

**2018**

Town of  
Northfield

# **GUIDE TO BUDGET & TAX INFORMATION**

A comprehensive narrative about budget development and sources of funds.



## BUDGET AND TAX INFORMATION

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## I. INTRODUCTION

There has been much discussion regarding Northfield's budget and tax rate. Many good questions have been posed regarding the processes used to develop Northfield's financial plan. We have tried to put together this narrative to explain the various components that create the financial plan for our Town.

## II. LEVY LIMIT

### A. What is the Levy Limit?

A town's levy limit is the maximum allowable total tax levy that can be collected from residential, commercial, industrial and private properties. The allowable levy is established based on the requirements of Proposition 2 ½. Proposition 2 ½ also mandates the maximum tax rate in a Massachusetts town cannot exceed 2 ½%.

### B. How Does the Levy Limit change?

1. State law allows for a town's limit to be increased up to 2 ½% each year. Smaller increases are permissible. Increases above 2 ½% are only possible through a special election process, where all registered voters can decide if such an increase is warranted.
2. New growth also increases the levy limit. New growth is new construction, new business and new personal property. The property taxes on new home construction would add to the levy limit. The same applies to new commercial and industrial property. The taxes on new personal property would also increase the levy limit. The addition of the former NMH campus to the tax roles in Fiscal Year 2011 increased the value of the commercial properties by over \$26,000,000. That amount of taxes on "new" commercial property was added to the levy limit.
3. Proposition 2 ½ overrides allow for the levy limit to increase above the new growth increases. If the increase of the proposed levy limit is about 2 ½% above and beyond new growth, a special election must be held to allow the voters to decide if such an increase is acceptable. There are 3 types of 2 ½ overrides:
  - a. A general 2 ½ override  
This override is an increase to the levy limit that is permanent and is carried over all years into the future.
  - b. Capital Exclusion override  
A one- time purchase of a capital item may require an increase over 2 ½%. For example, a purchase of a \$200,000 backhoe could require such an increase. The increase in the tax levy to purchase such a backhoe would be considered a one-time increase and is not carried over to succeeding years. The increase is not carried over to next years' levy limit.
  - c. Debt exclusion override  
When there is proposed equipment or facilities that must be financed over years, a debt exclusion override would allow an increase above 2 ½% to the levy limit for the period of the loan. When the final payment is made, the increase to the levy limit is not carried over to the next year. For example, the renovation to PVRS required a debt exclusion override. When the loan was paid back, the levy limit increase was removed.

4. 2 ½ Underrides

If a town finds their levy limit is far in excess of what is responsibly needed to run the town, then a 2 ½ underride could reduce the levy limit. Such a reduction to the levy limit must be approved at a special election.

### III. BUDGET DEVELOPMENT

#### A. Roles in Budget Development

Department heads and committee chairs are responsible for preparing proposed operating budgets and capital requests for the upcoming fiscal year.

The Town Administrator is responsible for proposing an overall balanced budget for the Town. This includes recommending operating budgets, capital expenditures and revenue and funding sources.

The Pioneer Valley Regional School District (PVRSD) prepares its own budget and submits Northfield's assessment as a single line item.

The Finance Committee reviews the operating budgets and capital requests. The committee then recommends or does not recommend each proposed item. The Annual Town Meeting warrant will show what the Finance Committee recommends.

#### B. Budget Development Process

In late November or early December, the Finance Committee sends out a letter to all department heads and committees requesting their proposed operating budget and capital expenditures be submitted in early January. Over the next 2 months, the department heads and committee chairs will meet with the Finance committee to explain their requests.

In March, the Finance Committee reviews and discusses all requests and the estimated revenues and funds available, and then they vote on what they will recommend for each request.

The Finance Committee meetings and deliberations on the budget are televised January through April.

#### C. Major Components of the Budget

##### 1. Expenditures

##### a. **Town Operating Budget**

The town operating budget, also known as the Omnibus budget, consists of all those recurring costs necessary to conduct the town's business. Some examples of those costs are insurances, payroll, utility costs, school assessments, infrastructure maintenance etc.

##### b. **School districts operating budgets.**

The vast majority of Northfield's operating budget consists of school costs (62%). The Northfield assessment from the Franklin County Tech School was 7% of our operating budget. Capital requests are not included in the schools operating budgets. The school operating budgets are developed separately from the Town budget process and are shown as single line items on the Town Meeting warrant

##### c. **Capital Expenditures**

Capital expenditures are one-time expenses necessary to replace equipment, upgrade facilities and infrastructure, purchase new emergency equipment, repair and improve town buildings etc.

##### d. **Stabilization Fund**

The Stabilization Fund is Northfield savings account. Funds are put into Stabilization to help pay for future large expenditures. A good example of the use of Stabilization funds is the purchase of the new fire truck. Over there years \$350,000 was put into stabilization in anticipation of purchasing the truck. In the 4<sup>th</sup> year, these “saved “dollars were used to purchase the \$450,000 truck.

**e. Enterprise Funds**

An enterprise fund is a fund that helps support its operations through its revenues. The operations of Northfield EMS and the wastewater department are funded by enterprise funds. You will see them and their operational budgets listed on the Annual Tow Meeting warrant, but those operating budgets are funded by their revenues, not the tax base.

2. Sources of Funds

**a. Raise and Appropriate**

Raise and appropriate refers to those funds that will be raised by next fiscal year’s tax levy. These funds would not be available until July 1, after Annual Town Meeting.

**b. Free Cash**

Free cash refers to those funds that were not spent or committed from the previous fiscal year. The Department of Revenue usually certifies Northfield’s free cash in November. Free cash is available any time once it is certified. Expenditures approved at a Special Town Meeting are usually funded by free cash

**c. Excess Overlay**

The Board of Assessors maintains an overlay account to be available for any tax abatement obligations during the year. At times the overlay funds may exceed the projected abatement obligations. When that occurs, those excess overlay funds are available to help fund the budget.

**d. State Aid**

Northfield receives some level of state aid each year. The notification and breakdown of that state aid is known as the Cherry Sheet due to the color of the paper containing the notification. The amount of state aid varies with the economic health of the state government. In fiscal year 2018 we are receiving \$431,436. In fiscal year 2010, Northfield received only \$370,762.

**e. Community Preservation Funds**

Northfield authorized a surcharge on real estate taxes to be put into a Community Preservation Act fund. The state of Massachusetts matches the funds Northfield puts into the CPA funds. These funds are used for historic preservation, housing, recreation and open space. Our Community Preservation Committee reviews potential projects and if they are approved by the committee they are put on the Annual Town Meeting warrant.

**f. Stabilization Funds**

Funds can be withdrawn from the stabilization fund for town expenses if a 2/3’s vote is attained at Town Meeting.

**D. Recent Northfield Budgets**

The 2017 Annual town Meeting passed a budget of \$9,820,095. The December 2017 Special Town meeting approved additional expenditures of \$16,783. Thus the total fiscal year 2018 Northfield budget is \$9,836,878. The operating budget was \$8,148,490. Of that amount, school assessments were \$5,100,232 or 62.6% of the operating budget.

The enterprise funds for the wastewater department and Northfield EMS totaled \$388,897. There were numerous capital items and on-time expenses. Attachment 1 lists all the expenditures the 2017 Annual Town Meeting voted on and the sources of their funding.

**E. NMH Campus Tax Revenues**

In fiscal year 2011 the owners of the NMH campus, the Green family and The National Christian Foundation began paying real estate taxes for the campus. The taxes totaled approximately \$400,000 per year. The Finance Committee and the Selectboard viewed that revenue each year as a one-time revenue source. In other words, strong efforts were made not to expand the operating budget with these funds, but to use this revenue for capital items or one-time expenses.

In fiscal year 2018 a portion of the campus was eligible for tax exempt status under MA General Laws with the relocation/renovation by Thomas Aquinas College. The Moody Center, Inc. took ownership of the remainder and is still under review for their eligibility for tax exempt status.

**F. Recent Capital Expenditures**

Over the 7 years Northfield collected about \$3,000,000 from campus real estate taxes. During that time we were able to fund many long needed projects that cost over \$4,300,000. Attachment 2 lists all the major projects funded from fiscal year 2011 to fiscal year 2017. Thus it is clear that all of the campus taxes collected during that time went to one-time expenses. Prior to 2017, there were very little funding sources for capital projects and no ability to add to our stabilization account. Over the 7 years since 2017, Northfield was able to add \$940,000 to the stabilization account. We were also able to fund the purchase of 4 Highway department trucks, a new fire truck, a new backhoe, a new ambulance, rehabilitate the Town Hall electrical infrastructure, update our Master Plan and zoning bylaws as well as many repairs and update to numerous town facilities.

**IV. HOW LOCAL TAXES PAY FOR OUR BUDGET**

Local taxes finance the great majority of Northfield's budget. The town does receive some state aid but it is a very small fraction of what is needed to fund town government. The Board of Assessors is responsible for assessing properties and developing the tax levy.

**A. Taxation Components**

The tax levy is determined by the proposed budget and the total value of property in town. Property is classified into 4 components: residential, commercial, industrial and personal property. In Northfield a single tax rate is applied to all 4 property components.

**B. The Value of Property in Northfield**

In Fiscal Year (FY) 2018 the total value of property in Northfield was \$431,629,939. Attachment 3 shows the value of the 4 components that make up that total.

### 1. Historical Property Values

Attachment 3 shows the property values for FY 2018 as well as the 8 previous years. These records show several trends. First, over these 9 years the value of residential property declined about 7%. Second, the addition of the campus to the tax rolls significantly increased commercial property value in FY 2011 and greatly reduced the value when it was taken off the tax rolls in FY 2018. Third, the value of industrial property generally increased due to the increased assessed value of the Northfield Mountain Facility. Finally, personal property showed recent significant increases due to the Eversource electrical distribution improvements.

### 2. How Property Values Change

Approximately every three years residential property values are reassessed based on recent sales in town. Depending on the local real estate market, the assessed value of a home may go up or down. Generally, the total value of residential property has decreased 7% over the past 9 years. The value of the Northfield Mountain facility is reassessed every three years by an experienced consultant hired by the Board of Assessors.

A property value can also change if an owner files with the Board of Assessors a successful request for abatement.

3. If the overall value of properties declines a tax rate will increase. If the value of properties increases, the tax rate may decline.

### C. Tax Exempt Property

Non-profit organizations may be exempt from taxes. Such organizations could include non-profit schools and churches. State and municipal properties are also exempt from local taxes. A review of the Board of Assessors determines the tax exempt status.

### D. Payments in Lieu of Taxes (PILOTs)

Since many tax exempt organizations utilize town services such as police, fire, EMTs and roads a payment in lieu of taxes or PILOT is negotiated. The Massachusetts government also usually contributes a PILOT for state owned property.

### E. Chapter 61 Designation

Some property in Northfield is designated as covered by Chapter 61 if they are designated to agriculture, recreation or forestry. As long as those activities are continued Chapter 61 property pays greatly reduced taxes.

### G. Senior Tax Reduction

There are two possible programs that can affect senior taxes- first, there is an ability to apply for the Senior Exemption program which is based on age, income, assets and domicile requirements. Second, there is a Senior Work- off Program. The Council on Aging reviews whether seniors can work off up to \$500 of their taxes.



**ATTACHMENTS**

**2017 Annual Town Meeting**

**Capital Expenditures FY2011-2018**

**Northfield Property Valuations & Tax Rates FY2010-2018**

**Attachment 1- 2017 Annual Town Meeting**

#	Purpose	Department	Request	Finance Committee Recommends	Enterprise	Raise & Appropriate	Free Cash	Other	CPA
1	Waive Reading	Selectboard							
2	Receive Reports	Selectboard							
3	Snow & Ice Deficit	Highway	16,062	16,062			16,062		
4	Accept Chapter 90	Highway							
5	Apply for Grants	Selectboard							
6	Prop 2 1/2 Override	Finance Comm							
7	Omnibus	Finance Comm	8,148,490	7,984,746		7,984,746			
8	EMS Enterprise	EMS	224,146	224,146	166,804	57,342			
9	Authorize BoS PILOT Approval	Selectboard							
10	BoS Authorization Vote	Selectboard							
11	Fire Department Gas Detector	Selectboard	4,500	4,500			4,500		
12	Sewer Enterprise	Sewer	222,093	222,093	222,093				
13	Wastewater Evaluation(s)	Sewer	115,000	115,000				115,000	
14	Bucket Truck Revolving Fund	Highway							
15	Town Hall Wiring	Selectboard	100,000	100,000			100,000		
16	Protective Regulations By-Law	Planning Board							
17	Zoning Codification	Town Clerk	11,500	11,500			11,500		
18	314 Caldwell Rd Clean up	Selectboard	100,000	100,000			100,000		
19	TH Drainage & Parking lot	Selectboard	100,000	100,000			100,000		
20	Replace Highway Truck	Highway	170,000	170,000		48,000	122,000		
21	Transfer Station Compactor	Board of Health	35,000	35,000		35,000			
22	Recycle Revolving	Board of Health							
23	NES Carpeting /Flooring	Selectboard	9,000	9,000			9,000		
23	NES Windows	Selectboard	18,000	18,000			18,000		
23	North Building Roof	Selectboard	10,000	10,000			10,000		
23	NES Wiring Upgrade	Selectboard	15,000	15,000			15,000		
23	NES Parking Lot	Selectboard	60,000	60,000			60,000		
24	PVRS Capital Projects	Selectboard	19,198	19,198		19,198			
25	CPA Funds Allocation	CPA	30,000	30,000					30,000
26	CPA- NES North Entrance	CPA	75,000	75,000					75,000
27	CPA- Library Historic Docs	CPA	850	850					850
28	Stabilization	Selectboard	500,000	500,000		500,000			
29	Welcoming Community Resolution	Citizen's Petition							
30	Resolution of Gratitude	Selectboard							
	<b>Total</b>		<b>\$9,983,839</b>	<b>\$9,820,095</b>	<b>\$388,897</b>	<b>\$8,644,286</b>	<b>\$566,062</b>	<b>\$115,000</b>	<b>\$105,850</b>

**ATTACHMENT 2**

Capital Expenditures FY2011-FY2018

FY 2012		FY 2016	
Audit	\$14,000.00	Misc Town Bldg Projects	\$125,800.00
Highway Dept Truck	\$165,000.00	EMS Equipment	\$20,000.00
Highway Dept Tractor	\$50,000.00	New Zoning Bylaws	\$50,000.00
Emerg. Bldg Feasibility	\$25,000.00	Emerg.Services Bldg	\$30,000.00
Repair FD Roof	\$20,000.00	PVRSD Capital	\$13,508.00
Stabilization Contribution	\$40,000.00	Highway Backhoe	\$214,000.00
Emergency Generator	\$20,000.00	Repair Town Hall Masonry	\$27,700.00
Total	\$334,000.00	Town Hall Electrical Phase 1	\$150,000.00
FY 2013		Pipeline Consulting	\$25,000.00
NES Entryway	\$20,000.00	Stabilization Contribution	\$25,000.00
NES Security Doors	\$10,000.00	Stabilization Withdrawal	-\$179,000.00
PVRS Phone System	\$13,635.00	Total	\$502,008.00
Town Hall Projects	\$18,500.00	FY 2017	
Highway Garage Boiler	\$35,000.00	General Town Cap Expenditures	\$134,000.00
Master Plan	\$75,000.00	New Ambulance	\$250,000.00
Stabilization Contribution	\$225,000.00	EMS Cardiac Monitor	\$30,000.00
Total	\$397,135.00	Town Hall Electrical Phase 2	\$100,000.00
FY 2014		Pipeline Consulting	\$25,000.00
Police Cruiser	\$36,000.00	NES & Fire Station Projects	\$78,000.00
PVRS Boiler	\$45,148.00	PVRS Paving	\$12,475.00
PVRS Heating Controls	\$10,000.00	Stabilization Contribution	\$43,000.00
PVRS Security Doors	\$18,980.00	Highway Dept Gate	\$28,000.00
Stabilization Contribution	\$355,000.00	Highway Dept Truck	\$170,000.00
Total	\$465,128.00	Highway Dept Small Truck	\$48,000.00
FY 2015		NES Playground Equipment	\$10,000.00
Fire Truck	\$450,000.00	Total	\$928,475.00
Update Zoning Bylaws	\$27,000.00	FY 2018	
Salt Shed	\$200,000.00	Snow Deficit	\$16,062.00
Total	\$677,000.00	Town Hall Electrical Phase 3	\$100,000.00
		Codify Zoning Bylaws	\$11,500.00
		Caldwell Rd Cleanup	\$100,000.00
		Town Hall Parking Lot	\$100,000.00
		Highway Dept Truck	\$170,000.00
		New Transfer STN Compactor	\$35,000.00
		NES Projects	\$112,000.00
		PVRS Projects	\$19,198.00
		Stabilization Contribution	\$336,448.00
		Total	\$1,000,208.00
		<b>Grand Total</b>	<b>\$4,303,954.00</b>

## ATTACHMENT 3

## Northfield Property Valuations and Tax Rates FY 2010 - FY 2018

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY2015	FY 2016	FY 2017	FY 2018
<b>Property Valuations</b>									
<b>Residential</b>	\$291,039,327.00	\$292,226,127.00	\$292,075,945.00	\$273,489,845.00	\$274,969,025.00	\$275,690,006.00	\$272,708,024.00	\$273,566,074.00	\$272,937,929.00
<b>Commercial</b>	\$14,093,999.00	\$40,426,194.00	\$42,036,287.00	\$40,469,641.00	\$40,548,945.00	\$39,814,678.00	\$39,735,197.00	\$39,401,344.00	\$17,510,348.00
<b>Industrial</b>	\$72,105,977.00	\$72,054,477.00	\$72,054,477.00	\$71,596,200.00	\$71,596,200.00	\$71,635,800.00	\$110,245,000.00	\$91,954,000.00	\$92,184,600.00
<b>Personal Property</b>	\$16,879,010.00	\$20,371,640.00	\$18,633,534.00	\$22,551,970.00	\$22,115,504.00	\$21,707,240.00	\$31,581,654.00	\$38,788,766.00	\$48,997,062.00
<b>Total</b>	\$394,118,313.00	\$425,078,438.00	\$424,800,243.00	\$408,107,656.00	\$409,229,674.00	\$408,847,724.00	\$454,269,875.00	\$443,710,184.00	\$431,629,939.00
<b>Levy</b>	\$5,482,185.00	\$5,832,076.00	\$5,989,683.00	\$6,137,939.00	\$6,338,967.00	\$6,807,314.00	\$7,218,348.00	\$7,299,033.00	\$7,709,218.00
<b>Tax Rate</b>	\$13.91	\$13.72	\$14.10	\$15.04	\$15.49	\$16.65	\$15.89	\$16.45	\$17.86
<b>Excess Levy Capacity (Amount below levy limit)</b>	\$2,973.00	\$3,256.00	\$4,046.00	\$1,568.00	\$2,651.00	\$49,597.00	\$3,241.00	\$175,122.00	\$163,236.00
<b>Levy Limit</b>	\$5,485,158.00	\$5,835,332.00	\$5,993,729.00	\$6,139,507.00	\$6,341,618.00	\$6,856,911.00	\$7,221,589.00	\$7,474,155.00	\$7,872,454.00
<b>Diff from previous year</b>		6.38%	2.71%	2.43%	3.29%	8.13%	5.32%	3.50%	5.33%