

FINANCE FORUM

Aleesha Nunley Benjamin, Finance Director/CFO
Michelle Cresta, Asst. Superintendent of Finance

February 27, 2024



TOWN & SCHOOL

- Work closely together
 - Town CFO provides the School Department general guidance and oversight of compliance with finance laws for the School Department
 - Budgeting cannot overspend bottom line
 - Ensure grants are not spent prior to authorization or after grant expiration
- School will focus on funding mechanisms that impact the school department
 - Tomorrow evening at 5 pm the School Committee will host a budget workshop to review the School's FY25 Preliminary Budget.
- Town will focus on budget drivers and review how revenues impact all town departments
- Town and School both operate under similar finance guidelines and laws that are set by the Commonwealth (School MGL c. 71 and Town MGL c. 44)

MUNICIPAL FINANCE IS BASED ON FUNDS

- A fund is used to separately identify activities
- Fund accounting allows for accountability
- In Massachusetts funds are established by law

☐ **Governmental Funds:**

- **General Fund** - Town's main operating fund
- **Special Revenue Funds** – Revolving Fund, Grant Fund, Gift Fund, Receipts Reserved for Appropriation Fund, Stabilization Fund
- **Capital Project Funds** – ex. Library Building project

☐ **Proprietary Funds:**

- **Enterprise Funds** – Water, Sewer, Harbor

☐ **Fiduciary Funds:**

- **Trust Funds** and **Agency Funds**

REVOLVING FUND

A revolving fund separately accounts for specific revenues and earmarks them for expenditure. The revenues are generated generally with fees for operation.

Massachusetts G.L. c. 44, § 53E½ Departmental Revolving Funds

Maximum spending authorizations are voted annually at Town Meeting

The Town of Marblehead currently has 12 Departmental Revolving Funds

Fiscal Year 2025 - Article 5 Departmental Revolving Funds

Animal Control Department	\$ 20,000
Council on Aging	\$ 250,000
Board of Health, commercial waste disposal	\$1,062,069
Board of Health, vaccines	\$ 10,000
Highway, street opening fees	\$ 150,000
Sump pump improvement	\$ 10,000
Conservation Fines	\$ 75,000
Historical Commission Gift Shop	\$ 25,000
Recreation and Parks	\$1,500,000
Marblehead Public Schools, Special Ed	\$ 500,000
Marblehead Public Schools Transportation	\$ 25,000
Hobbs Memorial Fund	\$ 11,232

RECEIPTS RESERVED FOR APPROPRIATION

- Receipts Reserved for Appropriation Funds are repositories for proceeds that are earmarked by law and directed to accounts, separate from the General Fund, for appropriation for particular purposes.
- MGL Chapter 44, Section 20 governs the use of premium
- When cities and towns sell bonds and notes, the purchasers of those bonds and notes will often pay the city or town a premium over and above the principal amount of the bonds and notes. They pay this premium in return for the city or town paying higher interest rates on the bonds or notes than prevailing market conditions would require.

Article 29 Debt Exclusion Premium:

To see if the Town will vote to transfer from Debt Exclusion Premium Receipts Reserved for Appropriation Fund to Excluded Debt Service for the purpose of reducing the amount of existing debt service and/or the amount of debt needed to be placed with final bonding, both have been exempted from the provisions of Proposition 2 1/2, an amount of up to \$171,643.60 for the fiscal year beginning July 1, 2024, or take any other action related thereto. Sponsored by the Finance Director.

GENERAL FUND

The Town's primary operating fund is the General Fund.

A fundamental principle of municipal finance in Massachusetts is that all revenue received or collected from any source by a city, town or district department or official belongs to the general fund, except those required to be accounted for in another fund and can be spent for any lawful purpose only after appropriation by the legislative body. G.L. c. 44, § 53.

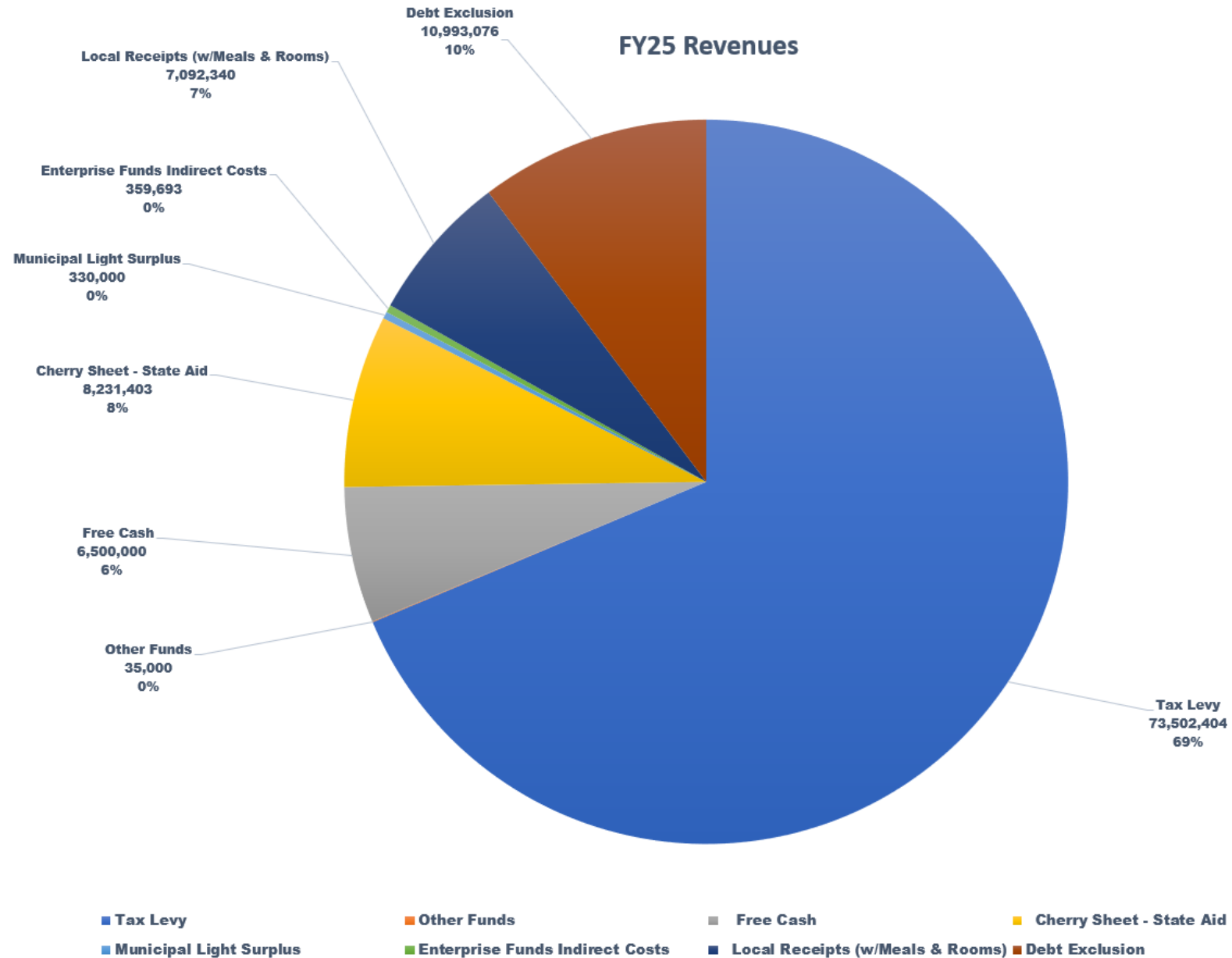
No revenues can be segregated from the general fund into a separate fund to be reserved for specific purposes or spent without appropriation unless expressly authorized by a statute (general law or session act).

GENERAL FUND REVENUES

	<i>FY25 Projected</i>
<u>Revenue</u>	
Levy	73,202,404
Levy New Growth	300,000
Other Funds	35,000
Free Cash	6,500,000
Cherry Sheets - Town State Aid	1,574,037
Cherry Sheets - School State Aid	6,657,366
Municipal Light Surplus	330,000
Enterprise Funds Indirect Costs	359,693
Local Receipts (<i>w/Meals & Rooms*</i>)	7,092,340
Debt Exclusion	10,993,076

**Estimating \$400,000 for Meals & Rooms*

GENERAL FUND REVENUES



EXCISE TAXES

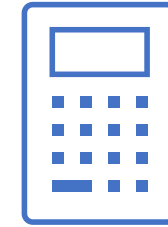
Excise tax bills are prepared by the Registry of Motor Vehicles and billed by the local community where the vehicle is garaged. The excise tax rate is \$25.00 per \$1,000 of assessed value.



Town receives excise tax file from the Registry of Motor Vehicles (RMV).



Treasurer Collector and Assessor cannot change mailing addresses as they are controlled by the RMV.



Formula for Excise taxes can be found online at: www.sec.state.ma.us

EXCISE TAX FORMULA:

The value of the vehicle is determined by multiplying the Manufacturers suggested retail price by the depreciation factor according to the following:

Vehicle Age	Percentage of List Price
In the year preceding the model year (brand new car released before model year)	50%
In the model year	90%
In the second year	60%
In the third year	40%
In the fourth year	25%
In the fifth and succeeding years	10%

Assessors can't levy excises based on present market value, price paid, or vehicle condition.

You can file for an Abatement:

- If you believe the assessment is incorrect
- If your vehicle was stolen
- If you sold the vehicle during the relevant year and cancelled registration
- If you moved, registered the vehicle in another state, and cancelled the registration in Massachusetts
- If you did not renew the registration in Massachusetts

REAL ESTATE & PERSONAL PROPERTY TAXES

BILLED QUARTERLY ON A FISCAL YEAR JULY 1 – JUNE 30

1

Quarter 1

- **Q1 Taxes: July – September Due August 1**
- Q1 is preliminary estimated bill based on one-quarter of the prior fiscal year's total taxes.
- Estimated payments made in the 1st quarter are subtracted from the total computed tax and the remainder is billed over the 3rd and 4th quarter installments.

2

Quarter 2

- **Q2 Taxes: October – December Due November 1**
- Q2 is preliminary estimated bill based on one-quarter of the prior fiscal year's total taxes.
- Estimated payments made in the 2nd quarter are subtracted from the total computed tax and the remainder is billed over the 3rd and 4th quarter installments.

3

Quarter 3

- **Q3 Taxes: January – March Due February 1**
- Once tax rate is set in December Q3 is accurate tax bill based on new assessed valuations and tax rate.





4

Quarter 4

- **Q4 Taxes: April – June Due May 1**
- Once tax rate is set in December Q4 is accurate tax bill based on new assessed valuations and tax rate.

Note: Tax comparisons should be made by comparing the total fiscal year's taxes, not by comparing quarter-to-quarter payment amounts.

REAL ESTATE & PERSONAL PROPERTY TAX ABATEMENTS

	Tax bills must be paid on time, filing an abatement does not stay the collection of your tax. 
	Abatements must be submitted by February 1 in the Assessors office <u>or</u> postmarked by February 1 by the US Postal Service.
	The Actual values shown on your Quarter 3 (Q3) bill, reflect market sales from the prior Calendar year (Jan. 1 – Dec. 31).

Reasons for Abatement	
Overvaluation:	The assessed value is greater than fair market value. Valuation is based on arm length sales in the appropriate calendar year (example FY2024 valuation is based on 2022 Calendar year sales).
Disproportionate Assessment:	The assessed value of a class of property is assessed at a different percentage than the entire town or a single property is assessed differently than like properties.
Improper classification:	Example: a residential building site is assessed as commercial.
Exemption:	The property meets the requirements to be exempt based on use. Example: Public land and facilities, hospitals, schools, churches etc.

PROPERTY TAX ABATEMENTS AND EXEMPTIONS

The League of Women Voters and the Council on Aging (COA) is sponsoring, “Hidden Gems: Town Resources To Shrink Your Financial Footprint”

Learn about programs and services available to residents through the Council on Aging (COA) and the Assessor’s Office on Wednesday, March 20 at 1:00 p.m. at the Judy and Gene Jacobi Community Center, 10 Humphrey Street in the COA dining room.

The in-person program will feature presentations by Town Finance Director/CFO Aleesha Benjamin, COA Director Lisa Hooper, and COA Outreach Coordinator Sharon Doliber.

The 2024 Town Meeting Warrant features two articles for Senior relief:

1. Adjusting the income and asset threshold by the consumer price index for exemptions to expand eligibility to qualified seniors.
2. Increasing the Senior Work Off Abatement amount from \$750 up to \$2,000 allowing seniors to get the maximum allowable amount off their tax bill.

REAL ESTATE TAXES – TAX CLASSIFICATION

Each year the select board, must decide the percentages of the tax levy that each class of property will bear. This is done at the annual tax classification hearing (November).

To do so a minimum residential factor is adopted. The minimum residential factor represents the maximum shift allowed in the tax levy for the year. The residential factor governs the percentage of the tax levy to be paid.

A residential factor of 1 results in the taxation of all property at the same rate (single tax rate).

A residential factor of less than 1 reduces the share of the tax levy paid by the residential properties and increases the share paid by the commercial/industrial properties. This results in a split tax rate :

- A different rate for residential properties (example \$8.00 tax rate)
- A different rate for commercial/industrial properties (example \$10.00 tax rate)

The Town of Marblehead uses a single tax rate as the town has a relatively small commercial industrial base.

Large Cities and Towns with a large commercial/industrial base may utilize a split tax rate to shift more taxes to the commercial/industrial base instead of a single tax rate for residential and commercial/industrial.

Each City and Town must decide what works best for their community as each community is different.



SIMPLE REAL ESTATE TAXES EXAMPLE

EXAMPLE: BUDGET % ALLOCATION CHANGE DUE TO CHANGE IN VALUE



House A

2023 Value: \$700,000

2024 Value: \$819,000

17% increase

2023 Tax Rate: \$10.00

2024 Tax Rate: \$ 8.96

2023 Tax Bill: $700 \times 10 = \$7,000.00$
($700,000 / 1,000 = 700$)

2024 Tax Bill = $819 \times 8.96 = \$7,338.24$
($819,000 / 1,000 = 819$)
↑\$338.24



House B

2023 Value: \$900,000

2024 Value: \$972,000

8% increase

2023 Tax Rate: \$10.00

2024 Tax Rate: \$ 8.96

2023 Tax Bill: $900 \times 10 = \$9,000.00$
($900,000 / 1,000 = 900$)

2024 Tax Bill = $972 \times 8.96 = \$8,709.12$
($972,000 / 1,000 = 972$)
↓\$290.88



House C

2023 Value: \$850,000

2024 Value: \$1,020,000

20% increase

2023 Tax Rate: \$10.00

2024 Tax Rate: \$ 8.96

2023 Tax Bill: $850 \times 10 = \$8,500$
($850,000 / 1,000 = 850$)

2024 Tax Bill = $1,020 \times 8.96 = \$9,139.20$
($1,020,000 / 1,000 = 1,020$)
↑\$639.20



Budget % Shift

2023 Budget = \$24,500.00

House A = 28% of Budget

House B = 37% of Budget

House C = 35% of Budget

2024 Budget = \$25,187.00

House A = 29% of Budget

House B = 35% of Budget

House C = 36% of Budget

House A now pays 1% more
House B now pays 2% less
House C now pays 1% more

PROPOSITION 2 $\frac{1}{2}$

Massachusetts voters passed the ballot initiative in 1980. The law* limits the amount of property taxes a city or town can raise in two ways:

1. The amount raised in property taxes for the Town cannot be more than 2½ percent of the full cash value of all taxable property in the town.
2. There are exceptions to Proposition 2½ for new growth, or if voters OK overrides and exclusions.

** This law is 44 years old and is not current with inflation*

- Medical Insurance is growing between 6% -8% per year
- Retirement Contribution is growing on average 8% - 9% per year
- Trash Collection has sharply risen by 20% for FY25
- Contractual Obligations are increasing at roughly 5% per year
- Despite inflation the Town keeps the cost-of-living adjustments (COLA) for wages at approximately 2% per year to stay within the constraints of Proposition 2½

CONSUMER PRICE INDEX - U.S. City Average (% Change from 12 months ago)

[illegible]

CLEARGOV

CLEARGOV is a valuable tool for citizen engagement and understanding of the Town's financial operations.

The Town's website has good information on a department level and contact information for questions.

Please explore the new Transparency Center and the FY 2024 Annual Budget online.

The screenshot shows the Town of Marblehead website with the URL marblehead.org/select-board. The page features a navigation bar with links to Home, About Marblehead, Departments, Boards & Committees, and Town Employment / Volunteer Opportunities. A search bar and a 'Find it Fast' button are also present. The main content area is titled 'Select Board' and includes a section for 'Marblehead, MA Transparency Center' with a 'View Now' button. Below this, there is a 'View Contact Info' section and a 'Board Members' table.

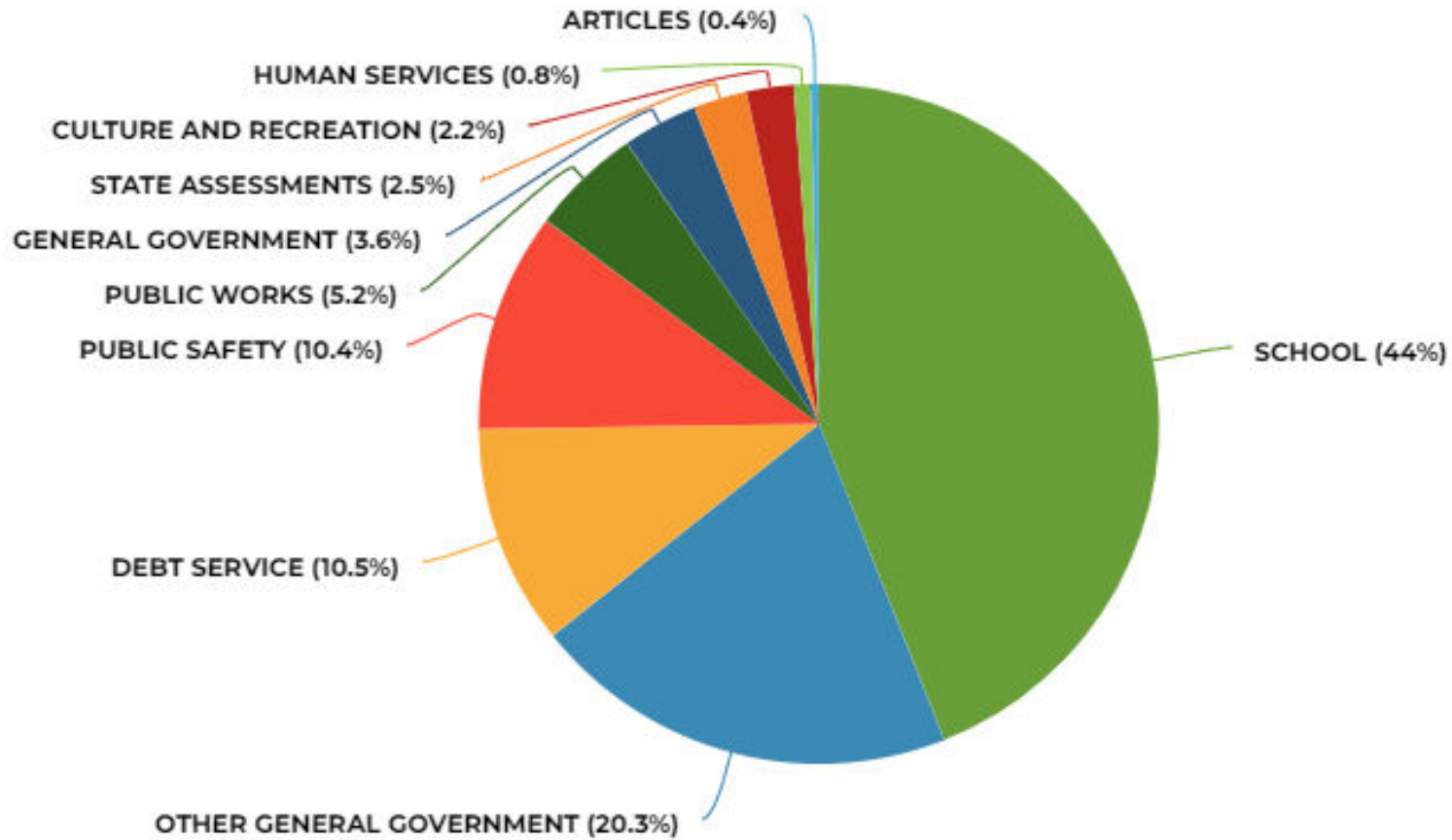
Name	Title
James E. Nye	Member
M. C. Moses Grader	Member
Clm M. Noonan	Chair
Alexa Stinger	Member
Bret Murray	Member

The screenshot shows the Town of Marblehead website with the URL marblehead.org/select-board/pages/budget-documents. The page features a navigation bar with links to Home, About Marblehead, Departments, Boards & Committees, and Town Employment / Volunteer Opportunities. A search bar and a 'Find it Fast' button are also present. The main content area is titled 'Budget Documents' and includes a 'Contact Info' section with phone, fax, and address details. Below this, there is a 'Select Board Calendar' and a 'Demographic Snapshot' section.

Demographic Snapshot

POPULATION	MEDIAN HOME VALUE	MEDIAN HOUSEHOLD INCOME
20,350	\$858,900	\$164,104
▲ 96%	▲ 77%	▲ 70%
Higher than state median	Higher than state median	Higher than state median

GENERAL FUND FY25 EXPENDITURES



Article 0.4% is the Essex North Shore Agricultural and Technical School District Assessment \$416,065

FY25 BUDGET

Town Budget \$45,641,984

Debt Budget \$10,993,076

Cherry Sheet Assessments \$2,118,680

School Budget \$46,509,111

Total General Fund \$105,262,851

FY25 Revenue Allocation:

The School Budget

- 50% of New Revenues to School \$755,394
 - Town Budget transferred Utility Reserves \$400,000 to Schools
 - Town Budget transferred School Medicare 1.45% \$516,444 to Schools

The Town Budget

- 50% of New Revenues to Town \$755,394

FY25 BUDGET

The Town Budget

Last year Town budget was \$44,560,039

FY25 Town budget is \$45,641,984

Change of \$1,081,945

- Cut 1 Full-time Police Officer \$73,000
- Reduced Library \$78,671 in total and some funding went to state grants
 - removed 1 Part-time Adult Services Librarian \$39,337
 - removed 1 Part-time custodian from Library \$25,331
- Reduced Council on Aging \$38,701 to grants
- Reduced benefits
- Transferred costs to revolving funds for one year only to balance:
 - Waste (\$234,545)
 - DPW (\$109,000)
 - Recreation and Parks (\$58,830)

FREE CASH TRANSPARENCY

Free Cash is not free, and it is not cash. It is the general fund undesignated fund balance which is certified by DOR. It is not guaranteed.

There are only two ways to generate free cash:

1. More revenues come in then expected
2. Spend less on budgeted expenditures

Historically Marblehead has budgeted for free cash in the health insurance line. Then the Free Cash was used to balance the budget. We are ending this practice.

- FY23 \$3M
- FY24 \$2M
- FY25 \$1M

As you can see the free cash regeneration is being reduced.

We are working to reserve free cash at 5% of the budget which is a best practice.

We are looking at all revenue sources and developing a long-term plan.

FUNDING MARBLEHEAD PUBLIC SCHOOLS



Four Categories of Funding:

1. General Fund Appropriation

- Tax Revenue, Local Receipts, and State Aid

2. Revolving Funds

A revolving fund separately accounts for specific revenues and earmarks them for a particular purposes to support the activity, program or service that generated the revenues. Best practice is to collect one year of revenue before planning to spend if the funds are being used to offset operating costs.

- Athletic & Activity Fees – offset for athletic and activity stipends
- Special Education Tuition – offset for out of district special education tuitions
- Full Day Kindergarten & Preschool Tuition– offset for staffing & benefit costs
- Guidance Transcript Fees – offset for guidance software costs
- Building Rental Fees – pass-through account, sometimes used to offset utility costs
- Foreign Exchange Student Tuition – primarily used for one-time costs
- Transportation Fees – pass through account

FUNDING MARBLEHEAD PUBLIC SCHOOLS

3. Federal & State Grants

All federal and most state grants have a requirement that the grant funds must supplement and not supplant a school district's operating costs. This requires that the grant funds augment, but not replace funding for educational programs. We are not allowed to move costs into a grant that were previously funded through the operating budget.

All federal entitlement grants have a spending period of 27 months. Ideally the funds are to be spent in the first year of the grant award. State grants have a spending period of 12 months and cannot be carried forward.

Recurring annual grants:

- **Title I**: Supplemental funds for instructional and other academically-related services for students at-risk for not meeting State academic standards.
- **Title II A**: Supplemental resources to school districts to support systems of support for excellent teaching and leading
- **Title III**: Funds to help English learners, including immigrant children and youth, succeed in school by assisting them in becoming fluent in English and meeting challenging state academic content and student academic achievement standards
- **Title IV**: Funds to build capacity and ensure that all students have access to a high quality educational experience. The priorities are to support well-rounded educational opportunities, to support safe and healthy students, and support effective use of technology.

FUNDING MARBLEHEAD PUBLIC SCHOOLS

3. Federal & State Grants (continued)

- **IDEA Special Education**: Provides funds to ensure that eligible students with disabilities receive a free and appropriate public education that includes special education and related services designed to meet their individual needs in the least restrictive environment
- **Early Childhood**: Provides funds to ensure that eligible preschool students with disabilities receive a free and appropriate public education that includes special education and related services designed to meet their individual needs in the least restrictive environment
- **Metco (state grant)**: Expands educational opportunities, increases diversity, and reduces racial isolation by permitting Boston students to attend local schools

FUNDING MARBLEHEAD PUBLIC SCHOOLS

4. Circuit Breaker

State reimbursement program for special education costs paid by districts for qualified special education tuition and associated transportation to out-of-district programs. The reimbursement claim is submitted each summer for the school year just ended and is received throughout the following school year. It is best practice that the district maintain a year balance in the revolving account before applying it to the following year's special education costs.

Primer on Financial Aspects of Special Education, posted by Massachusetts DESE
<https://www.doe.mass.edu/finance/circuitbreaker/finance.html>

Building a circuit breaker balance is a good management practice as it eliminates some of the risk associated with these unpredictable special education costs.

Year Received	Circuit Breaker Reimbursement		Year Received	Circuit Breaker Reimbursement
FY13	\$533,514		FY19	\$1,094,619
FY14	\$436,382		FY20	\$1,434,578
FY15	\$531,863		FY21	\$1,432,059
FY16	\$543,548		FY22	\$1,040,798
FY17	\$657,559		FY23	\$1,219,234
FY18	\$879,696		FY24	\$1,418,183

The FY23 claim for the fiscal year ended June 30, 2023 were submitted in July 2023. We will be receiving \$1,418,183 in the current year (FY24) for last year's (FY23) eligible costs. This amount will be applied to offset next year's (FY25) special education budget.

FUNDING MARBLEHEAD PUBLIC SCHOOLS

4. Circuit Breaker (continued)

Circuit Breaker does not provide 100% reimbursement of costs.

Tuition Costs: For tuition costs this program reimburses a maximum of 75% of tuition costs that exceed an annual per-student threshold as determined by the Department of Elementary & Secondary Education (DESE).

- FY23 tuition threshold \$49,494
- FY24 tuition threshold \$51,721

Transportation Costs: For associated transportation costs this program reimburses a maximum of 100% of transportation costs.

The FY23 program reimbursed transportation at 57% of eligible costs due to state available funding. The actual reimbursement rates are dependent the available state funds earmarked for this program.

FUNDING MARBLEHEAD PUBLIC SCHOOLS

4. Circuit Breaker (continued)

Example:

We have a student with out of district tuition costs of \$100,000 and transportation costs of \$25,000

\$100,000 tuition - \$51,721 threshold = \$48,279 eligible tuition amount

We expect to receive the maximum allowable amount of 75% of the eligible tuition amount or \$36,209

Additionally, we expect to receive approximately \$14,250 in transportation costs at a 57% reimbursement

Total expected reimbursement is $\$36,209 + \$14,250 = \$50,459$ for this student costing us \$125,000

(If a student's out of district tuition does not reach the threshold amount, FY24 = \$51,721, we will not receive any tuition reimbursement.)

FUNDING MARBLEHEAD PUBLIC SCHOOLS

- Tomorrow evening the School Committee is holding a budget workshop beginning at 5 pm. The FY25 budget will be presented as a level services budget request as well as a reduced services request.
 - FY25 Level Services Budget contains an increase of \$2,586,578
 - FY25 Reduced Services Budget contains an increase of \$755,393
- A significant portion of the school department costs are to meet Special Education Out of District placements needs. This cost driver is largely unpredictable.
- More details will be forthcoming about our FY25 budget proposal. Many budget drivers for the school, as well as the town, are increasing at a rate higher than 2.5%. The town is limited to increase the over-all property tax levy by 2.5% each year.



Thank you!
Any questions?

