



Town Finance

Contact:

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Finance Function

“Finance function is considered to be the central nervous system of any organization. More so for the large complex entities, like the Sharon Town municipal government.”

Finance Function

Some major functions:

- Assessing – property valuations, tax rate, abatements
- Treasury – Tax and all other town collections; cash management; banking; payroll and benefits administration
- Accounting – General ledger maintenance
- Weekly payroll/vendor payment warrants and checks
- Annual Operating and Capital Budgets
- Debt management
- Financial reporting and audits
- MA Department of Revenue (DOR) liaison for their regular oversight
- Budgetary controls
- Grants management
- Employee Benefits Control
- Information Technology

Departments within Finance

- Assessing (Team of three)
- Treasury (Team of six)
- Accounting (Team of four)
- Information Technology (Team of two)

Finance Goals

- Long-term fiscal stability
- Balanced budgets – operating and capital
- Compliance
 - State
 - Local
 - Federal
- Monitoring spending and revenues
 - Weekly monitoring of spending budgets
 - Monthly cash reconciliation of 70 accounts with 7 different banks, including 36 individual trust accounts
 - Quarterly budget-to-actual reporting of revenue/expenditures to Finance Committee
- General Ledger Maintenance - (MUNIS) Town's official books
- Gathering and providing necessary fiscal information for controls and monitoring at all levels of town government
- Organize, facilitate and post-audit follow-up on various annual audits:
 - External Financial Audit by certified auditors
 - MA State DOR review of balance sheets and income statements for ALL funds
 - Other Post-Employment Benefits (OPEB) audit
 - WCOMP audit
 - Agency-specific audits
- Debt Issuance and post issue compliance
- Managing debt service levels within operating budgets to facilitate capital projects and maintain market access through adequate bond ratings
- Town's current debt rating: AA Stable (S&P)

Town oversight over Finance Function

- Annual (Spring) Town Meeting (ATM) /Special Fall Town Meeting(s) (STM)
- Priority/Tri-Board
- Select Board
- Finance Committee (FINCOM)
- Other town boards/committees; and
- Town residents

Annual Operating Budget Process for the next fiscal year (July-June) Part 1

- Revenue Estimation (Starts in December)
 - State Aid (Cherry Sheet): Initial numbers come out January end, but not finalized till July/August
 - Local Receipts (Motor Vehicle Excise, Licenses, Fees)
 - Transfers/Recoveries from other funds
 - Property Taxes – Subject to Proposition 2.5%

Town's Priority Committee (Six members – two each from Select Board, FINCOM, and School Committee), approves the revenue estimates for the upcoming fiscal year in March.

This estimated revenue for the upcoming fiscal year becomes the ceiling for total Town budget.

Annual Operating Budget Process for the next fiscal year (July-June) Part 2

Expenditure Estimation (Starts in December)

- Non-discretionary: (Debt, Pensions, Health Insurance, etc.)
- Schools: School Committee reviews and finalizes the school budget
- Town Departments: Select Board and FINCOM review and finalize the town departmental budgets.

The Annual Town Meeting (ATM) or the Special Town Meeting (STM) is the only statutory body to approve expenditures (appropriations).

The Annual Town budget is voted in the May ATM.

Estimated Revenues = ATM budget appropriation

- **State finalizes its budget around July/August**
- **Property values are approved by the DOR in late October/November**
- **Tax rate is approved by the DOR in November (Tax Recap)**
- **Final tax bills go out end of December**

Total Revenue Est. \$103.3 million (6.2% over FY 23)

State Aid:	\$12.7M	(12.3%)
Local Receipts:	\$6.4M	(6.2%)
Other	\$1.3M	(1.3%)
Less assessments	-\$1.5M	(1.4%)

Property Taxes \$84.4M (81.7%) (plug number to meet the total appropriations)

Total Expenditure (ATM Appropriations) Budget \$103.3 million (6.2% over FY 23)

- A. Non-discretionary: \$33.3M (32.2%)**
 - Debt Service \$12.7M 12.31%
 - Pension \$4.8M 4.65%
 - Health Insurance \$10.8M 10.5%
 - Operating Reserves \$0.5M 0.5%
 - Other (Property Insurance, Medicare, OPEB, etc.) \$3.0 2.9%
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- **Schools: \$52.4M (50.8%)**
- **Town Departments \$17.5M 17.0%**
 - Police: \$4.1M 4.0%
 - Fire: \$4.2M 4.1%
 - DPW: \$4.2M 4.1%
 - Library \$1.3M 1.3%
 - Other Town Depts \$3.7M 3.6%

Annual Operating Fiscal Year 2024 (July 2023 -June 2024)

Annual Tax Rate Setting Process

MA DOR Tax Recap: Town presents to the DOR, all ATM/STM appropriations as well as potential sources of revenues – state aid, local receipts, etc. Property taxes become the plug number to balance the budgeted expenditures. DOR reviews and approves the Tax recap. DOR approved rate is used to calculate and send out individual tax bills.

Tax rate = Taxes to be raised / Total Property Values

FY23 tax rate/\$1,000 = $((\$81,170,415) \times \$1,000) / \$4,366,348,300 = \$18.59/\$1,000$

- Property Value = \$700,000
- Total FY23 Tax = $\$700,000 \times (\$18.59/\$1,000) = \$13,013$ (payable in four quarters)

Note: FY24 tax rate will be finalized around mid-late November

Annual Capital Budget Process

- \$10,000 or more and a minimum life span of 5 years
- Maintain (non-Debt Excluded (DE) debt service within 4-5% of the non-DE budget
- Process starts in September
- Five-year horizon. Please see summary.
- Balance between departmental needs and debt service capacity
- Cash capital contribution to lower debt service cost
- Review of past capital projects status
- Presentations and facilities inspection by the Capital Outlay Committee (COC) and public in November - January
- Finalized by the COC by end of January and submitted to the ATM for their vote
- Voted by the ATM in May

Tax Levy Limit- Prop 2.5%, Overrides & Debt Exclusion (DE)

- Massachusetts General Laws (MGL) limits the Tax Levy increase of to 2.5% year-over-year.
- A large project like the new Sharon High School does not fit within the levy limits.
- Increasing the Tax Levy limit requires Town Meeting approval as well as approval in a General Election.
 - Permanent Override
 - Temporary Debt Exclusion (DED) – Usually for large projects that can't fit within the normal budget.
- Example of project funded with a debt exclusion: Sharon High School
- Total Cost Estimate: \$163 million
- State (MSBA) funding: \$53 million
- Town portion: \$110 million
- *(Project is coming at about \$20 million under the original estimates. The final cost won't be till the state audits are completed over the next two years)*
- Town Borrowing: \$93 million at about 1.8% over 20 years
- Average debt service/year: \$5.5 million

Annual Tax Collection Process

- Town budgets are built on 100% collection.
- It's a collaborative process
- Assessor and Collector
- Tax Lien (Tax Title)
- Foreclosures

FY 24 BUDGET SUMMARY

BUDGETED REVENUES

TAXATION:

	FY 21 RECAP	FY 22 RECAP	FY 23 RECAP	FY 24 Estimate	FY 24-23	
1 Levy Base from Prior Year:	\$68,241,180	\$70,884,940	\$73,736,939	\$76,046,671	\$2,309,732	3.13%
2 Tax Increase up to 2 1/2%	1,706,030	1,772,124	1,843,423	1,901,167	57,744	3.13%
3 New Growth:	937,730	1,079,875	466,309	450,000	(16,309)	-3.50%
4 Debt Exclusion (HS 92.5M + LIB 5M)	2,983,479	3,737,227	4,566,969	5,685,507	1,118,538	24.49%
5 Debt Exclusion Other	3,875,198	3,922,834	3,785,488	3,559,193	(226,295)	-5.98%
6 Levy Limit:	77,743,617	81,397,000	84,399,128	87,642,538	3,243,410	3.84%
7 Excess Levy Capacity:	(2,464,254)	(3,281,010)	(3,228,713)	(3,228,713)	0	0.00%
Total Tax Revenue:	75,279,363	78,115,990	81,170,415	84,413,825	3,243,410	4.00%

STATE AID:

	10,542,651	11,072,175	11,816,754	12,683,243	866,489	7.33%
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LOCAL SOURCES:

8 Motor Vehicle Excise	2,850,000	2,500,000	2,600,000	3,000,000	400,000	15.38%
9 Hotel/Meals	220,000	220,000	300,000	330,000	30,000	10.00%
10 Marijuana Excise/Local		320,000	700,000	1,130,000	430,000	61.43%
11 License & Permits	500,000	605,994	555,000	800,000	245,000	44.14%
12 Investment Earnings	785,000	855,820	350,000	300,000	(50,000)	-14.29%
13 Interest & Penalties on Taxes	140,000	176,618	150,000	160,000	10,000	6.67%
14 Fees & Departmental Revenues	230,000	340,000	365,000	570,000	205,000	56.16%
15 Other	118,953	103,268	83,447	154,000	70,553	84.55%
Total Local Receipts:	4,843,953	5,121,700	5,103,447	6,444,000	1,340,553	26.27%

OTHER AVAILABLE FUNDS:

	830,046	1,017,251	704,508	1,305,830	601,322	85.35%
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GROSS REVENUE AVAILABLE:

	91,496,013	95,327,115	98,795,124	104,846,898	6,051,774	6.13%
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LESS ASSESSMENTS & OFFSETS:

	(1,297,007)	(1,327,335)	(1,589,687)	(1,558,604)	31,083	-1.96%
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AVAILABLE FOR APPROPRIATION

	90,199,006	93,999,780	97,205,437	103,288,294	6,082,857	6.26%
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Assessed Valuations:	3,684,746,130	3,955,240,010	4,366,348,300	4,366,348,300	0	
Tax Rate	\$ 20.43	\$ 19.75	\$ 18.59	\$ 19.33	\$ 0.74	4.00%

APPROPRIATIONS

Non-Discretionary Items	28,231,741	30,251,054	30,983,498	33,347,142	2,363,644	7.63%
Schools	46,234,015	47,559,430	49,511,050	52,395,688	2,884,638	5.83%
Selectboard Sector	14,424,226	14,830,304	15,341,318	16,059,752	718,434	4.68%
FINCOM Sector	1,309,024	1,320,963	1,364,677	1,441,000	76,323	5.59%
	90,199,006	93,961,751	97,200,543	103,243,582	6,043,039	6.22%

Budgetary Surplus/(Deficit)

\$ 44,712

Town of Sharon, MA
5 - Year Capital Plan: FY2024-FY2029
SUMMARY

FIVE YEAR CAPITAL REQUESTS SUMMARY

	<u>APPROVED</u> <u>2023</u>	<u>REQUESTS</u> <u>2024-29</u>	<u>CASH</u> <u>2024-29</u>	<u>DEBT</u> <u>2024-29</u>	<u>ARF</u> <u>2024-29</u>	<u>CPA</u> <u>2024-29</u>	<u>CH 90</u> <u>2024-29</u>	<u>WTR CASH</u> <u>2024-29</u>	<u>WTR DEBT</u> <u>2024-29</u>
Police	195,000	1,295,000	1,210,000	85,000					
FIRE	655,000	2,240,000	80,000	1,540,000	620,000				-
CIVIL DEFENSE	100,000	440,000	30,000	410,000					
RECREATION	91,787	205,000	-	125,000	-	80,000			
Other CPA Projects	215,400					-			
IT	-	-	-	-					
COA	-	86,377	-	86,377					
LIBRARY	-	-							
DPW - Ch 90	960,000	4,040,000					4,040,000		
DPW	1,575,000	5,813,000		5,813,000					
TOWN DEPTS	3,792,187	14,119,377	1,320,000	8,059,377	620,000	80,000	4,040,000	-	-
SCHOOL DEPT	1,214,750	19,491,492	1,820,000	17,671,492					
TOWN & SCHOOL	5,006,937	33,610,869	3,140,000	25,730,869	620,000	80,000	4,040,000	-	-
WATER DEPT	17,566,000	7,984,000						900,000	7,084,000
GRAND TOTAL	22,572,937	41,594,869	3,140,000	25,730,869	620,000	80,000	4,040,000	900,000	7,084,000

Town's Reserve Balances:

	<u>6/30/2017</u>	<u>06/30/18</u>	<u>06/30/19</u>	<u>06/30/20</u>	<u>06/30/21</u>	<u>6/30/2022</u>
Free Cash- GF	\$ 2,709,166	\$ 3,918,278	\$ 5,644,979	\$ 5,871,797	\$ 6,872,981	9,157,580
Stabilization Fund - GF	\$ 724,761	\$ 816,162	\$ 885,549	\$ 938,694	1,013,185	1,002,491
Health Insurance Reser	\$ 1,806,617	\$ 2,497,251	\$ 2,882,047	\$ 2,445,824	2,208,798	2,932,142
OPEB	\$ 325,806	\$ 553,234	\$ 919,017	\$ 1,296,433	2,065,781	2,296,483
Total	\$ 5,566,350	\$ 7,784,925	\$ 10,331,592	\$ 10,552,748	\$ 12,160,745	\$ 15,388,696
Excess Levy capacity	\$ 2,075,990	\$ 2,017,487	\$ 2,024,952	\$ 2,464,254	\$ 3,281,010	\$ 3,228,713
Free Cash - WTR	\$ 1,218,702	\$ 1,113,964	\$ 1,748,363	\$ 2,646,210	\$ 4,162,052	\$ 3,313,341

APPENDIX: Annual Budget Process and Cycle Part 1

The Town of Sharon operates under a Select Board -Town Administrator form of government. The legislative body of Sharon is an Open Town Meeting comprised of all registered voters. Town Meeting has the sole authority to appropriate funds for the operating budget and capital projects except for specific instances where statutes or regulations do not require appropriation. Any amendments to appropriations require Town Meeting vote at either a regular or Special Town Meeting. Annual Town Meeting is always held on the first Monday in May.

The fiscal year begins on July 1, and the budget cycle for the next year begins immediately:

Annual Budget Process and Cycle Part 1

August/September

The Town Administrator and Finance Director present the town finances and long-range plans to a joint meeting of the Select Board, Capital Outlay Committee Chair, Finance Committee and School Committee

Capital Project Forms and instructions for the current year and next four years are distributed

October/November

Capital Project requests are due

Town Administrator submits five-year capital improvement plan and next year's capital budget request to the Capital Outlay Committee

Operating Budget forms and instructions are distributed

November

Deadline for submission of operating budgets by departments and committees (revenues and expenditures) to Town Administrator

Board of Assessors present recommendation on tax classification

Review of tax recapitulation sheet

Annual Budget Process and Cycle Part 2

December

Town Administrator submits proposed FY general government operating budget to the Select Board

January

Committee reviews revenue estimates and preliminary uncontrollable budgets; reviews five-year financial projections; sets operating budget target

Vote to open the Annual Town Meeting Warrant; preliminary determination of need for fall Special Town Meeting

Outlay Committee tour of proposed capital project sites; vote capital project recommendations

Committee review of sector budgets and draft Warrant

Budget review by Select Board

Date to submit articles for Annual Town Meeting; Articles are distributed to Moderator, Finance Committee, Select Board, Town Counsel and Town Clerk

Committee reviews Annual Town Meeting Article, assigns write-ups and schedules article discussions with proponents The most recent Audit Report and Management Letter by the Town Auditor are presented to the Audit Committee

Annual Budget Process and Cycle Part 3

February

Finance Committee to hear budget presentations

Select Board review and order Annual Town Meeting Articles for insertion into the warrant

March

Articles in final form by Town Counsel distributed to Finance Committee, Select Board, Moderator, Town Clerk and Finance Director

Select Board vote positions on Annual Town Meeting Warrant Articles

Finance Committee review of annual Town Meeting Articles; deliberate operating and capital budgets and vote positions

Motions for articles prepared by Town Counsel and submitted to Select Board for review

Annual Budget Process and Cycle Part 4

April

Finance Committee reports and comments on all Annual Town Meeting Articles (including budget Articles) submitted

Warrant text is completed and sent to printer

Copies of Warrant and draft motions delivered to Select Board, Moderator, Finance Committee, Town Clerk, Town Counsel and Finance Director

Select Board sign warrant for posting by Town Clerk

Postal delivery of warrant to citizens

May

Moderator Open Discussion- Pre-Annual Town Meeting

Finance Committee Open Warrant Meeting

Final errata and supplemental materials prepared, printed and delivered for distribution at Annual Town Meeting

Town Meeting first Monday in May

Thank You!

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