

PROPOSITION 2 ½

The levy limit explained

Proposition 2 ½ refers to an initiative statute adopted by the voters of the Commonwealth in November 1980. Its purpose was to stabilize municipal property taxes. It limits the amount by which the taxing capacity of the Town is allowed to increase each year. The allowed growth is 2.5 percent of the prior year's levy limit. For FY08 this allowed increase in the limit will be \$1,363,083, which is 2.5% of the FY07 levy limit, \$54,523,353.

Added to the levy limit computation is the levy increase attributable to new growth. This represents additions to the base of taxable property, typically as a result of new construction, renovation and minor alterations, or change of use. Permitting the levy limit to be adjusted by new growth recognizes the fact that development creates

pressures on Town services over the long term.

The assessment date for each tax year is January 1. The 2001 Annual Town Meeting adopted a state law allowing the physical improvements existing on property through each June 30 to be assessed with the taxable roll of the preceding January 1. Thus, New Growth forecasted for FY08 is based on the activity of the current 12-month fiscal year ending June 30, 2007. The budget estimate is \$550,000, equivalent to about 1% of the FY07 total property tax levy.

Total growth of the levy limit is therefore attributable to two factors, one which is fixed (+2.5% per year) and one which is variable and subject to economic conditions. The total increase in the FY08 levy limit is thus projected to be \$1,913,084.

Additionally, the FY08 permitted tax levy will increase due to the added cost of debt service already approved by voters at the ballot box in prior years. The FY08 increase is \$364,173.

The total increase in the Budget Plan recommended by the Finance Committee amounts to \$3,061,723 (+4.6%). This recommendation will permit the operating budgets (inclusive of capital outlays paid from current revenues) to rise as follows: Town Government departments, +4.8%; Concord Public Schools K-8, +3.8%; Concord-Carlisle High School operations, +6.1%. Funding this proposed budget level will be possible within the levy limit, based upon current projections of other revenues and available resources.

Funding the FY08 Guideline Budget SOURCES OF NEW FUNDS

• use of prior unused levy limit	\$ 940,631
• permitted 2.5% increase in limit	1,363,083
• increase in debt exclusion levy	364,173
• est. tax levy from new growth	550,000
• projected change in state aid	3,128
• change in Free Cash us	0
• change in other local resources	(159,375)
	\$3,061,640

Calculation of Annual Levy Limit

FY07 Levy Limit	\$ 54,523,353
2 ½ percent	1,363,083
est. New Growth	550,000
Projected FY08 Limit	\$ 56,436,436
Excluded Debt levy	<u>3,061,739</u>
Available at Levy Limit	\$ 59,498,175
Projected levy	\$ 59,283,607
<i>(+4.8% exclusive of New Growth levy)</i>	

Overriding the levy limit

Once at the annual levy limit, the Town may exceed this limit only with a majority vote at a Town-wide special or regularly scheduled election. Without changes to current State laws, development of new municipal revenue sources, or significant amounts of new state aid, override votes have in recent years been annual consideration in the budget cycle. Voters have approved operating overrides for the Town government accounts and the schools in each of the past six years:

- a series of ballot questions approved for a total of \$2,249,022 June 10, 2001;
- a series of ballot questions approved for a total of \$1,478,773 May 14, 2002;
- a series of ballot questions approved for a total of \$1,532,364 May 13, 2003;
- a series of ballot questions approved for a total of \$1,858,160 June 8, 2004;
- a series of ballot questions approved for a total of \$752,480 June 7, 2005; and
- a series of ballot questions approved for a total of \$657,538 June 6, 2006.

Eleven of 17 debt exclusion ballots have also been approved by the voters (see the section Excluded Debt, pages 34-35). The

total debt exclusion tax levy for FY08 is budgeted at \$3,061,739, about 5.1% of the total projected tax bill. The major portion of this sum, \$2,144,000, about 3.6% of the projected tax bill, is the financing cost of long-term bonds and short-term notes issued for the Alcott and Thoreau elementary school projects.

Forms of overrides

The Town Meeting does not vote on overrides, or specify the ballot questions. By State law, overrides, capital outlay and debt exclusions are voted on only at a town-wide election and require a simple majority vote for approval. State law gives the Board of Selectmen the sole authority to determine and specify the ballot questions. The Town Meeting's responsibility is to adopt budgets, and, when necessary, to specify whether and how much of an appropriation is to be contingent upon override or exclusion approval by the Town-wide electorate.

Override votes may precede or follow Town Meeting action. A General Override or Capital Exclusion vote will show the amount of the override in the wording of the ballot question. A Debt Exclusion cannot, by state law, show the amount of the debt, but rather can only refer to the debt authorized or to be authorized by a vote of Town Meeting. Authorization of Town debt

by the issuance of bonds requires a two-thirds vote at Town Meeting.

There are several permitted forms of a vote to exceed the annual levy limit:

General overrides

A majority vote of the Board of Selectmen (3 of 5) is required to place this question on a ballot. The dollar amount of the levy limit increase must be specified and, if approved, the vote permanently increases the limit. The question can be posed with respect to the total budget or by identifying allocations to specific departments.

Capital outlay exclusion

A two-thirds vote of the Board of Selectmen (4 of 5) is required to place this question on a ballot. If approved, the dollar amount of the override is effective for one year only. This form of vote can be used to authorize a capital purchase in lieu of a borrowing authorization. It can be used only for an expense that qualifies, under State law, for debt issuance authorization by the Town Meeting.

Debt exclusion

A two-thirds vote of the Board of Selectmen (4 of 5) is required to place this question on a ballot. If approved, the override is effective only for the duration of the specified loan. The annual debt service amount (principal and interest payment) is added to the otherwise permitted annual levy limit.