The chart shows the normal cycle that occurs in any year. It begins in the current fiscal year, preparing for the *NEXT* fiscal year which will be:

- Voted in May at the Annual Town Meeting
- Begin the following July.

It is important to understand that when the budget is created (January/February), *hardly any of the revenues are known with any degree of certainty*. To the contrary, the revenues are merely educated guesses and projections. In reality, the revenues are not calculated until after the books close and the year has finished. What this means is that there is no way **to know** how much we will receive in receipts until we close the books (in July), yet we are **projecting** that number in 9-10 months earlier, in October and completing our projections in January/February. That is why it is very advisable to use very conservative estimates. It is much more advantageous to undershoot revenue projections instead of overshooting them. Because, if we overshoot revenue projections (once we have finished calculating them), we will then have to make cuts to fill these voids. And, the timing of this occurs in September/October, well after the fiscal year is underway and after we have begun spending that year's budget (which at this time would now be known to be underfunded due to the revenue shortages) If this occurred, it would give rise for the need to call an emergency Special Town Meeting to re-open the budget and make cuts to bring the budget into balance.

State Aid:

Local State Aid is broken down into various categories- some directly for particular purposes and some for any purpose. It is voted on every year by the House/Senate and then signed-off by the Governor. But each of the three entities all will make fanfare and big announcements with THEIR budget regarding State Aid at the time that they finish their version of the budget. Keep in mind that none of these announcements has any authority or is binding. To the contrary, the Governor will make his suggested State Aid number in an announcement in January: One should not rely on this number, because it has not been voted on by the legislature. This announcement is merely his projected budget and what he is presenting to the House and Senate for their review.

Likewise, the House usually comes next with their State Aid budget, but again, it hasn't been approved by the Senate nor signed-off by the Governor. So relying on their announcement is likewise just as perilous. And, lastly the same is true for the Senate number... All three have to come to a consensus and vote the amount in Aid that will be given. This usually doesn't occur until well after Town Meeting, some time in June.

Thus, again we are taking projections at face value, but the actuals might come in lower when the numbers are really voted. Usually this does not occur. Usually the numbers are higher, but it isn't without precedent that the numbers do come in lower when they are finally agreed upon by the House, Senate and the Governor. Thus, in the event that State Aid is lower than projected, the Town is left with an unbalanced budget because the budget was created utilizing the State Aid amount given at that time. (January/February). If the actuals come in lower, the budget is out of balance, which is in violation of the Massachusetts Constitution and therefore adjustments to make it come into balance MUST be made. That is where the "Recap Sheet" is applied.

Recap Sheet:

The "Recap Sheet" is a document that is filed with the state in or around October / November. It is approximately the same time as when Free Cash will be certified by the state. This document takes into account the ACTUAL money received and growth that occurred, not the projections that we made and it makes the adjustments to growth and receipts accordingly at the time that we calculate them in total. In other words, in January, when the budget is being developed, we are guessing (based on historical data and trends) how much we will receive for excise tax. However, if the car companies have huge sales and Millbury residents buy more new cars than had been projected, those tax collections AKA "receipts" will be dramatically higher than the collections on their older cars... thus our actual receipts (when calculated after the books close) will come in much higher than our projections. Another reason that the Recap can have major adjustments is "Growth". The Recap Sheet allows us to make adjustments to actual growth vs projected growth once we have final, accurate, actual figures.

Growth:

Growth is the change in assessments over the year for additions and buildings and things of that nature. For instance: if we tax a vacant lot at a hypothetical $100 per year, that hypothetical $100 is all we are getting in taxes for the vacant lot. But what if the owner comes in and takes out a building permit? We now can project that there will be "growth" on that lot. In this example, the owner does in fact begin building and he puts in a foundation. Now that he has made various improvements on that vacant lot, we can reassess him and tax him an additional rate of a hypothetical $10 per year extra for those improvements. So, we start taxing him (in this example) at a hypothetical rate of $110 per year, but then he frames the house and we again reassess him, this time an additional $10 per year for having a lot with a foundation and framing.... etc .. .The owner continues to build the house, and continues to be reassessed at various stages paying higher rates for a more completed house as he goes along building the house. We **project** that rate of "growth" throughout the year, but we really *don't know for certain* at what point the owner will complete the house and get an occupancy permit. So in this example perhaps he is ahead of schedule and completes the house before we thought/projected he would. As soon as he gets his occupancy permit he is now taxed at the full rate of a hypothetical $500 per year for a completed house on a lot. Thus the taxation collected is actually higher than what we *thought we would assess* him throughout the year when we were making this projection. This actual assessment collected, is eventually caught on the Recap Sheet after the books close with the actual amount of taxation that was collected, not the amount that we projected we would collect.

The effects of the Recap Sheet with the knowledge of actual revenues and Growth:

Because October-ish is when we precisely know what are actual revenues were based upon:

- what our actual receipts collected were,
- what we actually received in State Aid
  and
- what our actual growth was,

this is a very good time to reevaluate our budget and rethink our prop 2 ½ taxation levy that was calculated at the time of the budget preparation in January/February.

Every year we are allowed to tax up to 2.5% + whatever growth we had (plus any approved overrides and debt exclusions.) When we make that calculation in January/February we try to estimate growth very conservatively. Likewise, it is our intention to NOT tax the full 2.5% at that time, but to leave some wiggle room for us to make adjustments on the Recap Sheet in September/October. We do this so that if we made a serious undershooting of our projected growth, or if receipts are lower than projected, or if the state did not give us as much State Aid as we had been told they would (when we are creating the budget in January/February) then we still have some levy capacity available to make up that shortage in September/ October without having the need for an emergency Special Town Meeting.

For instance: if we only calculated taxation at 2.4% in January/February when we were creating the budget, and then in September / October we find that our growth estimate was off... we still have that .1% in taxation capacity that we can go back and adjust taxes on the next tax bill to reflect this without having to call an emergency Special Town Meeting.

Hypothetical example - for explanation purposes only:

Now, supposing that we underestimated growth in January when we were creating the budget and when we are filling in the Recap Sheet in October, we now learn that we had an additional $300,000 in growth for which we never accounted. (This has and does happen frequently) This growth will eventually be put into the new budget for the NEXT fiscal year and it will be calculated in the bottom-line each year thereafter. However, at this point now that we know the actual growth IN THE CURRENT fiscal year that we are dealing with, we could add it to THE CURRENT as well as future years if we so choose. That is $300,000 that would be available to the Town immediately for any lawful purpose, including paying down an existing debt, putting it into stabilization or fixing an additional road or two... etc.... But, in order to do this, we would need to have a Town Meeting to appropriate this new growth into the budget or into stabilization, etc. for the current year for which we were dealing. That is one compelling reason why having 2 Town Meetings a year is a good idea. This happens pretty much every year. It's always good to plan for this occurrence in advance and simply plan to have 2 Town Meetings each year so we can account for this.

Many would say that leaving this hypothetical $300,000 off the books for the current year aids the taxpayer by not assessing that growth on this year's taxes (This is an approximate $50 - total for the year - added to the median Millbury house.) That is a very valid and compelling argument. However, there are counter arguments for actually agreeing for this growth to be added to this year's tax bills as well as every future year. This revenue can be used for a myriad of purposes, including investing it in ways that actually save the Town money in the long run. Without a discussion on Town Meeting floor, that ability is taken away from the voter.

There is a difference between a paper-adjustment on the Recap Sheet and voting to spend the money for a purpose. This distinction must be explained. In the first case the $300,000 in additional new growth is simply a paper-adjustment on the Recap Sheet applying unexpected additional revenues to offset unanticipated shortages in other revenues. This can simply be done behind the scenes as a math calculation on the Recap Sheet offsetting the extra $$ on the one hand for the deficit on the other netting out at zero.

However, to the contrary, utilizing the $300,000 in additional growth to fund a particular purpose (such as pay down a debt or transfer into stabilization or pave a road), not simply adjusting an offset on paper, does require an actual Town Meeting vote. So in order to decide what if anything will be done with that $300,000 (aside from Recap adjustments) we have to have a Town Meeting.

Because we often DO have additional growth, etc. even after the offsets, it is a good idea to simply plan on having a bi-annual Meeting to have these discussions and debates so that the voters can decide how, if at all, these revenues *could be spent*. This is transparency and public participation in government at its root and a "Best Practice".

Reasons to have a Bi-annual Meeting / examples of reasons to add this new growth to any current year are:

- We have existing debt (Ramshorn Dam, fire trucks, school expansion, etc.) that we are *already currently* paying interest on. We could use the hypothetical $300,000 to pay down that debt and actually ***SAVE*** in the long run. It makes sense to pay down the debt instead of paying interest for decades. The return on investment is dramatic.
- We are planning on bonding the Shaw School at a cost of an estimated approximate $16 million dollars If we do not have 5% of our revenues in stabilization by the time that we do, we will be forced to borrow at a higher interest rate. Putting the $300,000 into stabilization shows the bonding agencies that we are serious in trying to get to our 5%. Thus investing this $300,000 into our stabilization would ***SAVE*** the Town money by affording us a lower interest rate on the loan.
- We have between $8-15 million dollars' worth of infrastructure work to be completed over the next 7- 10 years. $300,000 in any one year could be used to pay for some of this. That's a road or two completely reconstructed a year or two ahead of schedule and before it deteriorates any worse over the winters.
- Often there are collective bargaining contracts and other considerations (such as bills that come in late and don't get paid by July 1st) that are not finalized by the time July 1st comes around. Having a 2nd Town Meeting to mop-up these loose ends is a "Best Practice".

These are various reasons and/or examples that show having a bi- annual Town Meeting is a good idea. By having *a planned* 2nd Town Meeting in the fall, things that don't get put on the May Town Meeting can be mopped-up at the fall Town Meeting. It just makes the running of Town Government more efficient to be able to keep a finger on the pulse 2ce a year instead of 1ce.

FISCAL YEAR 2018 → ← FISCAL YEAR 2019

OCT '18	NOV	DEC	JAN	FEB	MAR	APL	MAY	JUN	JUL	AUG	SEP	OCT '19
~ Send Out FY 19 Budget Req Forms to Departments ~Depts create wants vs needs draft		~ TM & FD make revenue PROJECTIONS AND ASUMPTIONS ~ Dept heads are informed of how much of an increase or reduction there will be in next (FY 19) fiscal year's budget ~ Depts submit 1st FY 19 budget request to TM & FD	~ Warrant Opens ~ Governor announces his ***projected*** State Aid figure ~ Insurance Costs are estimated ~ BVT Assessment is announced ~ MSD 1st budget request is received	~ TM & FD meet with Depts ~ TM & FD make 1st FY 19 Budget based on Dept requests ~ TM & FD refine budget, make cuts and create a draft budget #2	~Warrant Closes ~ TM & FD make **final FY 19 Budget** ~ TM Presents FY 19 budget to BOS ~ Insurance Costs are finalized ~ FinCom meeting with Depts	~ FinCom votes the FY 19 Budget ~ House / Senate Announce their ***projected*** FY 19 State Aid figures	~ FY 19 Annual Town Meeting	~ ACTUAL FY 19 state aid figures released ~**FY *2018*** ends ~Calculation of ACTUAL ***FY 18*** reciepts begins	~ FY **2019** begins ~ Town Closes the ***FY 18*** Books July 15		~ 2019 Free Cash is certified by the State around this time in Sept/Oct it can be used at any ATM or STM	~Recap completed around this Time in Oct / Nov ACTUAL FY *2018* $$$ is now known ~ It is not until this point in time that the *actual* FY 18 amounts will be finalized ~This is why having extra levy capacity and extra new growth is **HIGLY** recommended ~Make up deficits if there is any levy-capacity left ~ Money not utilized becomes free cash for next year once certified
								FY 18 NEW GROWTH CALCULATED (JUN–SEP)				
								FY 18 RECEIPTS CALCULATED (JUN–SEP)				
											BI-ANNUAL Town Meeting (SEP–OCT)	

BUDGET CYCLE