Advisory Budget Overview

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Sherborn Advisory Committee Chair
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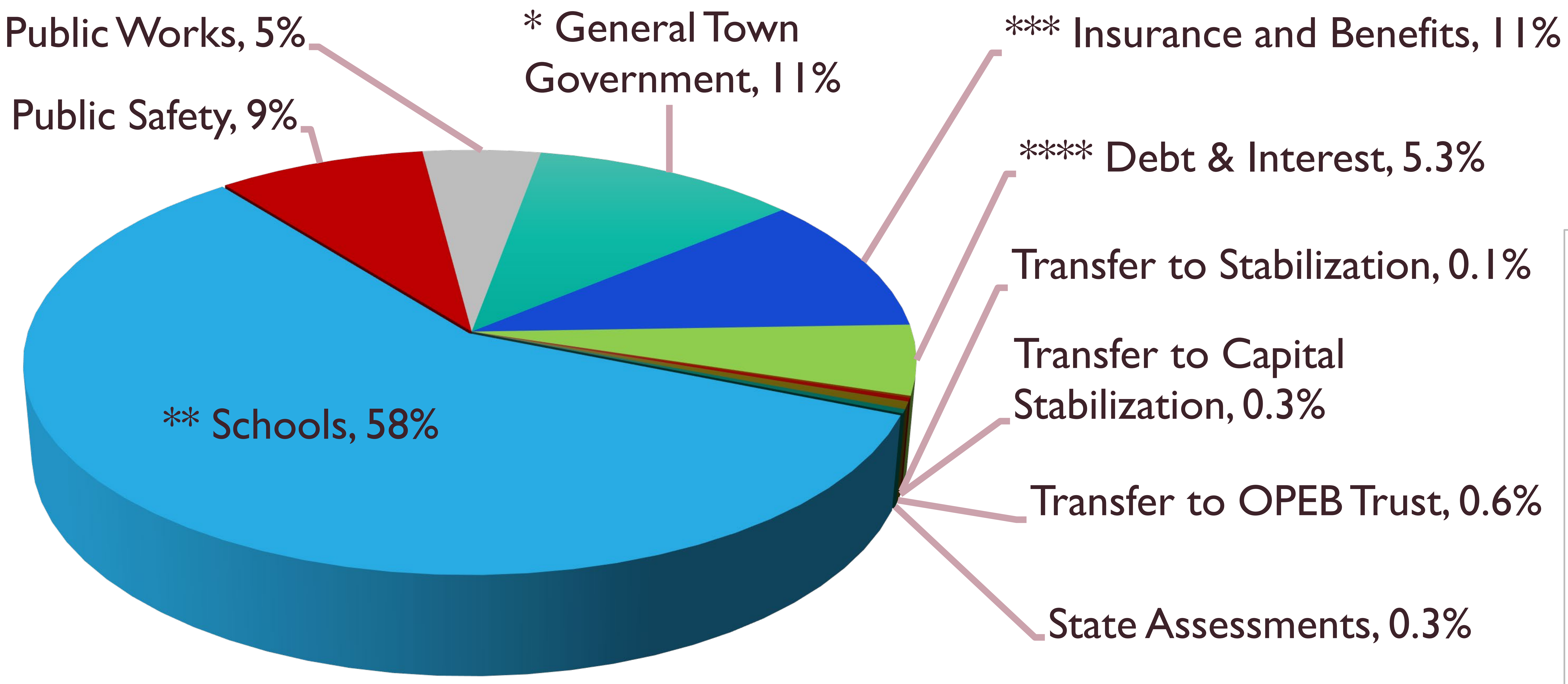
Operating Budget Overview

- Total operating budget in FY25 = **$34.2 million**
- Operating budget per capita = **$7,477**
- Average property tax bill in FY24 = **$18,705**

DRAFT FY25 Operating Budget - Expenses

FY25 Expenditures – Total Budget Share



- Includes Reserve Fund appropriation

** Includes Sherborn K – 6, Dover/Sherborn Regional, Tri-County Technical, Norfolk Ag/Minuteman

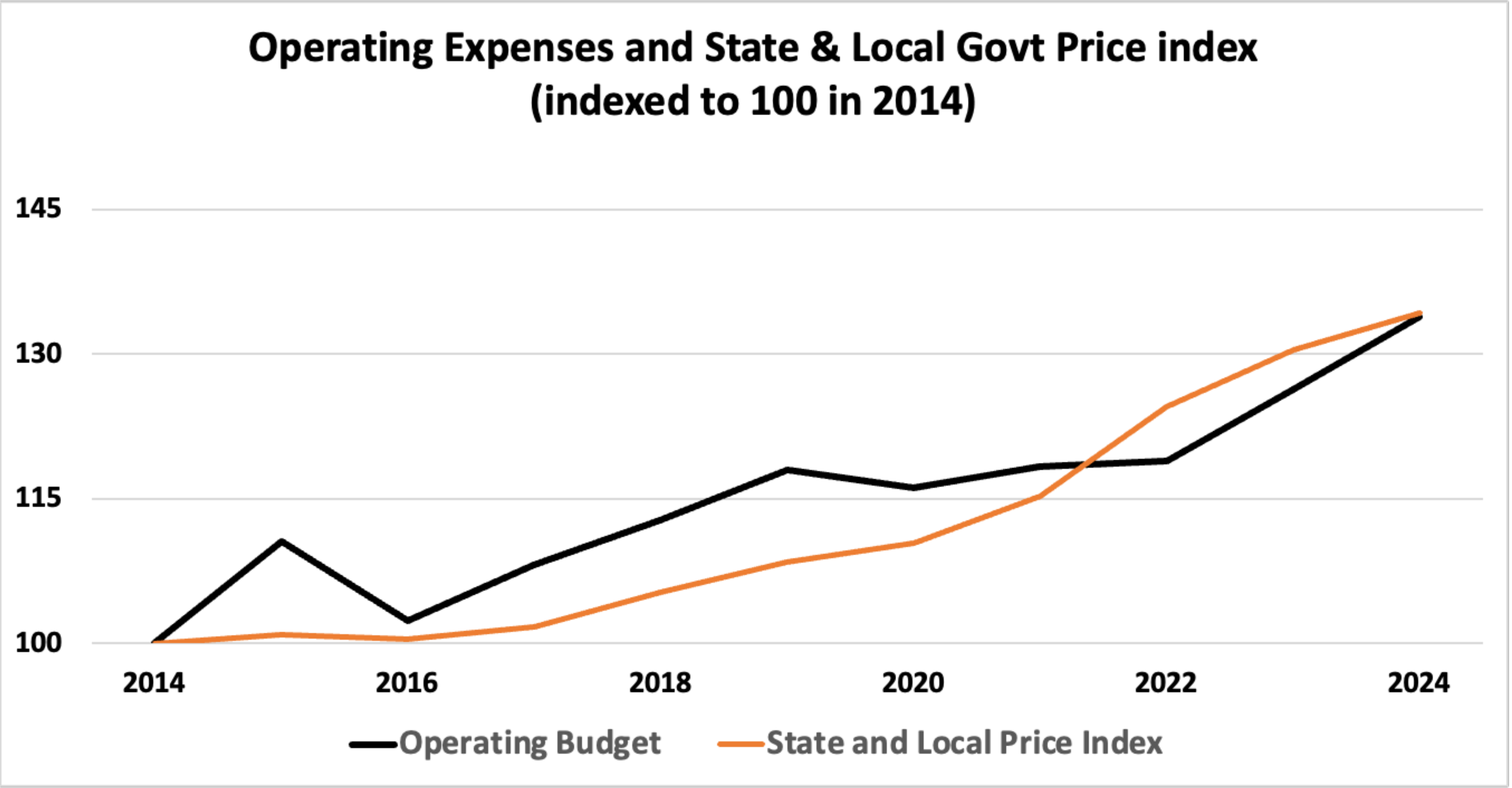
*** Approx. allocation 55% Schools and 45% Town

**** Approx. allocation 25% Schools and 75% Town

Where $ come from?

- About **90%** from property taxes (on homes & commercial property including utility structures).

- Balance from assorted other sources including: excise taxes, state aid, fees, & etc.



Operating Expenses and State & Local Govt Price index
(indexed to 100 in 2014)
145
130
115
100
2014
2016
2018
2020
2022
2024
Operating Budget
State and Local Price Index

What determines the tax rate?

- Tax rate per $1,000 =

  [total spending / total property valuation] x 1000

- Spending: Town Meeting
- Total property valuation: Assessments
- Tax rate set to raise funds to cover ***already-set spending***

What determines your tax bill?

- Your tax bill = tax rate x your property valuation

Scenario 1

Tax rate per $1,000 =

[total spending / total property valuation] x 1000

Your tax bill = tax rate x your property valuation

Scenario

- Suppose spending unchanged but everyone’s property valuation increases by **2%**

tax bills unchanged as tax rate falls

Scenario 2

Tax rate per $1,000 =

[total spending / total property valuation] x 1000

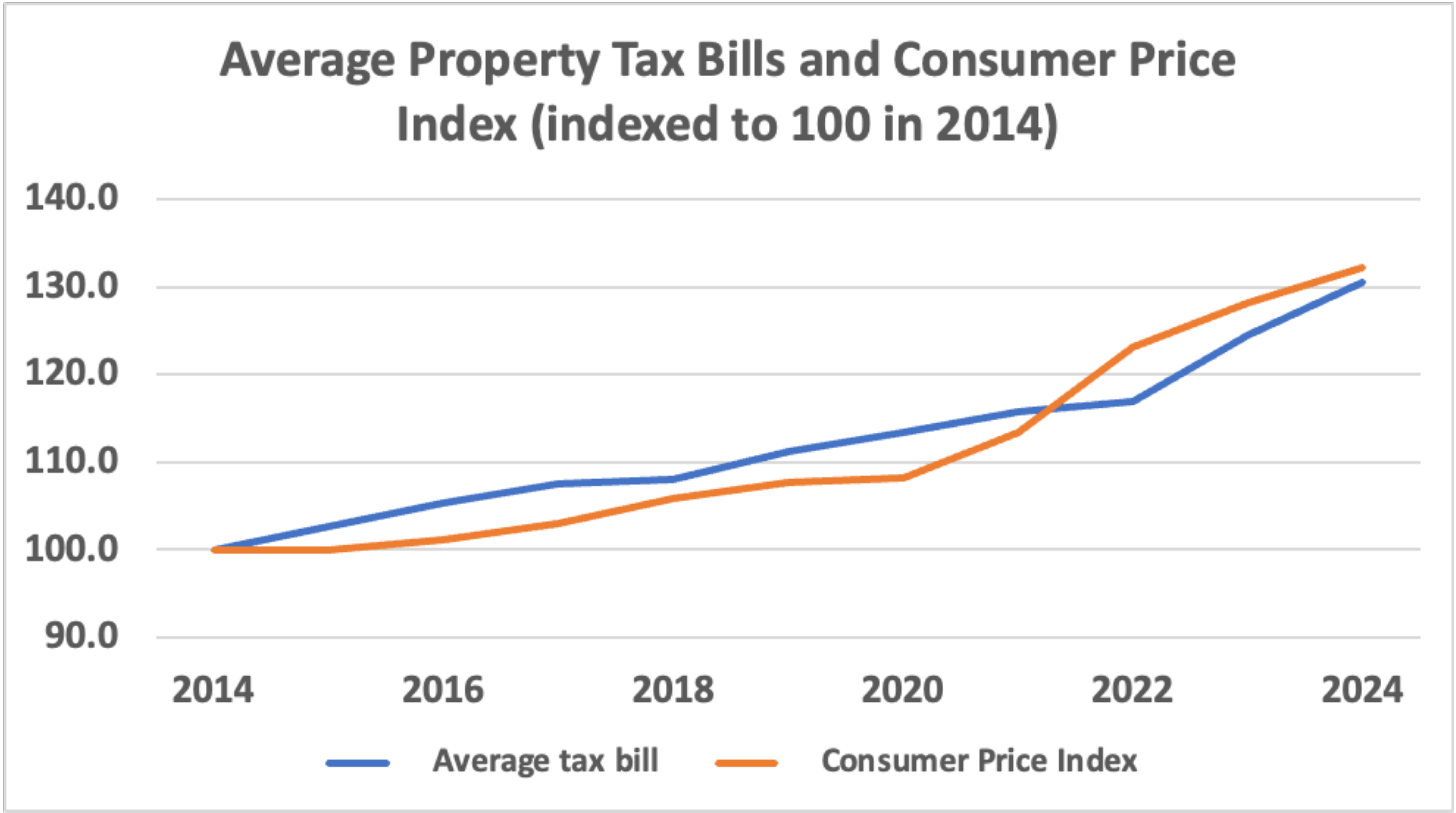
Your tax bill = tax rate x your property valuation

Scenario

- Suppose spending increases **2%** but everyone's property valuations are unchanged

➡ tax bills increase 2% as tax rate rises

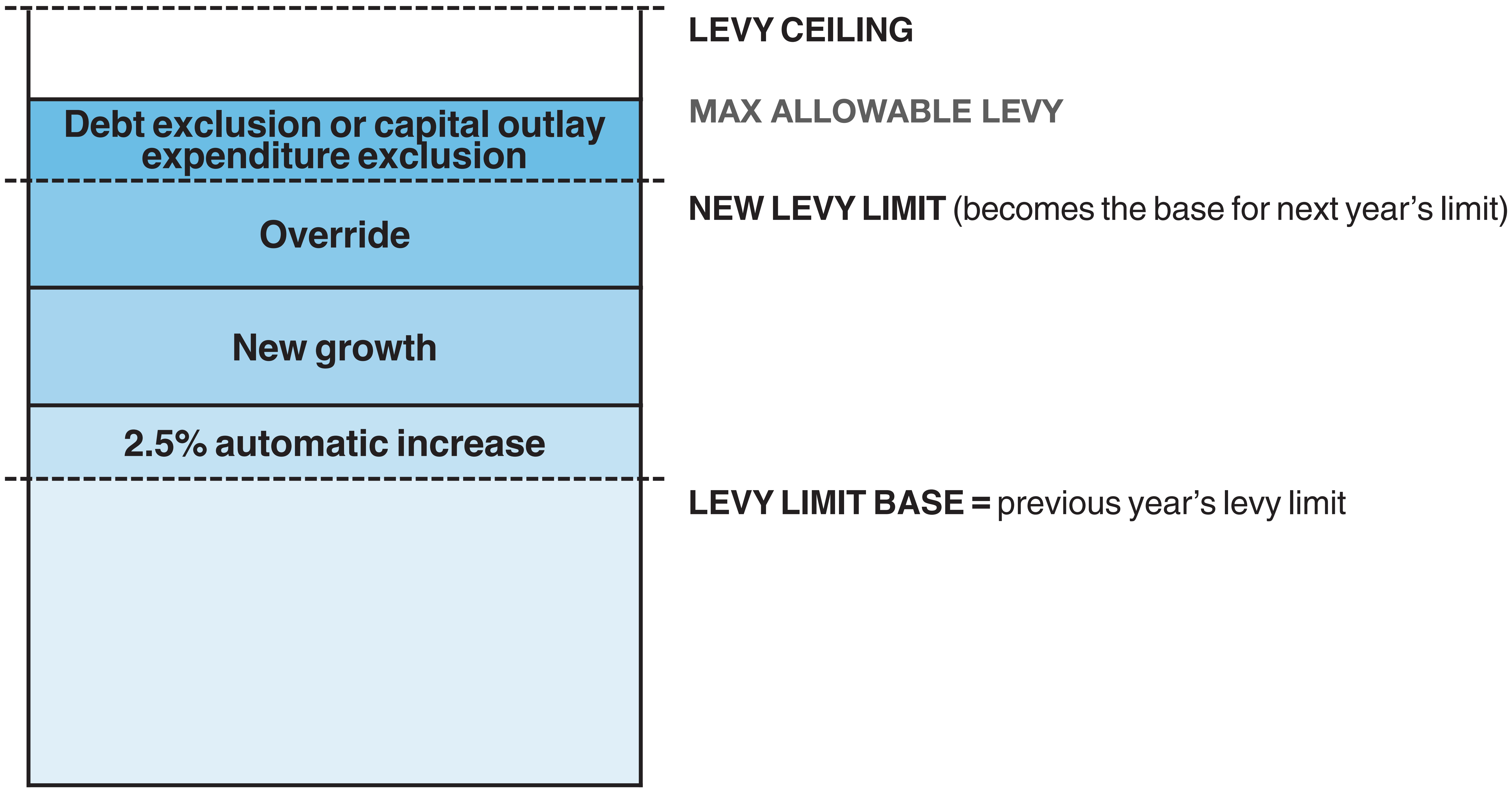
Thus, <u>primary driver of tax bills is spending</u> rather than assessments, unless your property's valuation changes differently from others in Town


Average Property Tax Bills and Consumer Price Index (indexed to 100 in 2014)
140.0
130.0
120.0
110.0
100.0
90.0
2014
2016
2018
2020
2022
2024
Average tax bill
Consumer Price Index

Proposition 2-1/2

How does it work?

- Start with last year's Levy Limit
- Add 2.5% increase
- Add "new growth"
- Add any over-rides to get new Levy Limit
- Add debt service on excluded debt (temporary)



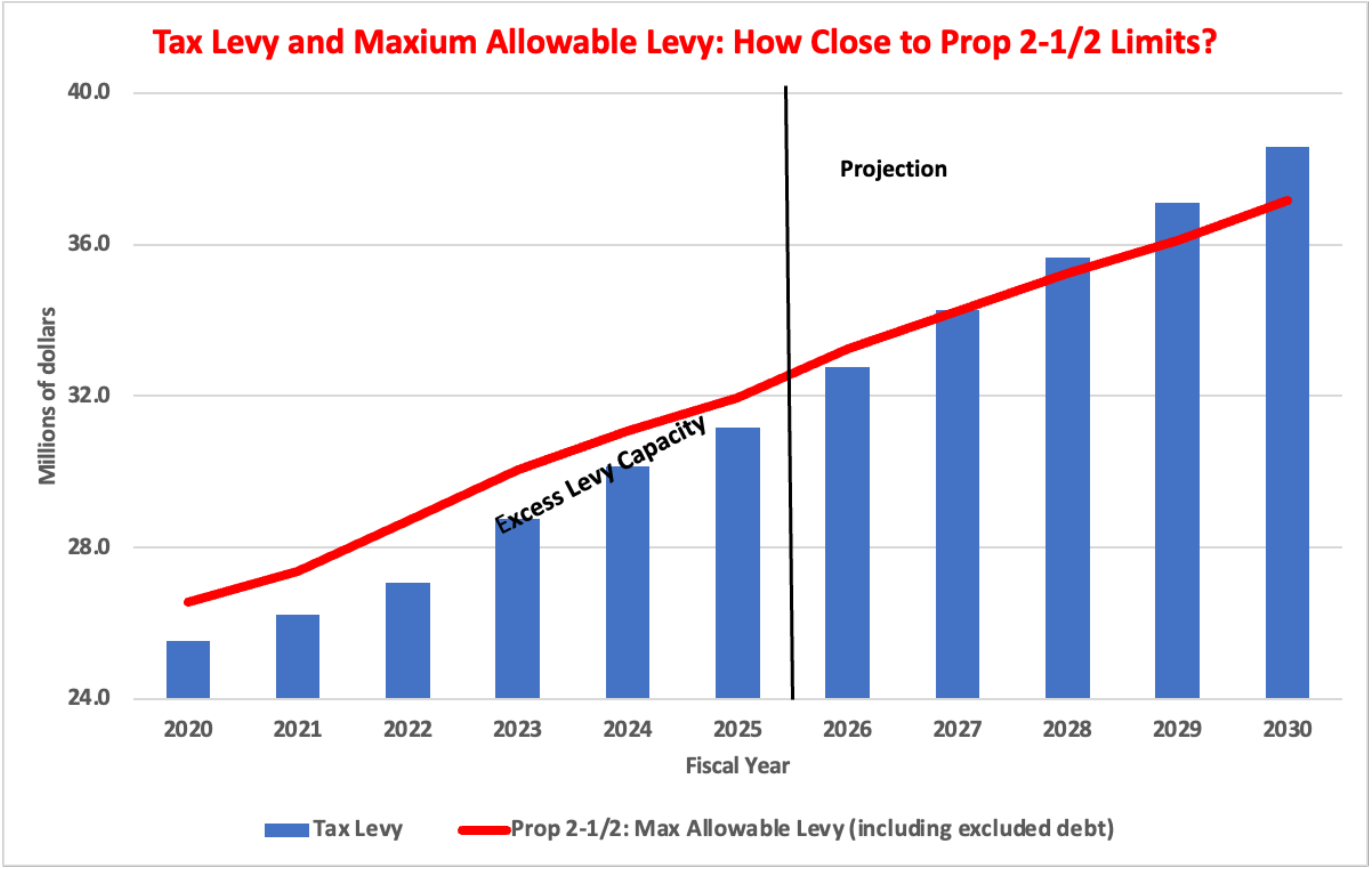
Source: Department of Local Services

Prop 2-1/2 in Sherborn

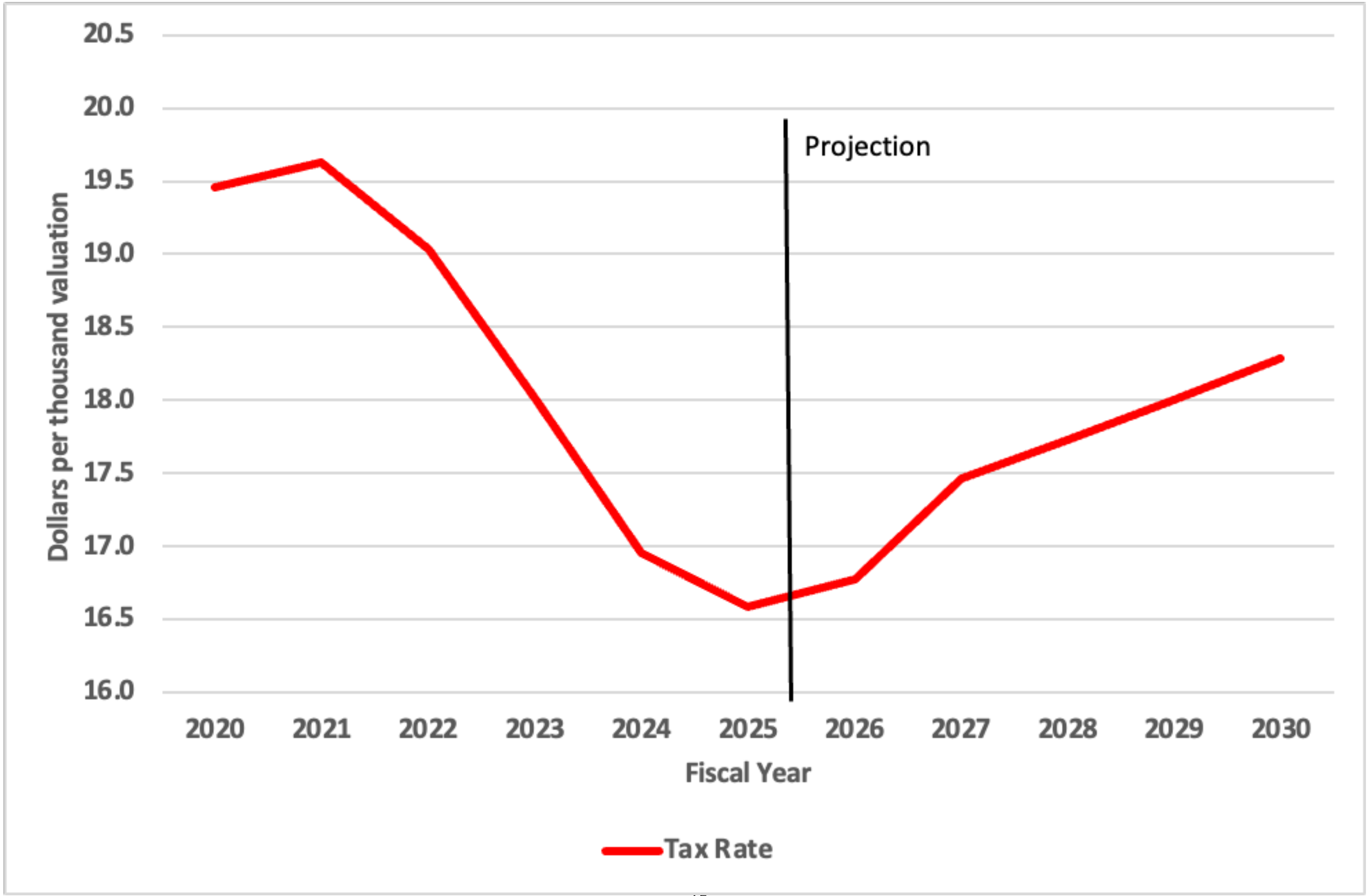
- Prop 2-1/2 about how much Max Allowable Levy changes; not about how much taxes can change (unless at Maximum Allowable Levy).

- Excess Levy Capacity = Max Allowable - Actual Levy

- Excess Capacity had been sizable. But, eroded by inflation pressures on operating budget. Prop 2-12 not indexed for inflation!



Tax Levy and Maxium Allowable Levy: How Close to Prop 2-1/2 Limits?
40.0
36.0
32.0
28.0
24.0
Millions of dollars
Projection
Excess Levy Capacity
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
Fiscal Year
Tax Levy
Prop 2-1/2: Max Allowable Levy (including excluded debt)



20.5
20.0
19.5
19.0
18.5
18.0
17.5
17.0
16.5
16.0
Dollars per thousand valuation
Projection
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
Fiscal Year
Tax Rate