budget because we knew it would not be recurring. Those funds will have been completely spent by FY 2010. In 2007, many of our accounts were earning 5% to 5.5% interest rates. Unfortunately, between September 2008 and March 2010, interest rates have steeply declined. We are currently earning 0.4% to 2.0% therefore we are estimating interest revenue to decrease again next year.

Intergovernmental Revenue – We used a figure for state aid in FY11 that was below that of the Governor’s budget released in January 2010. All indications as of April 5, 2010 are that our assumption will be a few hundred thousand dollars lower than the actual number. We will need that amount though because our estimated \$350,000 in federal aid may be reduced to zero.

Operating Transfers/Available Funds –

The amount of money available from cemetery sale of lots has remained constant.

Sale of real estate funds from the landfill will be available for debt and capital expenses. This is consistent with the Capital Improvements Program which will make these funds last for approximately 10 years from FY2005 to FY2014.

The earnings distribution from the Light Department has been decreased based on the deflationary CPI through December 2009.

The Board of Assessors certifies the overlay surplus at \$204,829.

Almost \$1 million is being used from free cash in order to balance the FY2011 budget, and more is expected to be used to do the same in FY12. Beyond that year, the use of cash reserves becomes less

certain, but before then we will have a better understanding of our revenue situation and the economic climate.

Status of Reserves (000’s)

	Balance July 1 2009	Used FY2010	Proposed FY2011	Estimated Balance
Free Cash Surplus	5,312	(177)	(1,000)	4,135
Sale of Realestate	1,354	(325)	(300)	729
Stabilization Funds				
General	1,390	0	0	1,390
Smart Growth	350	0	0	350
Buyback	25	0	0	25
Fincom Reserve	150	(5)	0	145

Summary of Revenues – The total FY 2011 estimated revenues for general government will be \$75.0 million. \$1,000,000 of the approximately \$2,000,000 additional revenues for FY11 is coming from Free Cash. Through past prudent budgeting, a surplus was created so funds are available to deal with the budget constraints during difficult economic times when recurring revenues are not increasing. But we must recognize the need to be careful when supporting the annual operating budget with non- recurring revenues because it is not sustainable. If the economy is slow to recover, recurring revenues will not be increasing. This will make FY12 and FY13 budgets difficult as the reserves diminish.

